ACKNOWLEDGEMENTS

This ninth edition of the Annual Development Effectiveness Review of the African Development Bank is the product of strong collaboration on the part of staff from most of the Bank’s departments. Cyril Blet and Charles Mulingi were the task managers of this report. Augustin Kouadio Adom, Honoré Menzan and Joël Sery provided valuable statistical support. We would like to acknowledge Ken B. John, Atsuko Toda, Dana Elhassan, Patience Kuruneri, Tom Owiyi, Maimuna Nalubega, Snott Mukumkira, Ifechukwude Ezinwa, Aicha Nonu, Carine Boukong, Olukanyinsola Oyewole, Carina Sugden, Folorunso David, Adeleke Salami, Rose Mwebeza, Charles Lufumpa, Malek Sefi, Densil Magume, Penelope Jackson, Rim Bekri Bahsoun, Musole Musumali, Ifeyinwa Emelife, Carlos Molineno, Ihcen Naceur, Stefan Atchia, Davinah Uwella, Teresa Sarr-Kone, Tahnn Kouakou, Nathaniel Agola, Jean-Guy Afrika, Youssouf Kone, Richard Schiere, Ashraf Ayad, Daniele Amoussou, Gisèle Belem, Walter Odhiumbo, Foday Turay, Zodwa Mabuza, Sabri Ben Meftah, Horia Sohir Debbiche, Ann Defraye, Mbarack Diop, Helmi Hmaidi, Clémentine Koné, Brian Mugova, Armand Nzeyimana, Frederik Teufel, Rudolphe Petras, Tatang Ashley Lum, Tanteliniaina Mioratina, Eva Ruganzu, Rafika Amira and Elisa Desbordes-Cisse for their insights into the report.

We especially acknowledge the contributions of chief writer Marcus Cox (Agulhas Applied Knowledge), graphic designer Nadim Guelbi (Créon Design), editors Patricia Rogers and Elise Delcroix, all consultants.

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Cover photo: The Bank is committed to developing regional infrastructure to connect countries, increase trade and improve Africa's competitiveness.  
Photo: AfDB, Aurélien Gillier

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African Development Bank Group  
Development Effectiveness Review 2019

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Note: In this report, “$” refers to US dollars.

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Bringing jobs for young Africans

Harnessing the dynamism and enterprise of young women and men is critical to driving economic growth and reducing poverty. In Ethiopia, the garment industry is increasingly recruiting skilled workers who can help provide clothes for the continent and the world.
Africa stands on the brink of a historic achievement with the potential to unlock its productivity and bring lasting prosperity. This year, the Agreement establishing the African Continental Free Trade Area (AfCFTA) came into force. This is a critical step in the African Union’s Agenda 2063. It paves the way to a unified African market able to produce at scale and compete internationally.

Under AfCFTA and other regional integration processes, Africa will dismantle barriers to the free movement of goods, services, people and capital. It will boost its internal trade, attract new skills and technologies, and create continent-wide value chains integrated with the global economy.

At the African Development Bank, we believe deeply in the prospects of economic integration to promote inclusive growth and create more and better jobs for Africans. Integrating Africa is one of our High 5 priorities, and the theme of this year’s Annual Development Effectiveness Review.

The Review shows the transformative potential of investments that we have completed over the last twelve months. The Trans-Gambia Bridge brought to life a 40-year dream of improved connectivity between Gambia and Senegal, benefitting 900,000 people. The Addis-Mombasa Highway has opened up opportunities for travel and trade, linking these growth hubs into an integrated East African market that is increasingly attractive to foreign investors.

We are also helping to build the ‘soft’ infrastructure needed to support economic integration. We are helping the African Union to establish the AfCFTA secretariat. We are working with African countries and the regional economic communities on the policy reforms required to promote free trade. And we are working with UNECA to establish the African Regional Integration Index, to monitor progress.

Through these and other projects, the Bank has demonstrated its strengths in projects that promote regional connectivity. We are able to use our unique mandate and convening power to promote cooperation among African countries, while our credit rating and financial expertise enable us to structure deals that unlock private investment.

This Review describes the growing momentum behind Africa’s drive for regional integration, and the important contribution that the Bank is making. It highlights lessons we have learned, and our plans for scaling up and strengthening our regional portfolio in the coming years.

Akinwumi Ayodeji Adesina
President, African Development Bank Group
Delivering impact in the Bank’s five priority areas

This map plots the 2000 geographic locations of the 376 Bank operations that were completed between 2016 and 2018 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.
Executive summary

The Annual Development Effectiveness Review (ADER) provides an overview of Africa’s development in each of the High 5 priority areas and of the contribution that the African Development Bank (the Bank) has made to that progress. Through the ADER, we review our performance against the targets in our Results Measurement Framework. The ADER is written in a clear and accessible style, offering stakeholders and partners a better understanding of our objectives, our portfolio and our performance.

The theme of this year’s ADER is Africa’s integration. There is considerable political momentum for regional integration across the continent, with widespread recognition of its potential to drive progress towards economic growth and poverty reduction. In 2019, the African Continental Free Trade Area (AfCFTA) came into force, representing a key milestone towards a single economic space. Together with strong growth prospects, a young population and the increasing dynamism of Africa’s cities, economic integration is helping to boost Africa’s economic potential. The Bank is contributing through our 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 — and our long-term goals of promoting inclusive and green growth.

In this report, we explore first what progress Africa has made towards greater regional integration and how the Bank’s operations are contributing to this progress. We then review progress on the other High 5s and our cross-cutting priorities of governance, fragility, gender and climate change, highlighting their contribution to our Integrate Africa objectives. We also explore the progress the Bank has made under the third and fourth levels of the Results Measurement Framework: improving the quality of its portfolio and building its own capacity to deliver results for clients and stakeholders. In the final section, we look forward to what we expect the Bank to contribute to Africa’s development in the coming years.

Integrate Africa
Regional economic integration in Africa took a major step forward with the March 2018 adoption of the Agreement establishing the AfCFTA, which came into force in May 2019. Greater integration provides African producers with access to larger markets and encourages trade and investment. This in turn creates jobs, boosts productivity and encourages diversification. Africa’s cities, with their dynamic consumer and labour markets, are increasingly attractive investment hubs. Johannesburg, Casablanca, Cairo, Lagos and Nairobi are amongst the most significant sources and recipients of intra-Africa investment.

However, despite some landmark achievements, intra-Africa trade remains low. Barriers to trade, such as the high cost of trading across borders, remain significant. There have been notable efforts to improve infrastructure connectivity and create conducive policy environments for business, and regional economic communities continue to promote institutional alignment, but progress is needed in many areas.

Our projects have connected countries, increased trade and improved competitiveness

The Bank is a champion of economic integration, trade and investment, supporting the African Union’s vision for the continent, Agenda 2063 and the establishment of AfCFTA. In 2018, our infrastructure investments included 390 km of cross-border roads and flagship projects like the Trans-Gambia Bridge. We have also supported projects to improve air travel, rail links and financial integration. Our projects have helped to connect countries, promote trade and improve competitiveness.

Our growing portfolio of regional projects is guided by our Regional Integration Strategic Framework, and we are working to develop Regional Integration Strategy Papers for the five regions. Through our investments, we will continue to promote economic and social development by supporting cross-border linkages, access to regional and global markets, and regional transport corridors.

