



Optimising irrigation water supply for agricultural production

Africa is highly vulnerable to changes in rainfall and their consequences for agricultural production. In Eswatini, we are enabling smallholder farmers to transform and diversify agricultural production by optimising water resources and irrigation infrastructure.

Executive summary

The **Annual Development Effectiveness Review (ADER)** appraises Africa's development over the past year in the High 5 priority areas and details the contribution made by the African Development Bank (Bank). The ADER also presents the results of the Bank's ongoing efforts to strengthen its portfolio and make its operations more effective.

This year's ADER takes place against the backdrop of the Covid-19 global pandemic, which at the time of writing is gaining a strong foothold across the African continent. The pandemic makes this year's edition all the more pertinent, as African countries prepare for a sharp rise in needs for critical care that will seriously strain their public health systems. The crisis will have a severe economic impact that may turn back the clock on the quality of life in the continent. The Bank has put in place a Covid-19 Response Facility to support African countries in curbing the pandemic.

 *Against the backdrop of Covid-19, this year's ADER is more pertinent than ever*

In this report, we review progress on the Bank's High 5s: Light Up and Power Africa, Feed Africa, Industrialise Africa, Integrate Africa, and Improve the Quality of Life for the People of Africa. We evaluate the Bank's performance against its cross-cutting priorities of governance, fragility, gender, and climate change, and we review the Bank's operational effectiveness and identify some of challenges facing Africa in the coming period.

Light Up and Power Africa

Expanding access to reliable, affordable, sustainable, and modern forms of energy is central to improving quality of life across Africa. Energy is needed to create jobs, support basic services, and make it possible for people to live fulfilled lives. Generating energy sustainably will protect the quality of life of Africans into the future.

In recent years, African countries have made significant progress towards the New Deal on Energy for Africa's goal of universal access to energy by 2025. North Africa has achieved close to universal access, and for the rest of Africa, 20 million people per year gained access to electricity between 2014 and 2018. With Africa's fast-growing population, however, access to electricity in the area is still low, at 45%, and the continent remains home to two-thirds of the world's people living without electricity. In addition, over 900 million Africans continue to rely on biomass and other

dirty cooking fuels that undermine their health and degrade the environment.

 *Energy is at the centre of our support for Africa*

For these reasons, energy is at the centre of the Bank's support for Africa. Alongside other development finance institutions, the Bank has a critical role to play in supporting African countries to gain access to the long-term and affordable financing they need to rapidly develop their energy infrastructure. In 2019, our operations helped to install 291 MW of new power capacity, 60% of which was renewable. We also installed or improved 435 km of power distribution lines and supplied 468 000 people with new electricity connections.

We are increasingly addressing climate-related risks and challenges when designing our energy programmes, amongst other things by recognising that climate change affects energy resource endowments, production, infrastructure, and transportation. A key element of our work is expanding our investments in renewable energy. We recently approved new solar projects in Chad and Sudan and new hydropower projects in Liberia and Madagascar.

Our support for energy aims to crowd in other public and private investments, to help mobilise the finance that Africa's energy infrastructure needs to develop. We are also working to develop mini-grid solutions, often the best means of supplying power to remote communities.

Feed Africa

Developing African agriculture is important for the continent's future. Not only does agriculture provide the food needed for healthy lives, but it is also a major source of jobs and livelihoods for Africa's growing population, and is likely to remain so for some time.

Despite recent expansions in agricultural productivity and trade, agriculture in Africa remains predominantly small-scale, low in productivity, and vulnerable to conflict, climate-related disruption, and economic shocks. Because of this, a number of African countries have experienced increased hunger and malnutrition in recent years. Efforts to raise agricultural productivity and add value to agricultural products are held back by limited access to modern technology and weak infrastructure, especially roads, logistics, and processing equipment. Women face special challenges: they receive less than 10% of agricultural credit and own only 1% of land.

Under its Feed Africa strategy, the Bank is committed to raising agricultural productivity; prioritising smallholders, women, and farming cooperatives; expanding young people's access to agribusiness training; and promoting resilience to climate change. In 2019, we made it possible for 20.3 million people to benefit from improved agriculture and we built or rehabilitated 3919 km of feeder roads. Some of the key projects we completed in 2019 included support for expanding warehousing, cold storage, and marketing infrastructure in Tanzania and support for the livestock and dairy sectors in Zambia.



We are raising agricultural productivity and expanding agribusiness for young people

To continue promoting the development of African agriculture, we recently approved a range of major new investments in food crops, livestock, vegetables, paddy rice, fisheries, aquaculture, and more. We are also increasing our investments in agro-industrial initiatives that will add value and build productive capacity. In East Africa and the Horn of Africa, we are supporting African countries to curb the damage caused by desert locusts.

