

AU Endorses Ambitious African Investment Bank

By John Mireny, Addis Ababa

The ongoing African Union Summit has endorsed establishment of an ambitious African Investment Bank (AIB) with an initial capital of USD 25 billion.

The seed capital comes from voluntary contributions from AU member countries..

Maxwell Mkwezalamba, AU Commissioner for Economic Affairs said in exclusive interview here that the new multilateral financial institution will mostly be lending to regional projects.

Libyan capital Tripoli has been chosen headquarters, and AIB “will be purely African owned”, he said.

When asked as to whether the new envisaged African regional bank would duplicate financing functions now undertaken by the African Development Bank (AfDB), he replied “no”.

The AfDB, and even World Bank for that matter, have been reluctant to support regional or inter-regional projects, a financing gap for which AIB will close.

AIB, he said, would largely focus on long-term inter-regional investments like roads whose spill over effect would be to facilitate regional integration efforts in Africa.

Looking at it differently, he said, “AfDB alone cannot meet all development demands on the African continent, much as presence of AIB will promote competition and efficiency between Pan African financial institutions”.

As for when would AIB kick-start operations, the Commissioner said as soon as legal instruments are ratified by member states, most likely between 2018 and 2021.

AfDB is owned by 53 African countries (shareholders) and 24 non-regional African countries, eight of them being G8 members.

Sources familiar with the AU confided that AIB is one of the three Pan African Financial Institutions now in the pipeline.

Pan continental efforts are now underway to establish African Central Bank (ACB) and African Monetary Fund (AMF). Nigeria will host the ACB while Cameroon has volunteered to become headquarters for proposed AMF.

While the ground work for these ambitious institutions is well under way, sources said their implementation would depend on the political willingness of African leaders.

For instance, the realization of ACB signifies that individual African central banks would have to relinquish some of their core functions like issuance of currency as national legal tender in place of common African currency.

Maxwell conceded later that Pan African efforts towards that direction are being mobilized, but was cautious on implementation and timelines.

“That will herald in the need for one monetary policy, a nearly one level inflation rate, agreement on import cover, free movement of goods, services and people”, he emphasized.

The AMF, he said, “will act as clearing house to promote trade, investment and balance of payments support to individual African countries”.

Meanwhile, the AU Summit has approved the establishment of the New Economic Partnership for Africa’s Development (NEPAD) Planning and Coordination Agency (NPCA) as a technical body of the AU in replacement of the NEPAD Secretariat.

Documents show NPCA is mandated to facilitate and coordinate the implementation of continental and regional priority programmes and projects and to mobilize resource and partners in support of their implementation.

NPCA will maintain its corporate brand identity of the NEPAD Programme within the AU while its activities would be financed from the statutory and voluntary sources of the AU, development partners and private sector.

Mr. John Mireny (PRINT)
www.mct.or.tz



Media Council of Tanzania