UGANDA

LONG-TERM STRATEGY CONSULTATION MEETING

13th April, 2012
Summary Report on the LTS Uganda Consultation Meeting

Kampala, Uganda – April 13, 2012

The summary below captures the main points that were discussed during the Uganda national consultation meeting in Kampala, and is not intended to be a detailed set of minutes for the meeting. Delegates from four countries (Kenya, Rwanda, Tanzania, and Uganda) and the East Africa Community Secretariat (EAC) participated in these consultations. 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 African Development Bank; (iv) Financing; and (v) Institutional reform.

1. Context and Drivers of Change

- **Population**: population growth rates present challenges for several variables including savings (and investment), provision of social services. What is the AfDB’s role in harnessing the population dividend? Planned urbanization will remain important especially if African countries are to attain the diversified local economic development objectives.

- **Agriculture development**: in particular the commercialization of small holder agriculture. Food insecurity poses several challenges both political and macroeconomic management (e.g., inflation in the EAC in 2011). To address this, Africa needs to increase agricultural productivity, promote value addition and do land reform to facilitate commercialization of agriculture.

- **Youth employment and employability**: AfDB should partner with the private sector to support job creation and local entrepreneurship. This can be achieved through labor intensive modern manufacturing sector to absorb the surplus labor from agriculture and by identifying opportunities in the agricultural value chain. Additionally, new opportunities in sports and entertainment industry need to be explored in particular to address youth employment.

2. Vision for Africa for the next Decade

- **Natural resource management**: the challenge African countries have faced in the past is that there have been limited spill-overs from the exploitation of natural resources. This will need to be addressed.

- **Improve competitiveness**: Africa needs to sustain improvements in business regulatory and investment environment, address infrastructure bottlenecks and invest in skills. This will also require improved political, financial and economic governance.

- **Climate**: Major climate change threats include food security and water security in part driven by high population growth rates which exact tremendous pressure on arable land.

- **Skills development**: Africa needs to invest in its human capital through education and skills development including Science, Technology and Innovation (STI) and Technical and Vocational Training (TVET). However, we need to undertake a skills audit to inform interventions that will address skills mis-matches and/or develop skills needed for strategic development. Thinking regionally, we need to develop skills for the region and continent through regional centers of
excellence and through regional alignment of education curricula and mutual recognition of education certifications.

- **Regional integration**: Africa should think of itself as a single economic entity—the same way India, China and other emerging economies think of Africa (as a single economic entity). This would require identifying comparative advantages for each region in Africa, mobilization and efficient utilization of domestic (African) savings, and addressing barriers to investment including barriers to free movement of people and capital. For the EAC specifically, intra-EAC trade is currently at less than 10% in spite of existing common market protocols. Achieving intra-EAC trade, will require scaling investments in infrastructure and eliminating non-tariff barriers. As such, a regional approach to should also be taken to develop core infrastructure such as Lamu port project.

3. **Operational Focus of the Bank**

- **Trade and investment facilitation**: Infrastructure development should be contextualized within a broader enabling environment for trade and investment. For instance, recent efforts to improve infrastructure in the EAC has contributed to the over 50% increase in intra-EAC trade during the past 15 years. Consolidating gains in the business and investment climate reforms to enhance profitable and sustainable trade and investment remains critical. Additionally, AfDB should support national authorities to develop mutually inclusive policies/strategies and regional infrastructure investment plans and programs—key bottlenecks remain in energy, transport and water infrastructure.

- **Competitiveness**: in addition to investments in infrastructure, improving competitiveness will also will require investment in skills development to allow Africa’s labour surplus economies to harness the emerging global economic opportunities. Centres of excellence are critical vehicles to promote skills development and incubation of local, regional and global knowledge. AfDB’s role as a knowledge broker and an African voice will require it to link research with operations, and create linkages with think-tanks and dissemination of knowledge work.

- **Private sector development**: institutional, legal, regulatory frameworks such as Public-Private Partnerships (PPPs) should be developed to sustain improvements in business regulatory and investment climate.

- **Green growth economics**: A major challenge is that the key stakeholders are not adequately sensitized and mobilized to champion green growth economics. All stakeholders including development partners should play an active role in mainstreaming climate change resilient options including environmental safeguards etc. In particular, climate change needs to be main streamed into Bank operations including identifying and financing clean energy projects such as solar, geothermal etc. EAC has a Master Plan on climate change. Partners including the AfDB could support its implementation especially in land use and water resource management, planned urbanization and control of (high) population growth rates.

- The EAC has a development strategy which should be used as a basis for shaping the AfDB’s response and support to the region. The current practice is to prepare projects only after ADF/ ADB resources have been mobilized which often times causes substantial implementation delays. Support to national and regional authorities to develop an investment plan/pipeline of bankable projects ahead of ADF replenishment cycles could allow expeditious implementation of projects when the funding eventually becomes available. Additionally, regional master plans such as the EAC...
Railway Master Plan, East Africa Power Pool, and NEPAD Short Term Action Plan should provide the primary basis of identifying bankable regional interventions for possible AfDB funding.

4. Financing

- A new approach to financing development needs to be developed to harness private sector finance including through PPPs, debt and equity finance etc—including developing capital markets. Moreover AfDB can provide seed capacity and mobilize resources through its partner institutions such as the PTA Bank and EADB. AfDB should use its AAA rating to mobilize resources and once these resources are mobilized, the AfDB utilize its intermediaries such as the PTA Bank and the EADB to provide financial support to SMEs. Guarantee schemes and other shared-risk instruments should be explored.

- AfDB needs to position itself to complement (and be complemented by) the World Bank as opposed to being competitors in key development areas such as infrastructure development, agriculture and rural development, private sector development, ICT, STI, and HEST.

- We need to understand the role of the BRICS in Africa’s development and find ways in which AfDB can partner with them to enhance its contribution to Africa’s development.

- AfDB can provide local currency denominated loans to support local financial market development and avoid compromising macroeconomic stability;

- Fewer but bigger catalytic projects. The AfDB needs to mobilize other stakeholders to support key Initiatives such as the Dar-es-Salaam/Isaaka/Kigali/Musongati railway and the Lamu port projects.

5. Institutional Transformation:

- AfDB should be the voice of Africa in the international arena for instance as was done during global financial crisis in 2008/09 and currently during the on-going trade discussions. It also needs to communicate honestly on key political economy issues including political challenges, corruption, public spending composition, among other things.

- The Bank needs to increase “African” control and influence in AfDB decision making processes. This will require RMCs to ensure that their financial contributions and shares are fully paid-up. Middle income RMCs could also be encouraged to contribute to the ADF replenishment as an approach to enhancing Africa’s control and influence.

- Initiatives such as the African Legal Support Facility that provide support on contract management and negotiations should be publicized to increase up-take by the RMCs.

- Procurement reforms: where national conditions allow (for instance drawing lessons from Fiduciary Risk Assessments), efforts should be made to utilize national systems to improve efficiency in procurement processes.

- AfDB should also consider more direct private sector investments. It needs to disseminate what it has to offer in terms of support to the private sector development in Africa. Private sector road shows in RMCs were identified as good publicity vehicle; It also needs to utilize partner institutions such as the PTA Bank and the EADB to provide more tailored support to SMEs.