Industrialise Africa

Industrial development has been the main driver of prosperity in other developing regions and will need to play a key role in Africa as well. Industrial diversification and growth enables economies to expand production while increasing secure employment.

After a long period of stagnation, African industry has returned to growth in an increasing number of countries and sectors over the last two decades. Alongside an expanding service sector, manufacturing grew 5.3% per year on average from 2000 to 2017. The Bank has played an active role in this progress: in 2019, our investee projects benefited one million people and the micro, small and medium enterprises (MSMEs) we supported trebled their turnover to \$1 billion.



From 2000 to 2017, manufacturing grew 5.3% per year: we played a role

But industrial development is still nascent in most African countries, where the service sector is dominated by small informal firms. As a result, most jobs being created in Africa are informal, insecure, and poorly paid. This contributes to high levels of working poverty. Women and people with limited education are overly represented in informal roles, a factor in their economic marginalisation. And efforts to improve productivity, boost competitiveness, and generate more formal jobs are held back by weak infrastructure, a lack of supportive institutions, and gaps in skills and financial services.

The Bank's operations are helping to overcome these challenges. In 2019, we completed major projects on roads (Burundi, Malawi, Mozambique, and Tanzania) and air transport (Democratic Republic of Congo), as well as on financial services, enterprise development and support for MSMEs (Malawi, Mauritania, Mozambique, and Niger).

In coming years, Africa will have an important opportunity to use its growing service sector capacity, its digital connectivity, and its workforce to take advantage of the fourth industrial revolution. A number of the Bank's recently approved projects will help regional member countries make the most of these opportunities, for example by constructing and operating a submarine internet cable in Seychelles and by expanding access to finance for small and medium-sized enterprises (SMEs) in West Africa.

Integrate Africa

Regional integration is important to extending inclusive growth across Africa. Regional integration allows countries to expand production, improve productivity, and create the jobs that will improve Africans' quality of life. Rapid growth in African populations and workforces has made regional integration even more urgent.



We have always championed regional integration

Regional integration has intensified in recent years, with formal intraregional trade expanding by 12.5% annually over 2000–2016. This progress has been boosted by falling trade barriers and improvements to cross-border infrastructure. Africa's network of regional economic communities are working hard to dismantle barriers to the free movement of goods, finance, and people. Yet challenges remain, and Africa is still much less integrated than other developing regions. Non-tariff barriers are high, regional infrastructure gaps are significant, and integration beyond trade in goods has been limited. Implementing the Africa Continental Free Trade Agreement (AfCFTA), which entered into force in May 2019, will be vital to efforts to accelerate regional integration.

The Bank has always been a strong champion of regional integration in Africa. Its support is focused on catalysing public and private investment in road, transport, and electricity connectivity. In 2019, the Bank helped build or rehabilitate transport links between Burundi, Rwanda, and the East Africa Community; between Ethiopia and Kenya; and between Kenya and Tanzania.

Beyond physical infrastructure, the Bank is also helping develop institutions that advance integration. We have scaled up our support for AfCFTA, and we are funding initiatives to strengthen air transport links, promote visa-free travel, and make finance more mobile. These efforts are likely to be set back in the short term by the Covid-19 crisis, as African countries adopt travel restrictions recommended by the

World Health Organization. Over the medium term, however, we will continue to support an open and integrated African economic space.

Improving the quality of life for the people of Africa

The ultimate goal of the Bank's work is to improve the quality of life for people across Africa. A range of investments in our portfolio increases Africans' access to quality education and training and other basic services, as well as helping to create secure, decent, well-paid jobs.

Quality of life in Africa has improved greatly in recent decades, supported by economic growth, better governance, and widespread improvements in basic services. Extreme poverty fell from 54% to 41% between 1990 and 2015, and access to education, health and other services expanded rapidly. With sustained economic growth and rapid urbanisation, new jobs and livelihoods have helped lift large numbers of people out of poverty. But progress has sometimes struggled to keep pace with rapid population growth, and too many Africans have yet to experience a fundamental change in their quality of life. Countries dealing with conflict and fragility in particular are falling behind on creating economic opportunities and providing basic services. Furthermore, the economic growth experienced by Africa has not increased employment at the needed pace. To accelerate improvements to quality of life, Africa must focus on raising the quality of services and ensuring that growth is inclusive.



Our portfolio increases education and creates secure, well-paid jobs

The Bank continues to promote the creation of jobs across agriculture, industry, and the service sector. We are currently collaborating with other development finance institutions to develop an innovative approach to measure and report on the direct, indirect, induced, and forward-effect jobs created from our operations.

