AFRICAN DEVELOPMENT BANK
AFRICAN DEVELOPMENT FUND

TOGO

LONG-TERM STRATEGY CONSULTATION MEETING

3rd April, 2012
Summary Report on the LTS Togo Consultation Meeting

Lomé – 3rd April, 2012

The summary below captures the main points that were discussed during the Togo national consultation meeting in Lomé, and is not intended to be a detailed set of minutes for the meeting. The comments have been summarized along the following thematic areas: (i) Context and drivers of change; (ii) Vision for Africa for the next decade; (iii) Operational focus for the Bank; (iv) Financing; and (v) Institutional reform.

1. CONTEXT AND DRIVERS OF CHANGE

Context

Participants identified the following weaknesses prevailing in Africa:

- Weak agricultural productivity;
- Weak industrialization;
- Weak governance structures;
- Weak human capital development structures;
- Widespread poverty;
- Continent fragmentation;
- High unemployment rate;
- Weak global competitiveness of African economies;
- Strong dependence of African economies on external solutions for political, financial, technological and even intellectual matters;
- High interest rates preventing MSMEs from obtaining credit;
- Inability of African countries to capitalize on their rich natural resource bases;
- Food security issues;
- Lack of sociopolitical stability;
- No concrete measures taken to meet the “Lagos action plan;” and
- Non-inclusive growth.

Drivers of change

- *Awakening the population*: the public voice will push public organs and institutions to drive Africa in the right direction;

- *Political stability – and risks management*: Africa cannot advance without reaching a certain level of political stability. If we investigate the root cause of these risks, we find that weak governance is at the top. Political stability will create conditions for safer investments and wealth generation.
- **Integration of Africa**: in ceding a certain measure of sovereignty to achieve a deeper regional integration Africa may finally realize its development objectives. Thus, there are conditions precedents to fulfill so that regional integration is a reality.

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

- An Africa that is on the way to meet its development objectives through inclusive growth.

3. **OPERATIONAL FOCUS OF THE BANK**

- **Increasing agricultural productivity**: the majority of Africans are working in the agricultural sector, as it is not sufficiently productive. Increasing agricultural productivity will liberate work forces that could focus on other sectors, while permitting wider market access to African agricultural commodities.

- **Ameliorate human resources**: Africa’s demographic dividend will either prove an asset or a liability. If Africa prioritizes investments in human capital, it will manage to convert a youthful population into a growth driver.

- **Managing public administrations**: the manner in which public African institutions are managed is not conducive to the provision of satisfactory public goods and services to the wider population. Moving forward, African administrations will need to integrate a culture conducive to democratic principles.

- **Improve business environments**: the business environment in which the African private sector is presently operating is not favorable to the wealth-creating properties, which in turn is preventing Africa from obtaining more favorable terms of international trade. Beyond improving the business climate, Africa must develop its own instruments and metrics from which to effectively manage its own progress. In so doing, Africa should avoid using instruments and models created by the World Bank.

- **Industrialization challenge**: Togo has phosphate, but imports fertilizers. RMCs must industrialize rationally, to better make use of their resources at all levels of the market.

4. **FINANCING**

- Given that ADF funding is used to finance projects at concessional lending rates to Least Developed Countries (LDCs) while ADB lending applies to Regional Member Countries (RMCs) and provides higher interest rates, it would be better for the ADF to allocate part of its funding to ADB lending windows, reducing said interest rates. This would allow LDCs access to ADB lending. Participants suggested having 60% of ADF resources dedicated to ADB lending projects, with 40% of funds reserved for ADF funding for social projects.

- Participants also concluded that the Bank prioritizes lending to regional and multinational projects, with less lending to projects at the national level. This is because multinational projects will have a greater impact on national economies due to size and scale. This is the case with intra-regional infrastructure road projects.
In order to foster a more fruitful relationship with the private sector, participants suggested three approaches:

- The Bank could make credit available to financial institutions in RMCs that collaborate regularly with private sector enterprises, such as micro-financing institutions and commercial banks.
- The Bank could create an institution dedicated to private sector in general and MSMEs in particular, in order to minimize risks of investments.
- The creation of a Bank-private sector partnership tasked with handling issues related to private sector development.

5. INSTITUTIONAL REFORM

- The Bank should increase its cooperation with other MDBs and regional African banks.
- The Bank should create an institution dedicated to forging closer partnerships with the private sector.
- The Bank should finance fragile and conflict states with ADB funding, with interest rates lowered from the 60% of ADF funds dedicated to the ADB lending window, which will be geared mostly towards the development of infrastructure. ADF funding should also complement ADB projects, so as to increase the catalytic effects of ADB lending, by increasing absorption and disbursement rates. Since the outcome of the financial crisis, African countries must begin to steer towards loans as a source of funding, and away from grants that should only be disbursed in cases of force majeure. The remaining 40% of ADF funds will be used to finance social sector projects.
- The Bank should champion a collective conscience which places the human being as the most important driver for change on the continent. The Bank and Togo both have an obligation to work towards attaining this collective conscience, which will be key towards unlocking meaningful dissemination of knowledge.