



Annual Development Effectiveness Review 2020

Building resilient African economies

Annual review



2011
10TH EDITION
2020

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Cover photo: The Bank is scaling up its support for the private sector, helping to unlock Africa's productive potential. Support from the Bank's private Africinvest fund enabled Tunisia's Eleonetech to become a leading electro-mechanical firm that specialises in manufacturing cables and electronic assembly.

Photo: AfDB

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Note: In this report, "\$" refers to US dollars.

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Contents

| | |
|---|-----------|
| Foreword | 1 |
| The 2020 summary scorecard | 2 |
| Executive summary | 5 |
| Introduction | 11 |
| Chapter 1 Light up and power Africa | 15 |
| Energy is at the heart of Africa's development | 15 |
| The Bank's impact on the drive for universal energy | 17 |
| Chapter 2 Feed Africa | 21 |
| Agricultural development is vital for a food-secure Africa | 21 |
| The Bank's support for agricultural development | 22 |
| Chapter 3 Industrialise Africa | 27 |
| Industrialisation is essential to transforming African economies | 27 |
| The Bank's support for industrial expansion | 29 |
| Chapter 4 Integrate Africa | 33 |
| Connecting markets and industries through economic integration | 33 |
| The Bank's support for regional integration | 34 |
| Chapter 5 Improve the quality of life for the people of Africa | 39 |
| Job-creating growth is vital to improving quality of life | 39 |
| Improving quality of life is central to the Bank's work | 41 |
| Chapter 6 Cross-cutting and strategic issues | 47 |
| Economic growth on the continent | 47 |
| Governance and institution-strengthening | 47 |
| Addressing fragility and building resilience in Africa | 49 |
| Managing the effects of climate change | 51 |
| Putting gender at the heart of Africa's development | 51 |
| Chapter 7 Improving our development impact and efficiency | 55 |
| Delivering results by working as One Bank | 55 |
| Securing financing and mobilising talent | 58 |
| Conclusion | 61 |
| Looking forward | 63 |
| Annex – Methodological note | 64 |

List of figures

| | | |
|-----------|---|----|
| Figure 1 | The Bank is increasing its strategic focus on five priority areas of action | 11 |
| Figure 2 | Access to electricity remains low in Africa | 16 |
| Figure 3 | Undernutrition is growing in Africa's low-income and transition states | 21 |
| Figure 4 | Many African countries export a small number of products | 28 |
| Figure 5 | High-resolution impact mapping | 35 |
| Figure 6 | The Bank is assessing the impact of its investments on jobs | 42 |
| Figure 7 | Increasing the capacity to raise and manage revenues is essential | 47 |
| Figure 8 | The Bank is achieving development impact and improving its measurement approach | 56 |
| Figure 9 | The Bank is improving the quality of its projects while accelerating implementation | 57 |
| Figure 10 | The Bank faces portfolio challenges while improving procurement | 57 |
| Figure 11 | The Bank has increased its private resource mobilisation | 59 |
| Figure 12 | The Bank's efficiency in running its operations achieves greater value for money | 59 |
| Figure 13 | The Bank is moving closer to its clients to enhance delivery | 60 |
| Figure 14 | The Bank is accelerating recruitments to fill vacancies | 61 |

List of boxes

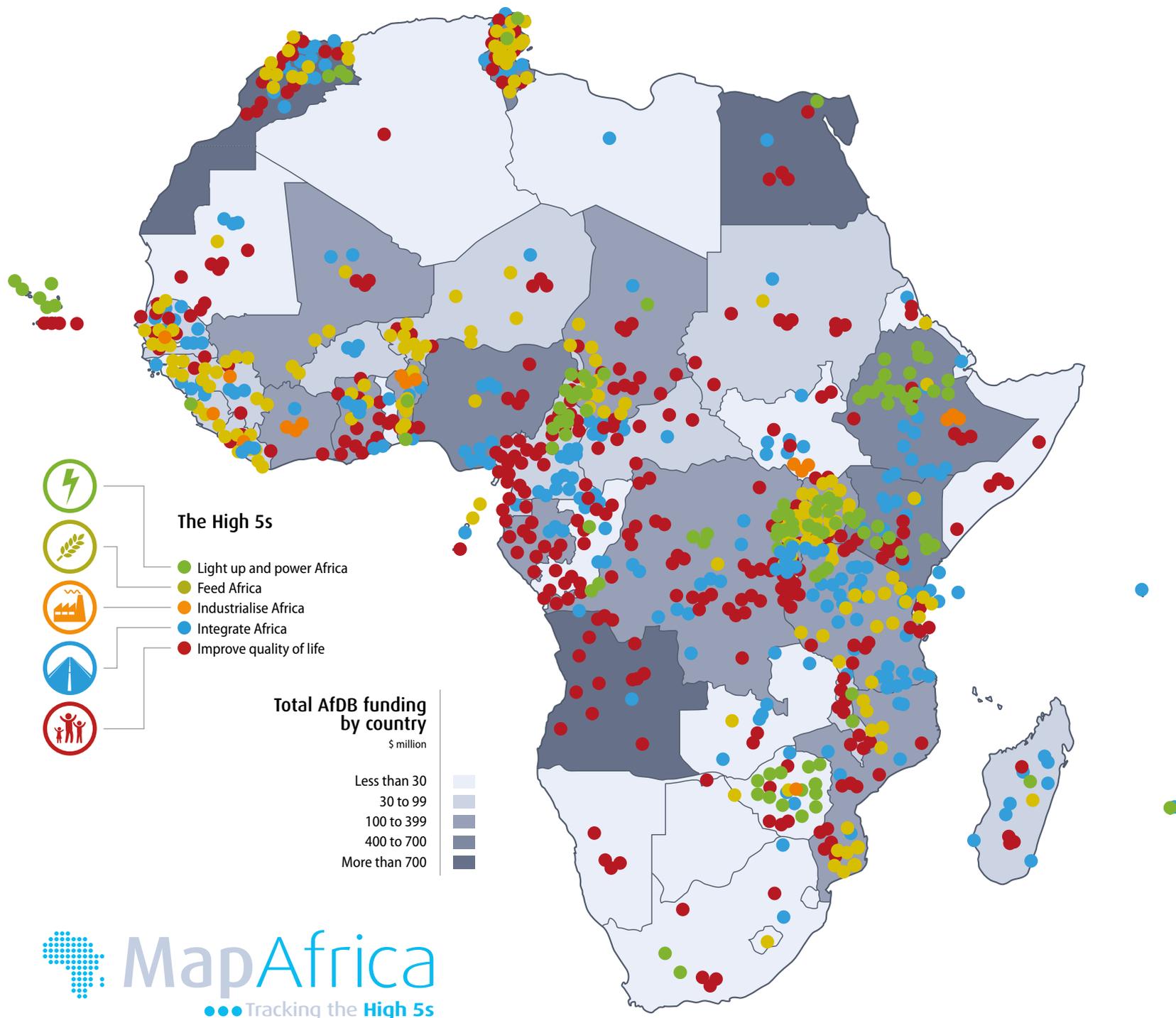
| | | |
|--------|--|----|
| Box 1 | Expanding energy access and generation with the Sustainable Energy Fund for Africa | 18 |
| Box 2 | Using agricultural technologies to raise productivity | 23 |
| Box 3 | Stories from beneficiaries – Young entrepreneurs in agriculture | 23 |
| Box 4 | Stories from beneficiaries – Mega Signs and Media Ltd, Malawi | 29 |
| Box 5 | UNCTAD and the African Union launch the Trade Barriers Africa tool | 33 |
| Box 6 | Stories from beneficiaries – The Lomé-Cotonou Transport Corridor | 36 |
| Box 7 | Stories from beneficiaries – Digital training in action | 41 |
| Box 8 | Strengthening our focus on Africa's water sector | 43 |
| Box 9 | Enhancing our development impact through program-based operations | 49 |
| Box 10 | Stories from beneficiaries – Training youth in Somalia | 50 |
| Box 11 | Building countries' resilience to climate shocks | 50 |

List of tables

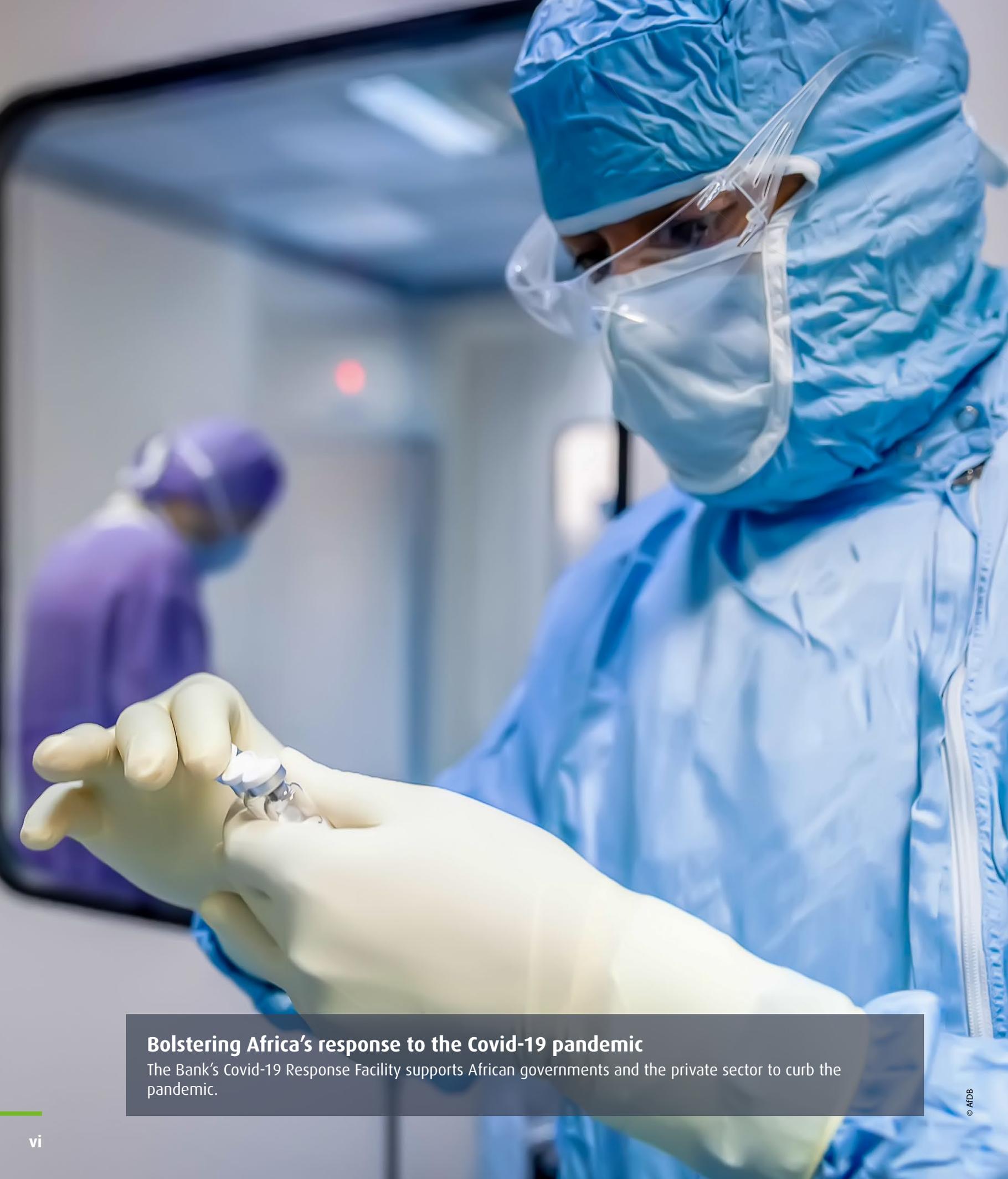
| | | |
|----------|--|----|
| Table 1 | Africa is making steady progress towards universal energy access (Level 1) | 16 |
| Table 2 | Light Up and Power Africa indicators (Level 2) | 19 |
| Table 3 | Africa's agriculture is making progress but needs to do better (Level 1) | 22 |
| Table 4 | Feed Africa indicators (Level 2) | 24 |
| Table 5 | Africa's industrialisation is making slow progress (Level 1) | 28 |
| Table 6 | Industrialise Africa indicators (Level 2) | 30 |
| Table 7 | Africa's progress in regional integration is mixed (Level 1) | 34 |
| Table 8 | Integrate Africa indicators (Level 2) | 36 |
| Table 9 | Quality of life in Africa has slowly improved (Level 1) | 40 |
| Table 10 | Indicators on improving the quality of life for the people of Africa (Level 2) | 43 |
| Table 11 | Africa's economic growth needs be more inclusive and pro-poor (Level 1) | 48 |
| Table 12 | Indicators in cross-cutting and strategic areas (Level 2) | 52 |
| Table 13 | How effectively is the Bank managing its operations? (Level 3) | 56 |
| Table 14 | How efficiently is the Bank managing itself? (Level 4) | 60 |

Delivering impact in the Bank's five priority areas

This map plots the 1762 geographic locations of the 393 Bank operations that were completed between 2017 and 2019 in each of the High 5s.



The Bank remains committed to increasing the transparency of its operations. MapAfrica, its geocoding tool, has been revamped with a focus on five critical areas of the Ten-Year Strategy: *Light up and power Africa*, *Feed Africa*, *Industrialise Africa*, *Integrate Africa* and *Improve the quality of life for the people of Africa*. Explore our 9000 project locations through the High 5s by visiting mapafrica.afdb.org.



Bolstering Africa's response to the Covid-19 pandemic

The Bank's Covid-19 Response Facility supports African governments and the private sector to curb the pandemic.

Foreword

Building resilient African economies

This year's Annual Development Effectiveness Review (ADER) is published in deeply challenging times, both for Africa and for the world. Notwithstanding the swift action taken by many African governments to contain it, the Covid-19 pandemic is spreading across the continent. We should be in no doubt that Africa faces its gravest threat in many years, and that national health and social protection systems will be severely tested.

Africa is also acutely vulnerable to the economic impacts of Covid-19. The public health measures needed to control the pandemic are crippling economic activity and disrupting the livelihoods of countless numbers of people. African economies are facing multiple shocks from steep falls in global commodity prices, investment flows, remittances, and tourism.

The pandemic risks majorly setting back Africa's development. This is all the more tragic, given Africa's strong progress in recent years. This 10th edition of the ADER tells the story of a continent that has advanced steadily along the path towards a brighter future. Its progress has been driven by Africans' determination to fulfil their potential as productive members of society and to forge better lives for themselves and their families, supported by continuing improvements in public services and infrastructure.

The African Development Bank is proud to support Africa's development efforts. In 2019, we responded to growing demand from our African member states by scaling up our support for transport, energy, agriculture, and business, helping to unlock Africa's productive potential and improve the quality of life of Africa's people.

Indeed, for the Bank, 2019 was a watershed year. Through a historic \$115 billion general capital increase and a 32% increase of the African Development Fund, the international community entrusted us with the resources we need to respond to African countries' growing demand for support.

To ensure that we make the best use of these additional resources, we are implementing an ambitious programme of reforms designed to strengthen our portfolio, our operations, and our capacity as a development partner. This year's ADER provides evidence that our efforts are beginning to bear fruit. Our performance has improved across a range of areas, such as the quality and speed of our operations, the timely implementation of projects, a stronger presence in partner countries, and, most importantly, more development impact. In addition, I was inspired to learn that this year's Aid Transparency Index ranked the Bank fourth-most transparent development institution—the result of years of investment in strengthening data on our operations and results.

But we won't stop there. In addition to pursuing our reforms, we are moving rapidly to mobilise the finance that African countries need to manage the Covid-19 crisis. Recently, we launched our Covid-19 Response Facility, which provides emergency support for African governments and the private sector. This includes fast-tracked budget support for urgent interventions in public health, social protection, and economic measures.

We are at a critical juncture that requires an extraordinary mobilisation of resources and efforts from partners across Africa and the world. The Bank is determined to do its part to meet this challenge and set Africa firmly back on its development path.



A handwritten signature in red ink, which appears to be 'A. Adesina'. The signature is stylized and fluid.

Akinwumi Ayodeji Adesina

President, African Development Bank Group

The 2020 summary scorecard

The 2020 scorecard shows in a glance how effectively the African Development Bank (Bank) contributed to Africa's development in 2019. It indicates whether we advanced or regressed with respect to our targets at each level of the Results Measurement Framework:

  Improvement
   Deterioration
  No change
  Data not available

The Bank's performance on each key performance indicator is discussed in each chapter of the ADER (see the methodological note in annex). This year's scorecard indicates improvements over the Bank's performance in 2018 in key areas (for comparison, see 2019 scorecard, below).

This year's 2020 summary scorecard

| LEVEL 1 – WHAT DEVELOPMENT PROGRESS IS AFRICA MAKING? | | |
|---|--|---|
| Feed Africa | Light Up & Power Africa | Industrialise Africa |
| <ul style="list-style-type: none">  Agricultural exports  Agricultural value chains  Malnutrition | <ul style="list-style-type: none">  Power infrastructure  Access to energy  Efficient energy use | <ul style="list-style-type: none">  Business climate  Economic diversification |
| Integrate Africa | Quality of Life | Cross-Cutting Areas |
| <ul style="list-style-type: none">  Trade facilitation  Regional integration  Free movement of people | <ul style="list-style-type: none">  Poverty and inequality  Unemployment  Building skills  Access to water | <ul style="list-style-type: none">  Gender equality  Climate solutions  Economic growth  Governance  Fragile situations |

| LEVEL 2 – WHAT DEVELOPMENT IMPACT ARE BANK-SUPPORTED OPERATIONS MAKING? | | |
|---|--|--|
| Feed Africa | Light Up & Power Africa | Industrialise Africa |
| <ul style="list-style-type: none">  Downstream markets  Agricultural productivity | <ul style="list-style-type: none">  Electricity capacity  Access to energy  Efficient energy use | <ul style="list-style-type: none">  Development of enterprises  Infrastructure network |
| Integrate Africa | Quality of Life | Cross-Cutting Areas |
| <ul style="list-style-type: none">  Infrastructure development | <ul style="list-style-type: none">  Access to water  Skills development | <ul style="list-style-type: none">  Country governance |

| LEVEL 3 – IS AfDB MANAGING ITS OPERATIONS EFFECTIVELY? | | |
|---|--|--|
| Development Impact | Quality and Speed | Gender and Climate |
| <ul style="list-style-type: none">  Development outcomes  Sustainable outcomes  Timely completion reports | <ul style="list-style-type: none">  Quality of operations  Time to first disbursement | <ul style="list-style-type: none">  Environmental/social risk  Gender  Climate |
| Timely Execution of Operations | Proactive Project Management | Knowledge |
| <ul style="list-style-type: none">  Timely procurement  Use of national procurement  Average execution time | <ul style="list-style-type: none">  Non-performing operations  Implementation challenges  Timely portfolio reviews | <ul style="list-style-type: none">  Knowledge and services |

| LEVEL 4 – IS AfDB MANAGING ITSELF EFFICIENTLY? | | |
|--|--|--|
| Decentralisation | Climate Finance | Engaging Staff |
| <ul style="list-style-type: none">  Decentralisation  Country presence | <ul style="list-style-type: none">  Climate finance | <ul style="list-style-type: none">  Vacancy rate  Time to fill vacancies  Operations professional staff  Employee engagement  Managerial effectiveness  Gender diversity |
| Value for Money | Financial Performance | |
| <ul style="list-style-type: none">  Project implementation cost  Project preparation costs  Administrative costs | <ul style="list-style-type: none">  Private resource mobilisation  Public resource mobilisation  Total Bank income | |

Last year's summary scorecard

| LEVEL 1 – WHAT DEVELOPMENT PROGRESS IS AFRICA MAKING? | | |
|---|--|---|
| Feed Africa <ul style="list-style-type: none"> Agricultural exports Agricultural value chains Malnutrition | Light Up & Power Africa <ul style="list-style-type: none"> Power infrastructure Access to energy Efficient energy use | Industrialise Africa <ul style="list-style-type: none"> Economic diversification Business climate |
| Integrate Africa <ul style="list-style-type: none"> Trade facilitation Free movement of people Regional integration | Quality of Life <ul style="list-style-type: none"> Poverty and inequality Unemployment Access to water Building skills | Cross-Cutting Areas <ul style="list-style-type: none"> Governance Gender equality Growth Climate solutions Fragile situations |
| LEVEL 2 – WHAT DEVELOPMENT IMPACT ARE BANK-SUPPORTED OPERATIONS MAKING? | | |
| Feed Africa <ul style="list-style-type: none"> Downstream markets Agricultural productivity | Light Up & Power Africa <ul style="list-style-type: none"> Electricity capacity Access to energy Efficient energy use | Industrialise Africa <ul style="list-style-type: none"> Development of enterprises Infrastructure network |
| Integrate Africa <ul style="list-style-type: none"> Infrastructure development | Quality of Life <ul style="list-style-type: none"> Access to water Skills development Employment | Cross-Cutting Areas <ul style="list-style-type: none"> Country governance |
| LEVEL 3 – IS AfDB MANAGING ITS OPERATIONS EFFECTIVELY? | | |
| Development Impact <ul style="list-style-type: none"> Development outcomes Sustainable outcomes Timely completion reports | Quality and Speed <ul style="list-style-type: none"> Quality of operations Time to first disbursement | Gender and Climate <ul style="list-style-type: none"> Gender Climate Environmental/social risk |
| Timely Execution of Operations <ul style="list-style-type: none"> Average execution time Timely procurement Use of national procurement | Proactive Project Management <ul style="list-style-type: none"> Implementation challenges Non-performing operations Timely portfolio reviews | Knowledge <ul style="list-style-type: none"> Knowledge and services |
| LEVEL 4 – IS AfDB MANAGING ITSELF EFFICIENTLY? | | |
| Decentralisation <ul style="list-style-type: none"> Country presence Decentralisation | Climate Finance <ul style="list-style-type: none"> Climate finance | Engaging Staff <ul style="list-style-type: none"> Gender diversity Vacancy rate Time to fill vacancies Operations professional staff Employee engagement Managerial effectiveness |
| Value for Money <ul style="list-style-type: none"> Administrative costs Project preparation costs Project implementation costs | Financial Performance <ul style="list-style-type: none"> Public resource mobilisation Total Bank income Private resource mobilisation | |

Under the Feed Africa strategy, for example, our operations contributed to improving downstream markets and agricultural productivity (Level 2). In 2019, Bank-funded operations benefited more than 20 million Africans from improvements in agriculture. That is three times the number of people recorded in 2015 and well above our target for the year. We also increased value for money and grew better at mobilising resources for our clients. In 2019, we mobilised \$17 billion from private sector entities, a large increase

over last year's performance and significantly above our annual target.

But the ADER is also candid in discussing areas where the Bank did not meet its own high standards. These areas are analysed and lessons are drawn with a view to improving the Bank's performance. Our aim is to keep the Bank moving in the right direction, year after year. ■



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. ■



Creating jobs for Africa's young workers

The Bank continues to promote the creation of jobs for young African men and women across industries and services, helping countries improve citizens' welfare and making it possible for people to realise their social and economic potential.

Introduction

Each year, the Annual Development Effectiveness Review (ADER) assesses Africa's development and the contribution that the African Development Bank (Bank) has made. The ADER is vital to the Bank's reflection on its achievements and areas where it can improve its performance. This reflection is all the more vital this year, as the Bank reorients its operations to respond to the Covid-19 pandemic. The crisis requires us to ensure we use our resources and expertise more effectively than ever.