Light Up and Power Africa
Major deficits in power generation and consumption remain a concern across the continent. One solution is regional energy integration, which can help to overcome inefficiencies in national energy markets and transform the energy landscape. However, regional energy integration has so far proceeded slowly — only 8% of power is currently traded across borders. New investments and work to improve the policy environment are needed to accelerate progress.

In 2018, the share of households in Africa with access to energy increased to 52%, from 42% in 2015. Africa also increased its total installed electricity capacity, including renewable capacity. However, the efficiency of Africa’s electricity infrastructure requires
major improvements. Interconnection projects will enable countries to rationalise their generation capacity and trade excess power. Investing in the construction and upgrading of power lines and transformer stations will also help to reduce costs, improve access and reliability, and attract investment.

Regional energy integration can help to overcome inefficiencies in national energy markets and transform the energy landscape

Over the past year, the Bank invested in a wide range of energy projects across the continent to improve access to affordable, reliable and green energy. We installed 480 km of transmission lines and 2430 km of distribution lines, providing 570 000 people with electricity connections. We have been actively investing in large-scale renewable projects, including Kenya’s Lake Turkana wind farm and Morocco’s Ouarzazate Noor solar power.

Major investments in interconnector projects are required for Africa to integrate its energy resources. Looking forward, we are supporting countries in undertaking energy sector reform and developing renewable energy projects. We will also be stepping up our support for clean cooking and off-grid energy solutions. Under the New Deal for Energy, we will work with governments, the private sector and energy sector initiatives to accelerate progress towards universal access to energy in Africa by 2025.

Feed Africa

Transforming Africa’s agriculture sector is central to economic growth, poverty eradication and food security. However, the continent faces significant barriers to achieving its potential — including fragility and conflict situations, low resilience to climate variability and water scarcity, and overreliance on traditional farming techniques, which leads to low crop yields. Boosting regional trade and harnessing new technologies will help add value and raise incomes.

There has been significant improvement in Africa’s net trade balance: agricultural exports have doubled over the past 10 years. Yet Africa has made slow progress on reducing the incidence of hunger and malnutrition. Of Africa’s children under 5, 34% — mostly girls — are stunted. Stronger policies and more investment are needed to eradicate hunger.

The Bank has played a leading role in supporting agribusiness, innovation and nutrition initiatives

The Bank has focused its work in this area on supporting agribusiness, innovation and nutrition initiatives. Under the Feed Africa High 5 priority, we have provided vital infrastructure to enable farmers to reach new markets with their produce. In 2018, 19 million people (of whom 9.3 million were women) benefited from our projects. We built 3400 km of feeder roads and provided 1700 tonnes of agricultural inputs. However, slow adoption of new farming technologies affected our operations on improving water management and modernising farming techniques.

Going forward, we will continue to support leadership efforts across the continent to meet our commitments under our High 5 priority Feed Africa. We envision a food-secure continent that uses advanced technologies, creatively adapts to climate change, and develops a new generation of “agripreneurs.” Modernising the agriculture sector, integrating markets and increasing the value gained from products will help us to eliminate hunger and improve nutrition in Africa by 2025.

Industrialise Africa

There has been positive momentum towards greater regional integration of industrial value chains and increased intra-Africa investment. Manufacturing has doubled in Africa over the past decade, but it remains concentrated in a few countries, such as South Africa and Morocco. Strengthening regional ties and targeted policies can spur further industrial growth.

Africa’s global competitiveness is improving

Progress has been slow on key industrial indicators. Economic diversity in Africa remains low, despite growth in some promising non-extractive sectors like tourism and information and technology, and many countries are still dependent on a primary export commodity. But Africa’s global competitiveness is improving. Investors are attracted to Africa’s growing, youthful and affordable work force. Africa has also become a leader in mobile money, which has helped to provide 49% of the population with access to finance.

Countries have sought to promote industrial growth through a variety of approaches, including establishing special economic zones, supporting small and medium enterprises and intervening in key markets.

Under the Industrialise Africa High 5 priority, we are working with our development partners to support enterprises of all sizes and promote productivity along international value chains. In 2018, Bank private sector projects benefited 1.2 million people across the continent — half of whom were women — and provided 14 million people with improved access to transport. We have identified a need for more due diligence of private sector intermediaries and stronger monitoring and evaluation frameworks, to enhance performance. The Africa Investment Forum played a catalytic role in mobilising resources for private sector development. The Bank continues to support micro, small, and medium enterprises, particularly with accessing financial services. We are also investing in more challenging markets, including those in low-income and fragile contexts.
The Bank has ambitious plans to help raise Africa’s industrial GDP by 2025. Achieving this goal will require more investment and a collective effort among national institutions, multilateral development banks and the private sector. We will continue to support MSMEs in transformative sectors, local capital markets and projects that open up new opportunities for income generation.

**Improving the quality of life for the people of Africa**

While Africa continues to enjoy strong economic growth, 40% of Africans live below the poverty line and inequality remains high. Youth unemployment is a growing concern, and meeting Africa’s rising demand for jobs will require strong and sustained growth and structural change. Skills in science and technology will be required to take advantage of the opportunities associated with today’s “fourth industrial revolution”. Migration is affecting the availability of skills, and countries like Burkina Faso, Morocco and Zimbabwe are implementing policies to link migration to development objectives. In the social sectors, education systems need to keep pace with changing skill requirements. Access to safe drinking water and sanitation in Africa is characterised by wide disparities between and within countries. Only 72% of the population has access to safely managed drinking water, and 40% have access to appropriate sanitation facilities. Investment is needed if countries are to meet the Sustainable Development Goals.

Our projects aim to create new employment opportunities, reduce poverty across the continent, and help youth, women and children to reach their full potential. In 2018, we provided 1.2 million people with jobs, and we are working to increase skills in science and technology. Our flagship Jobs for Youth programme will help ensure that young people are equipped with the skills they need for the jobs of the future. We provided 270 000 people with better access to education and 178 000 people with technical and vocational training. Sustained investment in both ‘hard’ and ‘soft’ infrastructure of technical and vocational education is needed to equip young people with skills that are relevant to the labour market.

In 2018, our projects provided 8.2 million people — half of them women — with improved access to water and sanitation. We have provided catalytic support for the health sector, including helping to stop the transmission of Ebola and strengthen public health systems in West Africa.

**We help young Africans gain the skills they need to succeed in jobs and enterprise**

We will continue to help young Africans gain the skills they need to succeed in jobs and enterprise. We are also ramping up efforts to promote education across the continent and close the financing gap. We will scale up our work to support universal access to water and sanitation. Together, our strategies and investments aim to enable millions to secure employment opportunities, improve their livelihoods and leave poverty behind.

**Cross-cutting and strategic areas**

Africa’s economy is expected to expand at its fastest rate yet over the coming five years. In 2019, four of the world’s 10 fastest-growing economies will be in Africa. Overall, according to the Mo Ibrahim Index, the quality of governance is improving, but there are challenges ahead in meeting the demands of a rapidly growing young population.

**Economic governance and domestic resource mobilisation have been improving across the continent**

Economic governance and domestic resource mobilisation have been improving across the continent. Countries have made significant efforts to strengthen their tax policy and administration. Overall, the tax-to-GDP and savings-to-GDP ratios have increased, but efficiency in the use of public finances needs to improve. Corruption, poor public financial management and illicit financial flows all impede governments’ ability to deliver basic social services.

