

Executive summary

This **Annual Development Effectiveness Review (ADER)** presents the contribution of the African Development Bank (AfDB, or the Bank) to Africa's development. It outlines recent economic and social trends across the continent, particularly those relating to the Bank's "High 5" priority areas. It analyses the opportunities and challenges facing Africa in the coming years, assesses how well the Bank has performed against its objectives, and discusses how the Bank will support Africa in achieving the inclusive and sustainable development that is highlighted in the Bank Strategy. This year the spotlight is on the Bank's Feed Africa priority, as the ADER explores the theme of agricultural transformation.

This ADER draws on a new Results Measurement Framework (RMF) structured around the High 5 priorities: Feed Africa, Light up and power Africa, Industrialise Africa, Integrate Africa, and Improve the quality of life for the people of Africa. These are the specific areas in which we are scaling up our Bank Strategy 2013–2022. Strategies for the High 5s were approved in 2016 and are now being implemented. To support this ambitious agenda, the Bank is also implementing its new Development and Business Delivery Model, to help us work more effectively and achieve greater development impact.

The RMF translates the Bank's five priority areas, cross-cutting strategic priorities and internal reform agenda into concrete objectives and targets. The ADER therefore presents an assessment of how we have performed against these targets. It includes lessons from recent projects about what has worked well and how we can do better. Using "traffic light" symbols, we present the results data in a narrative form, to promote transparency and accountability to our partners and stakeholders.

The ADER reflects the structure of the results framework. Each of the first five chapters assesses progress against a High 5 area, and Chapter 6 takes stock of progress on the four cross-cutting strategic areas of governance, fragility, climate change and gender. In each of these chapters, we assess trends in Africa (Level 1 of the RMF) and progress made by the Bank's interventions (Level 2), and we discuss how to accelerate our contribution to Africa's development. Chapter 7 assesses our progress in improving development impact (Level 3) and our efficiency as a development finance institution (Level 4). The final chapter shares our key objectives for delivering the High 5s and cross-cutting priorities over 2016–2025.

Feed Africa

Africa's agriculture sector has seen steady improvement in recent years, as farmers have expanded into agribusiness and a number of countries have begun to sell their goods in regional and international markets. Agricultural productivity and cereal yields have increased.

However, agricultural yields and the returns to farming remain lower than in comparator regions, trapping many rural households in poverty.



Over 211 million people in Africa are hungry or malnourished

Most Africans depend on the land for their food and nutrition. Although progress is being made, over 211 million people are hungry or malnourished, and nearly a quarter of African children under five years old are stunted. In addition, parts of Africa are once again in the grip of famine – a product of conflict and governance failures.

This ADER highlights two challenges for Africa's global trade in agriculture. As populations and cities expand and the middle class develops, a sharp increase in the demand for food imports has led to a negative agricultural trade balance—a macroeconomic challenge. Meanwhile, agricultural exports often still consist of raw or semi-processed products, and Africa's share of market value remains low.



Our interventions in agriculture over the last year have benefitted 5.6 million people

Strategy – Our Feed Africa strategy (2016–2025) is designed to eliminate extreme poverty; end hunger and malnutrition; make Africa a net food exporter; and move Africa to the top of certain agriculture-based, export-orientated global value chains in areas in which it enjoys a comparative advantage.

Bank contributions – Our interventions in agriculture over the last year have benefitted 5.6 million people. We met our target in assisting 597 900 people to increase their use of technology. For example, in Nigeria, we trained 733 people and provided irrigation pumps and agro-processing equipment. We built or rehabilitated 520 km of feeder roads, provided farmers with access to 2300 tonnes of inputs and delivered increased access to finance. We supported improved water management on 37 600 hectares. In Gambia, we improved land and water management practices for over 68 400 people, significantly reducing soil erosion, controlling salinity and increasing rice yields above our target. We also increased the yields of a wide range of crops through our assistance to agricultural research networks, training around 17 000 research and extension staff and benefiting an estimated 698 000 farmers.

