

**AFRICAN DEVELOPMENT BANK**

**AFRICAN DEVELOPMENT FUND**



**GHANA**

**LONG-TERM STRATEGY CONSULTATION MEETING**

**12<sup>th</sup> of April 2012**

## Summary Report on the LTS Ghana Consultation Meeting

Accra – April 12<sup>th</sup>, 2012

Following a brief presentation on the Approach Paper of the Long Term Strategy, the focus group discussions were based on the key drivers of change in Africa, Africa's expectations of the Bank and the required changes that the Bank must consider. The main conclusions are summarized below.

### 1. CONTEXT AND DRIVERS OF GROWTH

- The Bank's move from a medium term to a long term strategy was welcomed. Long Term Development Plans (LTDP) are equally necessary for African countries. However, efforts should be made to ensure that these plans are non-partisan, reflect national interests and transcend political party lines and administrations. The role of National Development Planning Commissions is significant and CSOs are also considered critical stakeholders in the design of such plans and for their adoption through a participatory and consultative process that includes youth, women and the private sector. An example is the current role played by CSOs in Ghana to promote a Fiscal Responsibility Act.
- Leadership and catalytic role in strategic development thinking and policy formulation: The Bank's African character and centeredness give it a key leadership role in generating African solutions for African problems. The Bank can assist African countries through knowledge sharing activities and the dissemination of lessons learnt from successes and failures from its interventions in RMCs. Participants argued that the structure of African economies differs and while some economies can sustain different levels of budget deficit, inflation and debt, the same recommendations are made for all countries. The Bank should not shy away from providing alternative options to IMF and World Bank policies. Many countries like Ghana seem to be able to secure significant funding but there are policy challenges in turning around development agenda into reality, including a notable reduction in gender and geographical disparities.

### 2. VISION FOR AFRICA FOR THE NEXT DECADE

- **Internally Driven Growth:** The growth path of several African countries has been externally driven, based on demand for raw materials and financed with external assistance. The recent financial crisis and on-going challenges in the Euro zone point to the vulnerability of such growth pattern. The desired strong, sustainable and inclusive growth cannot be achieved without effective action on the agriculture and manufacturing sectors, expanded local participation in the management of natural resources and integration of the African economies and markets. Regional integration can increase productivity in a larger market space thus ensuring internally driven growth.
- **Transforming Urbanization into Asset:** Africa is becoming more urbanized with its attendant challenges in terms of slum developments and inadequacy of socio-economic infrastructure. Urbanization also has an impact on the environment and availability of labour for agriculture. If well managed however, urbanization could be an opportunity by providing significant demand

for a number of services (mobile phone, internet access ...). There is evidence that the service sector has fuelled recent growth in many RMCs.

- **Managing Climate Change:** deforestation and lack of proper management of existing forests, impact of mining and current exploitation of oil and gas raise environmental concern. Climate change should however be seen as an opportunity rather than a challenge. There is a need to address the underlying reasons constraining African countries' access to the green fund to assist in implementing green growth and climate change mitigation/adaptation interventions. Participants regretted that it takes three to five years to bring a CDM project to financial close. Inadequate awareness, limited expertise and research, insufficient African data feature prominently as possible causes. African research and human resources in the area of climate change are essential in that respect.
- **Sustaining Democratic Dividends:** recent developments in the sub-region are worrisome. Democratic gains in terms of rule of law, freedom of media, zero tolerance for corruption and better management of the election processes to contain election related violence must be consolidated. These dividends underpin business confidence and foreign direct investment.

### 3. OPERATIONAL FOCUS FOR THE BANK

- **Increased Flexibility, Selectivity and Responsiveness:** The Bank is expected to be more flexible and timely in all interventions. The Bank is encouraged to review its services and products to be more responsive to the changing and heterogeneous needs of RMCs while paying close attention to the minimization of transaction costs.
- **Supporting Human Capacity Development:** The Bank can help build human capacity of African countries. Youth education is a priority and emphasis must be placed on the skills required for the job market. African countries need professionals with PhDs and MBAs, middle level managers but also well trained welders, plumbers, artisans, and carpenters. Public sector capacity and that of Parliaments must also be enhanced to ensure that the appropriate reforms are designed and implemented.
- **Regional Integration:** The Bank needs to play a greater role in regional matters especially regional integration aspects of infrastructure, trade and economic policies. It is time to move beyond political talk since there has been limited implementation of the multitude of signed agreements and protocols. The development of regional infrastructure especially in railways and roads was key for the development of the African Market place. Enhanced consistency and effective implementation of rules and regulations across the sub-region to encourage easy movement of goods and persons must be emphasized.