The Bank has helped five regional member countries strengthen their public financial management systems by improving tax administration, enhancing natural resource transparency and addressing illicit financial flows. The Bank also helped five African countries, including some in fragile situations, to improve the efficiency and transparency of their public financial management, to support social services and improved business climate. Our projects are also helping countries build resilience to climate change and supporting women’s access to finance to help expand their businesses.

Conflict and fragility are among the greatest barriers to development. Long-standing regional conflicts have resulted in the forced displacement of millions of people. Last year, 23.9 million people were refugees or internally displaced, largely because of conflict in the Great Lakes region, South Sudan and the Niger basin. Furthermore, conflict can undermine regional integration and discourage private investment. Through private sector development, advocacy, assistance in domestic resource mobilisation, investment and climate insurance, we are supporting countries in addressing fragility.

Climate change poses a significant risk to Africa. Of the world’s countries that are most vulnerable to climate change, 80% are in Africa. The Bank supports transboundary water management and development through investments in infrastructure, resource management capacity building and protection of vital rivers and
lake basins. The Bank has mainstreamed climate change and green growth into its operations. In 2018, it increased the share of climate finance in its operations — up to 32% from 15% in 2015 — in line with the Climate Action Plan II.

Legal discrimination and negative gender norms continue to affect women across the continent

Gender equality continues to improve slowly in Africa, although legal discrimination and negative gender norms and stereotypes continue to affect women across the continent. For instance, while more than half of economically active women earn a living in the agriculture sector, they continue to lack land use and ownership rights. Women’s equal political participation remains a major challenge, with few exceptions. The Bank’s investments are focused on supporting women and helping lift them out of poverty, in line with our gender equality strategy. As part of our support for women entrepreneurs, we are committed to enhancing women’s access to finance.

Delivering development results effectively

The Bank’s performance is critical to achieving results. Our aim is to maximise our impact by mobilising more investment resources and to improve the quality of our portfolio by attracting and nurturing the right talent.

Achieving development impact and improving quality. We are committed to improving the quality of our portfolio, in both our Country Strategy Papers and our new operations. To raise the bar on quality and results, we have developed a Quality Assurance Action Plan, a 10-point action plan to strengthen our performance, accountability and internal governance. The introduction of performance-based contracts and a robust monitoring and reporting system aims to further drive accountability and development impact. In 2018, we exceeded our targets on integrating climate- and gender-informed design into our operations. Our disbursement ratio remained steady, and we reduced the time taken to prepare projects. We will continue to monitor disbursement performance and to work closely with regional member countries to improve project readiness and institutional capacity and to increase focus on the development impact of our projects.

Improving portfolio performance. The Bank is continuing to implement procurement reforms and is undertaking thorough assessments of the procurement systems of regional member countries. The Bank has increased its capacity to supervise its portfolio and address non-performing operations, including by recruiting implementation support managers and creating a Special Operations Unit for private sector projects. However, the number of operations eligible for cancellation increased above our target as a number of our operations continued to face implementation delays caused by non-compliance with Bank’s disbursement procedures and challenges in mobilising co-financing and/or counterpart funds.

Knowledge Bank. In 2018, we delivered a large number of policy briefs that focused on cross-cutting issues and achieving the High 5 priorities. We exceeded our target by producing 253 new economic and sector work products. We also launched flagship publications, such as the African Economic Outlook 2018, and continued work to harmonise statistical research standards across the continent. We used our position to convene knowledge-sharing and capacity-building events, such as the African Economic Conference.

Managing our operations efficiently

The Bank is committed to managing its operations efficiently to increase its impact and achieve the High 5 priorities. We continue to work with partners to mobilise resources and provide technical assistance. In line with our internal reforms, we are realising our objective of moving closer to clients and developing staff with the skills and experience to deliver our operations optimally.

Financial performance. The Bank continues to co-finance projects with other international development agencies and partners, and it also mobilises funds through bilateral and multidonor trust funds. Last year, we mobilised $6.95 billion from the public sector and $3.23 billion from the private sector. We will renew our focus on crowding in private capital to increase our resources and to promote inclusive and sustainable growth. Total Bank income declined to $173 million in 2018, mainly as a result of changes in accounting standards. Rating agencies reaffirmed the Bank’s AAA rating with a stable outlook.

We are driving more efficient management of the Bank and better value for money for clients

Value for money. By implementing our internal reforms, we are driving more efficient management of the Bank and better value for money for clients. In terms of cost-efficiency, our administrative costs per disbursement decreased from 2015 but were slightly higher than in 2017 because of a number of hires at headquarters and country offices that were required for on-going reforms. Our cost per seat also increased modestly because of higher building security and electricity costs; we are exploring measures to mitigate these costs in 2019. We will continue to implement our Digital Strategy to re-engineer the Bank’s business processes and help us transform into a “Smart Bank”.

Decentralisation. We continued to roll out reforms aimed at bringing our operations closer to our clients and stakeholders. We have streamlined our structure at headquarters and transferred some functions to regional and country offices, including increasing our presence in transition countries. In 2018, we launched a revised Delegated Authority Matrix to streamline processes, clarify divisions of responsibilities, and strengthen the capacity and authority of regional hubs and country offices. We now have 41 country offices and five Regional Development, Integration and Business Delivery Hubs, each headed by a Director General, and 53% of operations
staff are now based in country offices and regional hubs. To optimise skills distribution, accelerate decentralisation, and align staffing with current and planned lending programmes, we are refining our matrix organisational structure and undertaking a country office right-sizing exercise.

**Staffing.** We aim to attract and retain top talent to execute our strategic plans and deliver the High 5 priorities. We will pay close attention to employee engagement and managerial effectiveness to deliver our operations as effectively and efficiently as possible. We have reaped positive results from our drive to accelerate recruitment, and we have stepped up training to build staff and manager capacity. We are investing in leadership development, strategic mentoring and e-learning. Our recruitment process has continued to focus on improving diversity, including gender, language and regional representation. We are committed to reducing the gender gap—the share of women professional staff reached 30% in 2018—and we have introduced gender-responsive practices in our recruitment.

**Conclusions and outlook**

This ADER shows that the Bank has made a significant contribution to promoting regional integration and economic transformation. Our work to improve infrastructure connectivity, increase access to services, strengthen skills and promote regional cooperation enhances opportunities for people across Africa.

Our internal reforms have enhanced accountability, streamlined processes and supported talent and diversity in our work force. As a result, the quality of our operations has continued to improve. We will continue to focus on managing our operations efficiently to deliver enhanced results and achieve the High 5 priorities.

Looking forward, we are developing new approaches to further drive accountability, innovation and development impact. We aim to crowd in funding from the private sector to enhance our ability to drive economic transformation. Working with our regional member countries and development partners, we will remain focused on reaching our High 5 priorities and achieving the SDGs.
Making goods flow faster

The development of hard and soft infrastructure improves regional connectivity and integration. A one-stop border post eliminates the need for travellers and goods to stop twice, on both sides of the Namanga border between Tanzania and Kenya, allowing them to complete border crossing formalities much faster.
Introduction

Each year, the Annual Development Effectiveness Review (ADER) provides an overview of Africa’s development and assesses the contribution the African Development Bank (the Bank) has made to that progress. The ADER is an important tool that helps the Bank take stock of where we are performing well and where we can do better.