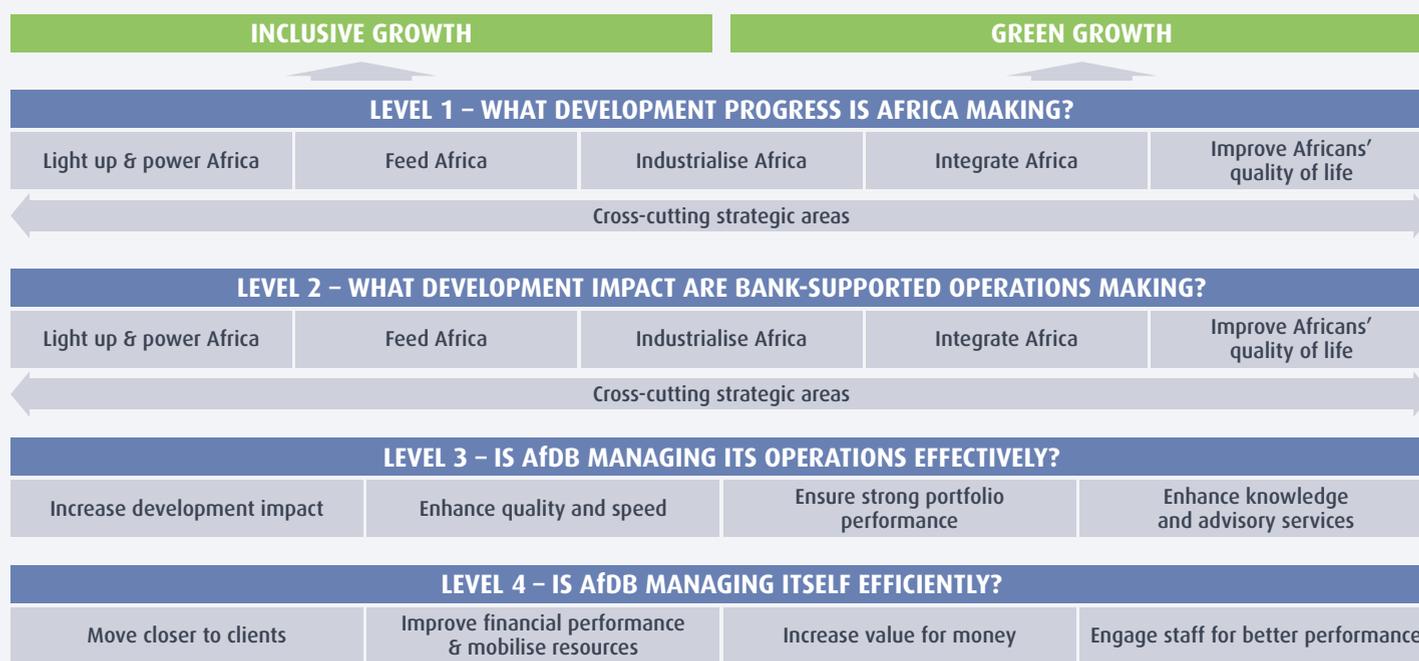
In 2019, Africa made important progress on development. Poverty rates continued to fall—although slowly—while educational enrolment grew and renewed economic growth created employment. But for many Africans, significant challenges to a high quality of life persist. Hunger and food insecurity are rising, inequality and unemployment are still high, population is growing rapidly, and access to basic services remains low by global standards. The Bank is scaling up its efforts to address these

challenges across all of its operations and to support Africa to achieve the sustainable development goals.

The ADER assesses progress against the Bank's Results Measurement Framework (RMF) for 2016–2025. It monitors the contribution of our activities to our High 5s—Light up and Power Africa, Feed Africa, Industrialise Africa, Integrate Africa, and Improve the Quality of Life for the People of Africa—to our cross-cutting priorities, and to our long-term goals of promoting inclusive growth and green growth (Figure 1).¹ The ADER also measures the progress we have made on strengthening our portfolio and reforming our internal systems and processes, to position us to deliver better development results for Africa.

The ADER aims to give stakeholders and partners a clear understanding of the Bank's activities, programmes, and performance. It is written in accessible language that presents progress in the High 5 areas and in

Figure 1 **The Bank is increasing its strategic focus on five priority areas of action**



¹ See the methodological annex for a discussion of how the High 5s contribute to the Bank's twin goals of inclusive growth and green growth and how the ADER tracks progress against the RMF.

cross-cutting issues for Africa. At its core, the ADER analyses progress against measurable, time-bound targets and gives stakeholders a snapshot of where we stand on achieving our goals and needing to accelerate our efforts. In this way, the ADER supports the Bank's commitment to transparency and accountability.

Chapters 1 to 6 of the ADER discuss the High 5s and our cross-cutting priorities of governance, fragility, gender, and climate change. Each chapter is structured around indicators from Levels 1 and 2 of the RMF.

- ▶ **Level 1** assesses Africa's general development progress in relation to the High 5s. Progress is tracked using a set of development criteria—for example, levels of enrolment in education or access to energy—that have been assigned an annual target. These targets help plot a path towards the Bank's 2025 targets for Africa, as set out in the High 5s.
- ▶ **Level 2** assesses the Bank's contribution to the development outcomes addressed in Level 1. Level 2 uses a set of intermediate indicators—for example, the number of people supported to access

education or the number of new electricity connections—that link the results of Bank projects to the High 5 targets. Here, too, annual targets help track progress towards our 2025 targets. The operations results provided in this report are an average of the past three years.

- ▶ **Level 3** assesses how well we manage our portfolio in order to reach the targets set in Levels 1 and 2 of the RMF. Level 3 examines indicators that measure the quality and speed of our operations, the performance of our portfolio, and the quality of our knowledge services.
- ▶ **Level 4** assesses how efficiently we function as an organisation. Level 4 uses indicators that measure decentralisation, cost efficiency, staff engagement, recruitment and management, and how well our finance catalyses public and private resources.

Chapter 7 discusses the Bank's performance as an institution, using indicators from Levels 3 and 4 of the RMF. "Looking Forward" concludes. ■



Investing in cleaner energy

Increasing investments in clean energy will help steer Africa's energy sector towards a sustainable, inclusive, and green pathway. In Côte d'Ivoire, our support for expanding power generation using modern combined cycle technology is improving Ivoirians' access to electricity while increasing efficiency and reducing carbon emissions.

Chapter 1

Light up and power Africa

Africa cannot achieve sustainable development without access to reliable, affordable, and sustainable energy. Energy is needed to drive the businesses that will create jobs for Africa's growing population. Energy underpins access to better health, education, and water, and it makes it possible for households and communities to improve their quality of life. Generating electricity sustainably means that the quality of life of future generations of Africans is not put at risk. Despite promising steps in recent years towards making access to electricity universal, Africa still has some way to go to meet its energy needs. Yet the continent's abundant natural resources, improving policy environment, and growing institutional capacity are a good foundation for progress. The Bank is building on this progress by investing in electricity generation, transmission and distribution systems, leveraging other investments in renewable and decentralised energy solutions, and providing technical support to build local capacity for the development and operation of the energy sector.

Energy is at the heart of Africa's development

Access to modern forms of power is vital to improving the health and education of Africa's people and makes it possible for African countries to develop skills and create jobs.



Unless trends change, Africa will be home to 90% of the world's people living without electricity by 2030

There are a number of ways in which access to modern forms of energy improves health outcomes. An estimated half a million premature deaths each year in Africa result from household air pollution, often linked to dirty cooking fuels. Many health facilities across the continent lack access to reliable electricity: this constrains their use of modern equipment and their ability to store vaccines and medicines. Power is also required to operate water treatment, storage, transmission and distribution facilities effectively, so that Africa's growing cities and towns can access clean water.

Power also enhances learning at school and at home. In 2016, around half of Africa's lower secondary schools and 57% of upper secondary schools had no access to electricity. This undermines the quality of education in many ways, among other things by making it difficult to teach children to use information and communication technologies (ICT). Households, especially women and girls, spend significant time collecting biomass for energy, which limits the time they have available to attend school. Studies have also found that access to electricity at home can increase the time that children spend reading and doing schoolwork.

At the level of businesses, access to electricity is vital to function, prosper, and create jobs. In a recent survey, 41% of firms identified electricity as a major constraint to their operations, the highest of any region in the world. On average, African enterprises report that electricity access issues cause them to lose 25 days of economic activity per year.

One of the sectors most affected is manufacturing. As countries continue to improve the climate for doing business, increasing the reliability and accessibility of electricity will be a key driver for expanding Africa's manufacturing sector.



Affordable, reliable electricity is key to expanding manufacturing, and the fourth industrial revolution will create significant opportunities – if access to electricity is extended

Limited access to electricity is also a significant constraint on the uptake and use of ICT by African entrepreneurs and businesses. A lack of affordable electricity hampers entrepreneurship. A 2019 report by the Bank suggests that the fourth industrial revolution will create significant opportunities for Africa on condition that access to electricity is extended.

Africa's power generation infrastructure is gradually improving. In 2019, Africa reached 209 GW in **total installed electricity capacity**, with **renewable capacity** contributing 43 GW of this amount. The Bank's recent commitments in support of power generation projects, such as two gas-powered plants in Côte d'Ivoire and a

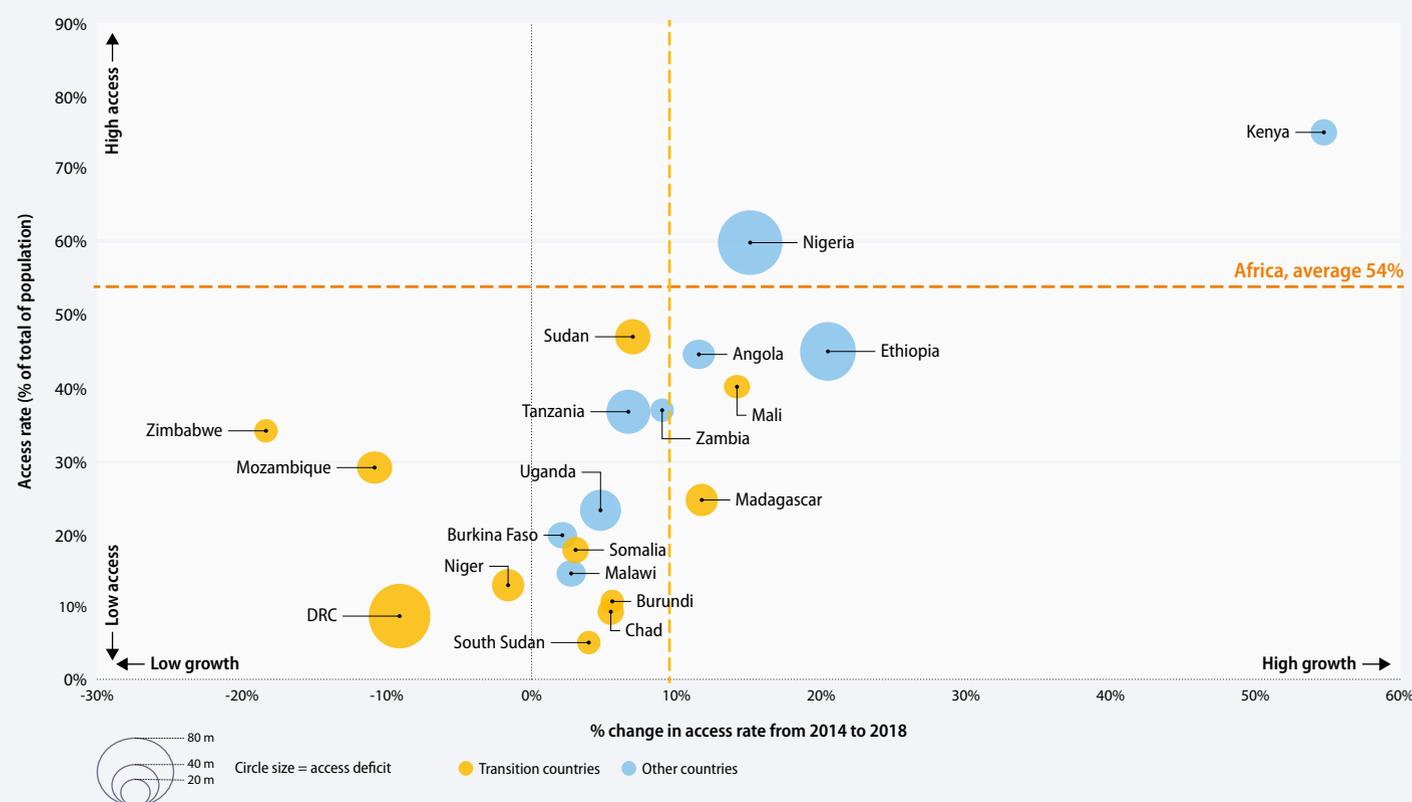
Table 1 Africa is making steady progress towards universal energy access (Level 1)

| INDICATOR | AFRICA | | ADF COUNTRIES | | TRANSITION STATES | |
|---|---------------|-------------|---------------|-------------|-------------------|-------------|
| | Baseline 2015 | Latest 2019 | Baseline 2015 | Latest 2019 | Baseline 2015 | Latest 2019 |
| ➡ Share of population with access to electricity (% population) | 42 | 54 | 24 | 37 | 22 | 29 |
| ➡ Total installed electricity capacity (GW) | 168 | 209 | 31 | 38 | 13 | 15 |
| ➡ Installed renewable capacity (GW) | 33 | 43 | 20 | 23 | 8 | 9 |
| ↘ Share of population with access to clean cooking solutions (% population) | 32 | 29 | 10 | 12 | 9 | 12 |
| ↻ Electricity losses through transmission, distribution and collection (%) | 15.0 | 17.1 | 16.8 | 16.6 | 15.4 | 16.9 |

➡➡ Improvement over baseline ➡ Stability ↘↻ Deterioration

Figure 2 Access to electricity remains low in Africa

Top 20 countries with highest deficit in electricity access, 2014–2018



Source: International Energy Agency

solar-powered plant in Chad, will support further expansion in coming years. But investments remain below the levels needed to sustain economic growth.

Amongst the challenges in expanding electricity access are inefficiencies in power systems. **Electricity loss rates through transmission, distribution, and collection** systems were estimated to be 17% in 2019, up from 15% in 2015. In Guinea, the Bank’s support to the Conakry Electricity Network Rehabilitation and Extension Project helped reduce the loss rate from 49% to 15% in twelve districts. It also supported the

introduction of smart meters, which have pushed up billing and collection rates.

A key means of improving African electricity systems and markets, is effective regulation. The 2019 Electricity Regulatory Index for Africa suggests that most African countries have appropriate legal frameworks to govern their electricity sectors. But it also reports that in most African countries, measures to protect the independence of regulators are inadequate, and regulatory actions and decisions may not be enforceable. This results in ineffective regulation and poor sector performance. Other governance issues

concern the transparency of operations, the rationalising of energy pricing policies, and unnecessary regulatory barriers. In practice, therefore, most African countries still have some way to go to ensure that their electricity systems are well governed by independent regulators.

Expanding regional trade in electricity can augment electricity access and promote efficiency in transmission and distribution systems. Although four power pools have been established and others are being developed, cross-border power trade in Africa is limited. Ambitions to expand regional power systems further and coordinate them more efficiently are held back by a lack of infrastructure at the regional level, weaknesses in national power strategies, limited technical capacity, and governance issues.

Access to electricity for households

In recent years, Africa has made significant progress in expanding the proportion of its population with **access to electricity**. This proportion increased to 54% in 2019 from 42% in 2015. North Africa achieved close to universal access in that period, and for the rest of Africa an additional 20 million people per year gained access to electricity during 2014–2018—more than double the average increase than during 2000–2013. With Africa’s fast-growing population, however, access to electricity in Africa remains low, especially in low-income ADF countries (37%) and transition countries (29%). Africa is home to more than two-thirds of the world’s people living without electricity (Figure 2), and the current trajectory suggests that this figure will increase to 90% in 2030. Meeting Sustainable Development Goal 7 on access to energy will require significantly scaling up investments in Africa.

Mini-grid and standalone grids are likely to prove the most cost-effective way for reaching the two-thirds of Africa’s population that is unconnected (International Energy Agency 2019). Advances in solar technology as well as in storage will make it possible to install increasingly reliable mini-grid systems in remote areas. To date, however, investment in mini-grid systems in Africa has been very limited.

The **share of the population with access to clean cooking solutions** in Africa has remained stubbornly low, falling from 32% in 2015 to 29% in 2019 as population growth outpaces efforts to widen access. This leaves over 900 million people reliant on biomass and other forms of dirty fossil fuels such as kerosene. Access is especially low in low-income ADF countries (12%) and transition countries (12%). These results significantly hamper efforts to improve health outcomes, mitigate climate change, and promote climate-resilient development.

The Bank’s impact on the drive for universal energy

In its Ten-Year Strategy, the Bank committed to closing the infrastructure gap and scaling up infrastructure finance for Africa, including for energy. The Bank’s New Deal on Energy aims to achieve universal access by 2025.

To this end, the Bank has invested in a wide range of projects, working closely with African governments and the private sector. These projects are helping to rehabilitate and expand vital energy infrastructure; to develop infrastructure projects, plans, and management capacity; and to drive investments in renewable energy. For most African countries, the long-term financing provided by development finance institutions such as the Bank is essential.

In 2019, we delivered 432 km of **new or rehabilitated power transmission lines**, compared to 69 km in 2015. We also continued to support significant increases in the number of **people with new electricity connections**, with 468 000 people newly connected through our support—almost half of whom were women—compared to 73 000 in 2015, but well below our 2019 target of 2.4 million. Almost all of the new connections were in low-income ADF countries. In Uganda, the Bank’s Electricity Transport project delivered the 160 km Mbarara-Nkenda 132 kV transmission line, enabling several new hydro plants (47 MW) to be connected to the grid and expanding connections from 300 000 to 1.3 million over 2008–2018.

This said, in 2019 the Bank was unable to sustain recent rapid increases in new power generation and distribution infrastructure. Outcomes fell significantly from 2018 and were well below targets. In 2019, the Bank **installed 291 MW of new power capacity**, compared to 447 MW in 2018 and 490 MW in 2015. In 2019, the Bank **installed or improved 435 km of power distribution lines**, a significant drop from 2430 km in 2018 and well below the Bank’s target of 3520 km.



For most African countries, the long-term financing provided by development finance institutions like ours is essential

As for the generation of renewable energy, the Bank has significantly scaled up its support in recent years. In 2019 we **installed 174 MW of new renewable power capacity**, contributing 60% of all new power capacity installed, up from 44% in 2018. During 2016–2019, the period following the launch of the Bank’s Strategy for the New Deal on Energy, around 83% of the Bank’s investments in power generation were in renewable energy, compared to 67% during 2012–2015.

We are working hard to connect household to off-grid systems and are exploring more opportunities for investing in decentralised energy systems (Box 1). For example, the Jumeme project in Tanzania supported by the Sustainable Energy Fund for Africa is connecting 10 islands on Lake Victoria through off-grid installations. We also recently approved a \$20 million loan for a mini-grid tender program in the Democratic Republic of Congo, which will connect 20 000 people in the off-grid cities of Bumba, Genema, and Isiro. We participate in the distributed energy services company (DESCO) program, a joint initiative with the European Union that provided over \$53 million to increase local currency financing to DESCOs.

Furthermore, the Facility for Energy Inclusion off-grid fund, set up and co-funded by the Bank, reached final close in 2019 and approved its first three projects. Finally, as per our commitment to promote the growth of clean cooking solutions, the Bank recently launched a pilot technical assistance project on clean cooking in Cameroon, Ghana, and Kenya. Overall, we **provided 2000 people with clean cooking access** in 2019.

Box 1 Expanding energy access and generation with the Sustainable Energy Fund for Africa

Through the Sustainable Energy Fund for Africa (SEFA), the Bank approved several technical assistance projects to structure bankable projects/funds to expand energy access and energy generation. These include the Nigeria Energy Access Fund, a scale-up of the Green Mini-Grid Market Development Program, the Ethiopia Renewable Energy Program, and support for a Burundi hydropower project. With SEFA's support, the Bank is also revamping its involvement in energy efficiency by establishing a regional, multiphase program designed to reduce barriers to energy efficiency investments by delivering a range of quickly deployed, complementary technical assistance and capacity development measures to public and private sector stakeholders.

Most of the new power generation capacity installed in 2019 through Bank support was in middle-income countries. In contrast, virtually all newly installed or improved power lines were in low-income ADF countries and fragile countries. The Bank's support for redeveloping the St Louis Power Station in Mauritius helped increase the station's capacity from 634 MW in 2013 to 847 MW in 2018. This has allowed Mauritius to increase its reserve power capacity and improve the reliability of energy supply for the population while supporting its transition to a low-carbon economy.

The Bank's efforts to Light Up and Power Africa are helping improve Africans' quality of life by increasing access to education, health, and water services, while promoting sources of sustainable energy and transitioning Africa to a green growth pathway. The recently completed Zimbabwe Emergency Power Infrastructure Rehabilitation Project has improved water treatment facilities' access to electricity, benefiting 4000 customers. In addition, the newly approved Benin Rural Electrification project will subsidise the connection of 35 schools to the national electricity grid and boost access to water supplies.

The Bank's energy investments have an important regional dimension. In East Africa, the Bank's regional electricity projects are supporting the interconnection of the electricity grids of five Nile equatorial lakes countries (Burundi, Democratic Republic of Congo, Kenya, Rwanda, and Uganda). We have also completed feasibility studies that will pave the way to connect national grids in West Africa Power Pool countries (Benin, Burkina Faso, Niger, Nigeria, and

Togo) and Southern Africa Power Pool countries (Botswana, Namibia, Zambia, and Zimbabwe).

Energy and climate change

Climate and energy are intrinsically linked, and changes in one are likely to affect the other. Climate change affects energy resource endowments, production, infrastructure, and transportation. Droughts or floods can severely affect water inflows, which can have a knock-on effect on the power generation capacity of energy production units. Climate concerns impose a new set of conditions on the design, operation, and maintenance of energy infrastructure, whether planned or existing. The predominant use of non-renewable energy, such as oil and coal, and traditional wood-based energy, such as charcoal and biomass, produces CO₂ emissions that contribute to climate change.



Climate change imposes new conditions on energy infrastructure. We are mainstreaming climate change and green growth into our operations

Significant progress has been made under the New Deal on Energy for Africa and the Bank's second Climate Change Action Plan for 2016–2020, which guide our efforts to mainstream climate change and green growth into our energy operations. The Bank's consideration of the climate when designing its energy investments enhances climate resilience and results in the use of low-carbon technologies. In 2019, our renewable energy investments **reduced CO₂ emissions** by 678 000 tonnes, up from 17 300 tonnes in 2015. Furthermore, over the last two years, 156 energy sector projects were screened and reviewed for climate change and green growth considerations: a reduction of about 385 103 ktCO₂eq is expected to result.

During 2016–2019, the energy sector was amongst the sectors that made the most use of the Bank's climate finance resources. From 2016 to 2019, the sector received 39% of the Bank's total climate finance—a total of \$3.8 billion that accounted for nearly two-thirds of the energy portfolio. In 2019, the Bank allocated 33% of its \$3.6 billion in climate finance to the energy sector.

New programmes to support power for all

Expanding and improving energy generation and access in Africa remains a significant priority for the Bank, and we recently approved a range of new projects to help sustain progress towards energy for all.

Recently approved Bank energy generation projects include Côte d'Ivoire's gas-fired combined-cycle thermal power plant, hydropower projects in Liberia and Madagascar, and three projects under the Bank's Desert to Power Initiative: Chad's first solar independent power producer project, solar generation projects in Burkina Faso, and solar-powered irrigation pumps in Sudan's West

Table 2 Light Up and Power Africa indicators (Level 2)

| INDICATOR | AFRICA | | | ADF COUNTRIES | | TRANSITION STATES | |
|--|---------------|-------------|-------------|---------------|-------------|-------------------|-------------|
| | Baseline 2015 | Actual 2019 | Target 2019 | Baseline 2015 | Actual 2019 | Baseline 2015 | Actual 2019 |
| ➔ New renewable power capacity installed (MW) | 24 | 174 | 560 | 20 | 6 | 4 | 0 |
| ➔ People with new electricity connections ¹ (thousands) | 73 | 468 | 2400 | 73 | 464 | 36 | 148 |
| ➔ —of whom women | 36 | 218 | 1200 | 36 | 216 | 16 | 67 |
| ➔ People provided with clean cooking access (thousands) | 0 | 2 | 3200 | 0 | 2 | 0 | 0 |
| ➔ —of whom women | 0 | 1 | 1600 | 0 | 1 | 0 | 0 |
| ➔ New or improved power transmission lines (km) | 69 | 432 | 576 | 69 | 394 | 18 | 0.1 |
| ➔ Emissions reduction in energy (thousand tons CO ₂) | 17.0 | 678.0 | 1800.0 | 10.0 | 597.0 | 1.1 | 0 |
| ⬇ New total power capacity installed (MW) | 490 | 291 | 880 | 80 | 21 | 4 | 0 |
| ⬇ New or improved power distribution lines (km) | 875 | 435 | 3 520 | 875 | 402 | 381 | 402 |

➔ Achieved 95% of 2019 target ➔ Achieved less than 95% of 2019 target ⬇ Achieved less than the baseline

¹ There are different definitions for assessing the number of people with new electricity connections. The one used here is consistent with the definition provided in the Bank Group's Results Measurement Framework and the New Deal on Energy: it measures the number of people connected to electricity by distribution lines only.

Kordofan and North Kordofan states (these help phase out diesel-fuelled pumps). In Mozambique, the Bank has recently approved support for building an integrated liquefied natural gas plant, including a liquefaction facility.

As for electricity transmission and distribution, we recently approved projects in Angola and Tunisia to strengthen electricity transmission and distribution infrastructure, and in Gambia to connect households, small business, and public institutions to the electricity grid. ■



Transforming Africa's agriculture

Under our Feed Africa strategy, the Bank aims to transform Africa's agriculture into a business-oriented, commercially viable sector that guarantees food security and nutrition while generating jobs. Our support for the Green Morocco Plan Support Programme is developing agricultural value chains and improving governance in the agriculture sector.

Chapter 2

Feed Africa

Although endowed with abundant agricultural resources, Africa suffers from food insecurity. Agricultural productivity and trade have grown in recent years, but so has hunger, and agriculture is still predominantly small in scale, low in productivity, and vulnerable to a host of threats: climate change, drought, conflict, economic shocks, and events like the Covid-19 pandemic and the desert locust crisis. Improving food production is a cornerstone of the Bank's work: adequate nutrition early in life enables healthy development and educational attainment, and the agriculture sector provides jobs and livelihoods for most of Africa's poorest people. Under its Feed Africa High 5, the Bank is investing in agricultural value chains, supply chain systems, natural resource management projects, and related infrastructure.

