SOUTHERN AFRICA
LONG-TERM STRATEGY CONSULTATION MEETING
SUMMARY REPORT

Pretoria, March 20, 2012
1. Context and Drivers of Change

- The progress made by the Bank over the last decade was generally endorsed along with the strategic direction provided by the HLP and incorporated into the MTS. It is critical to examine the Bank’s role in addressing past and present crises and in applying lessons learned to the LTS.

- Several areas needing improvement were identified: the private sector, youth and gender. Inclusive growth with a focus on youth and women, and jobless growth. The Bank has been too embedded in the Bretton Woods mode and should be a leader rather than a follower. However, the HLP vision for Africa and for the Bank remains valid. The Bank is on its way to becoming the premier development institution and the lender of choice in Africa.

- The need to promote youth “employability” to avoid jobless growth should be primary concerns. Economic integration should be identified as the real driver of the continent’s potential in the next decade.

2. Vision for Africa for the Next Decade

- It is important for the Bank to align its mission and activities to the efforts of partner countries. Aid recipients should reflect and analyze how assistance aligns with priorities and strategies and with countries’ priorities. The Bank has been an informed partner as opposed to trying to use prescribed solutions to the challenges facing countries.

- Inclusive Growth. Headline growth in GDP in Africa has not been accompanied by a similar reduction in poverty. The number of unemployed and unemployable youth is growing and women still lack access to credit and title to land.

- Effective private sector development should lead to inclusive growth. SMEs and education play a crucial role in this. The Bank should support labor-intensive investments, invest in youth skills, in gender inequality and in women’s empowerment and remove the barriers blocking youth and women from the mainstream economy.

- The Bank should assist countries in mitigating the impact of climate change and consider climate change in reviewing / appraising projects that affect or may be affected by it. AfDB should also provide support for green energy and support for better decision-making in energy developments.
3. Operational Focus for the Bank

- There is a strong sense that the Bank should promote private sector-led, inclusive growth, respect and align fully with country priorities, and continue to work within existing areas of competence. (Participants were encouraged to focus on what should be achieved rather than debating which sectors should be priorities.)

- The Bank concentrates on large projects and on support to bigger companies which are inevitably offshore/foreign. Rather, it should do more to promote local private sector development and to improve the regulatory and enabling environment. This must be a feature of CSPs and RSPs and consider the “entrepreneurial cultures” of each country.

- SME development is linked to the promotion of inclusive growth. New approaches must be developed to support SMEs because the existing approach of channeling funds though commercial banks is insufficient. Other intermediaries and/or assistance to national SME support organizations should be forthcoming, as well as assistance with building skills and capacity in the private sector.

- The Bank’s approach to private sector development should be broader and regional. It should entrench consultation with the private sector and act as a bridge or a deal broker between Government and the private sector so that they can understand each other. The Bank cannot substitute for good relations between them of course, but It should do more to promote value added in country, beneficiation, and in the productive investment of resources. The local private sector should be incentivized by using preferential procurement arrangements consistent with ICB.

- **Economic governance.** The Bank should engage with countries on the use made of all of their resources, rather than just Bank finance as they must mobilize greater amounts of domestic resources. Project returns are of limited value when poor economic governance offsets them. The Bank should engage in frank, open dialogue, and provide policy advice.

- Does the Bank have the right instruments and incentives to make a difference in regional Integration? It could do more to identify and communicate the benefits of economic integration but RMCs themselves must give regional investments greater priority.

- A number of participants drew attention to the consequences of climate change but there was little developed discussion on what should be done. There was a sense that countries would do more to promote green growth if a separate pocket of funds were available.

- As countries move into the implementation stages of infrastructure projects, they lack technical advisors to assist governments in structuring initiatives; as a result they only take on financial risks and eschew technical /commercial risks. The Bank should create panels of transaction advisors and experts to which RMCs can refer when seeking qualified technical advisors to guarantee the availability of skills and expertise. Mauritius would also like to build capacity in the way it structures projects and regulates providers.

- A rising number of school and college graduates lack the skills needed by the economy. Skills training must be better targeted and labour intensive investments must be made.

- The Bank should do more to provide knowledge and advisory services to Governments and to the private sector. For instance, specialized advice to structure and present transactions
(creating a pool of advisers on which countries could draw); identification and distribution of
good practice and of lessons learned elsewhere; and lessons in being an advocate
internationally for Africa.

- The Bank needs to innovate, and build up its knowledge base so that can address the specific
problems of each country. In Zambia, for example, the problem is a failure to maximize revenues
from high copper prices.

*The AfDB should play a more active role in extractive industries and also address the question of
how governments get empowered to translate revenues into reduction of poverty levels?*

- The Bank should help countries draft policies that assist it in managing resources better. Mineral
production does not benefit countries unless effective policies are in place that can ensure that
the revenues are invested effectively to produce needed public goods and services. The Bank
can support capacity building and assist in contact negotiations. Exceptions should be made to
international competitive bidding to encourage domestic industries.

4. **Financing**

- Counterpart Funding, the move to a minimum of at least 50%, for example, in the private sector
to be financed by the Bank will greatly enhance private sector led inclusive and sustainable
growth.

- The AfDB should develop standard lending schemes to channel funding through commercial
banks and micro-finance institutions.

- The AfDB must engage more with partners, particularly those within Africa. It must pay more
attention to non-traditional donors and stand alongside RMCs to assist them in their
negotiations (e.g. on natural resource exploitation).

5. **Institutional Transformation**

- Does the Bank have the right instruments to pursue a more inclusive, private sector growth
path?

- Greater field presence is a step in the right direction but Tunis must delegate the necessary
power to these offices.