In 2018, Africa made important progress towards overcoming barriers to trade, growth and development. The adoption of the Agreement establishing the African Continental Free Trade Area shows the level of commitment across the continent to ushering in a new era of economic cooperation. Together with strong growth prospects, a young population and the increasing dynamism of Africa’s cities, regional economic integration can help propel the continent towards economic transformation. The Bank aims to play a pivotal role in harnessing this potential and helping Africa to achieve the Sustainable Development Goals.

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

The ADER is intended to offer stakeholders and partners a good understanding of our objectives, our portfolio and our performance. Thus, it is written in accessible language, offering a clear narrative about progress in the High 5 areas and cross-cutting issues for Africa. Through assessments against measurable, time-bound targets it provides stakeholders with a snapshot of where we are on track to achieve our goals, and where we need to accelerate our efforts. In

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The methodological annex discusses how the High 5 strategies contribute to the Bank’s twin goals of inclusive growth and green growth and how the ADER tracks progress against the RMF.
this way, the ADER supports our commitment to transparency and accountability.

The theme of this year’s ADER is Africa’s integration. Greater integration across the continent can drive progress towards economic growth and poverty reduction. We explore progress toward this goal and explain how our operations are contributing to this progress. The ADER also reviews progress on the other four High 5s and our cross-cutting priorities of governance, fragility, gender and climate change, including their contribution to our Integrate Africa objectives.

Chapter 1 of this ADER focuses on Integrate Africa, and Chapters 2–6 consider the other High 5s and the cross-cutting priorities. Each of these chapters is structured around indicators from Levels 1 and 2 of the RMF.

- **Level 1** tracks Africa’s overall development progress. The annual targets are steps on the path towards the Bank’s 2025 targets for Africa, as set out in the High 5 strategies. They include, for example, the cost of trading across borders and the number of countries with liberal visa policies.

- **Level 2** measures the Bank’s contribution to these development outcomes. It includes a set of intermediate targets that link our project results to the 2025 delivery targets and wider development outcomes. For example, we measure the number of cross-border roads and power transmission lines constructed that will contribute to greater trade and cooperation across the continent. The operations results provided in this report are presented as an average of the past three years’ performance.

Chapter 7 then focuses on the Bank itself, using indicators from Levels 3 and 4 of the RMF.

- **Level 3** examines how effectively we manage our portfolio to deliver sustainable development results. It analyses progress against indicators that measure development impact, the quality and speed of operations, improvements in portfolio performance and the quality of our knowledge services.

- **Level 4** shows how efficient we are as an organisation. We examine progress on cost-efficiency, staff management and recruitment, and decentralisation to ensure that we are delivering value for money for our clients and shareholders. It also includes targets on resource mobilisation, because our efforts to catalyse public and private sector finance enable us to achieve development results and accelerate progress towards the SDGs.
Facilitating free movement of people
Visa openness is a vital step towards a more integrated Africa. It helps plug skills gaps in the labour market, promote entrepreneurship, diversify the economy, add value to services, attract investment and boost competitiveness.
Regional economic integration in Africa took a major step forward with the adoption of the Agreement establishing the African Continental Free Trade Area (AfCFTA), which entered into force in May 2019. Greater integration provides African producers with access to larger markets and encourages trade and investment. This in turn creates jobs, boosts productivity and encourages diversification. In addition, Africa’s cities, with their dynamic consumer and labour markets, are becoming increasingly attractive investment locations.

However, despite some landmark achievements, intra-Africa trade remains low. Significant barriers to trade remain, such as the high cost of trading across borders. There have been notable efforts to improve infrastructure connectivity and create conducive policy environments for business. Regional economic communities continue to promote integration, but progress is needed in many areas. The Bank is a champion of economic integration, trade and investment. Our Regional Integration Strategic Framework supports the African Union’s Agenda 2063 and the establishment of the Continental Free Trade Area. Through our investments, we will continue to deliver enhanced social and economic opportunities across the continent.

Ushering in a new era for intra-Africa trade and economic cooperation

African regional economic integration was given a boost in March 2018 with the adoption of the Agreement establishing the African Continental Free Trade Area. Having met its ratification threshold, AfCFTA will become operational in July 2019. It paves the way to making Africa—with its more than 1 billion consumers and over $2.5 trillion combined GDP—the largest free trade area in the world.

Intra-Africa trade creates the potential for high-value manufacturing, knowledge transfer, productivity growth and job creation

Intra-Africa trade is a driver of social and economic development. It creates the potential for high-value manufacturing, knowledge transfer, productivity growth and job creation. Expanding access to regional and international markets generates additional income for Africans and helps to relieve poverty.

By committing countries to removing tariffs on 90% of goods, liberalising tariffs on services and addressing other non-tariff barriers, AfCFTA is expected to significantly increase the value of intra-Africa trade and investment. According to the Bank, intra-Africa trade could grow by up to 15% if the bilateral tariffs that are applied today in Africa are eliminated and the rules of origin kept simple and transparent.

Figure 2: Intra-Africa trade remains limited

Intra-Africa trade as a proportion of total goods trade

Source: International Trade Center
The African Continental Free Trade Area is just one part of a growing architecture of regional economic cooperation. It is complemented by other continental initiatives, including Boosting Intra-African Trade, Protocol on Free Movement of Persons, Right to Residence and Right to Establishment, and the Single African Air Transport Market.

Despite these landmark achievements, intra-African trade remains low at 14.4% of total trade (see Figure 2), with a decline in low-income countries from 22.6% in 2015 to 20.4% in 2018. By comparison, inter-regional trade in Asia accounts for 59% of total trade. Poor infrastructure, non-tariff barriers and a deficit of political goodwill to address the challenges that affect intra-African trade continue to impede progress.

This trade figure also omits the substantial amount of informal trade between countries, much of it undertaken by women and young people. In the Southern African Development Community (SADC) region, for instance, it is estimated that informal trade accounts for one-third of total intra-SADC trade.

The barriers to intra-Africa trade remain significant. The cost of trading across borders remains high, at $2384, although it fell slightly in 2017. There have been notable efforts to improve infrastructure connectivity across the continent. By lowering tariffs, addressing non-tariff barriers to trade and promoting deeper financial integration, AfCFTA will help reduce the time and cost involved in trading across borders and promote the free movement of people, goods and services.

Regional economic integration will be further driven by a number of macroeconomic and demographic trends. For example, a decline in global commodity prices and advances in technology will encourage countries that rely on low-value commodities to diversify. In addition, structural reforms can create conducive policy environments for companies to grow, as pan-African banks illustrate. And rapid urbanisation creates new consumer and labour markets that are attractive to investors, so that Africa’s cities are becoming increasingly attractive investment destinations.

There has been a significant increase in cross-border investment in Africa. In Africa-to-Africa (A2) Investment: A First Look, the Bank reported that cross-border investments reached $12 billion in 2018, up from $2 billion in 2010. Figure 3 shows the flows of intra-Africa investment between cities. The State of African Cities Report 2018 identifies Johannesburg, Casablanca, Cairo, Lagos and Nairobi as amongst the most significant sources and recipients of intra-Africa investment.

