1. CONTEXT AND KEY DRIVERS OF CHANGE

**Context**
- [For greater marketing appeal, consider revising the title of the document “2013-2022” and replace it with “ten years”. Or it might be worthwhile to consider as a title “Strategy 2022”]

- Most African countries have enjoyed increasing rates of economic growth over the last decade. They are today seeing annual GDP growth of 5%, FDI is on the rise due to more robust investment climate, and an increasing share of the population is coming out of poverty.

- In spite of this progress, there remains an unfinished agenda. Growth has not been beneficial to all segments of the population. Unemployment remains distressingly high in almost all countries. Particularly distressing are the high rates of youth unemployment – especially among diploma and degree holders from vocational colleges and universities in many countries. The incidence of extreme poverty is unacceptably high – affecting over 40% of the African population. The perception that economic growth has benefited only a few fueled the Arab Spring; and there are signs of discontent in a few countries in the rest of the continent.

- Sustaining economic growth will require RMC policy choices directed at responding adeptly to the challenges of global economic turbulence, promoting inclusive growth, adapting to new challenges raised by climate change, and preserving social and political stability. [Speaking in Beijing recently IMF Managing Director Christine Lagarde warned that the crisis affecting the Euro zone economies could lead to a “lost decade for the global economy.”]

- The same economic situation is likely to cause the RMCs to demand more assistance and services from AfDB, in part because the Bank has become a trusted partner. Because of this as well as its place as the continent’s premier development finance institution, the Bank will be expected to play a major role in meeting these challenges.

**Inclusive growth**

The AfDB’s inclusive growth agenda aims at promoting job-creating and pro-poor economic growth. Attainment of the inclusive growth agenda would entail:

- Increased employment opportunities for all, to support productivity gains and economic growth but also to create a sense of dignity and control over people’s own destiny.
- Achieving Value for Money and Accountability in Service Delivery –fighting corruption and promoting Voice in decision making, making sure public money works to deliver services to all including the poorest.
- Inclusion and Social Cohesion, including safety nets and other risk protection mechanisms
Targeted support towards rural development, the youth, skills development, special categories such as the elderly, etc. is critical for all inclusive growth. The Bank should however partner with RMCS in ensuring sustainability of the development gains to be made.

**Greening the economy**

Mobilisation of funds to support this initiative is critical.

- **Climate Change** - RMCs would be assisted low-carbon growth initiatives including; combating deforestation; the reduction of green gas emissions such as methane released from landfills, and modernizing of public transport systems e.g. using the guided bus system. The Bank should also realize the ‘climate-proofing’ of all its projects.

- **Greener cities** – Due to the environmental and health problems resulting from rapid urbanization, the Bank should assist RMCs and local councils through improving systems for the management of solid waste, reducing urban waste and the preservation of wetlands.

- **Green technologies** – The Bank should coordinate the sharing of knowledge on technologies that mitigate the risk of climate change.

**Key drivers of change**

a. **Gender equity**: Activities that provide gender specific results such as education, health services and clean water should be supported by the Bank in order to cultivate gender equity.

b. **Innovation**: The Bank and RMCs need to invest in creating an enabling environment for innovation. An enabling environment could be created through business incubators. There are a lot of ideas in the continent, among the youth and others, but very few options and facilities at which they can be built on. Innovation can offer the continent a strong competitive advantage.

c. **Partnerships**: AfDB should engage in partnerships with a more diverse group of institutions. The scope of the bank’s partners should be expanded beyond the current ODA partners to include private sector institutions. AfDB partnership with the BRICs is also of great importance.

d. **ICT**: ICT is reshaping Africa’s economies and the Bank cannot afford to take the back seat. The LTS should identify focus areas (e.g. mobile telephony) in ICT that would promote all inclusive development. The Bank would assist in the development of national ICT policies and strategies and effective regulatory frameworks.

e. **Global demand for natural resources**: The Bank should assist RMCs in designing harmonized regulatory frameworks and also engage in projects that would help to add value to the resources before exportation. If well managed, natural resources will drive Africa towards inclusive and sustainable growth.

f. **Emerging middle class**: that could help stabilize societies and create new market opportunities but that is nonetheless vulnerable to shocks that could erase recent income gains.
g. Demographic trends: the policy choices for sustainable growth, food security, infrastructure development, and PSD strategies will be centrally impacted by demographics over the coming decades. Worse, if Africa does not reap the benefits of the youth bulge over the coming 10-20 years, it will be saddled with the double-burden of a growing, older and fragile population (arguable as heavy a tax as HIV/AIDS) over the ensuing decades.

h. Urbanization: a continent fast transforming from a largely rural continent to an urbanized continent [requiring clear and strong linkages between rural and urban development and employment so as to cash out on demographic dividends].

i. Changing trade patterns: tectonic shifts in trade and capital flows to/from Africa that can be game-changing for the continent.

j. Improved political environment: supported by government actions to resolve conflicts, strengthened institutions of accountability and rule of law - all providing space for economic policy stability.

