AFRICAN DEVELOPMENT BANK
AFRICAN DEVELOPMENT FUND

NON-REGIONAL
LONG-TERM STRATEGY CONSULTATION MEETING
SUMMARY REPORT

Brussels, April 5, 2012
Summary Report on the LTS Non-Regional Consultation Meeting

Brussels - April 5, 2012

The summary below captures the main points discussed during the non-regional consultation meeting but is not a detailed set of minutes. Comments have been summarized into the five principal thematic areas that were discussed.

1. Context and Drivers of Change

- It is encouraging to see the message that Africa is changing. However, a more balanced assessment of progress in Africa would be welcome, one that includes the evidence and the challenges to be overcome, as well as the conditions to be met for Africa meet its development aspirations. Such a strategy, which should reflect both the successes and the challenges, would offer a more comprehensive assessment of the situation on the ground to ensure that the “success” of the continent based on solid data and analysis. It would be useful for the Bank to outline scenarios in the way that the Asia 2050 report does.

- There are two visions of Africa. The McKinsey version of a continent on the move is one that some of us hold, but this vision of success has not reached everyone. Many problems surround the non-achievement of the MDGs. For example, the elasticity of growth with respect to maternal mortality is half that in the rest of the world and even lower for some of the other MDG indicators according to a recent UK chief economist report. So, while there has been success who has benefited from it? Seven of the bottom 10 failed states are in Africa. Fourteen of the 20 are in the bottom. And as Africa integrates increasingly into the global economy, the its problems threaten to infect Africa more easily. This can change, of course, when the McKinsey vision takes hold, but that vision must include the risks.

- The LTS needs to go beyond drivers of change, which paint an optimistic picture that tells only the positive part of the story. Should the AfDB focus on this or on those parts of the continent that are not doing well. How can drivers of change alone bring about change? The Bank can identify what needs to be done only if the strategy spells out the risks and the downsides. The list of drivers is good but the discussion would be stronger were it to address specific countries and identify country-specific drivers. It is noteworthy that the role of women as a key driver of change and of development has been overlooked.

- We need to think carefully about the message and the narrative. While an optimistic approach would be nice, our optimism must be measured: the world is hardly rosy and we must take a somber look at the facts on the ground. For those of us who look at Africa from without, we must examine the quality of the water in the half-full glass, and not merely the fact that the glass is half-full.

- Is major change needed now? What would happen if the Bank were to become a completely different animal? Should it focus on middle income countries? Should it focus exclusively on fragile countries, and If not, why not? Should it become more like a commercial bank or a financier of the really poor countries? A single bank with a different differentiation in the client base might pull the Bank in different directions. The LTS should address these questions. In any
event, synergies with partners are important and it will be critical for the Bank to pick up those partners that have been left behind until now.

- We don’t need to be innovative for the sake of being innovative.

2. Vision for Africa for the Next Decade

- The Bank’s vision must include agriculture and emphasize agricultural value chains, given agriculture’s enormous share in African GDP. This is currently missing.

- The transition to green growth is also positive although it will be important both to set out the positive case and for Africans to identify with the agenda so that they can own it and see how it affects them. If this is not done, the green agenda may well be seen as being something imposed from outside that reflects essentially Northern interests.

- The Bank should strongly support the inclusive growth agenda despite its tremendous breadth. Inclusion means expanding economic opportunity for people, and mainstreaming the quality and pattern of growth. The inclusion agenda must therefore emphasize the positive role of women. The World Bank’s 2012 WDR on women and the 2013 WDR on jobs are very relevant to the inclusion agenda. The question is how the LTS will integrate this. Beyond including people, the inclusive growth agenda requires functioning institutions, sound economic policies, social mobility, an enabling environment, gender equality, productive employment, and the transition from an informal to a formal economy. Country assistance strategies should address this inclusion agenda as should analytical work such as the binding constraints approach.

- Regional integration is an important objective. However, it is important to begin with national integration. The Bank must look critically at the regional agenda, where progress has been slow. Regional integration involves not only increasing regional trade: it should be much more about Africa integrating more into the global economy.

- It is important to focus on fragile states and it will be necessary to look for synergies with the World Bank’s work in this area. A recent McKinsey report presented a useful classification of African countries (oil exporters, diversified economies, economies in transition, and those that have yet to begin to diversify) but did not sufficiently address fragile states.

- Climate change is a major challenge and the availability of water is an important consideration within this general context. Small changes can bring about huge dividends in the natural resources and transparency agenda.

- Does the Bank have a view about the impact and implications of fuel prices?

- The Bank should be more assertive and ambitious in dealing with the issues surrounding the political economy. As a regional bank majority regional ownership, it is easier for ADB to address political economy issues.

- Growth will be private sector-led. However much of the activity in Africa is now informal. The LTS must look at the transition from the informal to the formal sector.
3. Operational Focus of the Bank

- Inclusive growth can be interpreted widely and cover most sectors. The AfDB must therefore be careful and selective. The discipline and focus proposed in the High Level Panel report was appreciated. The Medium Term Strategy pillars were robust and the LTS pillars should not change. The AfDB should focus on these areas before adding new ones. The Bank must tailor its approach to the enormous challenges. The LTS should go deep but not broad rather than trying to be everything to everyone. With respect to the MTS pillars, the Bank should consider how to be more effective in the results it is delivering by broadening the scope of partnerships, stakeholders, beneficiaries and what and how things are done.

- Good governance can also be the basis of inclusiveness. The Bank needs to better understand the political economies of the countries where it operates. Project design should place more emphasis on transparency and accountability. PFM is also important.