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### Table 1: Integrate Africa indicators (Level 1 & Level 2)

<table>
<thead>
<tr>
<th>INDICATOR</th>
<th>ALL AFRICAN COUNTRIES</th>
<th>ADF COUNTRIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Baseline 2015</td>
<td>Latest 2018</td>
<td>Target 2018</td>
</tr>
<tr>
<td><strong>INTEGRATE AFRICA INDICATORS—PROGRESS IN AFRICA (LEVEL 1)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intra-African trade as a proportion of total goods trade (%)</td>
<td>14.6</td>
<td>14.4</td>
</tr>
<tr>
<td>Cost of trading across borders ($)</td>
<td>2 384</td>
<td>2 384</td>
</tr>
<tr>
<td>Regional economic communities’ average score (scale, 0 Low-1 High)</td>
<td>0.47</td>
<td>..</td>
</tr>
<tr>
<td>Deeply and broadly integrated countries (number)</td>
<td>19</td>
<td>..</td>
</tr>
<tr>
<td>Countries with liberal visa policies (number)</td>
<td>13</td>
<td>11</td>
</tr>
<tr>
<td><strong>INTEGRATE AFRICA INDICATORS—AfDB CONTRIBUTIONS (LEVEL 2)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transport–Cross-border roads constructed or rehabilitated (km)</td>
<td>380</td>
<td>390</td>
</tr>
<tr>
<td>Energy–Cross-border transmission lines constructed or rehabilitated (km)</td>
<td>..</td>
<td>7</td>
</tr>
</tbody>
</table>

- **Achieved 95% or more of the 2018 target**
- **Achieved less than 95% of the 2018 target but above baseline value**
- **Achieved less than the baseline**

---

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The role of regional economic communities
A growing number of African countries are moving to build ties through trade and greater economic cooperation. The continent’s regional economic communities (RECs) continue to promote regional economic integration among their members and to play an important role in promoting regional infrastructure development. We have not updated the relevant indicator, as we are awaiting the new issue of the African Regional Integration Index this year.

The overlapping membership and mandates of the RECs have resulted in various approaches to integration across the continent. The East African Community has made great strides in increasing cross-border trade and supporting the free movement of people. In Central and West Africa, monetary unions encourage financial and macroeconomic integration. These represent some of the ambitious efforts to pave the way for more deeply and broadly integrated countries.

Greater economic integration and closer cooperation also enable African countries to cooperate on common challenges. The Bank’s 2019 Africa Economic Outlook report notes that integration benefits the delivery of regional public goods — including establishing financial governance frameworks and power pools, opening air transport markets (see Box 1) and opening borders.

Afria has been making steady progress on opening up freedom of movement and liberalising visa policies
Intra-African travel is projected to increase dramatically over the next few decades, as average incomes and job security rise in a growing middle class. According to the Brookings Institution, more than 10 million Africans already travel across national borders every year. By 2030, consumer spending on tourism, hospitality and recreation in Africa is projected to reach $261.8 billion — almost double its level in 2015. The continent has been making steady progress on opening up freedom of movement and liberalising visa policies (see Box 2). Eleven of Africa’s 54 countries have liberal visa policies — up from 10 in 2017. However, overall performance has declined due to changing country political relations and security threats. This is particularly the case for Mali, Burundi and Cape Verde, which had liberal visa policies in 2015. One-stop border posts (OSBPs) also facilitate the free movement of people and goods across the continent. There are now 76 OSBPs across Africa, with a number more in the pipeline. Before 2009, there were none.

The Bank’s catalytic role in bringing regional integration to scale
Over the past decade, Africa has made significant progress towards regional economic integration, but it remains a complex process. The Bank is at the centre of efforts to ensure that the AICFTA is a success. In April 2019, we approved an institutional support grant of $4.8 million to the African Union to help accelerate the implementation of the Agreement. We have also invested over $1 billion to support the financing of African trade.

All of the Bank’s High 5 priorities play a vital role in contributing to integration, as Figure 4 shows. The next four chapters will also bring out the close links of each High 5 to delivering regional integration.

We invest in infrastructure development to connect countries, increase trade and improve countries’ competitiveness
The Bank’s commitment to powering Africa creates regional power pools and harmonises regulatory aspects, making it easier for communities and business to access the reliable, affordable and green energy they need to thrive. The Bank’s work to support agribusiness and manage trans-boundary natural resources contributes to more integrated supply chains and regional cooperation, ultimately helping to tackle hunger and malnutrition.

Box 1 Open skies policy
Air travel in Africa tends to be highly concentrated and dominated by monopoly state-owned carriers. This has a detrimental effect on costs, route diversification, market integration, safety and security, and infrastructure development. Thus air travel volumes in Africa are much lower than in other regions.

The Single African Air Transport Market treaty is designed to deregulate the aviation sector. It will ensure that cross-border flights in countries that have implemented the treaty are treated as domestic flights. This will reduce fares, increase convenience for travellers, and stimulate economic growth through air transport and tourism. The treaty has been signed by 22 countries that account for 75% of intra-African air transport.

Box 2 Africa Visa Openness Index
The African Visa Openness Index is a collaboration between the Bank and the African Union that shows the extent to which African countries are open to travel from citizens of other African nations and which countries offer visa-free or visa-on-arrival access. Since 2016, the index has served as a powerful tool in encouraging countries to reform their visa regimes. Momentum for liberalising visa policies is gathering across regional blocs and the continent as a whole, in line with the Free Movement Protocol. A quarter of all countries now allow African citizens to visit without visas.

A key component of integration is facilitating the movement of people. With more liberal visa policies, countries can tap into the economic benefits of opening up their borders. And more Africans can take up tourism, investment and business opportunities.
In West Africa, we contributed to the rehabilitation of one of the West African Economic and Monetary Union’s priority highways, linking Togo and Burkina Faso. We also financed the historic Trans-Gambia Bridge, which opened in January 2019, connecting The Gambia and Senegal (see Box 3).

In Central Africa, we supported the construction of the Ketta Road, improving trade volumes between Congo Brazzaville and Cameroon. In East Africa, we have been working with partners to co-finance the upgrading of a section of the Greater Trans-African Highway linking Cairo to Cape Town. This project has helped create new market centres in Kenya and attract new investment into Ethiopia.

In addition to road infrastructure, the Bank has supported projects to improve the efficiency and competitiveness of air travel across the continent. In Morocco, our investments rehabilitated air terminals in Fez and Marrakesh, improving conditions for passengers and raising capacity.

Looking forward, the Bank has funded feasibility studies for developing the Lagos-Abidjan road corridor and modernising the Trans-Maghreb railway. Both projects will provide a boost to regional economic integration.

Ongoing Bank projects are supporting the development of transport infrastructure in the Nacala corridor to promote economic growth in Mozambique and Malawi and of a railway link between Angola and Zambia. Our investments are funding the Kazungula road and railway bridge over the Zambezi River and OSBPs in Botswana and Zambia, improving connectivity between these two landlocked countries and with the port in Durban. We are also galvanising regional cooperation and supporting commercial and tourism activities between Kenya and Tanzania through road improvements and OSBPs (see Box 4). By promoting the cross-border movement of people and goods between countries, our investments are enabling private sector development, tourism and agricultural production.

