

Strategy for Sweden's Cooperation with **the African Development Bank Group**

2016 – 2018



REGERINGSKANSLIET

Government Offices
of Sweden



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Organisation strategy for Sweden's cooperation with the African Development Bank Group 2016–2018

1. Introduction

Scope of the strategy

This strategy forms the basis of Sweden's cooperation with the African Development Bank (AfDB) for the period 2016–2018. The strategy will also guide Sweden's positions in negotiations on the fourteenth replenishment of the African Development Fund (AfDF14), which will be ongoing during most of 2016. The outcome of the negotiations will be important for how the AfDB contributes to the implementation of the 2030 Agenda for Sustainable Development and its global goals, which were adopted in September 2015. The strategy covers funds as authorised by the Riksdag.

The strategy is guided by the Policy for Global Development (Govt Bill 2002/03:122) with its overarching objective of contributing to equitable and sustainable global development, and the Swedish strategy for multilateral development cooperation. The organisational assessment of the AfDB approved by the Government Offices (Ministry for Foreign Affairs) in 2014 also forms part of the basis for the strategy.

The African Development Bank Group has two main parts: the African Development Bank, primarily for loans on largely commercial terms to middle income countries and to private companies; and the African Development Fund for grants and concessional loans to low income countries.

AfDB's mandate

The AfDB was founded in 1964 with the overarching mandate to contribute to economic development and social progress in Africa. The Bank's long-term strategy for the period 2013–2022 states two connected objectives: to promote inclusive growth in the transition to a green economy. These objectives are to be achieved primarily through measures in the following five priority areas: infrastructure, regional

integration, good governance, private sector development and higher education and vocational training, with three cross-cutting themes: fragile states, food safety and gender equality.

2. Direction and Swedish priorities

With its overarching mandate to promote development in Africa, the AfDB Group is of major relevance for the Government's aid policy objectives of promoting better living conditions for people living in poverty and oppression. By buying shares in the Bank and through its regular financial core support to the AfDF and contributions to the AfDB's trust funds, the Government is contributing to the more immediate objectives in the Bank Group's activities, which were established in the Group's long-term strategy for the period 2013–2022.

Sweden's development cooperation is to be economically, socially and environmentally sustainable, and also gender-equal. The basis of development cooperation is a holistic view of the challenges, needs and situation of people and societies. The guiding principle is that economic, social and environmental conditions and processes must be understood and managed in an integrated context. Gender equality, and the empowerment and rights of women and girls, are both goals in themselves and a prerequisite and a means for achieving sustainable global development. Sweden's development cooperation with the AfDB is based on and characterised by a rights perspective and the perspectives of the poor. The rights perspective means that human rights and democracy are to be seen as fundamental to development. An approach of this kind involves giving visibility to discriminated, excluded and marginalised individuals and groups ahead of every initiative. This is so that all people, regardless of gender, age, impairment, ethnicity, religion or other belief, sexual orientation, transgender identity or expression, will be able to enjoy their rights. The perspectives of the poor means that the situation, needs, conditions and priorities of poor women, men and children must be the point of departure for fighting poverty and for promoting equitable and sustainable development. This also includes active efforts on sexual and reproductive health and rights (SRHR).

Despite significant progress and high growth over the past decade, African countries continue to be characterised by deep and widespread poverty and widening gaps. In seven years' time it is estimated that the majority of the world's poor will be living in Africa. Major shortcomings in the area of gender equality are hampering development on the continent, and many African countries are among the most vulnerable to the impacts of environmental and climate change. Moreover, violence and armed conflict are among the biggest obstacles to economic and social development in Africa, and development cooperation is an important part of conflict prevention work. For this reason, an environmental and climate perspective, a gender perspective and a

conflict perspective, with a holistic view of causes and solutions, must be systematically integrated in Sweden's development cooperation with the AfDB. Furthermore, the link between humanitarian activities and long-term development cooperation must be strengthened.

The AfDB is to contribute to the implementation of the 2030 Agenda, the Addis Ababa Action Agenda and Paris Agreement on climate change in an African context. The Government considers that the AfDB should continue to develop its activities, primarily in four areas: sustainable, inclusive economic development, environment and climate, gender equality and peace- and state building. The Government intends to pursue work in the AfDB on the basis of the priorities stated below. Emphasis will be placed on influencing policy level decisions.