Summary performance scorecard 2016

The scorecard below benchmarks performance for each of the four levels of the Bank Group's Results Measurement Framework. At each level, a traffic light symbol summarises performance by broad theme. The colour of the traffic light is determined by the average performance value for a cluster of indicators used to measure performance for each theme. A **green traffic light** indicates that most indicators within that cluster have achieved their target; a **yellow traffic light** is a sign that the cluster of indicator is on average close to meeting the target; and a **red traffic light** points to the fact that most indicators of the cluster fell short of their target.

LEVEL 1: WHAT DEVELOPMENT PROGRESS IS AFRICA MAKING?				
● Feed Africa ● Malnutrition elimination ● Agricultural exports ● Agricultural value chains		● Light up & power Africa ● Access to energy ● Power infrastructure ● Efficient energy use		● Industrialise Africa ● Economic diversification ● Business climate
● Integrate Africa ● Trade facilitation ● Depth of regional integration ● Free movement of people		● Improve the Quality of Life for the People of Africa ● Poverty and inequality ● Unemployment and youth ● Skills building ● Access to water and sanitation		
● Cross-cutting strategic areas ● Growth ● Governance ● Gender equality ● Climate solutions ● Fragile situations				

LEVEL 2: WHAT DEVELOPMENT IMPACT ARE BANK-SUPPORTED OPERATIONS MAKING?		
● Feed Africa ● Agricultural productivity ● Downstream markets	● Light up & power Africa ● Electricity capacity ● Access to energy ● Efficient energy use	● Industrialise Africa ● Development of enterprises ● Infrastructure network
● Integrate Africa ● Infrastructure development	● Improve the Quality of Life for the People of Africa ● Employment and entrepreneurship ● Skills development ● Access to water and sanitation	
● Cross-cutting strategic areas ● Country governance		

LEVEL 3: IS AfDB MANAGING ITS OPERATIONS EFFECTIVELY?		
● Increase the development impact of operations ● Development outcomes ● Sustainable outcomes	● Operational knowledge	● Enhance the quality and speed of operations ● Quality of operations ● Time to first disbursement
● Gender and climate-change	● Ensure strong portfolio performance ● Execution of operations ● Project management	
● Knowledge and advisory services ● Knowledge and advisory services		

LEVEL 4: IS AfDB MANAGING ITSELF EFFICIENTLY?	
● Move closer to clients ● Country presence ● Delegation of authority	● Improve financial performance and mobilise resources ● Volume of climate finance ● Resource mobilisation
● Increase value for money ● Cost-efficiency	● Engage staff for better performance ● Staff engagement & performance

Lessons – In implementing our operations in this sector we have drawn some lessons: the importance of timing procurement schedules to fit with agricultural seasons; putting beneficiaries in the driving seat to ensure successful results; and defining clear logics of interventions for projects.

Light up and power Africa

Africa's unprecedented levels of economic activity and growth since 2000 have been underpinned by investments and institutional reforms in the power sector. Investment in new generation capacity, including in renewables, has increased steadily, and transmission and distribution systems have become more efficient.

Whilst the continent has abundant energy resources, it still suffers from a huge power deficit, particularly in sub-Saharan Africa: over 645 million Africans cannot yet access electricity. The agriculture sector needs reliable, affordable energy for irrigation, storage and processing, to enhance productivity and increase the returns to farmers. Replacing biomass with electricity for household fuel prevents deaths and health risks, particularly for women and girls. It also provides more time for women and girls to engage in productive work and attend school. So far, only 1 in 10 Africans has access to clean cooking solutions.



Only 1 in 10 Africans has access to clean cooking solutions

Strategy – Our New Deal on Energy in Africa (2016–2025) is driving a major expansion of energy services, in partnership with governments, donors and the private sector, to achieve universal access to electricity across Africa by 2025. The New Deal will increase generation capacity by 160 GW, expand transmission systems and connect 130 million new households and businesses. It will add 75 million new connections through off-grid generation and increase access to clean cooking energy for 130 million households.



Last year, we installed 540 MW of total power capacity

Bank contributions – Projects under the New Deal include our \$1.34 billion syndicate loan in South Africa, as well as projects building transmission lines to connect 20 000 households to Côte d'Ivoire's national grid and providing electricity to 36 Ethiopian towns and villages. We also manage the Africa Renewable Energy Initiative, launched at the 2015 Paris climate change conference, which will deliver over 300 GW of renewable energy capacity by 2030.