In energy, Bank projects have funded the construction of 7 km of cross-border transmission lines. A major focus of the Bank’s power connectivity projects has been connecting the countries of the Nile Basin and supporting some of the largest renewable energy projects in East Africa. These projects are described in more detail in the Light Up and Power Africa chapter. We also expect progress against this indicator with the completion of ongoing regional programmes like the Ethiopia-Kenya electricity highway — a project that includes the construction of 1068 km of transmission lines and is expected to be operational in 2019.

Our support to RECs on harmonisation of natural resource policies, laws, regulations and institutional frameworks will help to promote an enabling environment for investment, infrastructure development and creation of new cross-border markets. In the East African Community and Economic Community of West African States, we supported the harmonisation of petroleum policies, regulations and institutional frameworks.

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**Box 3: A new era of connectivity and integration for two West African nations**

The Bank supported the construction of the historic Trans-Gambia Bridge and two one-stop border posts, which opened in January 2019. The project is expected to reduce transport costs, encourage trade and unite previously isolated communities.

The 942 m-long bridge spans the Gambia River, providing a safer, quicker alternative to the ferry crossing. It will enhance traffic flow between the northern and southern parts of The Gambia and Senegal. It will also increase subregional trade and socioeconomic development opportunities on the corridor between Dakar and Lagos. The border posts will reduce customs formalities at the borders, enhancing the potential for increased trade and business.

Phase II of the project will include rehabilitation of 137 km of road in Senegal and pavement strengthening of 24 km of road in The Gambia.

Building physical infrastructure and working to improve the business environment supports countries in industrialising and trading with their neighbours. And enhancing the labour market and strengthening skills enhances opportunities for people across Africa.

We continue to invest in infrastructure development to connect countries, increase trade and improve countries’ competitiveness. Bank projects have constructed or rehabilitated 390 km of cross-border roads — above the 380 km delivered in 2015. We have also invested in OSBPs, which, together with improvements to roads, dramatically decrease the time and cost involved in trading across borders.
Another form of integration is the development of regional public goods across countries. Through the Programme for Infrastructure Development (PIDA), Bank funding promotes the coordination of infrastructure policies and regulations across the continent. Last year the Bank’s annual PIDA Week focused on good governance principles for smart infrastructure project delivery and financial closure.

The Bank has also worked to improve and standardise payment systems across four West African countries and harmonise them with those of Ghana and Nigeria. The project has provided Liberia, The Gambia, Guinea and Sierra Leone with important systems upgrades that have supported the automation of high-value funds transfers and government security trades. Improved payment systems have led to an increase in government revenue collection and private sector development.

**Boosting infrastructure connectivity and trade with key initiatives**

The Bank’s Regional Integration Strategic Framework (RISF 2018–25), which supports the African Union’s Agenda 2063 and the AfCFTA, guides the Bank’s *Integrate Africa* activities. We promote economic and social development by investing in initiatives that improve cross-border linkages, strengthen access to regional and global markets and strengthen regional transport corridors.

> *We invest in initiatives that improve cross-border linkages, strengthen access to regional and global markets and strengthen regional transport corridors*

Our Strategic Framework is built on three pillars to increase regional integration:

- Infrastructure connectivity is the first pillar, and a precondition to achieving the others. We will focus on regional connectivity and cross-border trade and investment through integrated power pools, transport and ICT infrastructure.

- The second pillar is trade and investment. We are committed to strengthening regional markets and linking landlocked countries to trade opportunities. Through this pillar, we aim to raise Africa’s competitiveness and deepen intra-African trade and private sector investment. We also support capacity development and policy and regulatory reform.

- The third pillar is financial sector integration, with a particular focus on the private sector. Through this pillar, we are also committed to stepping up co-financing to address financing and investment gaps across the continent.

Over the next seven years, the Bank will require an estimated $12.4 billion to support its regional integration activities. Guided by the Regional Integration Strategic Framework, the Bank is working to develop Regional Integration Strategy Papers (RISPs) that will steer our Integrate Africa activities in each of the five regions. The East Africa RISP (2018–22), approved in September 2018, focuses on regional infrastructure development and strengthening policy and institutions for market integration, investment and value chain development. The Central and North RISPs are in draft, and the RISPs for other regions are still being developed.

**Newly approved projects**

The Bank is supporting projects to connect regional markets in East Africa with each other and with the port of Dar es Salaam. In 2018, we approved $322.4 million in loans and grants to Burundi and Tanzania for projects that strengthen regional integration and trade in the East African Community through improved cross-border transport. These projects will open up rural areas, reduce travel times and cost, and enhance road safety.

In West Africa, the Bank is investing in regional infrastructure connectivity to reduce vulnerability to conflict and boost post-conflict economic recovery. With the European Union and the

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**Box 4 Stories from beneficiaries**

Bank support has made crossing the border between Tanzania and Kenya faster and easier. A new one-stop border post at Namanga, along with the construction of 240 km of road between Arusha in Tanzania and Athi River in Kenya, has supported businesses and tourism in the area.

Shuttle bus driver Naftali Mzota says it used to take a prohibitive amount of time to clear his bus and passengers across the border. The crossing can now be completed in a matter of minutes. “At first, border clearing here was a challenge because there were two borders. You would clear at Immigration and Customs in Tanzania, then you would cross over to the Kenyan side and repeat the same process. It used to take 1.5 to 2 hours. But now, when passengers come from Tanzania they process their travelling papers in Kenya and continue with their journey, in about 20 to 30 minutes. So, it has been good. The African Development Bank has eased the clearing process and the people here enjoy the fact that the border post has become bigger.”
The Bank is working to reduce isolation and connect landlocked countries to trade opportunities

<table>
<thead>
<tr>
<th>What has worked well</th>
<th>What has not worked so well</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ensuring strong political commitment for regional projects</strong>&lt;br&gt;Sustained political commitment from the participating member states is required for regional projects to achieve long-term results. An evaluation by the Bank’s independent evaluation office (BDEV) of six power interconnection projects found that they were successfully implemented largely because of the political commitment of the governments involved and the close cooperation between the utilities.</td>
<td><strong>Strengthening the monitoring of regional operations</strong>&lt;br&gt;Sound results-based monitoring and evaluation (M&amp;E) systems are required for effective regional projects. A BDEV independent evaluation in East Africa found that weaknesses in M&amp;E frameworks were a key impediment to about 20 projects. The Bank should pay close attention to M&amp;E systems for multinational projects.</td>
</tr>
<tr>
<td><strong>Promoting compliance with agreements in regional operations</strong>&lt;br&gt;All stakeholders must adhere to project agreements for successful implementation and sustainable outcomes. Both the Kenyan and Ethiopian governments are implementing axle-load-control measures on the Mombasa-Nairobi-Addis Ababa corridor. The Bank should continue to promote harmonisation of axle load limits between the two countries to ensure the seamless flow of transit trucks and to promote the sustainability of the investment.</td>
<td><strong>Improving project timeframes for efficient delivery</strong>&lt;br&gt;Robust assessment of risks is required in the design phase of multinational projects to avoid delays and achieve results. A review of four projects in the Central African region found that difficulties meeting the requirements for disbursements resulted in delays averaging two years. The Bank should ensure that sufficient risk mitigation measures are in place from the outset to support the delivery of regional projects.</td>
</tr>
</tbody>
</table>

Government of Mali, the Bank is investing to improve the 285.8 km Bourem-Kidal section of the Trans-Saharan Highway, which will open up the Kidal region. Increased trade and better accessibility will help strengthen peace and promote socioeconomic opportunities for vulnerable communities.