- The role of the private sector is very important. The Bank can do much more to unlock the potential for the private sector and must help to develop the comparative advantage of African businesses development. Working on a business enabling environment is important for Africa. How can the AfDB complement the effort undertaken by organizations like the World Bank?. What is the value added of private sector operations? It must be the case that when any private sector operations are supported, the question of numbers of jobs created is raised. The private sector can create more jobs than it is doing currently. The AfDB involvement in equity funds has raised some skepticism, so it would be useful to answer the question of their additionality.

- The performance of different countries must be increasingly examined to discern more about fragility and the more troubling, resistant issues. The Bank is not currently fulfilling its comparative advantage with respect to fragile states. The work in the fragile states facility needs to improve but it is important to balance benefits and risks to doing more business with fragile states. Should the Bank set aside more money for such countries? Focusing only on the poorest countries can affect its risk rating.

- Climate change issues are very high on the international agenda and should be integrated into all aspects of Bank work rather than being an additional “sector”. The AfDB should work with governments at the national level to design strategies for green growth and adaptation to climate change. The focus on infrastructure provides huge opportunities for green interventions. The “soft” side of infrastructure requires more attention.

- Diversification in Africa is growing but commodities play a major role. The Bank should undertake more analysis on the dependence on commodities and on diversification. It should help governments get their fair share from the extractive industries where dependence has braked the pace of poverty reduction. The management of natural resources is important for many countries and the Bank must build capacity in this area. The question of how to mobilize additional resources will become more important in the future.

- We support the focus on regional integration, which is an area of comparative advantage for the AfDB, and would like to see regional integration identified as a key organizing principle.
- Agriculture is important for the rural poor. The paper does not say much about agriculture or about rural development.

- There is very little discussion of higher education. How does Africa tap into current technological changes? The issue of skills captures some of the aspects of the Human Development agenda.

- Gender is crucial for inclusive growth and gender issues resonate very much with us. The question is how to tap Africa’s women. The Bank should also look at gender issues in its own institution.

- The Bank must pay greater attention to risk management in operations and on balance sheets.

- There should be a clearer role for the AfDB in working with countries and their partners and to emerge as a primary partner of choice. The Bank needs to broaden its dialogue beyond government and become more evidence-based. Its efforts in Tunisia offer some good lessons. Can the Bank become the premier institution for Africa on coordination and dialogue? Strategic partners are needed to achieve this.

- The World Bank’s comparative advantage is well known. Yet while the AfDB should be the best source of information about Africa, this is not currently the case. The Bank should be a knowledge institution and a learning institution.

- The long term strategy should set targets for a broad set of results and include many more detailed targets for the medium term. It will be important to build in a 3-5 year review process into the decade-long plan. Ten years is a long time.

- The "how" matters - how are you doing infrastructure?

- The importance of employment needs to be highlighted more effectively in the strategy. Unless this is done, the youth dividend, which is discussed as a major opportunity, will become a demographic challenge.

4. Financing

- The ADB should partner with the World Bank and the UN system and open dialogue with China, India and other new players. It should also explore new sources of financing. The Bank has not yet figured out how to leverage itself and the LTS needs to think about how to do that. More information is needed about this area and about how the Bank is engaging with some of the new players, especially the BRICs, who are very aggressive in Africa. The Bank must find fora to engage the BRICs in a discussion of the LTS.

- The LTS must examine how the Bank can increase its interaction with private funds. It will be good to have a matrix clarifying what the Bank is doing now and how much room there is for new partnerships.

- SMEs do not get access to private financing. The ADB needs to see how this can be facilitated. As South-South cooperation increases in the future, the role of ADB in these areas should grow. It should also play a greater role in aid coordination.
Many donors are reducing their commitment to budget support so this should remain an important part of the Bank’s work. It may not be necessary to develop crisis response facilities, which could be left to the World Bank? The Bank must develop a relationship with all BRIC banks.

Aid should not be limited to either IDA or ADF. Rather, the combined resources of all IFIs will be needed for the foreseeable future.

The Bank should increasingly look at guarantee type mechanisms. Some of these issues - e.g. first loss provisions - were discussed during the ADF replenishment. We are more receptive to examining guarantee type provisions.

The PBA is very important for us to help get resources from our congress.

Syndicated lending is being discussed where bilaterals can put in additional money to top up. Engaging the BRICS and especially China is especially important. Can we help countries to graduate using scarce resources?

The Bank should remain a wholesale organization that always finds local partners. North Africa is awash with financing for SMEs and therefore distorting the market. It would be useful to learn about the experience that the EBRD has had with SMEs.

5. Institutional Transformation

It is critical to ensure the right human skills mix at the Bank, however this is a challenge when HQ keeps moving. The Bank return to Abidjan will have an impact on attracting high caliber staff, especially if the environment there remains uncertain. For us, HR is the number one issue, and has to do with the Bank’s culture. There should be a vision of what it feels like to work at the ADB; the institution should attract and retain bright individuals. There is a long way to go to move away from the silo culture and the culture of micro-management to an environment of good management and excellent staff. The internal processes need to speed up.

There is more work to do at the Bank to breed a results culture. Should we create a new instrument like the results-based instrument that the World Bank has just created?

Work should be done on promoting a ‘One Bank’ culture in which the public and private sectors work together better.

Strengthening decentralization is urgently needed.

There is scope for improving Internal processes but care must be taken to avoid diluting safeguards. Flexibility and in-country presence must be emphasized. More detailed budgetary targets would be useful, although this might be better placed in a medium term strategy.