Last year, the Bank's energy portfolio exceeded the previous year's results but fell short of our higher targets. We installed 540 MW of

total power capacity and 41 MW of renewable power capacity. We delivered 2830 km of new or improved power and distribution lines and provided 653 100 households with new or improved electricity connections. Our investments reduced carbon dioxide emissions by the equivalent of 69 000 tonnes per year.

Our investment in the Abu Qir Thermal Power Plant in Egypt increased grid capacity by 4%, supporting the government's plans for a greener economy and meeting growing energy demand from households and businesses. We co-financed the Integrated Solar Combined Cycle project in Morocco, which delivered 472 MW through innovative concentrated solar power technology coupled to a gas-fired plant. We supported off-grid and mini-grid innovations, to assist people in rural areas and improve agriculture and agribusiness.

Lessons – We drew lessons from our energy portfolio: the importance of providing sound compensation for those affected by expropriation of land; valuing the inputs from external expertise on innovative technical areas; promoting timely project delivery through realistic scheduling and early market engagement for procurement; and ensuring that local governments allocate funds for the maintenance of facilities.

Industrialise Africa

Africa is making progress in industrialisation, to balance its traditional dependence on unprocessed or semi-processed natural resources and agricultural produce, and the continent is becoming more competitive. With growing urban markets and regional integration, investors are exploiting economies of scale, boosting productivity and linking to global supply chains. Economies are diversifying, both across natural resources and into medium- and high-technology sectors.



Over the last year, we provided better access to transport services to 7 million people

However, across sub-Saharan Africa (excluding South Africa), industrial GDP, gross capital formation and value-added from manufacturing remain much lower than in comparator regions. Nearly half of all Africans can now access financial services, often through mobile telephone services, but a lack of access to finance and capital remains a significant constraint on industrialisation. Africa also needs improved logistics performance if industries are to be efficient and competitive.

Strategy – Under our Industrialisation Strategy for Africa (2016–2025), we are working with governments and other development finance institutions to bring about the structural transformation of African economies. Our aim is to nearly triple Africa's industrial GDP over the next decade by financing six flagship programmes.

Bank contributions – Over the last year, the Bank's industrialisation-related projects benefitted 2.22 million people. We provided better

access to transport services to 7 million people and constructed, rehabilitated or repaired 2200 km of road. Financial services were provided to 156 000 individuals and small- and medium-sized businesses, helping to improve their turnover from investments. In Zambia, we worked with partners to strengthen the capacity of small businesses and improve their access to finance from national financial institutions. In West Africa, we supported the cotton and textile sectors in four countries and expanded the textile industry.



Intra-African trade is just 15% of Africa's total trade

Lessons – To improve our effectiveness, we realised the importance of making roads sustainable by ensuring that maintenance is funded; providing guidance as an advisory committee member in private equity funds; measuring the results of lines of credit provided through private sector institutions; and establishing baselines to monitor the performance of investment in private banks.

Integrate Africa

Africa continues to make progress on its integration agenda, to achieve the increases in competitiveness, trade and economic growth that are needed to reduce poverty. Yet intra-African trade is just 15% of Africa's total trade. Cross-border roads, including regional transport corridors with trade facilitation measures, dramatically reduce the time and costs facing traders. Regional power pools and energy trade enable millions of people in energy-deficit countries to access electricity and reduce energy costs for business. Africa needs substantial investment in infrastructure to attract investment and create larger markets for businesses, including commercial agriculture.

The Regional Economic Communities develop soft infrastructure, strengthen national and regional institutions and support trade facilitation, to help businesses access expanding and integrated regional markets. However, despite these efforts, only 19 of Africa's 54 countries are considered to be "deeply and broadly integrated", and just 13 have liberal visa policies for citizens of other African countries.

Strategy – A new regional integration strategy, to be approved in 2017, will emphasise the expansion of regional infrastructure, including soft infrastructure. As Africa's main financier of regional infrastructure, we work with other partners to catalyse private investment and engage with financial markets to raise capital.