Within the field of education, the Bank is a leading investor in technical vocational education and training (TVET). In 2019, we completed large-scale TVET projects in Egypt, Eritrea, Malawi, Niger, and Rwanda. In Kenya, we recently approved support for 26 new technical and vocational colleges that will train 156 000 people. And in Senegal, we will support 27 000 entrepreneurs as they expand their businesses and create jobs.

The Bank is also scaling up its support for improving access to services and improving the quality of services across Africa. In 2019, our projects helped 10.1 million people gain new or improved access to water and sanitation services—a fivefold increase since 2015. In 2019, we completed projects for a wastewater treatment plant in Egypt that can serve 2.5 million people, for upgrading drinking water infrastructure for 8.5 million people in Morocco, and for sanitation in over 300 schools in South Africa. Our continued support for water, sanitation, and health services will be especially important in the

coming year, as African countries strive to reduce the spread of Covid-19 and treat those infected. It will also be vital for sustaining the response to other health challenges—such as cholera and dysentery—which are a major cause of death and illness in Africa.

Cross-cutting and strategic areas

Over the last decade, Africa's economy has grown rapidly, with several African countries ranking amongst the fastest growing economies in the world. But the benefits of this growth have not been spread widely: in 2019, only a third of African countries experienced growth even as they reduced poverty and inequality. The Bank is therefore focusing its efforts on making African growth more inclusive, particularly by creating more and better jobs.



Africa's economy has grown rapidly, but benefits are not distributed. We want to make growth more inclusive

Before the Covid-19 virus spread to the continent, Africa's economy was expected to continue its impressive growth in 2020. Initial assessments now suggest that the global pandemic will have a severe effect on the continent—both because of the health crisis and measures to control it, and because of the shock of a global economic crisis that are causing trade, investment, tourism, and remittances to decline. Countries with large deficits and high debt levels are particularly vulnerable. The Bank's Covid-19 Response Facility will assist African countries, including their private sector, to meet these challenges.

African countries have made important progress in mobilising more domestic resources and strengthening economic governance. Progress is, however, slower in poorer countries and in countries affected by conflict and fragility, and major weaknesses in tax collection and the quality of public expenditure remain. In 2019, the Bank supported seven countries to improve the quality of their budgetary and financial management and six countries to improve transparency and accountability in the public sector. We also support the generation of new data sources and technologies, such as those that use big data, as a means of improving policymaking. Finally, we are supporting civil society's work to promote accountability and good governance.

Conflict and collective violence impact the lives of over 250 million Africans and displaced 29 million Africans in 2019. They are amongst the primary drivers of poverty and fragility on the continent. The Bank has been working to design its operations to help overcome fragility and build resilience. Alongside other financing instruments, the Bank's Transition Support Facility (TSF) is central to Bank's engagement in fragile situations. In 2019, the TSF invested additional funds in 30 projects across 19 countries. As the Covid-19 pandemic evolves, the Bank and the TSF remain committed to help transition states address vulnerabilities and build long-term resilience.

Of all the world's developing regions, Africa will face the most severe challenges from climate change. Africa's people and its natural resources are highly vulnerable to a changing climate, and Africa lacks the financial resources to adapt. Recognising this situation, we have committed to ensuring that climate finance constitutes 40% of our investments by the end of 2020, and we are designing our projects with a view to mitigating their climate risks. We are also supporting efforts to build capacity for forecasting severe weather in Africa, so as to help countries prepare for managing those occurrences.

Despite recent progress in promoting gender equality, women and girls in Africa remain disadvantaged on most development indicators, including those for livelihoods and incomes. The Bank is therefore investing increasing resources, capacity and external engagement on gender issues. In 2019, we continued to expand gender mainstreaming in Bank operations, with 60% of sovereign operations now using our gender marker system to track their impact on gender equality. In addition, the Affirmative Finance Action for Women in Africa initiative secured pledges of \$300 million from the G7, the Netherlands, Sweden, and Rwanda, to support women entrepreneurs across Africa. With the United Nations Commission for Africa, we also launched the first edition of the Africa Gender Index and co-organised the Global Gender Summit in Rwanda.

Delivering development results effectively

The Bank is working intensively to ensure that we continually improve our performance in supporting development impact, amongst other things by better tracking results, by responding more agilely to delivery challenges, and by investing more in building our project partners' capacity.



2019: A record replenishment of the African Development Fund—and an ambitious framework of reforms

Improving quality and development impact – In November 2019, in recognition of African countries' steadily increasing demand for the Bank's support, the Bank's shareholders agreed to a seventh general capital increase. Shareholders also committed a record \$7.6 billion to the fifteenth replenishment of the African Development Fund, which supports Africa's poorest countries. During this process, we agreed on an ambitious framework of reforms to ensure that the Bank could use the additional resources to best effect. The reforms centre around improving our strategic alignment and operational focus on the High 5s so as to maximise development impact.