Sustainable, inclusive economic development

- The AfDB is to contribute to measures that strengthen the conditions for poor people to participate equally in economically, socially and environmentally sustainable growth processes. The link between the extensive infrastructure investments the bank is making and growth that benefits poor people should be further developed. It is primarily a matter of ensuring that measures are prioritised and designed with the intention of creating better opportunities for poor women and men to take part in economically, socially and environmentally sustainable growth.
- The AfDB is to increase its focus on institution-building that strengthens a democratic, open and efficient administration in line with the rule of law. This could be done through strengthened efforts to combat corruption, greater domestic resource mobilisation, reduced tax evasion, improved accountability and strengthened public financial management.
- The AfDB is to adopt a clear and robust regulatory framework for environmental and social standards for investment projects that is to include a reference to the importance of respecting human rights, including the ILO Core Conventions and the UN Guiding Principles on Business and Human Rights¹. The application and follow-up of the standards are to be rigorous, and adequate resources must be set aside for this.
- The AfDB is to promote an investment-friendly climate. Particular focus should be on more inclusive and efficient markets and opportunities for poor people to take part in growth processes through the creation of productive job opportunities with decent working conditions. The AfDB is to increase its financing and advisory services of benefit to private sector

¹ The UN Guiding Principles on Business and Human Rights are relevant to the AfDB's lending involving the private sector.

development in the poorest countries, including increased efforts for women's and young adults' entrepreneurship.

- The AfDB is to increase and develop support to free and fair trade as an instrument for poverty reduction.

Environment and climate

- The AfDB is to systematically integrate the environment and climate perspective in all activities, with a special focus on implementation in partner countries, not least through policy level advice.
- Investments in and support for fossil energy are to be ultimately phased out. The AfDB is to considerably reduce such investments and substantially increase investments in renewable energy and adopt ambitious and time-set goals to increase the share of investments in renewable energy. The AfDB is also to promote reduced emissions from existing infrastructure and increase investments in energy efficiency. The AfDB is to work towards the phasing out of subsidies for fossil fuels. The AfDB is also to give partner countries support in the process to implement their NDCs².
- The AfDB is to develop, support and channel innovative environment- and climate-related financing, support the inclusion of sustainability aspects and assessments of life-cycle costs in procurements, and develop and support market mechanisms that promote a transition to low-carbon development, including pricing of greenhouse gas emissions.
- The AfDB is to strengthen efforts for the environmentally sustainable use of natural resources and ecosystem services, as well as the sustainable handling of chemicals and waste. This also includes promoting incentives for the private sector to make sustainable investments.
- The AfDB is to contribute to strengthened capacity in partner countries to prevent, handle and reduce vulnerability to disasters.

Gender equality

- The AfDB is to systematically integrate a gender perspective into all activities, through implementation of the AfDB Group's gender equality strategy for 2014–2018 and by incorporating a gender perspective in all country strategies, with a special focus on implementation in partner countries not least through policy level advice.

² *Nationally Determined Contributions*, i.e. the voluntary commitments of countries under the Paris Agreement.

- The AfDB is to focus in particular on women's economic empowerment.
- In all its activities, the AfDB is to proceed from a rights-based perspective.
- The AfDB is to ensure there are adequate internal resources and institutional capability to effectively pursue the Bank's gender equality work.
- The AfDB is to ensure that results in the area of gender equality are followed up and evaluated systematically.

Peace- and state building

- The AfDB is to systematically integrate a gender-sensitive conflict perspective in its activities with the aim of identifying the conditions for sustainable conflict prevention and peacebuilding in countries affected by conflict and fragile situations.
- The AfDB is to strengthen financing to countries affected by conflict and fragile situations. The instruments for these purposes should cater for long-term needs and be effective, and at the same time meet the need for rapid action and flexibility. To be relevant, the instruments should also be adapted to the more difficult risk scenarios and the volatility of countries affected by conflict and fragile situations. In its peace- and state building activities, the AfDB is to increase its focus on women's participation as actors for peace in accordance with UN Security Resolution 1325 and subsequent resolutions on women, peace and security.
- The AfDB is to ensure that projects and financing are based on the peace- and state building objectives in the New Deal and its principles for cooperation and confidence-building, and that the bank cooperates with other development actors in fragile states.