Agricultural development is vital for a food-secure Africa

Agriculture produces the nutrition that people need to fulfil their potential. Malnutrition is responsible for one-third of child deaths in Africa. It hits vulnerable smallholders, women, and children the hardest, and it impairs cognitive development.

The creation of livelihoods and jobs for Africa's fast-growing working-age population depends highly on agriculture. Agriculture still employs more than half of the workforce in Africa and remains a significant employer in North Africa. Women make up more than 50% of economically active people who earn their livelihood in agriculture—yet they receive less than 10% of available credit and own only 1% of land. Even with strong economic growth in other sectors, a significant share of Africa's growing labour force will work in agriculture for some time.

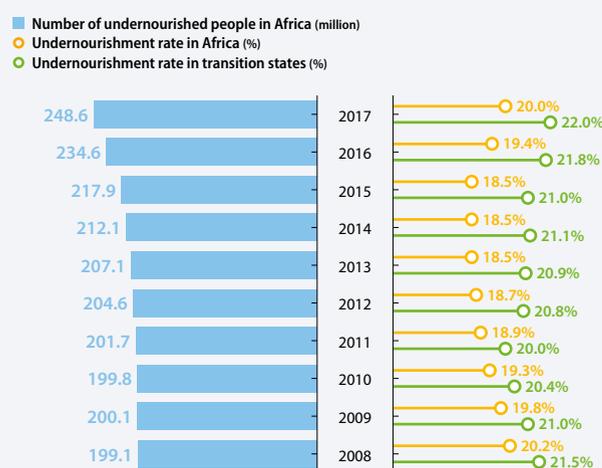


More Africans suffer from hunger or malnutrition now than in 2015

To help young Africans and women access secure livelihoods in agriculture, reforms must allow them secure land tenure—only about 10% of rural land in Africa is registered. By giving women farmers the same access to land, new technologies, and capital as men, countries could increase crop yields by 30% and feed an additional 150 million people.

The agriculture sector is also characterised by micro, small and medium enterprises (MSMEs). Helping MSMEs access finance and training is vital to creating jobs for young people. Finally, Africa needs to build more capacity to process agricultural products, so as to create more formal jobs in the sector.

Figure 3 **Undernutrition is growing in Africa's low-income and transition states**



Source: Food and Agriculture Organization

Food insecurity and malnutrition continue to rise

Despite robust economic growth, hunger is rising across most of the continent. The trend is driven largely by conflict (including land-related disputes), drought, climate change, and the interplay of these factors with economic shocks. Vulnerable women are at greater risk of malnutrition than men, and more girls die from malnutrition than boys. The Covid-19 crisis and the desert locust emergency in some Eastern Africa countries are expected to worsen food insecurity further.

In 2019, the **number of hungry or malnourished people in Africa** reached 246 million, 80% of whom live in low-income ADF countries. These figures sustain an increase that has been taking place since 2016. Given steady progress in other developing

Table 3 Africa's agriculture is making progress but needs to do better (Level 1)

| INDICATOR | AFRICA | | ADF COUNTRIES | | TRANSITION STATES | |
|--|---------------|-------------|---------------|-------------|-------------------|-------------|
| | Baseline 2015 | Latest 2019 | Baseline 2015 | Latest 2019 | Baseline 2015 | Latest 2019 |
| 📈 Agricultural productivity (constant 2010 \$ per worker) | 1544 | 1680 | 689 | 862 | 797 | 797 |
| 📈 Africa's net agricultural trade balance (\$ billion/year) | -38.9 | -28.2 | -0.7 | 1.9 | -7.2 | -5.7 |
| 📈 Africa's share of market value for key processed commodities (%) | 10.3 | 14.0 | 9.3 | 13.0 | 2.0 | 2.0 |
| 📈 Fertiliser consumption (kilograms per hectare of arable land) | 25 | 27 | 14 | 14 | 6 | 9 |
| ➔ Cereal yield (ton/hectare) | 1.6 | 1.6 | 1.3 | 1.4 | 0.8 | 0.9 |
| 📉 Number of people hungry/malnourished (millions) | 240 | 246 | 173 | 198 | 80 | 95 |
| 📉 Prevalence of stunting amongst children under 5 (%) | 25.2 | 34.1 | 25.8 | 34.9 | 38.9 | 39.2 |
| ➔ – of whom girls | 32.4 | 32.4 | 35.3 | 35.3 | 37.9 | 37.8 |

📈📈 Improvement over baseline ➔ Stability 📉📉 Deterioration

regions, the trend leaves Africa as the region with the highest incidence of hunger. The number of people suffering from hunger or malnutrition in Africa is higher now than it was in 2015, when parties agreed on the sustainable development goal of ending hunger by 2030 (Figure 3).

“Public investments in agricultural productivity and adding value to agricultural products are limited”

The prevalence of stunting amongst children under 5 was unchanged in 2019, at 34%. It remains significantly higher than the 2017 rate of 24%, a historical low that followed a sustained fall since the early 2000s. At 39%, stunting rates amongst children under 5 were higher in transition states.

This data makes it clear that efforts must be scaled up. The Comprehensive African Agricultural Development Programme (CAADP) aims to end hunger in Africa by 2025, and the sustainable development goals on food security, nutrition, and agriculture target 2030. To reach these goals, the Bank and its partners have among other things launched African Leaders for Nutrition, an initiative to engage high-level political leadership to promote nutrition in Africa.

Improving agricultural productivity will be vital to making the sector more resilient. Agricultural productivity fell marginally in 2019 to \$1680 per worker, but remains 9% above its 2015 level. Levels are significantly lower in transition and low-income ADF countries. Cereal yields increased to 1.6 tonnes per hectare in 2019, returning to 2015 levels. Yields were marginally lower in low-income ADF countries and were significantly lower in transition states.

Better agricultural productivity and higher yields will depend upon expanded access to modern farming inputs, methods, and

technologies. In 2019, fertiliser consumption in Africa grew to 27 kg per hectare of arable land, up from 25 kg in 2015. Fertiliser use was just above half of this level in low-income ADF countries and was even lower in transition states.

Efforts to raise productivity and add value to agricultural products are also held back by limited public investment in the sector. This helps explain the poor state of infrastructure vital to agriculture, especially roads, water storage, and irrigation technologies, logistics, and processing equipment.

As highlighted in the 2018 ADER, linking agricultural producers across the region and increasing trade in agricultural products is vital to adding value to products, raising incomes, and promoting food security. Africa achieved a welcome increase in its share of the global market value for key processed commodities, from 11% in 2018 to 14% in 2019. The Bank also approved support for several new agro-industrial processing zones in 2019, which will further expand the production of and trade in processed commodities (see the section on new programmes).

Although Africa's net agricultural trade balance worsened moderately in 2019 to a deficit of \$28 billion, the shortfall remains significantly lower than during 2015–2017, when it averaged \$39 billion.

The Bank's support for agricultural development

Agricultural development is one of the Bank's core priorities. Guided by its Feed Africa Strategy, in 2019, Bank-funded improvements in agriculture benefited 20.3 million people, nearly all of whom live in low-income ADF countries. This is more than three times the number in 2015 and vastly exceeded our 2019 target of 6.3 million. In Uganda, for example, the Community Agricultural Infrastructure Improvement Programme boosted farmers' income through agro-processing initiatives, better access to markets, and a reduction of post-harvest losses,

benefiting 2.4 million rural households. Of those benefiting from the Bank's agricultural programmes in 2019, **9.6 million were women**.

The length of **feeder roads built or rehabilitated** by the Bank increased to 3919 km in 2019, mostly in low-income ADF countries. This was double the Bank's target for 2019 and five times the results in 2015. The Bank's recently completed Tanzania Marketing Infrastructure, Value Addition and Rural Finance Support Programme rehabilitated feeder roads and reduced transport costs by 20% to 50%.



We are strengthening agriculture-related infrastructure, encouraging business, and catalysing flows of capital

In contrast, the Bank's performance declined against other targets, such as the **area of land with improved water management** and the **share of the rural population using improved farming technology**. While we did not complete operations that provide farmers with agricultural inputs during this period, under the Technologies for African Agricultural Transformation (TAAT) initiative, we are promoting access to technologies that increase agricultural productivity and modern farming techniques, with the aim of reaching 40 million farmers by 2025 (Box 2).

One example of the Bank's work to extend irrigation is a project in Mozambique that will irrigate 10 000 hectares of land for sugarcane and food crops. The Bank also recently approved a project to sustainably mobilise surface water and groundwater to boost rural agricultural production and employment in Senegal.

The Bank expanded other types of infrastructure that add value to and commercialise African agriculture. In Tanzania, the Bank funded the rehabilitation of warehousing used to store agricultural produce. It also funded the expansion of marketplaces and the construction of a cold room for milk storage. In Zambia, we supported the construction of a livestock service centre that trained over 5000 farmers in livestock production, processing, and marketing. The centre also funded the construction of milk collection centres, livestock market centres, and livestock slaughter facilities. This infrastructure helped increase the average annual income of targeted farmers from \$364 to \$512. Women and youth farmers constitute more than 40% of the project's direct beneficiaries.

Extending access to finance is especially vital to expanding agricultural production for the significant number of MSMEs operating in the sector. In Côte d'Ivoire, we supported a \$112 million facility to extend pre-financing (advance payments for production that increase cash flow) to small cooperatives and wholesalers in the cocoa sector. This has enabled 7500 farmers to

Box 2 Using agricultural technologies to raise productivity

Under the Technologies for African Agricultural Transformation (TAAT) initiative, the Bank is collaborating with WorldFish to disseminate proven aquaculture technologies and promote self-sufficiency in inland fish production. The initiative has directly benefited over 130 000 aquaculture value chain actors in ten countries (Burundi, Benin, Cameroon, Côte d'Ivoire, Democratic Republic of Congo, Ghana, Kenya, Nigeria, Tanzania, and Zambia) and has increased fingerlings production and greater access to fish seeds. A continent-wide campaign dubbed "Eat More Fish" is also increasing awareness of the benefits of fish consumption. At the same time, TAAT is increasing productivity in other commodity value chains, such as maize, rice, wheat, high-iron beans, cassava, sorghum/millet, orange-fleshed sweet potato, and livestock.

Box 3 Stories from beneficiaries – Young entrepreneurs in agriculture



The African Development Bank provided a \$20 million loan to fund the Support Project for Youth Employability and Integration in Growth Sectors (PAEIJ) in Togo. Togo has recognised that agriculture is key to addressing its growing problem of youth unemployment. The project, which is being implemented over 2016–2021, is helping young entrepreneurs develop value chains in the production of maize, cassava, soybeans, small ruminants, and poultry.

One beneficiary of the project is the Agricultural Growth Connection (JCAT). Located some 150 km north of Togo's capital, Lomé, JCAT specialises in producing and certifying organic soya. In the 2018–2019 season, it harvested over 10 200 tonnes of soybeans from nearly 7400 hectares. JCAT's General Manager, Toto Yao, recently met with potential buyers of the 15 000 tonnes of quality soybeans expected from next year's harvest. "The Bank's financing will let us make a qualitative leap in our operations. In three years, we have gone from exporting 2000 tonnes of soybeans to 5000, then 7000, and now 10 000 tonnes. We plan on beginning processing very soon, but that will require significant investment," says Yao, who employs 47 youth full-time. Overall, this project has created over 35 000 jobs across Togo.

Table 4 Feed Africa indicators (Level 2)

| INDICATOR | AFRICA | | | ADF COUNTRIES | | TRANSITION STATES | |
|---|---------------|-------------|-------------|---------------|-------------|-------------------|-------------|
| | Baseline 2015 | Actual 2019 | Target 2019 | Baseline 2015 | Actual 2019 | Baseline 2015 | Actual 2019 |
| ➤ People benefiting from improvements in agriculture (millions) | 6 | 20.3 | 6.3 | 5 | 20.2 | 0.5 | 0.9 |
| ➤ —of whom women | 2.9 | 9.6 | 3.1 | 2.6 | 9.6 | 0.2 | 0.4 |
| ➤ Feeder roads built or rehabilitated (km) | 800 | 3919 | 1500 | 800 | 3830 | 254 | 492 |
| ➤ Land with improved water management (thousand ha) | 45.5 | 23.3 | 47.8 | 20.3 | 18.9 | 0.4 | 12.4 |
| ➤ Rural population using improved farming technology (millions) | 0.60 | 0.10 | 0.63 | 0.60 | 0.10 | 0.02 | 0.02 |
| ➤ —of whom women | 0.30 | 0.04 | 0.31 | 0.30 | 0.04 | 0.01 | 0.01 |
| ○ Agricultural inputs provided: fertiliser, seeds, etc. (thousand tons) | 0.6 | 0 | 1.7 | 0.6 | 0 | 0 | 0 |

➤ Achieved 95% of 2019 target ➡ Achieved less than 95% of 2019 target ➤ Achieved less than the baseline ○ Data not available

improve the quality of their crops and develop drying and storage facilities.

Africa is home to 60% of the world's uncultivated arable land. To help develop this resource in order to reduce poverty, generate jobs, and boost economic growth, the Bank is developing an inclusive and sustainable land governance programme to support African countries as they resolve land issues and transform agriculture.

 *We are developing a land governance programme, supporting the sustainable management of forests, and building agro-industrial processing zones*

Africa's forests are a vital source of food, energy, shelter, income, and employment for hundreds of millions of people. In Rwanda, the Bank supported a project to promote sustainable woodland management and forest restoration (\$5 million in Bank/Congo Basin Forest Fund funding). This project expanded forest cover, supported non-timber products such as sustainable crop and fodder production, and helped cooperatives produce mushrooms and honey.

Africa's rivers, lakes, and coastlines are a vital source of livelihood for an estimated 12 million people who work as full-time fishers and fish farmers or full-time or part-time processors—the equivalent of around 2% of Africans between 15 and 64 years old. The Bank supports fisheries and aquaculture in a range of

countries, to promote nutrition-sensitive diets and livelihood security.

New programmes

To continue supporting the development of African agriculture and sustainably provide the nutrition, livelihoods, and incomes needed by Africa's fast-growing population, the Bank recently approved a range of new investments in food crops, cash crops, livestock, vegetables, paddy rice, fisheries, and aquaculture.

In relation to food crops, the Bank approved support to produce cassava, maize, bean/cowpeas, and rice in six provinces in the Democratic Republic of Congo as well as food crops in Eritrea. The Bank will supply pre-financing for cocoa production by local cooperatives and small farmers in Côte d'Ivoire and will upgrade and develop infrastructure in the cashew sector in Benin. We also committed to supporting the livestock and dairy sectors in Benin, Chad, Eritrea, Sudan, Tunisia; the fisheries and aquaculture sectors in Equatorial Guinea and Malawi; and the production of olives in Tunisia. Special agro-industrial processing zones add value and build production capacity, and the Bank sees them as a growing priority. The Bank recently approved a number of new projects in this area in Ethiopia, Guinea, Mali, Senegal, and Togo.

The Bank is also expanding agricultural opportunities for youth and is working with the Rockefeller Foundation and the Bill & Melinda Gates Foundation to assist African governments in promoting agricultural production and adding value. Similarly, the Bank is strengthening its collaboration with the Panafrican Farmers' Organization, a platform that mobilises Africa's farmers and producers, to help deliver the Bank's Feed Africa High 5. ■



Scaling up private investment

To drive industrialisation in Africa, the Bank is supporting enterprises of all sizes and production and promoting transformational, high-value industrial projects. In Nigeria, our support for Indorama Eleme Fertiliser & Chemical Ltd. increased fertiliser output, boosting yields, raising farmers' incomes, and turning the country into a net exporter of fertiliser.

Chapter 3

Industrialise Africa

Over the last decade, African industry has expanded and developed in a wider range of countries and in more diverse areas. But Africa’s industrial sector remains modest by global standards. Manufacturing is overly concentrated geographically and is focused on a limited range of products; most enterprises are small and informal; and the continent’s share of global markets is low. The Bank is working to change this by promoting successful industrial policies, attracting funding to infrastructure and industry, supporting the growth of capital markets, and promoting enterprise development in general.

Industrialisation is essential to transforming African economies

Most Africans still earn their living through informal and small-scale economic activity, mainly linked to agriculture and the growing service sector. We estimate that 72% of non-agricultural employment in Africa is informal.

Informal livelihoods and jobs are generally less stable and not as well paid, and informal employment is higher amongst women and people with limited or no education. Although Africa has made significant economic progress in the last two decades, most jobs created in the region have been informal.

“72% of non-agricultural employment in Africa is informal. Informal jobs are less stable and not as well paid”

Industrial development can change this. It can create more formal jobs and improve productivity and economic growth. This can enhance Africans’ quality of life by increasing their incomes and raising government revenues.

Following the decline in African industry in the late 1970s and 1980s, the last couple of decades saw Africa’s industrial sector grow again. Progress continued in 2019, with Africa’s **industrial gross domestic product** (GDP) expanding by 17% to \$731 billion (in 2010 dollars) and **gross fixed capital formation** in industry expanding by 10% to \$590 billion (in 2010 dollars). **Industrial GDP** grew more slowly in transition states, where constraints to industrial development are greater. The Covid-19 pandemic and the disruption it is causing are likely to constrict industrial production further.

Manufacturing in Africa has contributed to industrial growth. Manufacturing increased by an average of 5.3% per year during

2000–2017, outperforming the global growth rate. Similarly, the number of people employed in African manufacturing grew steadily from 11 million in 1991 to 17.7 million in 2013. The expansion continued in 2019, with value-added of manufacturing growing by 39% to \$309 billion (in 2010 dollars). Importantly, low-income ADF countries and transition states also extended their manufacturing sectors in 2019, albeit from much lower bases, especially in the case of transition states.

“In 2019, Africa’s industrial gross domestic product expanded by 17%. But two-thirds of value-added manufacturing took place in just five nations”

Growth in African manufacturing was spearheaded by an increasing number of countries, with Côte d’Ivoire, Ethiopia, and Rwanda as significant new entrants. But Africa’s manufacturing is still dominated by a small number of countries, with around two-thirds of value-added manufacturing taking place in just five nations: Algeria, Egypt, Morocco, Nigeria, and South Africa.

The recent upturn in African manufacturing has seen firms producing a broader range of products, including some medium- and high-technology manufactures, such as automobiles and electronics. That said, Africa’s manufacturing still focuses largely on low-technology products such as food, beverages, textiles, and clothing.

Despite these advances, the share of manufacturing in Africa’s GDP has remained steady, at around 10%. The service sector has grown and absorbs an increasing share of the workforce, including entrants from the agriculture sector. But Africa’s service sector is still dominated by small, largely informal firms, which makes it more difficult to increase productivity and employment. However, in a number of service sectors, including ICT and tourism, more formal and globally competitive activity is emerging.

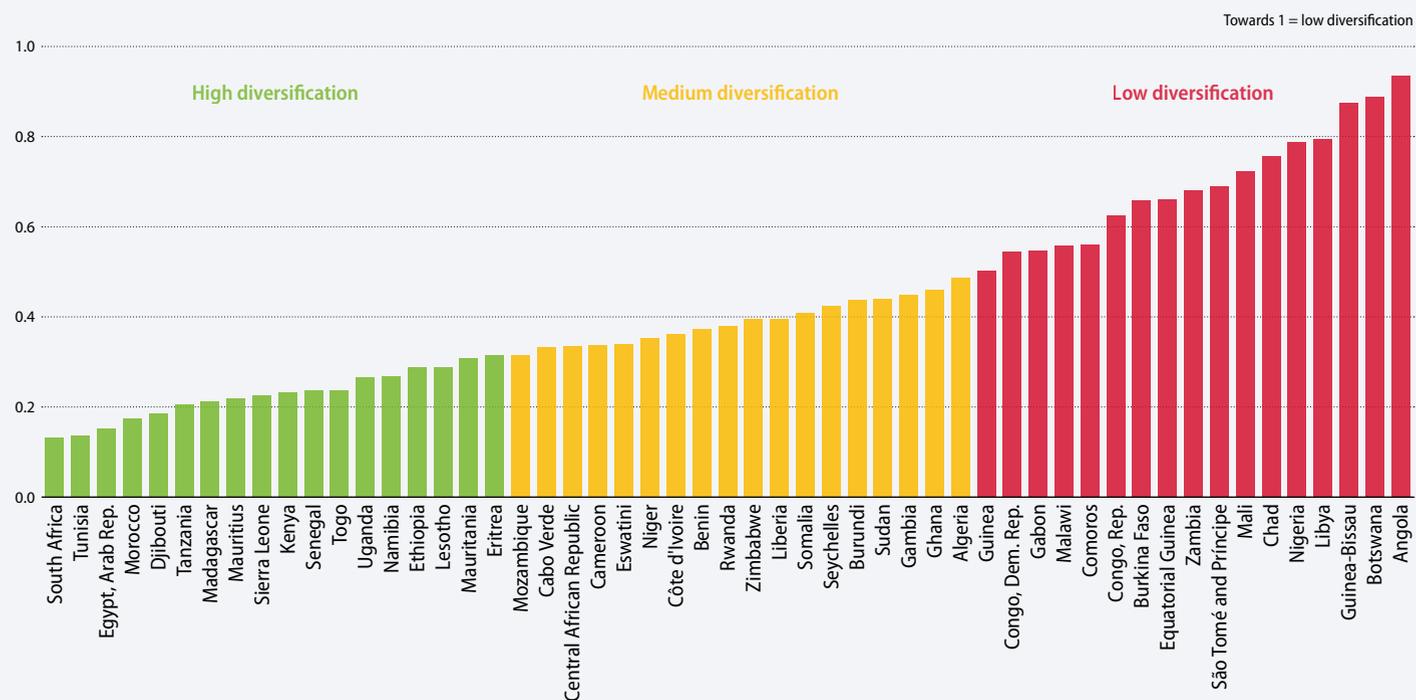
Table 5 Africa's industrialisation is making slow progress (Level 1)

| INDICATOR | AFRICA | | ADF COUNTRIES | | TRANSITION STATES | |
|--|---------------|-------------|---------------|-------------|-------------------|-------------|
| | Baseline 2015 | Latest 2019 | Baseline 2015 | Latest 2019 | Baseline 2015 | Latest 2019 |
| ➤ Gross fixed capital formation (constant 2010 \$ billion) | 504 | 590 | 138 | 167 | 44 | 53 |
| ➤ Industrial gross domestic product (constant 2010 \$ billion) | 619 | 731 | 113 | 156 | 34 | 45 |
| ➤ Value added of manufacturing (constant 2010 \$ billion) | 222 | 309 | 46 | 63 | 16 | 19 |
| ➤ Access to finance (% population) | 37 | 56 | 24 | 29 | 9 | 14 |
| ➔ Logistics performance (Index: 1 low-5 high) | 2.5 | 2.5 | 2.4 | 2.4 | 2.3 | 2.3 |
| ⬇️ Economic diversification (Index: 1 low-0 high) | 0.62 | 0.63 | 0.64 | 0.65 | 0.66 | 0.66 |
| ⬇️ Global competitiveness (Index: 1 low-7 high) | 3.64 | 3.38 | 3.48 | 3.15 | 3.23 | 2.90 |

➤ ➤ Improvement over baseline ➔ Stability ⬇️ ⬆️ Deterioration

Figure 4 Many African countries export a small number of products

Export diversification in African countries, 2018



Source: UNCTAD

The dynamism of Africa's service sector creates valuable opportunities for the region to drive employment and increase growth and trade. Africa's emerging connectivity structures and a workforce increasingly familiar with the digital world will make it possible for the continent to take advantage of the fourth industrial revolution to improve productivity, create jobs, and extend social welfare.

At the same time, weak global competitiveness and limited structural diversification often hold African industries back (Figure 4). In 2019, Africa's performance on the **global**

competitiveness index weakened significantly, and Africa's level of economic diversification remained unchanged. Africa's score on the **logistics performance index** was also unchanged in 2019 and has stagnated since 2015.

The availability of finance for Africa's predominantly small and medium firms will be vital to their efforts to expand, formalise, and absorb more workers. It is therefore significant that **access to finance** in Africa continued to grow rapidly in 2019: it reached 56%, up from 49% in 2018 and 37% in 2015. Access to finance also grew significantly in transition and low-income ADF countries.

The Bank's support for industrial expansion

In 2019, the Bank made it possible for 1 million people to benefit from investee projects in transport (Burundi, Democratic Republic of Congo, Malawi, Mozambique, and Tanzania); financial services and MSME support (Mauritania, Mozambique, and Niger); enterprise development (Malawi); and fertiliser production (Nigeria). The result for 2019 is below that for 2018 (1.2 million people) and 2017 (2.6 million people). The decline in 2019 occurred largely in ADF countries, where the number of beneficiaries halved to 400 000 (the number in transition states was 1400).

In 2019, the turnover from our investments in micro, small and medium enterprises almost trebled.

The Bank's support for African MSMEs stimulated rapid increases in MSMEs' economic activity. In 2019 alone, **MSME turnover from Bank investments** almost trebled, reaching \$1 billion and far exceeding targets. MSMEs supported in ADF and transition countries grew much more modestly—\$179 million and \$15 million, respectively.