Bank contributions – Last year, the Bank constructed or rehabilitated 540 km of cross-border roads. We rehabilitated the Lome-Ouagadougou corridor and built a new container terminal at the Lome port, increasing trade, business activity and jobs. We constructed or rehabilitated cross-border power transmission lines. We provided eight grants for preparing bankable regional

infrastructural projects, and already one of these projects—a major power interconnector project involving Nigeria, Niger, Benin and Burkina Faso—has received financial pledges to cover its full cost of \$682 million. We also financed studies and convened workshops to develop consensus on future regional development needs.

Lessons – Some challenges in implementing our regional integration portfolio have highlighted the importance of promoting government commitment to enforcing regional regulations; promoting project activities that target women; ensuring sufficient monitoring and evaluation expertise; and providing high quality-at-entry for regional projects.

Improve the quality of life for the people of Africa

Four in 10 Africans live in poverty. Because of the high population growth rate, Africa's economic growth per capita is barely increasing, despite strong economic performance since 2000. With 200 million Africans between the ages of 15 and 29, youth unemployment and underemployment are high. Investing in skills through technical and vocational education will be essential to enabling young people to find jobs and enterprise opportunities.



Better health, education, water and sanitation services are instrumental to improving quality of life

Better health, education, water and sanitation services are instrumental to improving quality of life. Despite good progress in these areas, there is still some way to go: 61% of Africa's appropriate age population are enrolled in education and 71% of Africans have access to improved drinking water, but just 39% have access to improved sanitation services. Better nutrition is also fundamental to reducing deaths of children under five, preventing stunting and promoting quality of life.



In 2016, the Bank directly delivered 1.6 million jobs and trained 652 000 people

Strategy – The Bank's Jobs for Youth in Africa Strategy (2016–2025) takes a comprehensive and integrated approach to equipping young people for work and enterprise. We are integrating a youth employment component into new Bank projects, and are working closely with regional member countries to develop policies that promote youth employment.

Bank contributions – In 2016, the Bank created jobs and provided social services to improve the quality of life of Africans. We directly delivered 1.6 million jobs and trained 652 000 people, both women and men. In rural Malawi, we provided grants to small- and medium-

sized agribusinesses, creating 948 skilled and 2110 unskilled jobs. Our projects in Côte d'Ivoire, Tanzania and Uganda provided access to finance and business advice. We provided new or improved access to water and sanitation to over 3.73 million people, a major accomplishment in this area. In Tanzania and Zimbabwe, we delivered irrigation for over 700 farms, and our support to the Southern African Development Community involved 23 community water-basin management projects, which increased access to irrigation. Our education projects benefitted 477 200 people, of whom 269 600 were women.

Lessons – Significant lessons from our portfolio included the importance of promoting continuity in project management by ensuring a low staff turnover; avoiding measures that need Parliamentary approval as a pre-condition of fast-disbursing aid; and ensuring that a gender strategy, including any needed training, is built into projects.

Cross-cutting and strategic areas

Africa's unprecedented economic growth since 2000 was accompanied by major changes across the continent, from an expanding urban middle class to increased trade and investment. However, the recent slump in global commodity prices has reduced export revenues, and, although economic growth per capita is still rising, GDP growth has decreased from 3.6% in 2015 to 3.2% in 2016.

Addressing the cross-cutting issues of governance, fragility, climate change and gender is fundamental to achieving sustained development. By various measures, Africa's governance is improving, though there are wide variations across the continent. Sound public financial management is needed to fund infrastructure maintenance, and stronger institutions are critical for managing reforms, including those for agricultural transformation. Conflict and fragility severely constrain development and increase people's vulnerability to hunger, malnutrition, and famine. Thus agricultural development is critical in fragile situations, for resilience and food security.

“ Conflict and fragility increase people's vulnerability to hunger, malnutrition, and famine ”

Climate change can reduce agricultural productivity and increase farmers' vulnerability, through reduced soil fertility and more frequent and extreme floods and droughts. More countries are pursuing green growth strategies, limiting the growth in carbon emissions. We believe that gender equality is central to inclusive growth and must be promoted throughout agricultural supply chains. Women in farming and agribusiness often experience serious gender-related constraints – including in land ownership, inheritance rights, adequate time free from household duties, and access to inputs, finance and markets.