2. VISION FOR AFRICA FOR THE NEXT DECADE

- African Union’s vision of an integrated and emerging Africa. This is supported by the vision and ambition of RMCs as articulated in their respective national long term strategies.
- “a modern, stable, integrated and prospering economy that increasingly generates more productive economic and social opportunities for all including women and the youth”
- A vision of Africa that is both ambitious and realistic and consistent with the emerging dynamic picture of a continent on the rise [‘a robust continent on the move’ (AfDB), “Lions on the Move” (McKinsey Global Institute), “Emerging Africa” (Steven Radelet), and “Africa Rising” (Economist)].
- A continent of hope with a new mindset where its leaders and its peoples fully assume ownership for their development in much the same way as Asian countries such as South Korea, China, Singapore and India have done.
- A continent enjoying sustained, inclusive, green growth led by the private sector, with greater reliance on domestic resources (rather than external aid), and supported by robust public administration capabilities in a capable state.
- An African mainly made up of middle-income countries.
- The Bank’s vision and strategy should, naturally, flow from a prior discussion of the overall vision for Africa. The key constraints, challenges and enlightened considerations regarding developments affecting the continent over the coming decade should be combined with a strategic juxtaposition of the Bank’s inherent capacities and desired positioning in the future.
- The vision should give importance to the Bank’s comparative advantage in Africa vis a vis other partners (RMC governments trust us more than other MDBs). A comparative advantage the Bank has over other MDBs is that despite the AfDB’s diverse human capital from both regional and non-regional members, it is the only development institution with a majority of Africans based in Africa with in-depth and unique knowledge of the continent.

What Africa must do to achieve the vision.

- Demonstrate foresight in formulating responses to the developmental impact of emerging regional and global issues.
What Africa expects from the AfDB

- Be the Bank that dares both internally and externally. It should rethink drastically the kind of service provider we are. To prepare itself for Africa’s future needs and realities, the Bank must make two defining changes revolving around (i) financial leverage and engineering, and (ii) knowledge (indigenous African knowledge as well as global best practices adapted to an African context).
- Take the lead in reinforcing the emerging dynamism in Africa through expanded operations and services (including increased non sovereign financing and advisory services) better tailored to the demands of a more sharply differentiated client base.
- Remain focused and selective to avoid strategic drift. [We are dragged in to answer to the food crisis. But there are other institutions, such as IFAD, better placed to deal with this.]
- Be the green Bank for Africa; the Bank for regional integration; (do we have the mandate we need from the AU to be the major Pan African Bank?).
- Be a regional PPP platform for Africa [consider the case for an Africa/Asia PPP platform anchored in AfDB but operating within a multilateral setting perhaps in collaboration with Asian Development Bank.
- Focus the Bank on two core competencies: its legitimacy within Africa and its multinational nature.
- Engage with all countries in Africa [not an option but the raison d’être for AfDB]. The institution in 2022 will have to be adaptable, fleet of foot, able to respond quickly to changes in circumstances. In other words one Bank, driven by African needs and priorities not corralled by separate instruments (ADB, ADF, private sector lending) and resource envelopes
- Reconsider the focus on country classification for lending terms. Instead, instruments should be linked to country needs and strategic orientation as well as to regional and trans-border projects
- Have courage to speak out on corruption.

3. OPERATIONAL FOCUS FOR THE BANK

- Maintain focus on priority pillars: Avoid strategic drift, remain selective but agile.
- Revisit the current and other potential priority pillars: Address the disconnect between the changed realities and the “old style” pillars.

a. **AfDB, the ‘Knowledge Broker’**: The AfDB should be seen as a Bank that offers advice, guidance, identification and circulation of best practices. In order for the Bank to become an honest and trusted knowledge broker, a triangular framework involving the Bank; global universities and African universities should be pursued in combination with other partnerships.

b. **Regional Infrastructure Development and Trade Facilitation**: The ‘Infrastructure Development’; and ‘Regional Integration and Trade’ pillars would be merged to form the ‘Regional Infrastructure Development and Trade Facilitation’ pillar. This will provide for increased focus on regional infrastructure which would in turn foster intra-regional trade. This approach would greatly enhance the theme of inclusive growth.

c. **Private Sector Development**: The Bank can be the leading catalyst for a private sector-led inclusive growth on the continent through:

   - Supporting RMCs in improving business enabling environments, and strengthening their international competitiveness;
   - Broadening participation and inclusion in the private sector, supporting local enterprise development, spurring robust employment creation, and improving social well-being; and
   - Encouraging the embedment of social and environmental responsibility, sustainability, and good corporate citizenship in private sector development.