One of the benefits of expanding businesses' economic activity is that expansion can broaden and deepen the tax base and increase government revenues. **Government revenue from investee projects and sub-projects** supported by the Bank increased from \$394 million in 2018 to \$428 million in 2019. While encouraging, the figures did not reach targets and revenues generated in low-income ADF countries and transition states were modest. The number of owner-operators and MSMEs provided with financial services by Bank projects fell to 53 300 in 2019, and the Bank is scaling up its investments in this area to meet its target for 2016–2025.

The Bank has been especially active in **providing finance to owner-operators and MSMEs** in Malawi (Box 4), Mauritania, Mozambique, and Niger. In Mozambique, the Bank provided a \$9 million line of credit to Mozambican commercial bank Moza Banca S.A., which helped the bank provide medium-term loans to 109 MSMEs in agriculture and fisheries, construction, transport and communication, health, processing industry, services, tourism, and trade.

We are fostering smart industrial policies and mobilising funding for infrastructure

Efficient transport infrastructure is another significant enabler for enterprise growth. The Bank's transport projects rapidly expanded their reach in recent years—the **number of people with improved access to transport** increased to 17.7 million in 2019, twice the number achieved in 2015. The length of **transport roads constructed, rehabilitated or maintained** as a result of Bank projects also increased in 2019, rising from 1021 km to 1417 km. This figure is, however, less than half of the target and below the results achieved during 2015–2017. While transport accounts for a quarter of the value

Box 4 Stories from beneficiaries – Mega Signs and Media Ltd, Malawi



Through the African Development Bank's Competitiveness and Job Creation Support Project in Malawi, Mega Signs and Media Ltd received a matching grant of about \$42 400. The company used this funding to purchase a PVC welding machine and a Roland printer, which has allowed it to offer services that were previously only provided by foreign companies. "There is now no need for anyone to go to South Africa. All billboards and signage can be done locally. We wouldn't have been able to reach this far without the support of the project," said Managing Director Michael Chombo.

of the Bank's portfolio—more than any other sector—challenges in project execution and planning persist, resulting in 96% of transport projects requiring extensions that average 2.6 years. The Bank is assisting regional member countries proactively to address these challenges.

The Bank mainly funded transport projects in low-income ADF countries, home to around a third of the beneficiaries of roads constructed, rehabilitated, or maintained in 2019. To date, the Bank supported only a limited expansion in transport access and related infrastructure in fragile states.

In Tanzania, the Bank supported upgrades to the Namtumbo-Tunduru road (193 km) and the Iringa-Dodoma road (260 km). This reduced travel costs and times and enhanced agricultural production, tourism, mineral extraction, trade, and regional integration. The two roads are part of corridors in the southern Africa region.

We are developing the Africa Industrialisation Index and the AfCFTA Country Business Index

Better designing and implementing industrial policy in Africa is vital to sound industrial development. In 2020, the Bank plans to assist the governments of Ethiopia and Senegal to revise and upgrade their industrial policies and develop strategic frameworks for industrialisation. The Bank is also developing the Africa

Table 6 Industrialise Africa indicators (Level 2)

| INDICATOR | AFRICA | | | ADF COUNTRIES | | TRANSITION STATES | |
|---|---------------|-------------|-------------|---------------|-------------|-------------------|-------------|
| | Baseline 2015 | Actual 2019 | Target 2019 | Baseline 2015 | Actual 2019 | Baseline 2015 | Actual 2019 |
| ➤ MSMEs effect (turnover from investments) (\$ million) | 68 | 1041 | 306 | 65 | 179 | 0 | 15 |
| ➤ People with improved access to transport (millions) | 8.6 | 17.7 | 10.0 | 8.6 | 11.3 | 0.6 | 1.0 |
| ➤ —of whom women | 4.4 | 8.9 | 5.0 | 4.4 | 5.7 | 0.3 | 0.5 |
| ➤ Government revenue from investee projects and sub-projects (\$ million) | 331 | 428 | 597 | 81 | 55 | 32 | 1.0 |
| ➤ People benefiting from investee projects (millions) | 1.9 | 1.0 | 2.1 | 0.6 | 0.4 | 0.6 | 0.05 |
| ➤ —of whom women | 1.0 | 0.5 | 1.1 | 0.3 | 0.2 | 0.3 | 0.03 |
| ➤ Owner-operators and MSMEs provided with financial services (thousands) | 56.6 | 53.3 | 57.0 | 55.1 | 52.1 | 52.7 | 3.1 |
| ➤ Transport-roads constructed, rehabilitated or maintained (km) | 2100 | 1417 | 2900 | 2000 | 948 | 142 | 79 |

➤ Achieved 95% of 2019 target ➤ Achieved less than 95% of 2019 target ➤ Achieved less than the baseline

Industrialisation Index. This index will inform dialogue with the Bank's regional member countries on key issues and weaknesses.

The Bank promotes trade in industrial goods across Africa, mainly by supporting the operationalisation of the African Continental Free Trade Area (AfCFTA). A key element here is the Bank's work with the United Nations Economic Commission for Africa to develop an AfCFTA Country Business Index that will assess how well businesses are taking advantage of the AfCFTA and understand their constraints.

New programmes

The Bank continues to support Africa's industrial development to drive economic growth and employment in coming years. As part

of this commitment, we recently approved projects to improve industrial competitiveness and catalyse private investment in industry in Botswana, Morocco, and Mozambique; to expand access to finance for SMEs in Côte d'Ivoire, Ghana, Guinea, and Nigeria; and to develop infrastructure—including roads, airports, ICT, and urban transportation—that will accelerate industrialisation in countries across the continent.

The Bank also recently approved funding to the East African Community (EAC) to support South Sudan to develop and harmonise payment and settlement system with other EAC member countries. This will enhance the performance of countries' financial systems and promote regional integration. ■



Opening up access to global markets

Hard and soft infrastructure that speeds the flow of goods, people, and services is key to deepening regional connectivity and making Africa more competitive. The Bank's financial support for the Lomé Container Terminal is consolidating Togo's reputation as a trans-shipment hub for West and Central Africa.

Chapter 4

Integrate Africa

Over the past two decades, Africa has made important progress on regional economic integration, with trade barriers falling, cross-border infrastructure expanding, and a range of policy challenges successfully addressed. The entry into force of the African Continental Free Trade Area (AfCFTA) Agreement¹ in May 2019 is a major boost to Africa’s regional integration agenda. But non-tariff barriers remain pervasive and significant gaps in regional infrastructure persist. And even as the Covid-19 pandemic disrupts regional trade and supply chains, tourism, the movement of people, and commodity markets, it highlights the need for African countries to accelerate integration. The Bank is therefore scaling up its efforts to support Africa’s economic integration, so that the continent can fully realise the economic and social benefits that integration will bring.

Connecting markets and industries through economic integration

Many of Africa’s economies are too small to produce the sophisticated goods that compete with imports and succeed in global markets. This leaves most African businesses operating in small domestic markets where purchasing power is low and competition that would improve productivity is limited. This holds back economic diversification and growth and helps explain why most African countries have made limited progress on moving their economies from traditional agriculture, informal services, and primary commodities towards value-added manufacturing. Deprived of industry’s unique capacity to generate jobs at scale, economic growth has been less inclusive in Africa than in other developing regions. This makes it more difficult for governments to raise revenues to invest in services for their citizens and improve their

In 2017, three quarters of African countries had less than 30 million inhabitants. Small domestic markets hold back innovation, diversification, and growth

quality of life.

Regional economic integration can address many of these challenges. When businesses can trade across borders, they can expand production and benefit from economies of scale. They are more exposed to competition and are challenged to operate more efficiently. Expanding regional trade can also help countries to diversify their output and move up the value chain. It is notable that intra-African exports are 4.5 times more diverse and have twice the

share of medium- and high-technology products as African exports to the rest of the world.

Since the 1980s, Africa’s regional economic communities have established or revitalised a range of free trade agreements, customs unions, and monetary unions. Their efforts helped expand formal trade between African countries by 12.5% annually between 2000 and 2016, and increase it from 11% to 15% of total African trade over the same period. But these figures remain well below levels of regional trade within Asia, which reached 61% of all Asian trade in 2015–2017.

Because of this, **intra-African trade as a proportion of Africa’s total trade in goods** remained low—14% in 2018 (the latest data available). The figures reflect commodity exports as well as consistent demand for manufactured goods from Africa’s leading

Box 5 UNCTAD and the African Union launch the Trade Barriers Africa tool

On 13 January 2020, the United Nations Conference on Trade and Development (UNCTAD) and the African Union launched a new online tool for reporting and monitoring non-tariff barriers in real time across Africa, in support of free trade.

With this tool, traders and businesses moving goods across the continent can now instantly report the challenges they encounter, such as excessive import documents or unjustified packaging requirements. Complaints logged on the platform will be monitored and resolved by government officials in each nation and by a special coordination unit housed in the AfCFTA secretariat. The initiative will help improve national and regional trade policies.

¹ At the time of writing, trading under the AfCFTA Agreement, set to start in July 2020, had been postponed due to the Covid-19 pandemic. The African Union will confirm a new date.

Table 7 Africa’s progress in regional integration is mixed (Level 1)

| INDICATOR | AFRICA | | ADF COUNTRIES | | TRANSITION STATES | |
|---|---------------|-------------|---------------|-------------|-------------------|-------------|
| | Baseline 2015 | Latest 2019 | Baseline 2015 | Latest 2019 | Baseline 2015 | Latest 2019 |
|  Deeply and broadly integrated countries (number) | 19 | 20 | 15 | 15 | 5 | 7 |
|  Cost of trading across borders (\$) | 2384 | 2384 | 2675 | 2675 | 2878 | 2960 |
|  Intra-African trade as a proportion of total trade in goods (%) | 14.6 | 13.5 | 22.6 | 20.5 | 32.7 | 20.5 |
|  Regional economic communities' average score (0 low–1 high) | 0.47 | 0.43 | .. | .. | .. | .. |
|  Countries with liberal visa policies (number) | 13 | 10 | 11 | 9 | 7 | 4 |

  Improvement over baseline  Stability   Deterioration

industrialised economies, such as Egypt and South Africa. In general, ADF countries and countries in transition generated higher levels of formal intra-African trade as a proportion of their total trade in goods (21% each).

The high costs of trading across Africa’s borders undermine trade expansion and deeper integration. The costs are driven by weaknesses in regional infrastructure, such as roads, railways, and border crossings; by tariff barriers; by formal non-tariff barriers such as quotas, export restrictions, and regulations; and by informal non-tariff barriers such as facilitation payments at borders.

 *When businesses can trade across borders, industry can expand, economies can diversify, and countries can move up the value chain*

Consequently, in 2019, the **costs of trading across borders in Africa** was \$2384 per 20-foot container by sea transport, the same as in 2015. It is clear that more needs to be done (Box 5) to reduce the non-tariff barriers and infrastructure constraints that hold back regional trade in Africa.

Numerous restrictive visa regulations still constrain the movement of people in Africa. The African Union’s Agenda 2063 aims to remove restrictions on Africans’ ability to travel, work, and live anywhere across the continent. Still, the **number of countries with liberal visa policies** (visa-free travel or visa on arrival) declined to 10 in 2019, compared with 11 in 2018 and 13 in 2015. However, according to the 2019 Africa Visa Openness Index report — produced with the Bank’s support — a record 47 countries improved or maintained their visa openness scores, while 13 countries moved upwards in rank. To streamline travellers’ experience, 21 countries now use eVisa platforms that boost transparency and accessibility.

Greater economic integration and closer ties amongst African countries have allowed regional economic communities to address common challenges and foster cooperation amongst their members. In 2019, Africa’s **regional economic communities**

achieved an average score of 0.43 on the African Regional Integration Index, an index that assesses how well countries, regions, and the continent are integrated. This is a slight decline from 0.47 in 2016, when the last index was published. Many regional communities have made progress in freeing the movement of people and causing macroeconomic policies to converge within their blocs, but more effort is required on other dimensions of regional integration, such as infrastructural and productive integration. The number of **deeply and broadly integrated countries** on the index was 20 out of 54 in 2019, up from 19 in 2016. The figure highlights Africa’s extensive potential to boost integration and tap into its benefits.

Africa could also benefit from closer integration in a number of other areas, including finance and transport. This said, African countries have benefited from increasing intraregional flows of finance in recent years, boosting investment and reducing dependence on volatile investment flows from outside the region. African countries have also promoted closer collaboration in aviation, primarily through the Single African Air Transport Market (SAATM), which launched in 2018. Twenty-eight countries, representing 80% of Africa’s aviation market, have now signed up to the SAATM. It is estimated that just 12 key countries implementing this market in full would create 155 000 jobs and increase GDP by \$1.3 billion per year.

There is considerable optimism that the AfCFTA will trigger a major acceleration in regional integration. Signatories are expected to remove tariffs on 90% of goods within 5 to 10 years, reduce a wide range of non-tariff barriers, and liberalise trade in services with measures to facilitate the movement of people and finance.

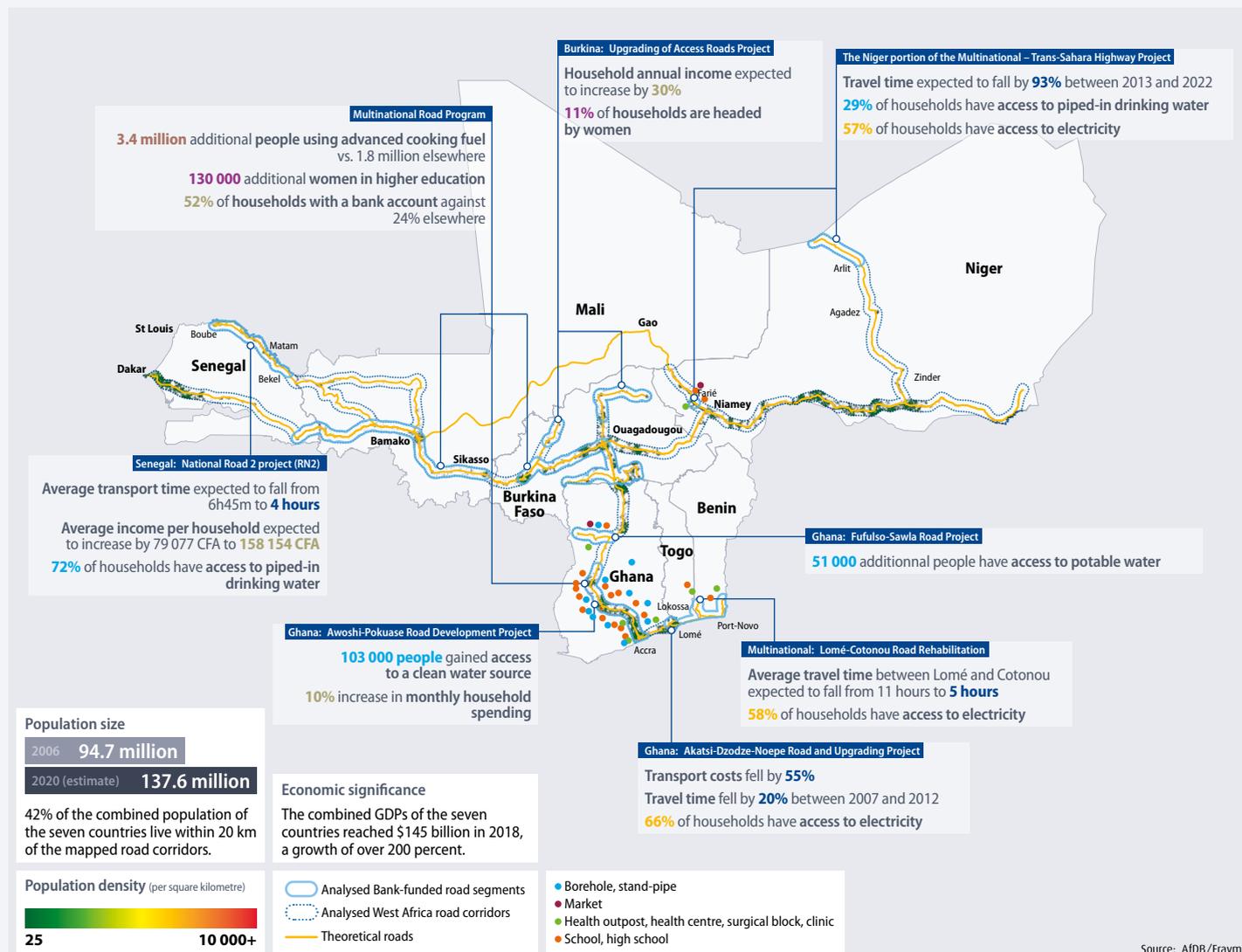
The Bank’s support for regional integration

Regional integration has been a priority for the Bank ever since the Bank was founded, and it is one of the Bank’s five core operational objectives today. Most of the Bank’s finance for regional integration goes to infrastructure connectivity, reflecting the high costs of regional and cross-border projects and the large gaps that African countries face in financing infrastructure (Figure 5).

Figure 5 High-resolution impact mapping

Assessing living conditions of communities near Bank-funded roads in West Africa

The Bank is using high-resolution impact mapping to assess the impact of eight road projects covering seven countries in West Africa: Benin, Burkina Faso, Ghana, Mali, Niger, Senegal and Togo. Focusing on an unprecedented geographic scale, the map provides details on the roads' economic footprint, improvements in human development and how they promote integration throughout the entire region. By comparing data from household surveys in 2006 (before) and 2020 (during or after) and applying geotagged datasets, and satellite imagery, the methodology can assess with a high degree of reliability the changes in people's living conditions — for example, additional people with access to energy — within 20 km of the roads. Not all changes are directly attributable to the project: they reflect broader improvements in living conditions over time.



Changes across the seven West African countries from 2006 to 2020

| | | | |
|---|--|---|---|
| <p>Improved access to clean water and sanitation</p> <p>2 730 000 additional households access piped-in drinking water</p> <p>1 814 000 additional households with access to flush-toilets</p> | <p>Mobility to markets</p> <p>728 000 additional households owning cars</p> | <p>Gender</p> <p>2 448 000 additional households headed by women</p> | <p>Connection to electricity</p> <p>6 378 000 additional households connected to electricity</p> |
| <p>Improved health conditions</p> <p>Child stunting rates in the region have stayed around 30%</p> <p>84% child immunisation coverage in 2018 (from 75% in 2005)</p> | <p>16 774 000 additional people know where to get an HIV test</p> | <p>7 400 000 additional women visiting health centers</p> | <p>Better access to education</p> <p>11 399 000 adults gained literacy skills</p> |

Table 8 Integrate Africa indicators (Level 2)

| INDICATOR | AFRICA | | | ADF COUNTRIES | | TRANSITION STATES | |
|---|---------------|-------------|-------------|---------------|-------------|-------------------|-------------|
| | Baseline 2015 | Actual 2019 | Target 2019 | Baseline 2015 | Actual 2019 | Baseline 2015 | Actual 2019 |
| ➔ Transport: Cross-border roads constructed or rehabilitated (km) | 380 | 436 | 983 | 380 | 436 | 0 | 0 |
| ➔ Energy: Cross-border transmission lines constructed or rehabilitated (km) | 0 | 12 | 360 | 0 | 11 | 0 | 0 |

➔ Achieved 95% of 2019 target ➔ Achieved less than 95% of 2019 target ⚠ Achieved less than the baseline

In 2019, the Bank completed the rehabilitation and construction of roads linking Burundi, Rwanda, and the East Africa Community; linking Ethiopia and Kenya; and linking Kenya and Tanzania. Through these and other projects, the Bank **constructed or rehabilitated 436 km of cross-border roads** in 2019, all of which were in ADF countries. While these results represented an increase of 12% over 2018, they were below the Bank’s target for 2019.

“*By tracking data and sharing best practices, the Africa Visa Openness Index is freeing the movement of labour*”

Also in 2019, the Bank worked on the final stages of the Nairobi-Mombasa-Addis Ababa road corridor, which reduced travel time between Nairobi and Addis Ababa by a third and spurred a four-fold increase in trade between Ethiopia and Kenya. We also supported the development of the Lomé-Cotonou Transport Corridor, which is due for completion in 2020 (Box 6).

In relation to maritime transport, in 2019 the Bank completed the construction of a new container transport terminal at the port of Lomé

in Togo. This terminal supports regional trade between Burkina Faso, Mali, Niger, Nigeria, and Togo. It also handles domestic trade.

“*We are moving vehicles, ships, and electricity across borders, while taking climate change into consideration*”

In recent years, the Bank increased investments in the integration of electricity infrastructure across Africa’s borders, to enable neighbouring countries to trade electricity more efficiently and coordinate their investments in generation capacity. In 2019, we **constructed or rehabilitated 12 km of cross-border transmission lines**. The Bank also recently supported a feasibility study for the Nigeria-Niger-Benin/Togo-Burkina Electricity Interconnection Line, which will ensure the stable integration of the national electricity grids of Economic Community of West African States countries and includes the construction of a transmission line of about 875 km.

Recognising how important access to finance is to regional trade, during 2016–2018 the Bank supported a number of regional facilities that provide trade finance to African financial institutions, corporations, and SMEs. We completed risk participation agreements

Box 6 Stories from beneficiaries – The Lomé-Cotonou Transport Corridor



Financed with \$109 million from the Bank’s African Development Fund, this project aims to relieve traffic congestion and respond to the challenges faced by hauliers between Benin and Togo.

The project supports infrastructure development—including a truck inspection area, a large customs warehouse, five sanitary blocks, weighbridge and scanner control rooms, a veterinary control room, and facilities to serve truckers and pedestrians—and was scheduled for completion in March 2020. The project is also working to harmonise procedures for the movement of people, goods, and transport at border crossing points between Lomé and Cotonou.

Once complete, the transport corridor will halve the time it takes trucks to cross the Benin-Togo border. It is expected to increase trade across the border by 15%.

Senegalese trucker Issa Diaby is eager to see the project completed. “As I approach the border between Togo and Benin, I cross my fingers to spend as little time as possible. Above all, I pray that the corridor will be completed quickly in order to make traffic flow more smoothly,” he says.

with Afreximbank, which supported \$490 million worth of trade through 145 transactions, 63 of which involved SMEs; Chartered Bank, which facilitated trade finance transactions in sectors such as agriculture and manufacturing inputs, with 24% of transactions supporting intra-African trade and 439 transactions attributed to SMEs; and First Rand Bank, which supported 12 issuing banks in 5 countries, with half of transactions going on regional trade.

The Bank is also engaged in a range of activities to support the implementation of the AfCFTA. We are members of the AfCFTA Continental Task Force, through which we provide technical support for trade negotiations and the operationalisation of the AfCFTA Secretariat in Accra, Ghana. We are also working with African countries to develop AfCFTA implementation strategies.

Promoting low-carbon economies through integration

The Bank's Climate Change Action Plan for 2016–2020 identifies opportunities to strengthen linkages to address climate change, use resources more efficiently, and invest in greener regional programs. More investments in regional infrastructure such as transport, ICT, and power interconnection will play a valuable role in creating integrated, low-carbon economies. In 2019, all of the Bank's regional operations, including its regional integration strategy papers and its regional/multi-country projects, were screened for climate risks and opportunities and for their compatibility with the nationally determined contributions submitted by African countries under the Paris Agreement.

New programmes

The Board recently approved a number of major new programmes to strengthen regional power and transport infrastructure, increase trade finance, and promote regional trade. For example, we approved assistance for the East African Power Pool, which promotes power system interconnectivity across 11 member countries: Burundi, Democratic Republic of Congo, Djibouti, Egypt, Ethiopia, Kenya, Libya, Rwanda, Sudan, Tanzania, and Uganda. We also approved assistance for the Metier Sustainable Capital International Fund II, which supports renewable energy and resource-efficient infrastructure projects across Africa, and to Mozambique, both for the construction of a transmission line between Vilanculos, Chibuto, Matalane, and Maputo and for related infrastructure that will help distribute electricity from the planned Central Térmica de Temane power plant.

In addition, the Bank approved projects in Kenya and Tanzania to link the ports of Dar es Salaam, Tanga, and Mombasa; in Ethiopia and Djibouti, to improve road and transport infrastructure and connections with Kenya and South Sudan; and in Mozambique and Tanzania, to support the second phase of a road upgrading project that will socially include communities along the road.

We also supported the Eastern and Southern African Trade and Development Bank to provide trade and project finance to projects in the infrastructure, energy, manufacturing, agribusiness, and healthcare sectors in the Common Market for Eastern and Southern Africa region. ■



Leading the digital revolution

The Bank is committed to enabling Africa's youth to fully participate in the fourth industrial revolution by boosting digital skills and accelerating science, technology, engineering, and mathematics education. Supported by the AfDB, the Carnegie Mellon University in Rwanda is raising Africa's next generation of technology leaders to drive the continent's digital revolution.