Bank contributions – The Bank prioritises these cross-cutting issues throughout our portfolio, recognising that they are central to achieving inclusive and sustainable growth and the High 5 priorities. Last year, we helped countries improve their budgetary and financial management and achieve greater public sector transparency and accountability. We improved public procurement and promoted more effective business environments. For example, our economic governance support in Nigeria includes support to the agriculture sector.

“ More countries are pursuing green growth strategies ”

We supported agricultural value chains in fragile situations, including the livestock sector in Somalia and the cotton sector in Northern Uganda, and we are increasing the share of funds for addressing fragility under the new 14th African Development Fund (ADF) replenishment to 17%, up from 14% for ADF 13. In Nigeria, we are promoting food security, employment opportunities and school gardens as part of our multi-sectoral support to address the fragility caused by the Boko Haram insurgency.

“ We promote economic empowerment for women throughout agricultural value chains ”

The Bank is scaling up and replicating projects that support adaptation to climate change, working closely with the Africa Adaptation Initiative. We blend our resources with funds from the UN Green Climate Fund to mitigate climate change and support adaptation strategies. Over the last five years, we delivered 260 climate change projects, and we are continuing to scale up our support to climate-smart agriculture, to strengthen resilience and promote sustainability.

We support gender equality across our portfolio, and promote economic empowerment for women throughout agricultural value chains. Last year, we delivered improvements to the private sector in Burkina Faso through greater access to finance for women. Our projects tackle insecurity of land tenure, promote the use of technology, and increase access to finance, including through our Affirmative Finance Action for Women in Africa Initiative.

“ We piloted a new methodology to measure the number of jobs we create ”

Lessons – Fundamental lessons from our projects on cross-cutting and strategic areas include the importance of aligning with other development partners; having a robust theory of change; and choosing disbursement triggers that are fully under the government's control.

Delivering development results effectively

2016 was a year of change and progress for the Bank. The year marked a major expansion of operations under our new strategies, with record financial approvals of \$10.7 billion and record disbursements of \$6.4 billion. We also achieved significant progress in implementing internal restructuring and reform, launching our new Development and Business Delivery Model to help us work more effectively to achieve greater development impact. At the same time, we achieved many of our annual targets for portfolio management and efficiency.



We produced 168 new economic and sector work products in 2016

Achieving development impact – The Bank’s portfolio quality was high in 2016, in that our projects met our targets for development outcomes and sustainability. We commissioned an independent evaluation of our portfolio in 14 countries and are implementing its recommendations to improve our country strategies, project design and delivery. As the evaluation recommended, our new Results Measurement Framework is now based on theories of change in particular results areas. We are working to improve our timely completion of Project Completion Reports. We piloted a new methodology to measure the number of jobs we create, both directly and indirectly, to guide management in improving the impact of our operations in this area.

Improving the quality and speed of operations – We met our targets to improve the quality of our Country Strategy Papers, which identify how we can best respond to our clients’ needs. We also improved our rigorous quality-at-entry process, which checks whether projects are technically sound and designed to deliver maximum benefits. We continue to fine-tune our assurance processes to improve portfolio quality and streamline our project preparation process. The time required to go from project concept to first disbursement fell to 20.2 months. To maximise development results and promote sustainability, new operations have gender- and climate-informed designs; we delivered this for 70% and 80%, respectively, of new projects. We did not meet our 88% target for satisfactory environmental safeguard system mitigation measures, because since mid-2015, when we launched the Integrated Safeguard Tracking System, we have made our criteria more exacting in measuring the sustainability of our operations.

Improving portfolio performance – We fell short on a number of our targets on portfolio performance. Our disbursement ratio, which shows whether projects are being delivered smoothly, was 17.3% against a target of 21%, because some projects face delays in signing loan agreements and conducting procurement. The average time for procurement of goods and works was 8.2 months, against a target of 7.7 months; to reduce such delays, we are now preparing procurement documents in advance of project approval. Wherever possible, we are investing in and using national

procurement systems, to enhance development effectiveness and country ownership. Country Portfolio Performance Reports play an important role in monitoring the health of our country portfolios; half of these were submitted on time, below our target of 59%. We have more operations eligible for cancellation, partly because we have established more exacting standards. We have tightened up our supervision of non-performing projects, allowing us to address project implementation challenges and reduce the share of operations at risk.