In 2019, we continued to make progress on increasing the proportion of our completed projects that achieved their planned development outcomes (we reached 92%) and that achieved sustainable outcomes (96%). We also increased the share of our programmes with a gender-informed design (86%), a climate-informed design (90%), and satisfactory environmental and social safeguard measures (81%). We are continuing to monitor and address issues related to

the quality of country strategy papers and the production of timely project completion reports. We also closely track the implementation of recommendations from our evaluations.

Improving portfolio performance – To strengthen our growing portfolio, we have made important changes to our business model to allow us to devote more resources to directly supporting regional member countries. Better supervision has reduced the proportion of our operations at risk. We still face delays in disbursement and project implementation, but we are addressing them by introducing country action plans that are monitored during supervision visits, by expanding staffing at the country level, by building implementation capacity in project implementation units, and by improving policy dialogue.

Knowledge Bank – In 2019, we produced 193 new economic and social work products—more than our target—and provided technical and financial support to 11 countries to help strengthen their national statistical systems. In addition to our flagship publication, *African Economic Outlook 2019*, we produced a research report on job creation and collaborated with the International Monetary Fund's Research Department on economic modelling for Africa. We also organised the successful African Economic Conference in Sharm el-Sheikh, Egypt, together with the United Nations Economic Commission for Africa and the United Nations Development Programme. The conference's theme was "Jobs, Entrepreneurship and Capacity Development for African Youth."

Managing our operations efficiently

The more efficiently the Bank operates, the better the development returns on our investments in promoting the High 5s. We therefore continually focus on finding ways to use our finance to mobilise other public and private resources, build sustainable capacity, improve the value for money of our operations, and work more closely with our regional member countries.



The more efficiently we operate, the better the results for the High 5s

Financial performance – In 2019, our operations mobilised \$6.3 billion (UA 4.6 billion) from the public sector, a decrease from \$7 billion (UA 5.0 billion) in 2018. The Bank also mobilises funds through bilateral and multi-donor trust funds. In 2019, we mobilised \$17 billion (UA 12.4 billion) from private sector entities, a significant increase from 2018 and well above targeted levels.

Value for money – The Bank has made significant progress in reducing its administrative costs since 2015 and we remain on track to achieve our 2025 targets in this area. Progress has been more modest in reducing work environment costs, but the Bank remains committed to reducing costs per seat by a further 17% by 2025. Our costs in preparing and supporting the implementation of projects have been rising in recent years, as we have increased

our investments in knowledge work and strengthened project management amongst our staff.

Decentralisation – The Bank’s Development and Business Delivery Model (DBDM) is fundamentally transforming the structure of the organisation so as to bring our operations closer to our clients. An evaluation of the DBDM in 2019 reported that the Bank had succeeded in strengthening its field offices, leading to an organisational structure that is better aligned to the High 5s and is improving policy dialogue at the country level. This said, the proportion of our operations staff working in country offices and regional hubs remains below target. We are therefore working to decentralise further, amongst other things by conducting a biennial staffing review and by pursuing our strategic staffing exercise.

Staffing – To conduct high-quality operations, we must attract talented staff and invest in their development and welfare. In 2019, our staff engagement index exceeded targeted levels, and we have defined a corporate action plan to strengthen staff engagement further. The Bank is also working to promote diversity amongst our staff. In 2019, the proportion of professional staff who were women increased to just below targeted levels, but the proportion of female management staff fell to 26%. We remain committed to reversing this trend and ensuring that by 2025, 38% of our managerial staff are women.

Conclusions and outlook

The 2020 ADER shows that the Bank is continuing to contribute significantly to Africa’s development. In 2019, notably, we improved our work on expanding access to water and sanitation services,

we provided more Africans with skills development and training opportunities to succeed in the labour market, we better supported regional infrastructure and policy reforms, we helped generate more renewable energy, we scaled up agriculture support services, and we provided more support to MSMEs.



We contributed significantly to Africa’s development in 2018, and we will work closely with African countries to respond to Covid-19

Yet Africa still faces many pressing development challenges. We will keep scaling up our financing for the High 5s while carefully monitoring debt levels. To best use the resources entrusted to us by the general capital increase and the replenishment of the African Development Fund (ADF), we will continue to press ahead with an ambitious programme of internal reforms.

And in the short term, the Bank will work closely with African countries to respond to the Covid-19 crisis. The Bank has launched a Covid-19 Response Facility to support African countries, including their private sector. To free up these resources, we will reprioritise certain forthcoming operations and frontload ADF expenditure. The full implications for African countries will only become clear as the crisis unfolds. The Bank will need to respond agilely and at scale to help mitigate the pandemic’s effect.

We cannot fail Africa at this time. ■