Chapter 5

Improve the quality of life for the people of Africa

Ultimately, all of the Bank’s work aims at improving Africans’ lives. Our goal is to facilitate the creation of decent jobs and make sustainable livelihood opportunities available to all Africans. To achieve this, we invest in skills development and training, quality health infrastructure, and water and sanitation services. And indeed, quality of life in Africa has improved significantly over the last two decades. Poverty rates have fallen; access to education, health, and other basic services has increased rapidly; and renewed economic growth has created new employment opportunities. But across the continent, poverty, inequality and unemployment remain high and population growth is still strong. The Covid-19 pandemic is threatening Africa’s socioeconomic gains further. These challenges call for much more ambitious action: “business as usual” is not an option.

Job-creating growth is vital to improving quality of life

Africa’s economies have grown robustly since the mid-1990s, generating more resources to invest in human development and expanding livelihoods and employment opportunities. Economic growth and human capital improvements have helped reduce extreme poverty rates in the region from 54% to 41% between 1990 and 2015. Still, the proportion of Africa’s **population living below the poverty line** remains high: it was 40% in 2019.



Most Africans have benefited little from robust economic growth. In the poorest and most fragile countries, extreme poverty affects 43% to 57% of the population

Despite important progress, then, economic growth has had limited impact on most Africans. During 2000–2014, for instance, a 1% increase in GDP growth was associated with only a 0.41% growth in employment. Indeed, employment grew at less than 1.8% per year over this period, far below the nearly 3% annual growth in the labour force.

A number of factors made Africa’s growth less inclusive. One factor is that the continent’s population grew more rapidly than its economy, so that the absolute number of people living in poverty in Africa increased since 1990. The Covid-19 pandemic is expected to push even more people into extreme poverty.

Another factor relates to the nature of Africa’s growth, which has been concentrated in sectors that are capital-intensive. These

sectors generate fewer jobs and leave more people in the informal economy, where skills are few and working poverty is high. The situation is complicated even for the educated, as economies are not creating enough jobs and, in some cases, the skills acquired through education are not relevant to the job market.

Finally, even though poor Africans have benefited from growth over the last two decades, average consumption by Africa’s poor has grown more slowly than consumption by the overall population. **Income inequality**, as measured by the Gini index, is high (41%) and has remained unchanged in recent years. Growth has also been weaker in the poorest and most fragile countries, causing extreme poverty to stagnate at high levels in low-income ADF countries (43%) and transition countries (57%). The Bank estimates that without changes in the nature of growth, a quarter of Africa’s population could still experience poverty in 2030, when stakeholders had hoped to reach the sustainable development goal of eradicating extreme poverty for everyone.

Skills and the future of work

Over the last two decades, Africa’s rapid growth in promoting access to education—especially at the primary level—is a notable success story, with **enrolment in education** increasing to 63% in 2019 and the **enrolment of girls** reaching 61%. Yet overall levels of education in Africa remain lower than in other developing regions (fewer than half of children of secondary-school age are enrolled) and the quality of primary education is often inadequate. In countries affected by conflict, girls are almost three times more likely to be out of school than boys and have fewer education opportunities. The gap between the education levels of the poorest and richest segments of the population remains high and has changed little in more than 30 years.

Table 9 Quality of life in Africa has slowly improved (Level 1)

| INDICATOR | AFRICA | | ADF COUNTRIES | | TRANSITION STATES | |
|---|---------------|-------------|---------------|-------------|-------------------|-------------|
| | Baseline 2015 | Latest 2019 | Baseline 2015 | Latest 2019 | Baseline 2015 | Latest 2019 |
| ↘ Population living below the poverty line (%) | 42 | 40 | 45 | 43 | 57 | 57 |
| ↘ Youth unemployment rate (%) | 14.0 | 12.0 | 10.3 | 7.3 | 8.6 | 8.8 |
| ↘ —of whom young girls | 16.5 | 12.0 | 12.2 | 7.5 | 8.0 | 8.3 |
| ↘ Unemployment rate (%) | 8.9 | 7.0 | 6.3 | 4.6 | 12.1 | 11.6 |
| ↘ —of whom women | 9.8 | 7.6 | 7.9 | 4.9 | 5.1 | 4.9 |
| ↗ Enrolment in education (%) | 62 | 63 | 59 | 60 | 58 | 58 |
| ↗ —of whom women | 59 | 61 | 56 | 58 | 53 | 56 |
| ↗ Access to safely-managed sanitation facilities (% population) | 39 | 40 | 25 | 24 | 23 | 25 |
| → Income inequality (Gini index) | 41 | 41 | 41 | 41 | 41 | 40 |
| ↘ Access to safely managed drinking water services (% population) | 72 | 66 | 64 | 56 | 51 | 54 |
| ↘ Enrolment in technical/vocational training (%) | 11 | 10 | 8 | 7 | 9 | 10 |
| ↘ —of whom women | 9.4 | 8.8 | 6.8 | 8.5 | 8.1 | 8.3 |

↗ ↘ Improvement over baseline → Stability ↘ ↗ Deterioration

Progress in **technical vocational education and training (TVET)** has also been limited, with enrolment reaching just 10% in 2019. Access to TVET—including in science, technology, engineering, and mathematics—is lower for women and is lower in low-income ADF and transition countries.

Africa has rapidly boosted access to education, especially primary education. But less than half of children are enrolled in secondary school

Over the last two decades, African countries rapidly increased public spending on education. However, education spending per pupil is still lower and less efficient in Africa than in other developing countries, and only 4% goes on TVET. Other factors constraining TVET include insufficient inter-sectoral linkages, weak curricula, poor pedagogy, inadequate infrastructure and human resources, and incoherent policy and institutional frameworks. In addition, TVET is a highly capital-intensive component of the education sector that requires significant budgets. Addressing these issues will require improving revenue generation and public financial management, strengthening national educational policies and institutions, better coordinating amongst key stakeholders—including through stronger public-private partnerships—and incentivising the private sector to invest more in skills training.

In the labour market, an estimated 86% of African workers are employed informally. Of these, the vast majority are women. 58% of Africa's workers are employed in low-skilled occupations and only 12% in high-skilled occupations. As a result, an estimated 54% of workers in Africa live in poverty, compared to just 19% in Asia.

Although investing in education has been proven to boost workers' productivity and incomes, African countries are not creating enough jobs for those who succeed in education. As a result, Africa's unemployment rate is 7.0% for the general population and 7.6% for women. Unemployment fell significantly in 2019.

It has been especially challenging to create jobs for Africa's fast-growing youth population and the **youth unemployment rate** remains higher than the rate of general unemployment (especially for young girls), even though it fell from 14% to 12% in 2019. It is also the case that close to half of employed youth in Africa perceive their skills to be mismatched to their jobs. This depresses their wages and their job satisfaction. Underemployment amongst young people also remains high.

The scale of the challenge to create jobs in Africa highlights the importance of supporting public employment services and expanding access to TVET tailored to the needs of jobseekers and employers alike. Training should support jobs in the informal as well as the formal sector. Social protection schemes—both within and outside work—should also be expanded, to supply safety nets to people whose informal jobs have little protection and expand assistance for those looking for work.

Efforts to rapidly create more formal and productive jobs in Africa are held back by a wide range of factors in addition to human capital constraints. These factors include limited investments in agriculture, weak infrastructure, conflict, and slow progress in regional integration. The constraints are hampering Africa's full participation in the fourth industrial revolution, a phase of industrial development that is being led by new and disruptive technologies such as artificial intelligence, the internet of things, big data, 3D printing, blockchain, and drones. With an estimated 10% of

technology start-ups already focused on fourth industrial revolution technologies, Africa could bypass earlier stages of industrial development. Indeed, Africa is already leading in innovations involving mobile devices and internet connectivity, such as mobile payment and banking platforms. Building on these achievements, African countries should expand their investments in ICT and in digital technologies, infrastructure, and skills training. They should also strengthen the business environment while ensuring that women are able to participate.

Access to social services

Access to improved water, sanitation and hygiene (WASH) is key to improving Africans' quality of life and is the first line of defence against the transmission of many diseases. It is estimated that better WASH could prevent as many as 367 000 diarrhoeal deaths per year in Africa and reduce global child mortality by over two million. Good water and sanitation also create economic opportunities.



Inadequate investments in health and sanitation mean that Africa carries a quarter of the global burden of disease. Nearly 290 million people live over two hours from the nearest hospital

Africa has expanded access to WASH in recent years, but more slowly than other developing regions. The latest data indicate that **access to safely managed drinking water services** fell to 66% in 2017 from 72% in 2015–2016. **Access to safely managed sanitation** facilities reached 40% in 2017 and likely remained there in 2018 and 2019.

Significant financing gaps remain to securing universal access to water and sanitation services in Africa, and a variety of public and

private sources need to be mobilised to expand service provision. These resources should be better targeted to countries, regions, and population groups with the least access. The institutions that manage water and sanitation services should also be strengthened, so that resources are used more efficiently.

Africa is improving its health outcomes, even though it lags behind other parts of the world (Africa currently carries a quarter of the global burden of disease). The lag can be partly attributed to the weak state of Africa's health systems, the result of low investments in quality health infrastructure, human resources, and public health insurance schemes. It is estimated that in Africa, nearly 290 million people and 65 million women of child-bearing age live more than two hours from the nearest hospital.

Improving quality of life is central to the Bank's work

Ultimately, all of the Bank's High 5s aim at improving Africans' quality of life. The Bank's efforts to Light Up and Power Africa improve homes and stimulate economic activity; its Feed Africa initiative secures adequate nutrition and expands agricultural livelihoods; its work to Industrialise Africa creates jobs at scale; and its efforts to Integrate Africa help countries realise their social and economic potential.

In addition, through its Improve the Quality of Life High 5, the Bank is engaged in efforts to build human capital and expand access to the basic social services needed to sustainably improve Africans' quality of life. This involves supporting Africa's population to gain access to quality education, good training, and decent employment, the most sustainable route out of poverty. It also involves investing in water, sanitation, health infrastructure and other social services, to make it possible for Africa's people to lead dignified, healthy, and fulfilled lives. The Bank ensures that gender equality and women's empowerment are central to its work.

Box 7 Stories from beneficiaries – Digital training in action



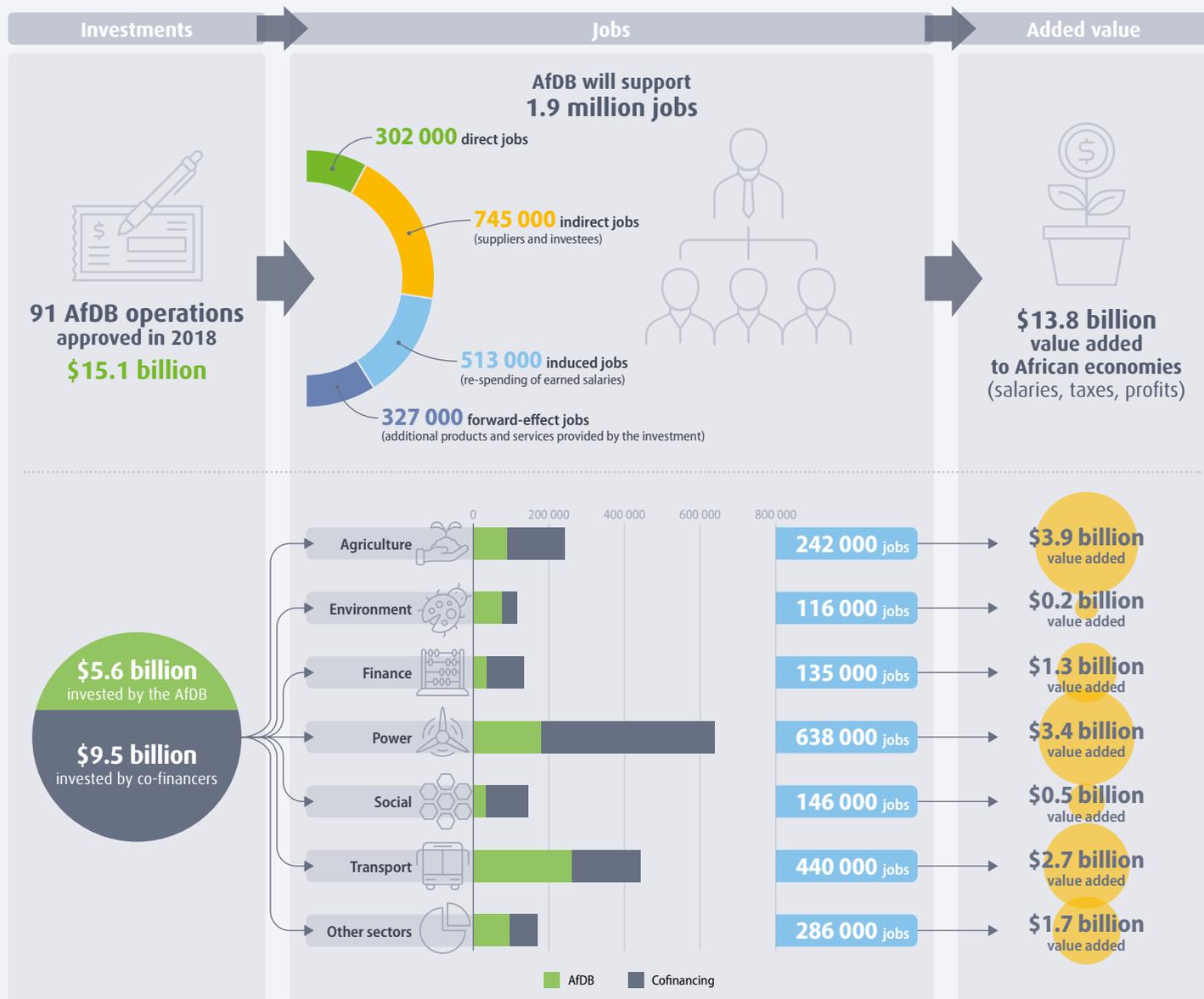
Following pilots in Côte d'Ivoire, Kenya, Nigeria, Rwanda, and Senegal, the Bank launched its Coding for Employment digital training programme in partnership with technology firm Microsoft in April 2019. The programme identified 14 centres of excellence and trained over 12 000 people. The Bank aims to expand this programme over the next 10 years to 130 centres of excellence across Africa, creating nine million jobs and empowering young people to become innovative players in the digital economy.

One of the programme's beneficiaries, Olashile Odetola, graduated in 2016 from the University of Ibadan in Nigeria with a degree in communication and language arts, but could not find a job. After completing the five-week programme, she now works annotating and labelling for an online company. The programme's flexibility was important for her, as it permitted her to attend the training with kids in tow — she was then nursing her youngest child.

"Never in my life did I think that I would have this opportunity. For the first time, I feel confident in myself. I am now working from the comfort of my home in the digital field," she told a packed auditorium at the Bank-organised African Economic Conference held in Sharm El Sheikh, Egypt.

Figure 6 The Bank is assessing the impact of its investments on jobs

In collaboration with five development finance institutions, the Bank is introducing the **Joint Impact Model**, a tool that measures the direct, indirect, induced, and forward-effect jobs created from our operations. The model estimates that 91 public and private operations approved in 2018 will help create 1.6 million indirect, induced, and forward-effect jobs as well as 0.3 million direct jobs. The Bank will therefore support a total of 1.9 million jobs, of which 0.8 million can be attributed directly to Bank funding. We estimate that the Bank will support 2.6 million jobs from projects approved in 2019. The figure below shows the breakdown by sector and their associated value-added.



To guide its efforts to create employment for young people, in 2016 the Bank launched its Jobs for Youth in Africa Strategy, which aims to create 25 million jobs and benefit 50 million people in the region. Guided by this strategy, we are integrating youth employment considerations into our operations, developing innovative solutions to youth employment challenges, and catalysing private sector investments that fuel employment. A major focus of this strategy includes accelerating science, technology, engineering, and mathematics education, digital skills, and employment to enable Africa's youth to fully participate in the fourth industrial revolution (Box 7).

In collaboration with five development finance institutions, the Bank is also introducing the Joint Impact Model, a tool that measures the direct, indirect, induced, and forward-effect jobs created from our operations (Figure 6). The model estimates that operations approved in 2018 will help create 1.9 million jobs, of which 0.8 million can be attributed directly to Bank funding. We estimate that the Bank will support 2.6 million jobs from projects approved in 2019.

In 2019, the number of **people benefiting from better access to education** as a result of the Bank's programmes was 180 000, of whom 50% were women. This represents a significant fall in the

Table 10 Indicators on improving the quality of life for the people of Africa (Level 2)

| INDICATOR | AFRICA | | | ADF COUNTRIES | | TRANSITION STATES | |
|---|---------------|-------------|-------------|---------------|-------------|-------------------|-------------|
| | Baseline 2015 | Actual 2019 | Target 2019 | Baseline 2015 | Actual 2019 | Baseline 2015 | Actual 2019 |
| 🟢 People with new or improved access to water and sanitation (millions) | 2.0 | 10.1 | 3.6 | 1.2 | 8.3 | 0.3 | 2.9 |
| 🟢 —of whom women | 1.0 | 4.9 | 1.8 | 0.6 | 4.0 | 0.1 | 1.4 |
| 🔴 People trained through Bank operations (thousands) | 290 | 140 | 900 | 290 | 130 | 34 | 27 |
| 🔴 —of whom women | 119 | 71 | 450 | 80 | 66 | 15 | 14 |
| 🔴 People benefiting from better access to education (millions) | 0.38 | 0.18 | 0.38 | 0.38 | .. | 0.27 | .. |
| 🔴 —of whom women | 0.24 | 0.09 | 0.19 | 0.24 | .. | 0.17 | .. |

🟢 Achieved 95% of 2019 target ➡ Achieved less than 95% of 2019 target 🔴 Achieved less than the baseline

number of beneficiaries from 270 000 in 2018 and 500 000 in 2017. In addition, in 2019 the number of **people trained through Bank operations** was 140 000, of whom 71 000 were women, down from 178 000 in 2018 and 395 000 in 2017. Part of the decrease may be attributable to slow growth in the Bank's investments in the social sectors, which constituted about 7% of the active portfolio in 2019, similar to 2015.

the centre (30% of whom were women) went on to find jobs. Our support for TVET in Eritrea, Malawi, and Niger improved the quality and relevance of skills development there, boosting job creation and graduates' employability. The Bank is carrying out a TVET mapping exercise to inform its operations and to enhance the integration of TVET as a critical sector of human capital development in Africa.



We invest in water and sanitation so that Africans can lead dignified and healthy lives

Over the past year, the Bank completed a wide range of education and training programmes in several countries. In Egypt, we financed the Institute of National Planning to strengthen its teaching, training, and research capacity to serve local and regional clients. In Rwanda, we supported the establishment of a regional ICT Centre of Excellence, which provides advanced ICT training, education, research and innovation capacity to Rwanda and the region: 281 graduates of



We integrate youth employment into our operations and make gender equality central to our work

We are also pursuing several initiatives to promote quality education across the continent and close the financing gap in education. With the African Union and the Association for the Development of Education in Africa, we are spearheading the establishment of the African Education Fund, an African-owned innovative financing mechanism to revitalise and transform education systems. With the Asian Development Bank, the

Box 8 Strengthening our focus on Africa's water sector

Evaluations produced by the Bank's Independent Development Evaluation department over 2005 to 2016 provide useful lessons and recommendations that will sharpen our support for the water sector. Key recommendations:

- ▶ **Continue engagement with regional member countries on an integrated approach to integrated water resources management and development (IWRMD).** The Bank's upcoming Water Sector Strategy will focus attention on increased IWRMD approaches to enhance the economic benefits of water investments. In addition, the Bank will ensure that the design of all new water-related operations takes an integrated approach to promote holistic, innovative, and sustainable water infrastructure.
- ▶ **Prioritise sanitation by strengthening capacity and support for innovative, affordable technological options and service delivery business models.** The Bank is enhancing its engagements with the private sector and development partners on sanitation financing and knowledge management. The forthcoming Africa Sanitation and Wastewater Atlas will also inform the Bank's interventions to increase access to sustainable sanitation.
- ▶ **Strengthen institutional capacity for the sustainable delivery of water sector services.** The Bank's upcoming Water Sector Strategy will guide the Bank's support for African countries' sector reforms and institutional capacity development, including in the area of sustainable utilities. Priority reforms on which the Bank will focus include tariffs and pricing, human resources, and the strengthening of water regulatory institutions at the national, sub-national, and local level.

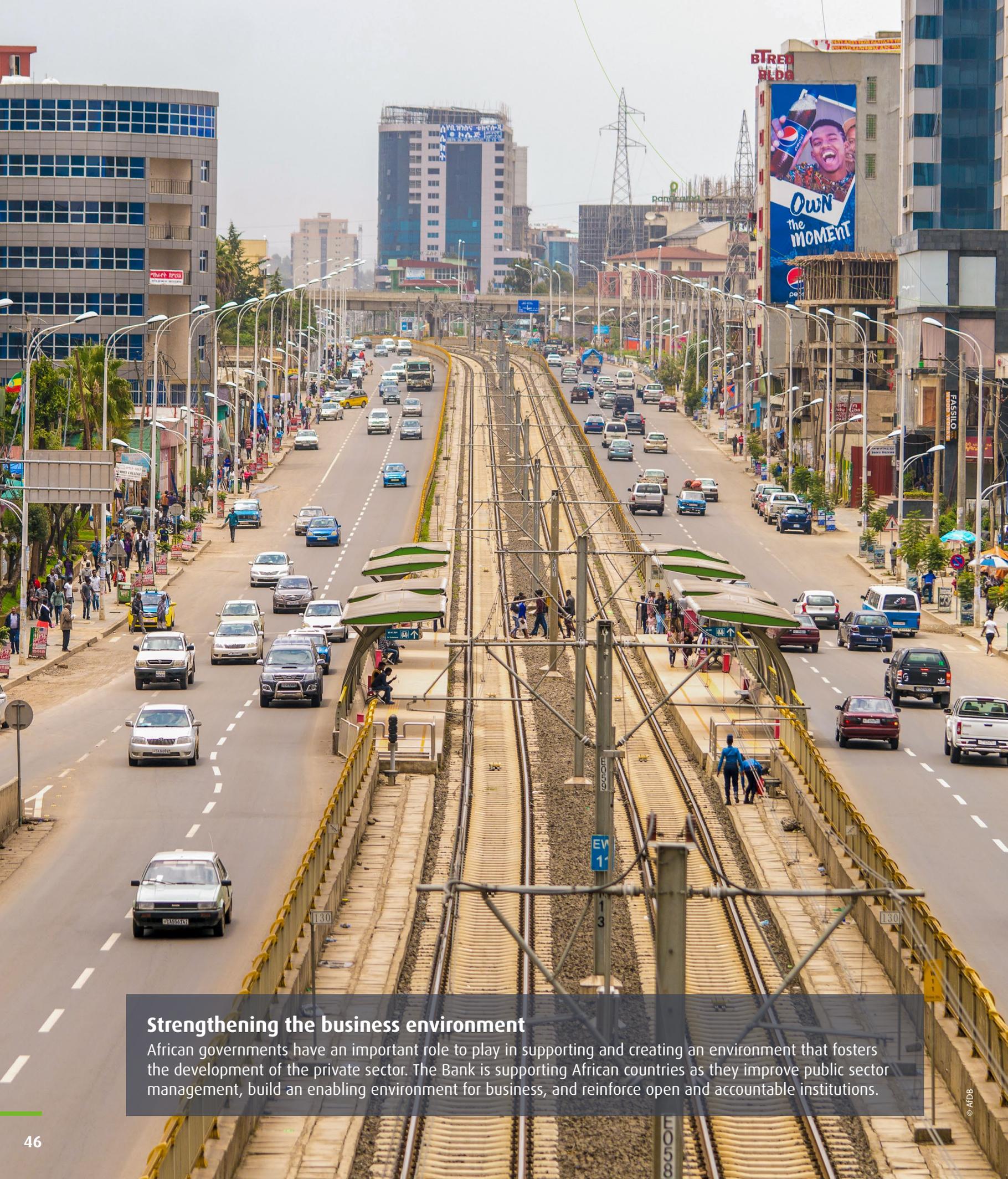
Inter-American Development Bank, and the World Bank, we are developing the International Finance Facility for Education, an innovative co-financing mechanism to mobilise additional funding for education. With the Government of Japan, we implemented the Japan Africa Dream Scholarship Program, enabling young African scholars to pursue post-graduate studies and promoting inter-university and industry collaboration between Japan and Africa.

The Bank achieved significant progress in expanding access to water and sanitation services in 2019. The number of **people with new or improved access to water and sanitation** as a result of Bank programmes increased to 10.1 million in 2019 (of whom 4.9 million were women), up from 8 million in 2018 and 2 million in 2015. This was well above our target of 3.6 million in 2019 and means that we are on track to meet our overall target on water and sanitation services for 2015–2025. This said, large gaps in access to these services call for more support from the Bank (Box 8).

Newly approved projects

Notwithstanding these accomplishments, the Bank recognises ongoing challenges to improving Africans' quality of life and is developing a new strategy for its High 5 "Improving the Quality of Life for the People of Africa."