The Bank has a comparative advantage in regional integration and should leverage its privileged relationship with African Heads of State and Governments to reiterate the urgency to implement the regional integration agenda. Some participants felt that Ghana's growth could not be sustainable without a stronger anchoring in the sub-region. Regional integration in Africa has several avenues for intervention including: transport (road, air, rail and sea links), energy, agriculture, trade, information and communication technologies, banking and financial sector.

The “top down” approach led by Governments has demonstrated its limits, a “bottom up” approach led by entrepreneurs should be considered. The Bank could for example showcase successful regional private experiences like Ecobank banking group and encourage countries to be strong cooperating neighbors. The Bank is expected to originate regional projects and to be the lead arranger of the Inga Dam project, which holds promises for the whole continent. There are also significant regional opportunities in the agriculture sector. It was noted that despite sharing a border, the world two largest producers of cocoa, Cote d’Ivoire and Ghana, did not pursue any visible joint initiative to better exploit cocoa, through a regional cocoa processing plant. AfDB should also support relevant institutions and regional economic communities.

- **Private Sector Development:** The Bank should develop innovative instruments to finance the private sector, notably SMEs that are critical for job creation. The Bank must be bolder in sectors like the agro-industry and manufacturing. For SME financing, the Bank is encouraged to move beyond assistance through financial intermediaries and consider partnering with a broader range of stakeholders (including chambers of commerce or associations which have knowledge of the sector and actors) in designing well packaged assistance.
- The Bank must interact and directly support CSOs, associations (industries, mining, women and youth etc), universities, and think tanks. There is a multiplicity of actors that drive change in Africa. The Bank’s resources can no longer be channelled just through the Government. The Bank could consider creating centres of excellence and financing chairs in different fields of expertise including climate change or entrepreneurship in universities.
- **Modernization and Commercialization of agriculture:** In Ghana, a modern agriculture is expected to lead the transformation of the economy and create jobs. RMCs need to develop the linkages between agriculture and industry for growth as well as for the provision of employment for Africa’s youth. The whole value chain must be integrated. Too many young technicians and graduates are not using their skills due to lack of processing plants. Products such as crop insurance, which already exist in some countries, should be promoted to protect farmers’ income against the consequences of disasters.
- **Value Addition of Natural Resources:** As a growth pole for Ghana and Africa, value addition of natural resources should be emphasized. Africa’s capacity to transform its raw materials through industrial modernization and innovation should be encouraged.
- **Development of the manufacturing sector** Manufacturing creates jobs but governments need to implement policies that address issues of sustainability and competitiveness. Manufacturing companies may need a level of protection at least in the initial phases of their development. Governments should be more determined in supporting local participation in all industries, with credible local content laws and policies.
- **Address infrastructure challenges:** Infrastructure drives economic growth and development. Transport and energy are key challenges that should be given priority especially within a regional agenda that promotes trade and investment. There are significant financing needs and room for all players, including emerging partners. A diversified menu of instruments and products could better accommodate the risk appetite of these various players (risk sharing instruments, Public Private Partnerships, Private equity).

#### 4. FINANCE

- **Leveraging of Resources for RMCs:** The Bank is also expected to play a leadership role in leveraging resources for the development of the continent. The continent's needs are varied and there are untapped sources of finance. The Bank should have a clear strategy to assist Governments to leverage these resources and must demonstrate its efficiency in doing so. The role of the BRICS (or "new friends" as referred to in Ghana) is important for the financing of development agendas of RMCs. The Bank should ensure that these arrangements are mutually beneficial; by developing the capacity of decision makers to not only negotiate well packaged transactions but also to ensure access to technology and the markets of these countries.

#### 5. INSTITUTIONAL REFORMS

- **Communication and focus on results:** The Bank should communicate better and enhance its focus on monitoring and evaluation, impact and results. RMCs societies increasingly demand transparency, accountability and results. The Bank can assist Governments in responding to these demands.