With the EU and European Investment Bank, the Bank has approved $41.6 million to develop and pave 67.1 km of the Mano River Union Road linking south-eastern Liberia and the western part of Côte d’Ivoire. The project will improve intra-community and regional trade by improving transport conditions and facilitating the free movement of goods and people.

The Bank has invested $37.5 million in the Gabon Special Economic Zone Port for the construction and operation of a general cargo terminal with a capacity of 4 million tonnes. The investment also supports a hydrocarbon depot and container storage facility at the port of Owendo.

In Morocco, we are supporting the expansion of the Rabat Salé International Airport to address the growing passenger traffic and the logistics needs of economic players in the country. This investment will also help create up to 1700 direct jobs.

Under the Bank’s commitment to power connectivity, we are continuing to support the Nile Equatorial Lakes Subsidiary Action Program by investing in the Burundi-Rwanda electricity interconnection (further details are in the Power Africa section).

We have provided a supplementary loan for the Ethiopia-Kenya electricity superhighway, which will facilitate power trade and provide reliable electricity at affordable rates to power the two countries’ industrialisation. About 3100 GWh/year of low-cost electricity will be added to the grid, benefiting 1.4 million households and 920 000 small businesses.

We will continue to work with regional economic communities, national governments, international donors and the private sector to Integrate Africa. Through our Regional Integration Strategic Framework, we will deliver regional infrastructure, promote regional trade and investment, and increase financial integration. To enhance economic and social development opportunities across Africa, we will support the continent’s ambitious Agenda 2063 and the AfCFTA.
Exporting power to Southern African countries

Demand for energy is growing in Southern African countries. To meet this regional demand, Mozambique is now exporting its power surplus, while continuing to expand access to electricity to more people in the Dondo area, with our support.
Chapter 2
Light up and power Africa

Energy is at the heart of development. It helps businesses thrive, powers essential services and makes communities safer, particularly for women and girls. Reliable and affordable energy encourages investment, growth and job creation. Energy is also key to Africa’s transition to green growth. The continent’s rich renewable energy potential needs to be harnessed to address chronic capacity shortages and achieve the Sustainable Development Goals.

Regional energy integration is high on Africa’s development agenda. While only 8% of power is currently traded across borders, this share is steadily growing. Access to electricity is also improving — 52% of the population across African countries now have access to electricity. The Bank is helping Africa integrate its energy resources, increase its renewable energy capacity and improve access to reliable and affordable power. Major interconnection and renewable energy projects are under way. The Bank is committed to working with governments, regional organisations and the private sector to identify priority projects and expedite the integration of Africa’s power systems.

Connecting Africa’s electricity grids for enhanced access
Africa is rich in natural energy, but the distribution of this wealth is uneven. While larger countries have an abundance of domestic options, smaller countries lack the scale and resources to rely solely on domestic resources. Regional energy integration, through power pools, contributes to redressing this imbalance and transforming the energy landscape in Africa.

African energy corridors help boost trade and industry
Regional energy integration is high on Africa’s development agenda. It supports energy security through integrated markets and cross-border infrastructure development. It enables countries to develop their energy systems more collaboratively and avoid the inefficiencies of small markets, lowering costs and increasing access. The Bank’s New Deal on Energy for Africa underlines that regional energy integration has the potential to reduce investment and power costs as much as 15%, benefiting both businesses and consumers. And it generates economies of scale that are attractive to investors.

Regional energy integration has the potential to reduce investment and power costs as much as 15%

However, regional energy integration has proceeded only slowly. Policies to promote it have met with mixed success because of the complex and long-term nature of regional integration projects.

There are now five regional power pools in Africa. While according to McKinsey & Company less than 8% of power crosses international borders in any African region, the cross-border trade of energy is
growing. Countries are increasingly relying on imported energy; some now import over half their energy (see Figure 5). Through regional power pools, countries that produce a surplus of energy, like Mozambique, can export their energy to meet rising demand in neighbouring countries (see Box 6).

Despite the growth in energy trade in Africa, there are still severe capacity gaps across the continent, which are gradually being addressed through new investment. In 2018, Africa reached 191 GW total installed electricity capacity, of which 37 GW is renewable capacity. In the coming years, major investments will be made in the continent’s renewable energy capacity — for example, South Africa’s Redstone and Kenya’s Kopere solar power projects.

The efficiency of Africa’s electricity infrastructure remains a cause for concern. In 2018, electricity losses through transmission, distribution and collection averaged 17.1%, up from 15% in 2015. Aging infrastructure, inefficiencies in energy distribution and power system planning and the vulnerability of networks to tampering have all contributed to this decline. To increase access to reliable power, African countries will need to invest more in maintaining their electricity infrastructure. The newly established Electricity Regulatory Index (ERI) aims to encourage such investment by

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**Table 2  Light up and power Africa indicators (Level 1 & Level 2)**

<table>
<thead>
<tr>
<th>INDICATOR</th>
<th>ALL AFRICAN COUNTRIES</th>
<th>ADF COUNTRIES</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Baseline 2015</strong></td>
<td>Latest 2018</td>
<td>Target 2018</td>
</tr>
<tr>
<td>Share of population with access to electricity (% population)</td>
<td>42</td>
<td>52</td>
</tr>
<tr>
<td>Share of population with access to clean cooking solutions (% population)</td>
<td>32</td>
<td>29</td>
</tr>
<tr>
<td>Total installed electricity capacity (GW)</td>
<td>168</td>
<td>191</td>
</tr>
<tr>
<td>Installed renewable capacity (GW)</td>
<td>33</td>
<td>37</td>
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<tr>
<td>Electricity losses through transmission, distribution and collection (%)</td>
<td>15</td>
<td>17.1</td>
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</table>

**Light up and power Africa indicators — AfDB contributions (Level 2)**

<table>
<thead>
<tr>
<th>INDICATOR</th>
<th>Baseline 2015</th>
<th>Actual 2018</th>
<th>Target 2018</th>
<th>Latest 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>New total power capacity installed (MW)</td>
<td>490</td>
<td>447</td>
<td>880</td>
<td>8 800</td>
</tr>
<tr>
<td>New renewable power capacity installed (MW)</td>
<td>24</td>
<td>197</td>
<td>560</td>
<td>5 600</td>
</tr>
<tr>
<td>People with new electricity connections</td>
<td>72.5</td>
<td>570</td>
<td>2 400</td>
<td>24 000</td>
</tr>
<tr>
<td>— of which women</td>
<td>36</td>
<td>261</td>
<td>1 200</td>
<td>12 000</td>
</tr>
<tr>
<td>People connected through off-grid systems (thousands)</td>
<td>..</td>
<td>..</td>
<td>1 200</td>
<td>12 000</td>
</tr>
<tr>
<td>— of which women</td>
<td>..</td>
<td>..</td>
<td>600</td>
<td>6 000</td>
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<tr>
<td>People provided with clean cooking access (thousands)</td>
<td>..</td>
<td>..</td>
<td>3 200</td>
<td>32 000</td>
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<td>— of which women</td>
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<td>1 600</td>
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<td>New or improved power distribution lines (km)</td>
<td>875</td>
<td>2 430</td>
<td>3 520</td>
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<tr>
<td>New or improved power transmission lines (km)</td>
<td>69</td>
<td>480</td>
<td>576</td>
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<tr>
<td>Emissions reduction in energy (thousand tons CO2)</td>
<td>17.3</td>
<td>719</td>
<td>1 800</td>
<td>18 000</td>
</tr>
</tbody>
</table>

**Box 6  Mozambique becomes an energy exporter**

Mozambique produces almost three times as much electricity as it consumes. The surplus is exported to neighbouring countries through major transmission projects like the Mozambique-Zambia interconnector and the Centre-South Backbone, which runs from the centre to the south of Mozambique and on to South Africa.