In the meantime, to expand access to drinking water and sanitation services, we recently approved projects in Benin, Burkina Faso, Egypt, Eritrea, Gabon, Lesotho, Malawi, Nigeria, Somalia, South Sudan, Sudan, and Zimbabwe. We also approved a regional project to support the Songwe river basin covering Malawi and Tanzania. In addition, the Bank recently approved support for a social programme in Côte d'Ivoire, a social protection programme in Morocco, and regional programmes in mathematical sciences (with the African Institute for Mathematical Sciences) and entrepreneurship (with the Tony Elumelu Foundation). In relation to skills development and training, the Bank recently approved projects in Kenya and Senegal that will equip young people and entrepreneurs. In South Sudan, our support will boost learning outcomes for primary school children. ■



Strengthening the business environment

African governments have an important role to play in supporting and creating an environment that fosters the development of the private sector. The Bank is supporting African countries as they improve public sector management, build an enabling environment for business, and reinforce open and accountable institutions.

Chapter 6

Cross-cutting and strategic issues

A key consideration when we design our operations is to integrate our cross-cutting and strategic objectives wherever possible: governance and institution-building, fragility, climate change, and gender equality. Our cross-cutting objectives are critical to our High 5s, the sustainable development goals, and our objective of promoting inclusive green growth in Africa.

Economic growth on the continent

Africa's average real GDP growth was 3.4% in 2018 (latest data available) and is estimated to reach 3.2% in 2019. Its GDP per capita (constant 2010 \$) rose to \$2026, marginally above its level of \$1941 in 2015. Growth fundamentals in Africa have also improved: in 2019, for the first time in a decade, investment spending accounted for a larger share of GDP growth than did consumption.

“Growth fundamentals in Africa improved last year, but Covid-19 has put many gains at risk. We project that GDP will fall by between 1.7% and 3.4% in 2020”

Average growth in low-income ADF countries was 5.3%, led by six economies that are amongst the world's fastest growers: Benin, Côte d'Ivoire, Ethiopia, Ghana, Rwanda, and Tanzania. In low-income ADF countries, GDP per capita increased to \$918 in 2019, a rise of 16% since 2015. In countries in transition, GDP per capita was only \$759, having increased by just 3.5% since 2015.

Despite this progress and the expectation that 2020 would be another year of growth, the Covid-19 pandemic will put many of Africa's recent development gains at risk. The Bank now projects a sharp decline in Africa's GDP of 1.7% in 2020 in the baseline scenario and 3.4% in the worst-case scenario. Emergency measures to curb the pandemic, such as border closures and lockdowns, will disrupt trade and businesses, leaving many Africans unable to pursue their livelihood. The wider economic impact of the global pandemic will affect Africa through multiple channels, including reduced trade, tourism, remittances, and commodity prices. The Bank's Covid-19 Response Facility is supporting African countries' response to the pandemic and helping maintain essential government services through the crisis. The facility also supports the private sector, a key driver of Africa's economic growth.

An important and long-standing challenge to Africa's economic growth is its degree of inclusivity, i.e. how widely the benefits of growth are shared. In 2019, only about a third of African countries

experienced growth alongside a reduction in poverty and inequality. In other cases, mainly in countries affected by conflict or other crises, growth in consumption per capita was negative, was lower than the population increase, or did not create enough secure and decent jobs to benefit the poor. Promoting inclusive growth is therefore a key element of the Bank's Ten-Year Strategy.

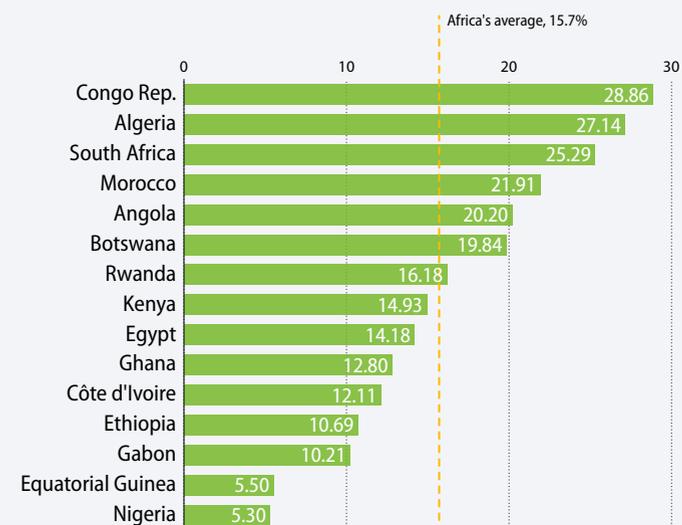
Economic growth must also be sustainable, a goal that the Bank is pursuing by addressing governance and institution-building, fragility, climate change, and gender equality, across its operations.

Governance and institution-strengthening

Africa is progressing on governance. The Mo Ibrahim Index of African Governance measures outcomes for citizens in key governance areas such as safety and the rule of law, participation and human rights,

Figure 7 Increasing the capacity to raise and manage revenues is essential

Tax revenue as a percentage of GDP in select countries, 2018



Source: African Development Bank

Table 11 Africa's economic growth needs be more inclusive and pro-poor (Level 1)

| INDICATOR | AFRICA | | ADF COUNTRIES | | TRANSITION STATES | |
|--|---------------|-------------|---------------|-------------|-------------------|-------------|
| | Baseline 2015 | Latest 2019 | Baseline 2015 | Latest 2019 | Baseline 2015 | Latest 2019 |
| 📈 GDP per capita (constant 2010 \$) | 1941 | 2026 | 791 | 918 | 733 | 759 |
| 📉 Gender Inequality Index (0 low–1 high) | 0.53 | 0.52 | 0.59 | 0.58 | 0.61 | 0.61 |
| 📈 Production efficiency (kg CO ₂ emissions per constant 2010 \$ of GDP) | 0.55 | 0.54 | 0.28 | 0.28 | 0.28 | 0.28 |
| ➡ Mo Ibrahim Index of African Governance (0 low–100 high) | 50 | 50 | 47 | 48 | 40 | 41 |
| 📈 Real gross domestic product (GDP) growth (%) | 3.6 | 3.4 | 5.1 | 5.3 | 5.4 | 3.1 |
| 📉 Tax and non-tax fiscal revenues (percentage of GDP) | 16.1 | 15.8 | 13.1 | 12.6 | 10.6 | 9.2 |
| 📈 Resilience to water shocks (index from 0 (low) upwards) | 3.5 | 4.0 | 2.21 | 2.31 | 1.97 | 2.01 |
| 📈 Number of refugees and internally displaced people (million) | 17.5 | 29.0 | 16.1 | 20.9 | 6.6 | 11.7 |

📈📉 Improvement over baseline ➡ Stability 📉📈 Deterioration

sustainable economic opportunities, and human development. It ranks each country from 0 to 100.

African countries averaged 50 in 2019, the same level as in 2015. Low-income ADF countries averaged marginally lower (48) and transition states averaged significantly lower (41). Both increased marginally since 2015. The index also demonstrated that three of every four African citizens live in a country where public governance improved over the past decade. Côte d'Ivoire, Kenya, and Morocco showed the most progress.

Improvements notwithstanding, the continent still faces challenges in governance. One challenge is to meet the rising expectations of Africa's growing youth population. According to the African Youth Survey 2020, youth are optimistic about Africa's future and their ability to shape Africa's fortunes through channels such as technological advances and entrepreneurship.

The quality of public services depends upon states' capacity to raise public revenues (Figure 7). It is therefore of concern that although revenue-to-GDP ratios have risen slowly in recent years, **tax and non-tax fiscal revenues** fell from 16.5% of GDP in 2018 to 15.8% of GDP in 2019. Revenues are lower in low-income ADF and transition countries, at 12.6% of GDP and 9.2% of GDP, respectively. Neither country grouping improved its collection of fiscal revenues in 2019.

African countries have significant potential to raise more revenues through taxation—the current tax gap is estimated at 3% to 5% of GDP—but 2020 will be constrained by the economic impacts of the Covid-19 pandemic. The Bank is helping regional member countries strengthen their capacity for tax collection and enforcement and reform the tax system to support inclusive growth. The Bank is also supporting projects aimed at curbing illicit financial flows—for example, flows from money laundering and the financing of terrorism—while helping countries respond to and mitigate economic shocks.

African countries also need to better direct public revenues towards effective and efficient services. In 2019, we helped seven countries improve the **quality of budgetary and financial management** and six countries **improve transparency and accountability** in the public sector, comfortably exceeding our targets. We also supported two countries in improving their procurement systems. Most of this work took place in low-income ADF countries, but transition states also benefited significantly.



Three of four Africans live in a country where public governance improved over the past decade. But fiscal revenues fell in 2019 and the continent's tax gap is estimated at 3% to 5% of GDP. We are advising countries on strengthening their tax systems

An example of our work is the Government of Malawi's Public Finance and Economic Management Reform Program. This program trained 300 government officials on procurement practices and helped implement a new procurement law, increasing competition and transparency. We also supported Mali in restoring public finance management capacity and creating an enabling environment for speedy economic recovery in response to its crisis. This program led to the development of Mali's first multi-year expenditure framework, the establishment of internal audit units in various ministries, and timelier independent audits with greater coverage.

A key economic governance challenge facing Africa at the moment relates to the management of public debt, which in many African economies is high and rising. Rising debt underscores the need to mobilise more domestic revenue and improve public expenditure and investment management. In Zimbabwe, the Bank helped train over 400 government officials in debt management and supported

the installation of new debt recording software that enabled the full reconciliation of debt statistics. The Bank also promoted transparency by supporting 30 countries to disseminate debt statistics on their National Summary Data Page, a statistical data hub for leading macroeconomic indicators. This program was implemented in partnership with the International Monetary Fund under the Bank's Africa Information Highway initiative.

Governments also have an important role to play in supporting and creating an environment that fosters the development of the private sector. In 2019, we met our target to support three **countries in improving their competitive environment**. In Egypt, we supported efforts to put in place a streamlined and transparent industrial licensing regime, a new competition framework, and an SME investment regime. This reduced the average number of days required to comply with industrial licensing requirements from 634 in 2015 to just 7 for low-risk industries and 30 for high-risk industries in 2017. In Mauritania, we supported the reform of property rights, which, amongst other things, lowered the costs of land titling for women's cooperatives and increased the number of women's cooperatives with land titles from 52 to 80 between 2016 and 2018. Finally, in Cabo Verde, we supported reforms to promote private sector-led growth, which, amongst other policy actions, simplified and automated tax registration and custom clearance procedures, helping to reduce the average customs clearance time from 20 days in 2014 to 6 days by 2017. The Bank is enhancing its development impact through program-based operations, which are a crucial platform for dialogue with our client countries (Box 9).

The Bank supported other initiatives to improve governance and institution-building in Africa. In 2019, we partnered with the United Nations Global Working Group on Big Data to organise

the 5th International Conference on Big Data for Official Statistics. The conference issued a call for timelier statistics that are more relevant, granular, and frequent, amongst other things by using new data sources and technologies such as big data. The Bank's Africa Information Highway platform is also assisting 17 African countries to better disseminate data on their sustainable development goals and data exchange processes. Finally, with support from the Bill & Melinda Gates Foundation, in 2019 the Bank implemented the Strategy for the Harmonisation of Statistics in Africa and supported the African Statistical System to generate timely, reliable, and harmonised statistics covering all aspects of political, economic, social, and cultural integration in Africa.

Addressing fragility and building resilience in Africa

Conflict and collective violence are amongst the principal drivers of poverty and fragility in Africa. Over 250 million Africans are affected by conflict. In several parts of Africa—the Sahel, the Lake Chad Basin, the Horn of Africa, some Maghreb countries, and the Great Lakes region—conflict and violent extremism have had devastating consequences on security, social cohesion, and the livelihoods of local communities, often with spill-over effects across borders.

The lack of economic opportunity for the most vulnerable populations, such as women, youth, and marginal communities, increases countries' vulnerability to criminality, extremism, and irregular migration. In 2019, the **number of refugees and internally displaced people in Africa** was 29 million (up from 28.5 million in 2018), with 72% from/in low-income ADF countries and 40% from/in countries experiencing fragility. Emerging threats and shocks such as the Covid-19 crisis could rapidly generate more conflict and inequality.

Box 9 Enhancing our development impact through program-based operations

In 2018, the Bank's Independent Development Evaluation department assessed the effectiveness of the Bank's program-based operations (PBOs). The assessment was positive overall, finding that PBOs are relevant and useful for the Bank and its clients, although challenging to design and manage. PBOs are also effective in supporting macro-fiscal stability and advancing wide-ranging policy reforms in regional member countries, and they provide a crucial platform for dialogue with our client countries.

In response to the assessment, the Bank will take action in five key areas:

- ▶ **Strengthening alignment and coordination on budget support.** Building on strong coordination with other development partners, the Bank will amongst other things align its approach to partnerships with the 2017 G20 principles on effective coordination between the International Monetary Fund and the multilateral development banks.
- ▶ **Paying more attention to policy dialogue.** The Bank will develop guidance for its staff to use knowledge work and policy tools to better exploit the potential of policy dialogue.
- ▶ **Making reforms more sustainable.** The assessment found that reforms were sure to be sustainable in only half of PBOs. To increase this figure, the Bank will implement clearly focused multi-year programmatic operations that have tangible results for the medium term.
- ▶ **Planning better.** The Bank's country strategy papers will pay more attention to countries' eligibility for PBOs, so as to better anticipate risks and design PBOs accordingly.
- ▶ **Reinforcing the PBO support environment.** In the past, Bank staff have had less support, guidance, and training in PBOs than staff in similar organisations. The Bank is therefore developing a staff accreditation and training programme, improving quality assurance processes, and investing in more analytical work.

Box 10 Stories from beneficiaries – Training youth in Somalia



Before joining the Baidoa Youth Centre, Nurta Mohamed Haji earned \$50 per month as a cleaner in a restaurant in Baidoa, Somalia. After meeting the criteria for joining the centre, Nurta enrolled in trade and retail training. Since graduating, Nurta's sundries shop earns her between \$100–\$150 per month. Without her business training, Nurta says she would have continued searching for more permanent employment as a cleaner. Nurta insists that other youth should be given similar opportunities to keep them from migrating to Europe in dangerous conditions or joining militant groups.

The Socio-Economic Reintegration of Ex-Combatants and Youth At Risk project furnished 1676 vulnerable youth with the vocational skills and opportunities they need to pursue decent livelihoods and contribute to Somalia's reconstruction process. The project completed in 2019.

Box 11 Building countries' resilience to climate shocks

Launched by the Bank Group in 2018, the Africa Disaster Risk Financing Program helps regional member countries evaluate climate-related risks and costs, respond to disasters, and review adaptation measures at national and sub-national levels. Its first project in The Gambia is generating country-level knowledge to manage climate disaster risks, develop early warning systems, build contingency plans, and promote climate risk insurance and other disaster risk financing options. Lessons learned in The Gambia will inform the design of operations in countries such as Chad, Mali, Mozambique, and Niger.

The Bank's approach for addressing fragility recognises that building resilience is critical to Africa's development. Guided by the principle of mitigating pressures and strengthening capacities, our approach identifies entry points for addressing structural vulnerabilities and building long-term resilience through direct interventions, partnerships, advocacy, and dialogue.



In 2019, 250 million Africans were affected by conflict and 29 million were refugees or internally displaced. We identify entry points to mitigate fragility and strengthen capacity

Alongside other financing instruments, the Transition Support Facility (TSF) is central to the Bank's engagement in fragile situations. The TSF's financing has proven able to respond quickly and flexibly to crises such as pandemics, natural disasters, and severe environmental impacts.

Pillar II of the TSF is dedicated to clearing arrears. It allows the Bank to leverage its convening power and foster dialogue with national authorities around policy reforms, leading to the release of sanctions. For example, in 2019 Pillar II supported Somalia's debt relief and re-engagement with the international community. This will help reform policy, promote economic recovery, and reduce poverty.

In 2019, 30 Bank projects across 19 countries used the fragility lens and TSF resources. In Eritrea, we supported the Enable Youth Eritrea Programme (\$18 million with an Italian TSF contribution of

\$1.5 million) and the Drought Resilience and Sustainable Livelihood Programme (an additional \$3.5 million). To reduce pressures associated with irregular migration, we are implementing a \$5.8 million project funded by Italy with targeted interventions in Eritrea, Mali, Niger, and Somalia (Box 10).

The Bank's Transition States Coordination Office also works closely with sector and regional departments on flagship initiatives, such as the Desert to Power initiative to transform the Sahel-Sahara, the Affirmative Finance Action for Women in Africa programme, the Africa Disaster Risks Financing Initiative (Box 11), and many others.

In 2019, the Bank engaged with a wide range of external actors to address conflict and its effects across Africa. The Bank is a leading voice in policy dialogue and advocacy around rising security expenditure in the Sahel region and its crowding-out of development finance. We worked with the Lake Chad Basin Commission to address the conflict-related humanitarian crisis in the region, and we continue to be one of the biggest contributors to the Sahel Alliance. We also engaged with development, humanitarian, and civil society organisations to promote gender equality in situations of fragility.

Thanks to very strong support from member countries during the ADF-15 replenishment discussions that concluded in December 2019, the TSF will dispose of an additional \$1.2 billion to support countries as they deal with fragility over 2020–2022.¹ The Bank is also developing a new strategy that will support transition states to accelerate socioeconomic development in an innovative and transformative manner.

¹ The 2020 edition of the ADER is the first edition whose chapters all report results achieved in transition states.

Managing the effects of climate change

Of all the continents, Africa faces the most severe impacts from climate change, including significant challenges in relation to water resources, agricultural systems, ecosystems, and health. In 2019, Africa's rating on the **resilience to water shocks index**, which assesses pressure on renewable water sources, was 4, the same level as in 2017–2018. Low-income ADF countries and transition states scored much lower: 2.31 and 2.01, respectively.

Analysis suggests that if action is not taken to reduce greenhouse gas emissions globally and to support Africa to adapt to climate change, an additional 43 million Africans could fall below the poverty line by 2030. Africa's **production efficiency in terms of kg CO₂ emissions per constant 2010 \$ of GDP** measures emissions from the burning of fossil fuels. In 2019, this figure measured 0.54, down from 0.57 in 2018. It was just 0.28 in low-income ADF countries and transition states. The Bank's latest assessment estimates the costs of adapting to climate change by 2030 to be in the range of \$140–\$300 billion per annum.



If action is not taken on climate change, an additional 43 million Africans could fall below the poverty line by 2030. Climate finance will constitute 40% of our investments by end-2020 and we will double our climate finance to \$25 billion over 2020–2025

Recognising the urgency of the climate challenge in Africa, we have committed to climate finance constituting 40% of our investments by the end of 2020 and we will double our climate finance to \$25 billion over 2020–2025. The Bank will also distribute its climate finance equally to adaptation and mitigation. In 2019, for instance, more than 55% of the \$3.6 billion of climate finance provided by the Bank was allocated to adaptation, far beyond the 15% allocated globally. In addition, our Climate Change Action Plan is addressing climate change across all our programmes. In 2019, 90% of approved projects were screened and reviewed for climate change and green growth considerations and used a climate-informed design. We also screened all country and regional strategy papers for climate risks in 2019. The Bank's ambition is to screen all projects by the end of 2020.

In 2019, the Bank's climate finance resources accounted for 36% of our investments, up from 9% in 2016, 28% in 2017, and 32% in 2018. Of the sectors that absorbed our climate-related investments, the most significant were energy and power (33% of investments), agriculture (21%), and transport (15%).

To support African countries to mobilise external climate finance, we are working to establish a Canada-African Development Bank climate finance facility and create a private equity fund (with \$25 million from the Bank) to support sustainable commercial forestry in Africa. We are also supporting a number of countries to develop Green

Climate Fund proposals. In Senegal, the proposal is to build climate resilience in coastal communities; in Kenya, it is to improve resource efficiency in tea processing; in Ghana, it is to support an electric bus project in the capital.



We are improving countries' capacity to forecast severe weather

As part of a joint Africa-wide initiative to strengthen Africa's weather and climate service capacity, the Bank hosts the ClimDev Special Fund. One of its flagship projects, Satellite and Weather Information for Disaster Resilience in Africa, provided financial and technical assistance to improve the capacity to forecast severe weather and develop numeric weather prediction tools in 25 African countries. This is enhancing countries' capacity to handle droughts, floods, and cyclones.

Many African countries are facing challenges implementing their commitments to the Paris Climate Agreement and identifying investment opportunities and partners. To support them, the Bank hosts the Africa Nationally Determined Contributions Hub, a platform of 18 institutions that help African countries implement their voluntary commitments with public- and private-sector participation. We also supported the second phase of the African Green Growth Index, an instrument that measures, tracks, and communicates progress on low-carbon development for all 54 countries in Africa.

Other initiatives hosted by the Bank are the African Financial Alliance on Climate Change, which supports Africa's financial institutions to align financial flows with the goals of the Paris Agreement, and the African Circular Economy Alliance, which is part of the African Circular Economy Support Program. In 2019, we organised a series of strategic events at the 25th Conference of the Parties (CoP25) on Climate Change in Madrid, Spain. We also supported key African climate change stakeholders, including the African Group of Negotiators and the African Ministerial Conference on the Environment.

Putting gender at the heart of Africa's development

Gender equality and women's empowerment are urgent for Africa. Women and girls are disadvantaged on most development indicators, including indicators related to livelihoods and incomes. In 2019, Africa's rating on the **gender inequality index** was 0.52, a marginal improvement from 0.53 in 2015. This index captures gender disparity using three dimensions: reproductive health, empowerment, and labour participation. The scores in low-income ADF countries and transition states were higher, at 0.58 and 0.61 respectively. Africa will not meet its commitments under the sustainable development goals unless more is done to meet the needs of women and girls.

In 2019, the Bank continued to expand gender mainstreaming when designing Bank operations, with 60% of sovereign operations

Table 12 Indicators in cross-cutting and strategic areas (Level 2)

| INDICATOR | AFRICA | | | ADF COUNTRIES | | TRANSITION STATES | |
|---|---------------|-------------|-------------|---------------|-------------|-------------------|-------------|
| | Baseline 2015 | Actual 2019 | Target 2019 | Baseline 2015 | Actual 2019 | Baseline 2015 | Actual 2019 |
| 🟢 Countries with improved quality of budgetary and financial management | 6 | 7 | 3 | 5 | 5 | 4 | 3 |
| 🟢 Countries with improved transparency, accountability in public sector | 5 | 6 | 1 | 4 | 6 | 2 | 4 |
| 🟢 Countries with improved competitive environment | 3 | 3 | 1 | 2 | 2 | 1 | 2 |
| 🟡 Countries with improved procurement systems | 2 | 2 | 3 | 1 | 2 | 1 | 1 |

🟢 Achieved 95% of 2019 target 🟡 Achieved less than 95% of 2019 target 🟠 Achieved less than the baseline

using our gender marker system by the end of the year. Our gender specialists increased their participation in project appraisal missions to 52% and the Bank is producing more sex-disaggregated and gender data to inform our country strategy papers and policy dialogues. In 2019, we also worked with the United Nations Economic Commission for Africa to complete and launch the first edition of the Africa Gender Index.² Finally, we launched the Gender Data Portal, which will help staff and external users generate data on gender indicators.

 *Gender equality and women's empowerment are urgent for Africa. By end-2019, 60% of our sovereign operations had used our gender marker system*

In November 2019, in collaboration with the Government of Rwanda and the Multilateral Development Bank Working Group on Gender, we organised the 2019 Global Gender Summit. More than 1400 delegates met in Kigali to discuss regulatory solutions and innovative financing options for strengthening women's participation and voice. The summit led to the launch of a number of exciting new initiatives, including a risk-sharing facility for the Affirmative Finance Action for Women in Africa initiative; the 50 Million African Women Speak Platform, a new pan-African networking platform for women entrepreneurs; and Fashionomics Africa Digital Marketplace, a networking platform for SMEs producing African textiles, apparel, and accessories.

At the G7 Summit in August 2019, Affirmative Finance Action for Women in Africa secured pledges of \$251 million to support women entrepreneurs. During 2019, additional resources were mobilised from the Netherlands (\$68 million), Sweden (\$7.5 million), Rwanda (\$1 million), and the Women Entrepreneurs Finance Initiative (\$61 million).

In 2019, more of our projects mainstreamed gender issues with great effect. In Malawi, an SME competitiveness and job creation project provided mentoring and counselling to 115 SMEs, 58% of which were owned or managed by women. In Niger, we promoted access to quality VTET, increasing from 7% to 55% the end-of-cycle examination success rate of the women enrolled. In Tunisia, our regional development programme in disadvantaged governorates included opening a line of credit exclusively for women entrepreneurs.

The Bank is also making progress in its engagement with civil society to ensure that our operations are inclusive and impactful. In 2019, we organised Civil Society Open Day events in five countries to promote country dialogue and help mainstream civil society in country strategy papers and operations. We also organised the annual Civil Society Forum, a platform to deepen collaboration between the Bank and civil society organisations, and finalised the Civil Society Engagement Capacity Building Programme, which will expand our outreach and increase the participation of civil society at the country and regional levels. ■

² The Africa Gender Index offers a comprehensive view of gender equality in Africa and progress in closing gender gaps. It measures parity between women and men across three dimensions: economic, social, and representation and empowerment. The index will be published every three years.



Developing minerals sustainably

Sustainably managing Africa's natural assets is vital to ensuring that they will improve Africans' quality of life well into the future. A Bank-supported programme at the University of Zambia's School of Mines is equipping students with skills and knowledge in the sustainable development of mineral resources.