   It is important to note however that in order to ensure sustainable private sector led inclusive growth, the private sector should operate in correlative manner with the finance sector. Without access to formal financial service providers, the growth process would exclude the poor.

d. **Human Capital Development**: Human Capital Development should be at the heart of the Bank’s inclusive growth agenda. Inclusiveness in a rapidly changing continent will require moving up the value chain to efficiency and innovation driven economies. Essential to sustained and increased growth, will be the continued, high impact, investments in human development – in education, nutrition and health, science and technology and various social protection measures such as creating the enabling environment for job creation and higher quality value chains.

   Improving the quality and inclusiveness of growth will also require accountable public services offering value for money, as well as safety nets to enable individuals and communities to weather economic and social shocks and move permanently out of poverty.

e. **Governance, Voice and Accountability**: For inclusive growth to be achieved, good governance needs to be re-emphasized. The Bank needs to consider engaging in aspects that enhance transparency, including greater support to civil society and NGO’s that support the attainment of social accountability. The LTS also has to underscore the need for the Bank to demonstrate exemplary corporate governance and uphold the highest standards of
accountability, transparency and integrity, as a model for the continent and a credible and honest broker for change.

f. **Agriculture:** Increasing population, pressure on natural resources and the effects of extreme weather and climate change would increase the risks of food insecurity. In this regard, the Bank should boldly take on a variety of engagements aimed at looking beyond conventional sources of financing and lessening the risks of lending to agriculture, including among others, developing new and more appropriate public and private sector financial products and exploring alternative resource mobilization sources such as India, Brazil, China and Argentina.

g. **Disaster Preparedness:** Due to disasters including desertification, most recently in the Horn of Africa, the AfDB must mainstream disaster risk management and provide timely disaster response in collaboration with specialized aid agencies.

4. **FINANCING THE STRATEGY**

- There are fundamental questions on the Bank’s business model, which is currently based on stark distinctions between the African Development Fund (ADF) and African Development Bank (ADB) lending windows and between public and private sector operations. The Bank’s resources will remain relatively small relative to Africa’s financing needs. The Bank will therefore need to leverage its resources more and increasingly act as a catalyst to bring larger volumes of both public and private sector resources. The Bank may need to explore other business models, based on achieving greater leverage from the Bank’s limited concessional resources and synergies across the Bank’s lending windows.

- It would also be important to increasingly seek concessional resources from non-traditional sources. For example, the ADF could invite new participants such as emerging non-regional economies, Africa’s own resource-rich countries and foundations and private institutions.

5. **INSTITUTIONAL TRANSFORMATION**

The management of AfDB should be committed to having institutional systems in place to enable the efficient implementation of the LTS. The factors below are the core to institutional changes:

a. Improved Human Resource Management e.g. the ability to hire and retain skilled staff; promoting a culture of accountability and performance.

b. Improving the organizational structure of the Bank e.g. having a larger private sector department to cope with the increased private sector led growth; delegation of authority to field offices; and approaching ICT both as a driver and a catalyst for organizational reforms.

c. Enhanced Corporate responsiveness e.g. lower transaction costs for project preparation and implementation and the empowerment of the decentralized Bank field offices.

d. Alignment of corporate strategies and policies with the LTS. This would combat the redundancy and overlapping effect of the increased number of departmental strategies. The LTS should be the Bank’s crowning strategic framework.
6. RESULTS MONITORING

- For more effectiveness in achieving development on the continent, the AfDB should always monitor and evaluate its activities in a measurable way which leads to taking of appropriate actions based on the results. Quality at entry should also be emphasized.

- In light of the above, emphasis should be put on the latest Bank Group’s results framework and try to link this to national M & E systems-where they exist. The results would be measured in key areas, namely: outcomes at the regional level, outcomes at the country level, operational effectiveness and organizational effectiveness.