3. Priorities concerning the organisation's working methods

The Government Offices considers that the AfDB's internal efficiency has been strengthened through a number of reforms over the last ten years, and even if at present it has a generally good level of efficiency, there is still a need for additional measures. Not least, the fact that many of the AfDB's loan and recipient countries are affected by conflict entails a need for continuous internal efficiency efforts. The clear African ownership and involvement in the AfDB should be safeguarded.

Based on the Government Offices' assessment of the AfDB, the Government intends to pursue the issues outlined below concerning the

organisation's working methods. The Government considers that the impact of these issues may help to achieve the expected results presented in Section 2 above.

- The AfDB is to use a high quality organisation-wide results framework which is in line with the overall strategy. This is important not least to enable accountability.
- Increased internal efficiency, while maintaining high standards, through such means as improved internal planning, simplified programme and project management procedures, more suitable procurement regulations and improved risk management so as to shorten processing times and improve rates of payment.
- Implementation of the decentralisation reform the Bank has initiated.
- The increased lending volume planned by the AfDB should lead to reduced administrative costs in relation to the lending volume.
- Strengthening the Bank's financial stability, including through retained highest credit ratings.
- Through the increased use of the AfDB's guarantee instruments, act to strengthen the AfDB's capacity for project preparations and implementation of projects in difficult environments, with greater emphasis on gender equality and the environment and climate.
- An enhanced role for the AfDB's independent evaluation unit to ensure high standards in its operations and effective accountability.

4. Advocacy channels for implementing the strategy

Sweden is represented on the AfDB board by a common board member for Sweden, Norway, Denmark, Finland and India. With its comparatively large core support, Sweden is well positioned to influence activities conducted by the AfDB. Sweden contributed in discussion on the design of AfDB's long-term strategy for 2013–2022 and influenced its direction, in line with the priorities of Sweden's aid policy.

The Government will actively work to ensure that the expected results presented in Section 2 above have an impact. The following are some of the activities conducted by the Government:

- During the replenishment negotiations for AfDF14, act to ensure that Swedish priorities and objectives influence the outcome.

- Participate in regular meetings and informal events of the Board of Directors and its committees, including through Swedish statements and proposals for decisions.
- Conduct bilateral influence activities, including coherent dialogue and targeted measures on individual issues at both political and civil servant level.
- Cooperate closely with relevant agencies, not least missions abroad and the Swedish International Development Cooperation Agency (Sida).
- Promote the employment of Swedes at the AfDB, including through strategic secondments.
- Cooperate with like-minded countries.
- Promote the use of Swedish expertise in procurements, e.g. in the area of environment and sustainability.

5. Support to the AfDB's trust funds

Sida (and where necessary other Swedish agencies that provide support to the AfDB) is to consult with the Government Offices (Ministry for Foreign Affairs and other relevant ministries) before deciding on larger financial contributions in relation to Sweden's core support to the organisation, or support to strategy policy development or a thematic area.

A strengthened focus of Sweden's financing of AfDB's trust funds, in line with this strategy. Support to thematic trust funds where the AfDB has a significant operational role should mainly follow the directions set out in this strategy. In special cases, it may be of strategic interest to contribute to knowledge exchange and take part in thematic development with the AfDB in areas not covered by this strategy. In such cases, this must be justified by the party intending to provide the support in question. The Government Offices (Ministry for Foreign Affairs and other relevant ministries) must be consulted regarding the support.

Sida (or another agency where relevant) may grant support to the AfDB at national level. This support is governed by special strategies for countries, regions or thematic areas. If the strategies specify a different direction than this strategy, any deviations in support to the AfDB must be clearly justified by the relevant agency, and the Government Offices (Ministry for Foreign Affairs and relevant ministries) must be consulted. Synergies with the direction of this strategy should be actively sought.

6. Follow-up

This strategy is to be followed up continuously, including at the organisation consultations that are held between the Government Offices (Ministry for Foreign Affairs and other relevant ministries), Sida and other relevant agencies. Organisation consultations are to be held once a year.



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