Chapter 7

Improving our development impact and efficiency

The Bank is committed to continuously improving its portfolio and its organisational efficiency. This commitment underpins our ability to deliver the High 5s and help Africa achieve the sustainable development goals by 2030. This chapter presents our progress on operational effectiveness in 2019. An increasing proportion of our projects were assessed as delivering on their outcomes, we made important strides in ensuring that gender and climate change would be addressed across our operations, and our staff are increasingly motivated. We catalysed more financing to support Africa's development, and we increased our levels of climate finance to stay on track to meet our ambitious target for 2020. Our internal reforms helped bring us closer to our clients and streamline our organisational structure.

Delivering results by working as One Bank

In 2019, the Bank continued to pursue a range of reforms to improve its operational effectiveness and enable it to function as “One Bank.” We prioritised reforms related to strategic staffing/right-sizing, digital transformation, and change management. This improved quality and results in delivery, strengthened our institutional capacity for policy dialogue, and augmented the capacity and authority of our regional hubs and country offices.



In 2019, we prioritised strategic staffing, right-sizing, digital transformation, and change management. Our commitment to continuous improvement underpins our ability to help Africa achieve the SDGs by 2030

The Bank's portfolio continues to expand on the back of strong demand for development finance from African countries. In 2019, the Bank Group approved projects valued at \$8.8 billion (UA 6.3 billion),¹ reinforcing an upward trend observed since 2017. In recognition of its role as Africa's premier development finance institution, in November 2019, the Bank's Board of Governors approved the institution's largest-ever general capital increase, representing a 125% increase of the Bank's capital resources from \$93 billion (UA 67 billion) to \$208 billion (UA 151 billion). Furthermore, the fifteenth replenishment of the African Development Fund (ADF-15) was

concluded in December 2019, with donors committing \$7.6 billion (UA 5.6 billion) to speed growth in Africa's poorest nations and help lift millions out of poverty. This amount represented a 32% increase in resources over the ADF-14 cycle. The general capital increase and the ADF-15 replenishment will provide the Bank with the resources it needs to continue to scale up its operations and meet the financing needs of African countries in the years to come.

At the time of writing, the Covid-19 pandemic is spreading across the African continent. The full impact of this crisis on African countries is difficult to assess, but it is likely to be severe and to continue beyond 2020. The Bank Group has launched a Covid-19 response facility to help African countries respond to the pandemic and cushion their economies from the worst effects of the crisis.

In scaling up its portfolio, the Bank is keenly aware of rising debt levels in a number of African countries. Growth in the Bank's sovereign lending is therefore likely to be concentrated in countries with lower debt exposure, greater fiscal space, and higher prospects for growth. The Bank will also keep pursuing opportunities to optimise balance sheets. Optimisation has several advantages. By improving the Bank's prudential ratios, it reinforces the safety margins that underpin the Bank's AAA credit rating. It also creates headroom to achieve the Bank's High 5s through active capital management, and it mobilises institutional and private investors, leveraging scarce public resources for development purposes.

Finally, the Bank will make greater use of innovative financing and private sector lending to support infrastructure.

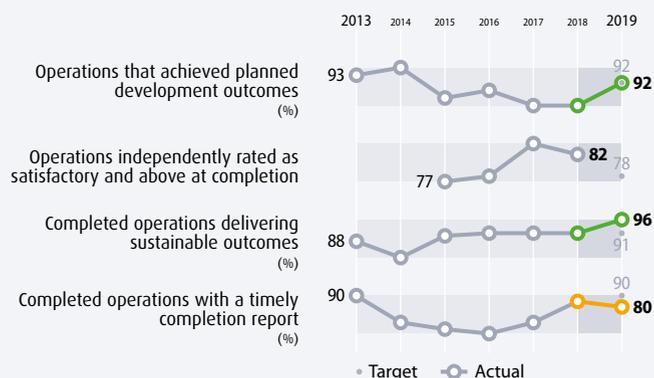
¹ This figure excludes the TSF and other special funds.

Table 13 How effectively is the Bank managing its operations? (Level 3)

| INDICATOR | AFRICA | | | ADF COUNTRIES | | TRANSITION STATES | |
|--|---------------|-------------|-------------|---------------|-------------|-------------------|-------------|
| | Baseline 2015 | Actual 2019 | Target 2019 | Baseline 2015 | Actual 2019 | Baseline 2015 | Actual 2019 |
| ACHIEVE DEVELOPMENT IMPACT | | | | | | | |
| 🟢 Operations that achieved planned development outcomes (%) | 90 | 92 | 92 | 90 | 90 | 89 | 88 |
| 🟢 Completed operations delivering sustainable outcomes (%) | 90 | 96 | 91 | 90 | 94 | 97 | 100 |
| 🟡 Completed operations with a timely completion report (%) | 60 | 80 | 90 | 64 | 85 | 89 | 85 |
| ⊖ Operations independently rated as satisfactory and above at completion | 77 | .. | 78 | 63 | .. | .. | .. |
| ENHANCE THE QUALITY AND SPEED OF OPERATIONS | | | | | | | |
| 🟢 Quality of new operations (1-4) | 3.3 | 3.3 | 3.5 | 3.3 | 3.3 | 3.4 | 3.3 |
| 🟢 Operations with satisfactory environmental and social safeguards mitigation measures (%) | 87 | 81 | 90 | 92 | 70 | .. | 80 |
| 🟢 New operations with gender-informed design (%) | 75 | 86 | 83 | 84 | 91 | 86 | 85 |
| 🟢 New operations with climate-informed design (%) | 75 | 90 | 83 | 90 | 90 | .. | 95 |
| 🟡 Quality of country strategy papers (scale, 1-4) | 3.0 | 2.9 | 3.3 | 3.0 | 2.9 | 3.0 | 3.0 |
| 🟡 Time from concept note to first disbursement (months) | 21.9 | 22.0 | 18 | 23.9 | 22.3 | 17.5 | 16.8 |
| IMPROVE PORTFOLIO PERFORMANCE | | | | | | | |
| 🟢 Time for procurement of goods and works (months) | 8.5 | 7.5 | 7.5 | 8.5 | 7.5 | .. | 6.9 |
| 🟢 Procurement contracts using national system (% value) | 0 | 17 | 8 | 0 | 17 | .. | 10 |
| 🟢 Non-performing operations – operations at risk (%) | 15.0 | 7.0 | 12.0 | 18.0 | 7.0 | 8.2 | 10.0 |
| 🟡 Timely coverage of Country Portfolio Performance Reports (%) | 57 | 56 | 64 | 65 | 57 | .. | 48 |
| 🟡 Projects facing implementation challenges and delays (%) | 29 | 27 | 23 | 29 | 28 | 24 | 27 |
| 🔴 Non-performing operations – operations eligible for cancellation (%) | 25 | 30 | 20 | 31 | 30 | 29 | 27 |
| 🔴 Disbursement ratio of ongoing portfolio (%) | 21.0 | 16.2 | 22.0 | 18.0 | 18.5 | 13.5 | 22.1 |
| KNOWLEDGE AND ADVISORY SERVICES | | | | | | | |
| 🟢 New ESW and related papers (number) | 122 | 193 | 160 | 110 | 188 | .. | .. |

🟢 🟡 Achieved or are within 90% of achieving the 2019 target 🟡 Achieved from 80% to 90% of the 2019 target 🔴 🟡 Achieved less than 80% of the 2019 target
⊖ Data not available

Figure 8 The Bank is achieving development impact and improving its measurement approach



Improving impact and accountability

The Bank's investments are guided by our Ten-Year Strategy and are aligned to our pursuit of the High 5s. Our project completion reports show that in 2019, we met our target of 92% of completed

operations achieving their planned development outcomes—an increase from 89% in 2018. Furthermore, 96% of our completed operations achieved sustainable outcomes—an increase from 91% in 2018 and comfortably above our target.



In 2019, 92% of our completed operations achieved their planned development outcomes and 96% achieved sustainable outcomes—comfortably above our targets

The Bank's Independent Development Evaluation department independently analyses the performance of completed projects each year. While 2019 data is not yet available for **independently rated completed operations**, the department updated data for 2017 and 2018 and rated 84% of 2017 projects and 82% of 2018 projects as satisfactory and above at completion. In 2019, the proportion of **completed operations with a timely completion report** was 80%,

down from 85% in 2018. In low-income ADF countries and transition states, 85% of operations produced timely completion reports in 2019.

Managing operations for development effectiveness

The Bank's country and regional strategies aim to enhance the impact and quality of our work. Based on a scale of 1 to 4 and measuring compliance, procedural factors, and financing, the **quality of country strategy papers** in 2019 was rated 2.9, down from 3.1 in 2018 and below our target of 3.3. Using the same scale, in 2019 the **quality of new operations** approved by the Bank was rated 3.3, the same as in 2018.

The Bank is committed to addressing a range of cross-cutting issues across our operations, including matters related to gender, environmental and social issues, and climate change. In 2019, 86% of our new operations (91% of new operations in low-income ADF countries) had a **gender-informed design**, a slight decline from 87% in 2018. We remain committed to deepening efforts to address gender issues. Our gender marker system, which measures whether gender equality is being pursued across our operations, also shows an increasing proportion of our projects supporting gender equality effectively. As part of the general capital increase and the ADF-15 replenishment process, we are continuing to strengthen the gender marker system and we will develop a new gender strategy with a clear strategic vision for our interventions.



We are drawing on the increase in our resources to develop a new gender strategy and ensure that all of our infrastructure projects use a climate-informed design

On environmental and social issues, in 2019, 81% of our **operations had satisfactory environmental/social safeguard mitigation measures**, up from 80% in 2018 but below our 2019 target (90%) and baseline (87%). In low-income ADF countries, only 70% of operations comprised satisfactory environmental and social safeguards mitigation measures. We are developing an action plan to strengthen compliance with our Integrated Safeguard System, which will emphasise the importance of increasing human and financial resources, updating our guidance, and strengthening institutional capacity across the project cycle.

Recognising the accelerating impacts of climate change on Africa, we have been scaling up our climate change response across our operations. In 2019, 90% of our **operations had a climate-informed design**, up from 85% in 2018 and well above our target. We are working to deepen these efforts by ensuring that all of our infrastructure projects use climate-informed designs. We are also expanding our support for low-carbon development and aligning our investments more closely with international climate agreements, especially the Paris Agreement.

Figure 9 The Bank is improving the quality of its projects while accelerating implementation

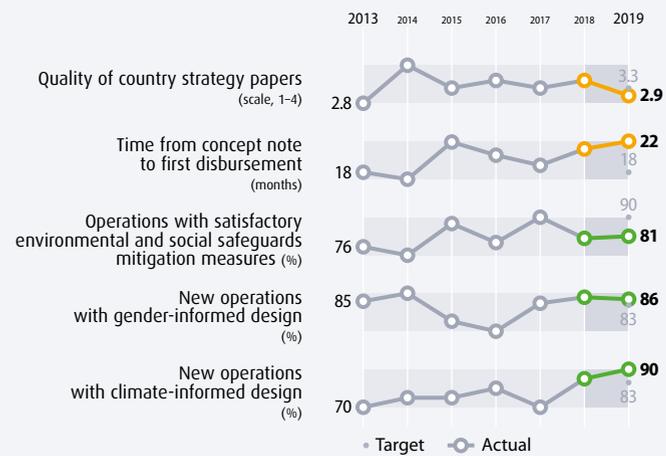
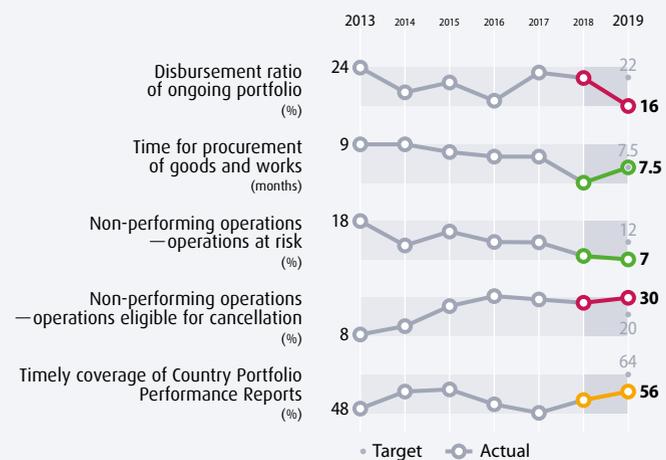


Figure 10 The Bank faces portfolio challenges while improving procurement



Improving portfolio performance

A key element of the Bank's efforts to improve its portfolio performance is stronger procurement, both within the Bank and in regional member countries. In recent years, we expanded our use of national procurement systems and reduced the time taken to procure goods and services. As a result, the share of our **procurement contracts using national systems** was 17% of value in 2019, a decline from 21% in 2018 but still above our target. The **time for procurement of goods and works** was 7.5 months in 2019, an increase from 6.5 months in 2018 but in line with our 2019 target. Infrastructure and regional projects face particular challenges in making procurement timelier and more efficient, and building project implementation units' capacity to meet the Bank's procurement procedures is a priority.

The Bank is working to reduce delays in preparing projects so that projects can deliver faster. In 2019, the **time from concept note to first disbursement** was 22 months, a marginal increase from 21 months in 2018 and some way from our target of 18 months. This

figure was just 16.8 months in Africa's transition states, suggesting that operations in these countries are initiated more effectively.



Many of our projects in 2019 were delayed. We are adding country staff, building countries' implementation capacity, and monitoring projects more closely

Delays in developing and initiating projects underline persistent challenges related to the quality of projects at entry, in particular the lack of technical design studies; delays in opening special accounts, setting up project implementation units, and finalising compensation, resettlement, and concession arrangements; and inadequate readiness for procurement.

In 2019, Bank projects also continued to contend with delays in implementation. In 2019, 27% of our **projects faced implementation challenges and delays**, an increase from 23% in 2018. The share of **operations eligible for cancellation** increased to 30% in 2019, up from 29% in 2018 and significantly above the 2015 baseline figure of 25%. This is due in part to the Bank applying more exacting standards for project cancellation. Across the portfolio, our **disbursement ratio** fell to just 16.2%, compared to 21.9% in 2018 and our target of 22%, suggesting that operations took longer to be fully executed.

A range of issues contribute to project delays. These include delays in mobilising funds from counterparts; slow procurement and the slow execution of project contracts, due to project implementation units' capacity constraints; and the slow processing and transmission of payment requests to the Bank. In some countries, security concerns and political instability have disrupted operations. For regional projects, institutional arrangements have proved the main constraint. The gradual expansion of the Bank's portfolio over the last five years has also placed greater pressure on staff overseeing implementation.

The Bank is responding to implementation challenges with a range of measures: establishing country action plans that are monitored during supervision; adding staff at the country level; building implementation capacity in member countries and project implementation units; and initiating country-level dialogue to overcome bottlenecks and improve portfolio performance. The Bank is also producing an Annual Portfolio Performance Review to monitor its portfolio closely so as to identify and manage challenges proactively. Our work to better manage risk when planning and designing projects has reduced the proportion of **projects classified as at risk** to 7% in 2019, significantly below our target of 12%. To manage the disruption Covid-19 is likely to create for our supervision missions, we will recruit more local consultants to replace staff on essential missions.

Our country portfolio performance reports help us monitor the health of our operations in each country. Last year, 56% of our **country portfolio performance reports** were completed on time, a slight increase from 52% in 2018 but below our target of 64% for 2019.

Functioning as a knowledge Bank

The Bank is a leading actor in generating and disseminating knowledge about development issues in Africa. It fulfils this role by undertaking economic and sector work, by producing diagnostic studies and high-level analytical reports, and by generating statistical products and services. Its knowledge work makes projects and interventions more effective, informs policy dialogue, and helps regional member countries identify and address their development challenges.



Our diagnostic studies, analytical reports, and statistics on development make interventions more effective, for our partners and for us

In addition to producing the *African Economic Outlook 2019*, in the last year we produced and delivered a wide range of knowledge products and services. We published the research report *Creating Decent Jobs: Strategies, Policies and Instruments*, which brought together the world's leading labour and development economists to recommend policies for creating decent jobs. We collaborated with the International Monetary Fund's Research Department to build a dynamic stochastic general equilibrium model to analyse debt sustainability in depth in African countries. We also organised the very 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."

In 2019, we produced 193 **new economic and social work products**, down from 253 in 2018 but exceeding our target of 160. The Bank also provided technical and financial support to 11 regional member countries, to help them develop national statistical systems. As part of our knowledge and capacity development work, in 2020 we launched a Global Community of Practice on policy responses to Covid-19, to help African countries respond to the pandemic in 2020 and beyond.

Securing financing and mobilising talent

One of the Bank's critical priorities is securing the finance and developing the talent required to support Africa's development. African countries face significant financing and human resource gaps in achieving their development goals, and the Covid-19 pandemic will exacerbate these challenges. We are working to address these gaps by helping regional member countries generate additional public and private resources, and by building capacity and providing training.



We stand by countries as they secure the financing and develop the talent they need to grow

In 2019, the Bank Group disbursed \$5.2 billion (UA 3.8 billion) to mobilise public and private sector finance to support the resourcing

needs of our regional member countries. This is lower than the \$6.1 billion (UA 4.4 billion) disbursed in 2018, a trend linked to the Bank being at the end of its capital cycle, prior to the conclusion of the GCI-VII negotiations.

Catalysing development resources

The Bank works actively with other international development agencies to co-finance projects. In 2019, the level of **resources we mobilised from public sector entities** was \$6.3 billion (UA 4.6 billion), a decrease from the \$7 billion (UA 5.0 billion) we mobilised from public sources in 2018. This included sovereign co-financing arrangements with the European Commission's Pillar Assessed Grant or Delegation Agreement, the Africa Growing Together Fund and the Accelerated Cofinancing Facility in Africa.



In 2019, we mobilised billions of dollars from public sources, the private sector, and bilateral and multi-donor trust funds

To meet its development financing needs, Africa needs to mobilise more private investment. The Bank is scaling up its efforts to help regional member countries attract funding from the private sector. In 2019, we mobilised \$17 billion (UA 12.4 billion) from **private sector entities**, a significant increase from 2018 and significantly above targeted levels. These figures were supported by syndicated loan transactions in which the Bank participated, mainly in energy projects in Côte d'Ivoire, Ghana, Madagascar, Mozambique, Senegal, South Africa, and Zambia.

Overall, **total Bank income** was \$175 million (UA 126 million) in 2019, a slight increase from \$173 million (UA 124.7 million) in 2018. The increase was primarily due to higher lending and investment returns, which more than offset an increase in impairment provisions and administrative expenses. Following the 2019 rating review exercises, the rating agencies reaffirmed the Bank's AAA rating with a stable outlook. This rating reflects the Bank's strong shareholder support, healthy capital adequacy, preferred creditor status and sound financial position.

Climate finance

The Bank is continuing to scale up its support for African countries to respond to climate change and pursue green growth strategies. In 2019, we dedicated 36% of our commitments to **climate finance**, putting us on track to achieve our target under the second Climate Change Action Plan of committing 40% of total annual approvals as climate finance by 2020. The Bank is distributing its climate finance equally to adaptation and mitigation.

Securing value for money

The Bank is committed to improving its efficiency and value for money and is pursuing a range of reforms to secure these goals.

In 2019, our **administrative costs per million of UA disbursed** increased to UA 101 000, up from UA 91 000 in 2018 but still within 90% of the

Figure 11 The Bank has increased its private resource mobilisation

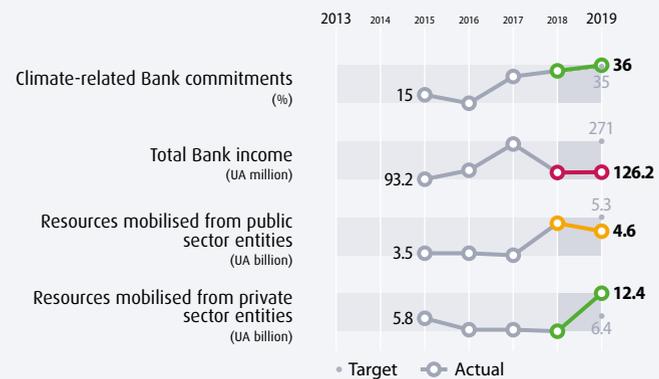
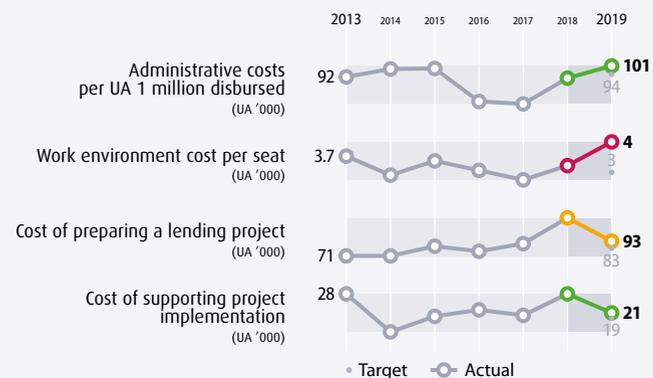


Figure 12 The Bank's efficiency in running its operations achieves greater value for money



2019 target. This outcome is attributable to the decline in disbursement volumes discussed above, as well as to an increase in staffing capacity and consultancy costs, market adjustments, and merit-based performance increases. Our **work environment cost per seat** in 2019 was \$5462 (UA 3950), a 13% increase since 2018 and the result of higher costs in building repairs and maintenance and repairs to furniture and equipment. The Bank remains committed to containing the growth trajectory of administrative costs; as part of its GCI-VII commitments, it will review its long-term financial sustainability framework in order to strengthen its financial profile while enhancing operational efficiency.



We are clarifying accountabilities and responsibilities and bringing more staff on board

Our **costs of preparing lending projects** decreased to \$128 600 (UA 93 000) in 2019 from \$178 000 (UA 128 000) in 2018 but remained above target. Our **cost of supporting project implementation** decreased to \$29 000 (UA 21 000) in 2019, down from \$39 000 (UA 28 000) in 2018. Our priority in the short term has been to increase our knowledge and business development work in order to complement our lending operations. Furthermore,

Table 14 How efficiently is the Bank managing itself? (Level 4)

| INDICATOR | Baseline 2015 | Actual 2019 | Target 2019 |
|--|---------------|-------------|-------------|
| MOVE CLOSER TO CLIENTS TO ENHANCE DELIVERY | | | |
| 🔄 Projects managed from country offices (%) | 60 | 78 | 78 |
| ➔ Share of operations staff based in country offices and regional hubs (%) | 40 | 51 | 58 |
| IMPROVE FINANCIAL PERFORMANCE & MOBILISE RESOURCES | | | |
| 🔄 Climate-related Bank commitments (%) | 15 | 36 | 35 |
| 🔄 Resources mobilised from private sector entities (UA billion) | 5.8 | 12.4 | 6.4 |
| ➔ Resources mobilised from public sector entities (UA billion) | 3.5 | 4.6 | 5.3 |
| 🔴 Total Bank income (UA millions) | 93.2 | 126.2 | 271.0 |
| INCREASE VALUE FOR MONEY | | | |
| 📉 Administrative costs per UA 1 million disbursed (UA '000) | 98.9 | 101.0 | 94.0 |
| 📉 Cost of supporting project implementation (UA '000) | 19.7 | 21.0 | 19.0 |
| ➔ Cost of preparing a lending project (UA '000) | 85.6 | 93.0 | 83.0 |
| 🔴 Work environment cost per seat (UA '000) | 3.6 | 3.95 | 3.0 |
| STAFF ENGAGEMENT, DEVELOPMENT AND PRODUCTIVITY | | | |
| 🔄 Employee engagement index (%) | 64 | 80 | 72 |
| 🔄 Share of women in professional staff (%) | 26.7 | 30.0 | 31.0 |
| 📉 Net vacancy rate – professional staff (%) | 16.0 | 9.9 | 13.0 |
| 📉 Time to fill vacancies (days) | 223 | 141 | 170 |
| 🔄 Operations professional staff (%) | 67 | 69 | 68 |
| ➔ Managerial effectiveness index (%) | 48 | 50 | 56 |
| 🔴 Share of management staff who are women (%) | 29.4 | 26.0 | 33.0 |

🔄📉 Achieved or are within 90% of achieving the 2019 target ➔ Achieved from 80% to 90% of the 2019 target 🔴🔄 Achieved less than 80% of the 2019 target

recent reviews of our staffing found that we need to scale up capacity, especially at the country level, so that we can develop and implement our projects more effectively.

Bringing the Bank closer to clients

In recent years, we have worked intensively to bring our operations closer to our clients, so that we can respond more effectively to their needs and better manage our operations.

Figure 13 The Bank is moving closer to its clients to enhance delivery



Introduced as part of the Bank's Development and Business Delivery Model (DBDM), our reforms in this area regionalise and expand country offices; right-size our presence in the field; devolve

decision-making authority from headquarters to the field; streamline functions, responsibilities, and oversight; and add value to the Bank's role as a partner at the country level.