Promoting knowledge – We produced 168 new economic and sector work products in 2016, providing evidence and policy options for the Bank and regional member countries to achieve the High 5s. We engaged in conferences to have informed dialogue with governments and other development partners and actors, and led the major 2016 African Economic Conference on agro-industrialisation.

Re-engineering the Bank for greater efficiency

Our Development and Business Delivery Model sets out our path to improved efficiency. We are creating new structures, roles and job descriptions to achieve our objectives more efficiently. We are devolving staff and functions to the country and regional levels so that we can work more closely with partners, understand the context better and improve project supervision. Some 42% of our operations staff are now based in field offices, and 65% of projects are managed by field offices, both exceeding our targets. We have updated our decentralisation plan for 2016–18.



We are devolving staff and functions to the country and regional levels

Staffing – To achieve its goals, the Bank must attract, retain and develop staff of the highest calibre across a wide range of specialities. In 2016, we improved compensation to attract and retain staff, put in place new plans to improve management and training, and streamlined our human resources processes. We achieved an impressive reduction in the time required to fill vacancies, from 223 to 125 days, and decreased our net vacancy rate for professional staff. We aim to attract more women into professional and management roles, and made some progress last year, with the proportion increasing from 27% of professional staff to 28%. However, the proportion of women in management decreased slightly, to 28%. We are piloting a “Crossing Thresholds” mentoring scheme to help women in the Bank develop their careers.

Financial performance and resource mobilisation – While achieving record figures in approvals and disbursements in 2016, we also substantially increased Bank income to \$176 billion. Our climate-related commitments reached \$1.1 billion. To achieve our ambitious goals for Africa, we aim to mobilise substantial finance from both

the public and private sectors and have included indicators for this in Level 4 of the Results Measurement Framework. We made good progress in mobilising \$4.7 billion from the public sector and crowding in \$3.8 billion from the private sector, lower than our target.



The High 5 priorities will collectively contribute to Africa's agriculture transformation

Value for money – The Bank improved its cost-efficiency, with administrative costs per UA 1 million reaching UA 72 000, well ahead of our target of UA 98 000. We made more efficient use of space and reduced our work environment cost per seat. We are also introducing efficiencies to reduce travel costs. Moreover, project preparation costs decreased as we streamlined our processes. The cost of supporting project implementation was above target, but is expected to fall as we further decentralise responsibilities.

Conclusion and outlook

Africa is developing at an unprecedented pace, as a result of growing levels of trade and investment and its own self-sustaining growth. The agriculture sector continues to develop, but transformation into more productive value chains will be needed if it is to be a driver of inclusive and sustainable growth. Overall economic growth has

slowed from the high levels of 2000–12, but the outlook for broad and sustained development remains positive, especially as countries diversify their economies, improve competitiveness and strengthen institutions.

Our Bank Strategy and the High 5 priorities give us a clear road map for accelerating our support over the coming years. For agriculture, we know the combination of policies and interventions that is needed to enable a private-sector-led transformation of the sector, leading to higher incomes and jobs, especially for young women and men. We are scaling up our support to sustainable agriculture and creating a conducive environment for investment. We are investing in transport, power, water and IT infrastructure, to improve access to markets, inputs, improved technologies and finance, including for women. We are also investing in value chains and linking farmers to global and regional markets. We are increasing our efforts to mitigate and adapt to climate change, investing in climate-smart agriculture and improving resilience at all levels. We are accessing substantial global finance for climate mitigation and adaptation and matching it with Bank resources.

The High 5 priorities will collectively contribute to Africa's agriculture transformation. Universal access to energy, a tripling of Africa's industrial GDP, a more integrated Africa, and a healthy, educated and trained workforce will work together with a transformed agriculture sector to deliver inclusive and green growth, eliminating poverty in Africa. ■