We are expanding country offices and devolving decision-making authority to the field

In 2019, the **proportion of projects managed from our country offices** increased marginally to 78%, achieving our target for the year. This progress is making it possible for us to better adapt our projects to country challenges and contexts.

The Bank recognises that we must deepen decentralisation. In 2019, the **proportion of our operations staff based in country offices and regional hubs** fell marginally to 51%, below our target of 58% for the year.

Engaging and developing staff and increasing productivity

To realise its ambitions as Africa's premier development financial institution, the Bank needs to attract and retain high-calibre staff and ensure that they are highly motivated.

In 2019, our **employee engagement index** reached 80, exceeding our target of 72 and significantly surpassing the 64 achieved in 2015, the first time the index was calculated.



In 2019, our employee engagement index was its highest ever. We are strengthening our recruitment process and rolling out a comprehensive Operations Academy

In 2019, our **managerial effectiveness index** reached 50, up marginally from 48 in 2015 but below our target of 56. In 2019, the Bank rolled out managerial training opportunities, including online courses in management capacity and effectiveness.

The Bank also strengthened the recruitment processes. In 2019, the **net vacancy rate** for professional staff was 9.9%, a notable fall from 12% in 2018 and significantly below our target of 13%. Since 2015, the Bank has also significantly lowered the **time required to fill vacancies**. Although this figure increased slightly in 2019, to 141 days, it was still well below our target of 170 days.

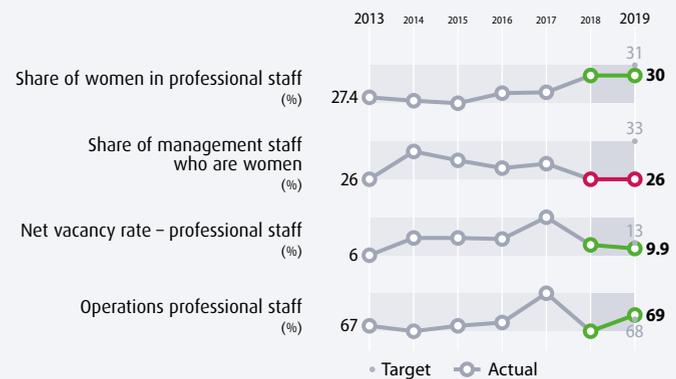
The proportion of **professional staff working on operations** was 69% in 2019, up from 66% in 2018 and just above our target of 68%.

Promoting staff diversity

The Bank continues to prioritise recruitment efforts as a means of promoting diversity in gender, language, and regional representation. As of March 2019, the Bank had employed staff from 72 out of 80 member countries.

In relation to gender diversity, in 2019 the **share of women in professional staff** was 30%, the same as in 2018 and just below our target of 31%. In 2019, the proportion of women amongst **management staff** was 26%, the same as in 2018 and notably below our target of 33%. The Bank will ensure that by 2025, 38% of professional staff and management staff are women.

Figure 14 **The Bank is accelerating recruitments to fill vacancies**

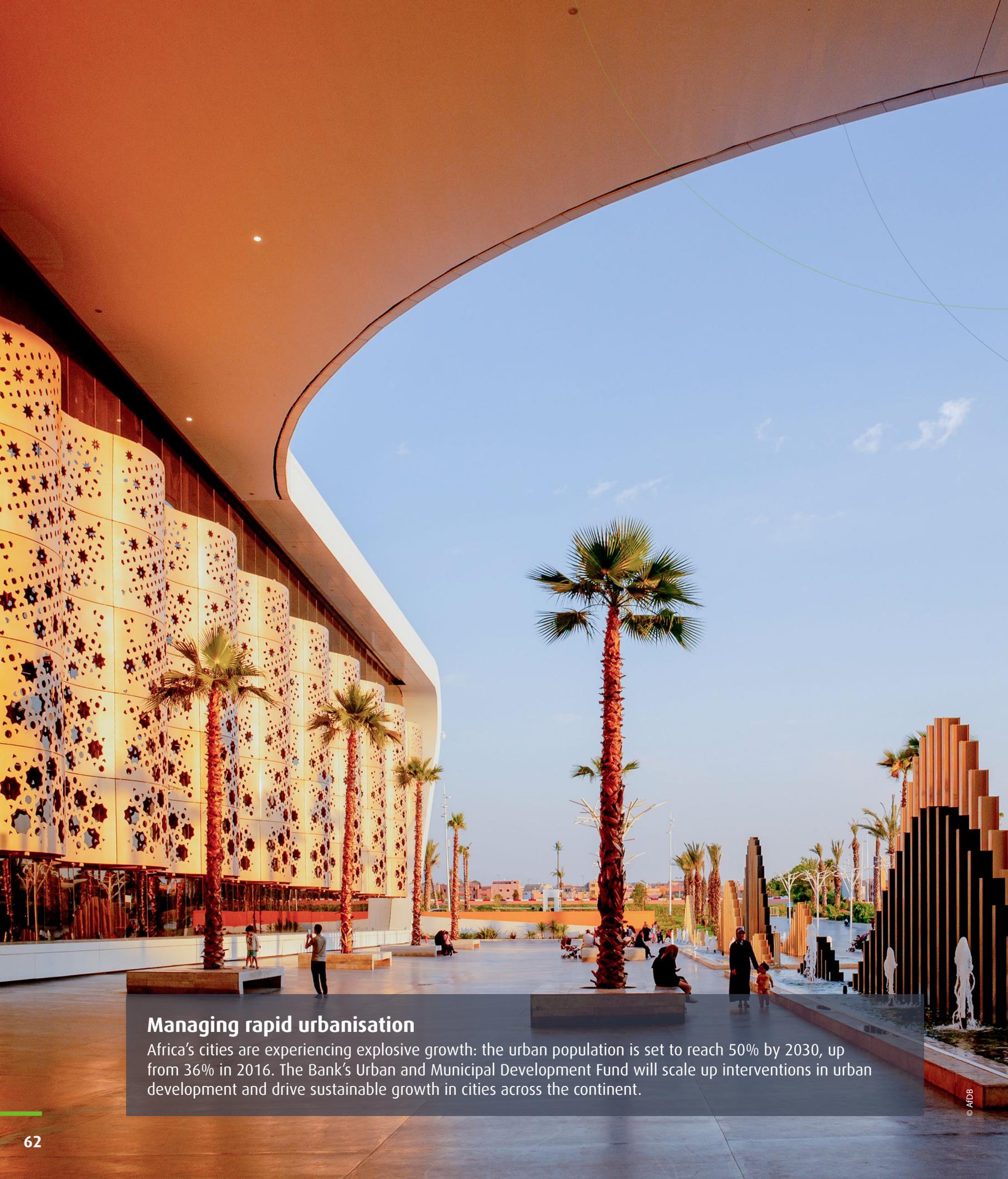


We recently launched the Economic Dividends for Gender Equality (EDGE) certification process and plan for 38% of professional and management staff to be women by 2025

Conclusion

The Bank is making important progress towards its goals of improving development results and operating more efficiently. Keeping on with this progress in 2020 will be more important than ever, given the significant challenges that African countries will face from the Covid-19 virus and the social and economic disruption likely to ensue.

The Bank will therefore pursue its high ambitions for reforms in 2020, namely, fully addressing the recommendations from the DBDM evaluation, working hard to deliver the Integrated Quality Assurance Plan, and deepening our functioning as One Bank. ■



Managing rapid urbanisation

Africa's cities are experiencing explosive growth: the urban population is set to reach 50% by 2030, up from 36% in 2016. The Bank's Urban and Municipal Development Fund will scale up interventions in urban development and drive sustainable growth in cities across the continent.

Looking forward

The 2020 ADER was prepared at a critical juncture. Despite impressive efforts by many African governments to contain Covid-19, the pandemic is spreading across the continent. The course it will take is unclear, but inevitably it will provoke a long-running and multi-dimensional challenge, affecting Africa's development path in complex and unpredictable ways.

Much of the Bank's energy and resources for the coming period must be devoted to responding to Covid-19, and hard choices will need to be made. The Bank has embarked on an ambitious reform agenda to deliver its commitments under the seventh general capital increase (GCI-VII) and the 15th replenishment of the African Development Fund (ADF-15), and we are determined to press forward with this agenda and adjust our reforms to address emerging challenges.



Accountability, transparency, collaboration. We are determined to press forward

As always, one of our values when implementing our agenda will be accountability. In this regard, the ADER is an invaluable tool. It gathers data from hundreds of sources to feed into dozens of indicators. It uses four levels of analysis to measure our performance, and it puts that performance into context across an array of complex environments. The exercise demands dedication, rigour, and sound

judgment from large numbers of people, both at the Bank and in institutions and offices across the continent. In exchange, it supplies us with the information we need to recognise accomplishments and correct course when needed.

Another value at the Bank is transparency, and here, too, the ADER is an important tool. This is the tenth year that the ADER has published a transparent account of the impact of our operations on the African continent. We share this information not only to stay accountable to ourselves, but also to encourage feedback and ideas. After all, our impacts are not those of an institution: they are the fruit of collaboration between hundreds of Bank staff and thousands of partners across the continent, and it is by exchanging information and ideas that we can best improve.

Looking forward, the ADER will continue to guide us as we implement our reforms and pursue our operations over the next year and the years after that. We will continue to use it to report on our results and to deliver ever-better outcomes. Because to us, the numbers in our tables and graphs are not abstraction. They measure our impact on people, and we can always do better. ■

Annex – Methodological note

This note describes how the African Development Bank (Bank) assesses and reports on progress in its Annual Development Effectiveness Review.

Measuring the Bank’s development effectiveness is a complex undertaking. Over the years, our understanding of development has broadened. We recognise that economic growth is an essential part of the process—that it supplies households with livelihoods and

opportunities and governments with the means to invest in public goods and services. But development is also about empowering people to respond to a range of needs and aspirations, including through education, better health, and membership in secure and supportive communities.

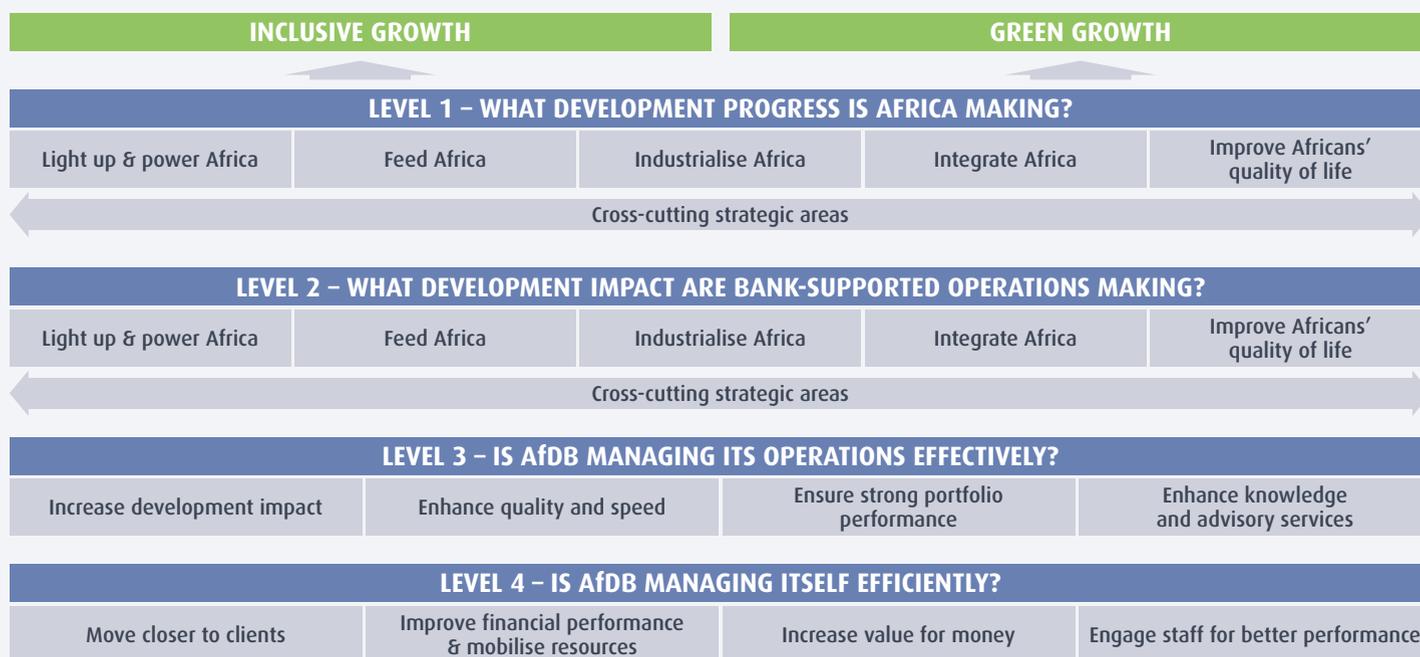
Figure A The RMF uses four levels to assess the Bank’s development effectiveness



One of the methodological challenges of measuring development impact has to do with attribution: namely, the difficulty of assigning high-level development outcomes to a single institution. Development outcomes do not result from specific interventions but from a combination of interventions, external factors, and decisions made by governments, companies, households, development agencies, and others. It is not possible to isolate how much a single intervention by a single institution contributes to a particular outcome.

To meet these methodological challenges, the Bank uses a four-level results measurement framework (RMF) that tracks its performance in meeting its development objectives. Level 1 tracks development progress across Africa, Level 2 measures the Bank’s contributions towards development in its operations, Level 3 assesses the quality of the Bank’s operations, and Level 4 monitors the Bank’s efficiency as an organisation (Figure A).

Figure B The Bank is increasing its strategic focus on five priority areas of action



Box A How does the RMF track the Bank's twin goals of inclusive growth and green growth?

The RMF tracks progress towards the Bank's twin goals of inclusive growth and green growth as set out in the 2013–2022 Ten-Year Strategy for Africa's Transformation. Because these are complex areas of development, the RMF tracks them at multiple levels:

Inclusive growth – Progress towards inclusive growth is defined in terms of its four key dimensions: economic inclusion, social inclusion, spatial inclusion, and political inclusion.

- ▶ *Economic inclusion: Reducing poverty and income inequality.* Africa has some of the highest rates of income inequality in the world. As African economies expand, the benefits of growth tend to accrue to a narrow section of the population. Reducing poverty while distributing wealth more evenly is a way of increasing economic inclusion and sustaining growth. The RMF measures economic inclusion with three indicators: gross domestic product per capita, poverty, and income inequality (the Gini coefficient).
- ▶ *Spatial inclusion: Expanding access to basic services.* Spatial inclusion means ensuring that communities benefit from growth wherever they are. One way of achieving this is by making sure that everybody can access the basic services that create economic opportunities—roads, electricity, water, and health services.
- ▶ *Social inclusion: Ensuring equal opportunities.* Social inclusion is about ensuring that everyone can contribute to and benefit from growth. Outside agriculture, women in Africa hold only 8.5% of jobs and youth unemployment stands at 14%: social inclusion would change these proportions and many others. The RMF tracks social inclusion by measuring the extent to which a given population benefits from growth (education and health) and contributes to growth by taking part in the labour market.
- ▶ *Political inclusion: Securing broad-based representation.* Political inclusion requires robust and accountable institutions that ensure citizens' democratic and broad-based representation. The RMF measures political inclusion with indicators that track governance (the Mo Ibrahim Index), the quality of institutions (country policy and institutional assessment indicators), and institutions' ability to ensure broad-based representation (taxation and the inclusion of women).

Transition towards green growth – Green growth is measured using three important dimensions.

- ▶ *Building resilience and adapting to a changing environment.* Africa is experiencing major environmental changes, such as an increase in severe weather, that are caused by a combination of climate variability and human activity. Building countries' resilience and their capacity to deal with these external shocks is fundamental to sustaining growth and development. The RMF measures resilience and adaptation through two proxies: (i) the number of people who are hungry and malnourished, and (ii) resilience to water shocks.
- ▶ *Managing natural assets efficiently and sustainably.* Green growth means ensuring that renewable natural resources, such as land, forests, water resources, fisheries, and clean energy sources, are developed and used in a sustainable way. It also means producing non-renewables such as oil and minerals cost-efficiently, to spur innovation and maximise the development return. Using efficient production techniques, especially in manufacturing activities, will add value and make Africa more competitive. The RMF measures the management of natural assets through two proxies: (i) agricultural productivity and (ii) cereal yield.
- ▶ *Promoting sustainable infrastructure, reducing waste and pollution.* Green growth also means managing development processes efficiently, so as to reduce pollution and waste. Damage to the natural environment has extensive costs, both to economic sectors like agriculture and fisheries and to the population directly, by polluting air or drinking water. Managing waste products intelligently can help sustain high growth rates and avoid negative impacts on communities. The RMF measures these dimensions through two proxies: (i) CO₂ emissions as a share of gross domestic product, and (ii) renewable energy capacity.

By tracking performance at four levels, the RMF produces a comprehensive picture of the Bank's development effectiveness. It gives Bank management a tool to assess the organisation's strengths and weaknesses, and to implement the Bank's corporate priorities more effectively and efficiently.

The 2020 edition of the ADER tracks progress against the RMF for 2016–2025 that was approved by the Bank's Board of Directors in April 2017.¹ This RMF innovates by vertically aligning Level 1 and Level 2, where both levels are organised around the High 5s—the five priority areas of the Bank's Ten-Year Strategy. Designing the

RMF in this way strengthens conceptual linkages between Africa's development challenges (Level 1) and the Bank's actions to address them (Level 2). It also makes it easier to analyse each field and report on progress. Thus, the RMF integrates the Bank's five goals and our cross-cutting strategic areas in a comprehensive portrayal of what we aim to achieve. Annex A of the RMF describes in detail the RMF's logics as well as the rationale for each indicator.

The RMF helps the Bank track progress in achieving its corporate strategies as they are set in out in our Ten-Year Strategy, our High 5s and our Development Business and Delivery Model.

¹ African Development Bank Group. The Bank Group Results Measurement Framework 2016–2025, *Delivering the High 5s, Increasing the Bank's Impact on Development*, April 2017. Available on the Bank's website.

Figure B maps these corporate priorities to the four levels of the RMF, and Box A explains how the ADER tracks progress towards the Bank's twin goals of inclusive growth and green growth.

Level 1: Tracking Africa's development progress

The RMF's Level 1 indicators monitor the long-term development outcomes that shape the broader context in which our regional member countries function. Progress in Level 1 is not attributed to the Bank; it is the outcome of collective efforts by countries, development partners, and the private sector. Indicators under Level 1 are aligned to the High 5s and cross-cutting and strategic priorities.

Data for the Level 1 indicators is drawn from internationally available statistics (e.g., data produced by the Food and Agriculture Organization, the International Energy Agency, the International Monetary Fund, and the World Bank) and was chosen in coordination with the Bank's Statistics Department. The ADER uses the latest data available and provides disaggregated data for ADF countries. Details on the source and computation for each indicator are available in Annex B of the RMF document.

Level 2: Measuring the impact of Bank-funded operations

The Bank assesses the development impact of its operations with individual project completion reports (PCRs) for public sector operations and extended supervision reports (XSRs) for private sector operations. These reports include information and data on the extent to which an operation achieved its intended development objectives. The information covers the project's outputs (e.g., the number of kilometres of road built), its outcomes (e.g., the reduction in travel time) and, typically, its beneficiaries (e.g., the number of people with better access to roads).

To assess the Bank's development impact in 2019 while minimizing the volatility of the data, the ADER averages data over the last three years (2017–2019). Level 2 Tables in Chapters 1 to 6 present the aggregate data from all PCRs and XSRs completed within this timeframe: 248 projects in ADB and ADF countries. Data on ADF and transition countries is presented separately for each table.

The Bank is the first multilateral development bank to report only its own contribution to a project and not the project's aggregate contribution, the latter of which would include the contribution of the Bank's co-financiers. Our interventions are increasingly co-financed with other development partners, and reporting the total sum of outputs would not reflect the Bank's financial inputs accurately. It would also lead to double-counting. Outputs are prorated to reflect the level of the Bank's financial support as a proportion of total project costs.

An example is the Ain Beni Mathar Solar Thermal Power Plant Project in Morocco, whose PCR was completed in 2016. The project built 165 km of transmission lines and the Bank funded \$390 million, or 68% of the total project envelope of \$569 million.

Using its proportional attribution approach, the Bank reports having contributed 112 km (68% of 165 km).

Levels 3 and 4: Assessing the Bank's effectiveness and efficiency

One of the ADER's main purposes is to be accountable for the Bank's performance. Chapter 7 of the ADER reports progress on Levels 3 and 4 of the RMF.

Level 3 of the RMF tracks the quality of the Bank's portfolio of operations. It emphasises the key drivers of performance identified in the DBDM: increasing operations' development impact, designing high-quality and timely operations, improving portfolio performance, and enhancing knowledge services (Figure B).

Level 4 of the RMF tracks the Bank's organisational efficiency by monitoring how well we are moving closer to our clients; improving our financial performance and mobilising resources, increasing our value for money, and engaging staff for better performance (Figure B).

The data for Level 3 and Level 4 are drawn from the Bank's management information systems and are cleared by relevant corporate departments. Annex A of the RMF provides a detailed description of the objectives and the rationale for each indicator used to track performance at Levels 3 and 4. The source for each indicator is provided in the RMF's Annex B.

Tracking performance over time

The ADER summarises performance in a scorecard that uses a three-coloured "traffic light" system to indicate whether the Bank reached its targets, fell short, or stayed in place. The scorecard shows results for all four levels of the RMF. The annual targets are derived in a linear manner from the 2025 targets for each indicator.

Each indicator is assigned a colour-coded arrow: green (➡), amber (➡), or red (➡). At Level 1, the green arrow indicates that the indicator improved above baseline, the amber arrow indicates that the indicator remained stable/was the same as at baseline, and the red arrow indicates that the indicator fell below the baseline. At Level 2, a green arrow shows that an indicator reached 95% or more of the 2019 target, an amber arrow shows that an indicator achieved less than 95% of the 2019 target but is above the baseline value, and a red arrow shows that the indicator did not reach the baseline value. For Levels 3 and 4, assessment does not consider the baseline: green means the Bank exceeded 90% of the 2019 target, amber means it achieved 80–90% of the 2019 target, and red means it achieved below 80% of the 2019 target. At any level of measurement, a grey circle indicates that data were not available.

Reviewing the RMF

To ensure that the RMF remains relevant to the Bank's top priorities, the Bank is reviewing the RMF in 2020 (we have committed to

this exercise every three years). Coming after the general capital increase (GCI-VII) and fifteenth replenishment of the ADF concluded in December 2019, this review will allow the Bank to take recent commitments and priorities into account. We will apply three principles to our revision: aligning indicators and definitions with other Bank reporting processes, set by various Complexes; keeping the RMF relevant; and ensuring that our targets are still ambitious.

New approaches to measuring development impact

In addition to these methods, the Bank is developing new, more innovative, approaches to assessing its impact on development.

One is the Jobs Impact Model, which allows the Bank to estimate the social and economic impact of its operations across Africa as they relate to creating jobs. By using social accounting matrices and input-output models, the Jobs Impact Model assesses not only the direct effects that occur at the investment and/or project level (i.e., people employed by the project itself), but also the indirect effects (e.g., supply-chain jobs), the induced effects (i.e., jobs created when the people who are directly or indirectly employed spend their salaries), and the enabling effects (i.e., jobs related to the enabling effect of additional products and/or services produced by the investment). With this approach, the Bank traces how its investments flow through an economy and measures the development impacts that result (Figure 6 in Chapter 5). ■

2011 10TH EDITION

2020



The Annual Development Effectiveness Review

10 YEARS OF TAKING STOCK

2020 is the 10th year that the African Development Bank's Annual Development Effectiveness Review has informed stakeholders of the results of the Bank's investments and partnerships over the prior year.

Throughout the year, Bank staff at headquarters and in country offices monitor and analyse data that feeds into a strong, evidence-based assessment of the Bank's contribution to Africa's development. Staff also speak to governments, partners, and beneficiaries to learn how projects and programs affect them, and they identify projects and initiatives that are making a difference. The ADER supplements this feedback with information from hundreds of public institutions, companies, think tanks, and development organisations in Africa and around the world. The result is a series of thoughtful, theme-based publications that help us build on our successes and improve our impact on Africans' lives.



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About this publication

The 2020 Annual Development Effectiveness Review is a comprehensive report on the performance of the African Development Bank. The report reviews development trends across the continent and explores how the Bank's operations have contributed to Africa's development results. This review reflects the Bank's focus on an interlocking set of five critical priorities within the Bank's Ten-Year Strategy: the "High 5s". It also looks at how effectively the Bank manages its operations and its own organisation. The report is supplemented each year by more detailed reviews of particular sectors and thematic areas as well as selected country reviews.

About the African Development Bank Group

The African Development Bank Group is a multilateral development bank whose shareholders include 54 African countries and 26 non-African countries. The Bank Group's primary objective is to contribute to the sustainable economic development and social progress of its regional members, individually and jointly. It does this by financing a broad range of development projects and programmes through public sector loans, including policy-based loans, and through private sector loans and equity investments; by providing technical assistance for institutional support projects and programmes; by making public and private capital investments; by assisting countries with development policies and plans; and by supplying emergency assistance.



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