The efficient transmission of power remains a challenge because of the country’s size and sparse population pattern. Thus, while surplus power is exported, up to 85% of consumed power is reimported back from South Africa’s Eskom.

Demand for Mozambique’s surplus power is expected to grow. Mozambique is seeking to increase and diversify its energy sources. The Cahora Bassa dam on the Zambezi River currently accounts for more than 80% of Mozambique’s electricity production. The country has commissioned several gas thermal plants and is exploring numerous solar and wind opportunities. Its first utility-scale solar power plant, with a capacity of 40 MW, was commissioned in 2017.
highlighting infrastructure and governance issues in the sector (see Box 7).

The availability of data is key to the increased investments Africa’s energy sector needs. Thus the Bank created the Africa Energy Portal, an easy, reliable data platform for all stakeholders, including investors and governments (see Box 8).

Access to energy by household

Overall, the share of population with access to electricity in Africa has increased — from 42% in 2015 to 52% in 2018, and for low-income countries from 24% in 2015 to 36% in 2018. While access to electricity in Africa remains below the global average, since last year growth in this area now outstrips population growth. However, electricity demand in Africa is projected to triple by 2030, which implies that a huge increase in investment will be needed to achieve universal electrification by 2030, as SDG 7 calls for.

The share of population with access to electricity in Africa has increased

With few exceptions, access to clean cooking solutions is limited in much of the developing world. Across Africa, the share of population with access to clean cooking solutions has declined overall to 29%, but has increased to 12% for low-income countries. While the health and environmental costs of burning solid fuels for cooking are high, even households with access to clean cooking solutions often continue to use solid fuel in parallel, due to gas shortages and affordability.

The Bank’s impact in the drive for universal energy

The Bank is committed to providing more and cleaner energy for all Africans. Our Ten-Year Strategy (2013–22) recognises that meeting Africa’s energy needs is critical to economic development and poverty reduction. And under the New Deal for Energy, we work to drive reform and investment in the sector.

To realise our commitments, we are investing in a wide range of energy projects across the continent. With governments and the private sector and through multi-stakeholder initiatives, the Bank is working to identify priority projects and raise finance to expedite the integration of Africa’s power systems and increase access to affordable and clean energy.

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**Box 7 Bank launches first Electricity Regulatory Index for Africa**

Electricity supply across Africa is being progressively restructured through the emergence of independent power producers and country-specific initiatives. The Bank is supporting this movement. To further encourage investment in the sector, the Bank has launched the first Electricity Regulatory Index for Africa (ERI).

African countries have made tremendous strides in developing robust regulatory frameworks for their electricity sectors. Of the 15 countries included in the 2018 ERI, all have instituted legal and regulatory frameworks establishing electricity sector regulators. Uganda and Namibia rank high in the index (see Figure 6) because the actions and decisions of their regulators had a positive influence on the utilities’ performance. But progress has been uneven, and work remains to strengthen regulatory independence. The index will encourage the African power sector to address regulatory performance and help bring regulatory frameworks up to international standard and best practice — increasing the transparency, predictability and good governance of the electricity sector.

**Box 8 Building Africa’s energy data powerhouse: Africa Energy Portal**

Energy is a critical element in Africa’s overall financing gap. How can Africa’s energy financing needs be showcased? This is behind the Bank’s motivation to launch the Africa Energy Portal (AEP) in 2018. The portal provides a virtual access and an interactive platform for access to energy data and knowledge sharing among stakeholders in Africa’s energy sector.

In 2018, we delivered 480 km of new or improved power transmission lines, compared to 69 km in 2015. We also delivered 2430 km of new or improved power distribution lines, compared to 875 km in 2015. Upgrades to distribution networks in Tanzania, Uganda, Guinea, Nigeria and Cape Verde have improved access to energy services, providing more reliable and cheaper electricity. Overall, our investments have enabled 570 000 people to receive new electricity connections, of whom 261 000 were women. In Tanzania, our electrification project benefited rural communities and made a huge difference to women (see Box 9).

Interconnection projects increase capacity, reduce cost, and increase access to energy. They provide reliable and cheaper electricity and reduce reliance on expensive diesel-powered thermal plants. In East Africa, the NELSAP Interconnection of the Electric Grids of the Nile Equatorial Lakes Countries project (see Figure 7) will enable five countries to share capacity reserves and significantly increase electricity transmission capacity through the construction and upgrading of power lines and transformer stations.

Similarly, in the West Africa region, the Côte d’Ivoire, Liberia, Sierra Leone and Guinea Electricity Networks Interconnection Project, with a transmission capacity of up to 290 MW, will establish a dynamic regional power market and increase access to electricity for about 24 million people. These investments will reduce costs, improve access and reliability, and attract investment.

The electrification of rural communities in Tanzania’s Arusha, Mwanza, and Shinyanga regions has had a transformative impact on the lives of women. More than 129 000 households have enjoyed electricity for the first time. Over 18 200 agro-processing industries and businesses have been connected to electricity, and many small and medium-scale businesses have been established as a result of the availability of electricity. In one project area, the number of grain mills has increased from 3 diesel-fueled mills to 24 electricity-powered mills, and the price of grain has fallen from TZS 3500/kg to TZS 2000/kg — benefiting women who undertake the burden of manual grain processing at household level.

Health-care services, education and security have improved for women and girls in areas that were electrified by the project. At the Mwambola Village Dispensary, staff attend an average of four night deliveries each week. Before electrification, expectant mothers who visited the dispensary at night were referred to Misungwi Hospital, more than 6 km away. Girls’ performance in schools has improved. Women and girls are now better able to attend their studies, work on their businesses and attend to their social responsibilities in safety during late evening and night hours.

We have stepped up efforts to address the low levels of energy production and consumption across the continent. As part of the New Deal on Energy, we launched the first edition of the Africa Energy Market Place, bringing together public, private and civil society stakeholders, including government agencies, development partners and investors in the energy sector, to discuss investment, infrastructure, governance and capacity building. We also invested in projects that are expected to contribute to major capacity increases in the near future, including South Africa’s Medupi Power Project (4764 MW) and Morocco’s Global Rural Electrification Programme (1270 MW).

By tapping into available funds, such as the Sustainable Energy Fund for Africa (see Box 10), we are also investing in better project preparation, including funding feasibility studies — a key element to improve project quality and effectiveness.
Of the new power capacity installed in 2018, 197 MW was new renewable power capacity. To achieve our commitments set in the Africa’s New Deal on Energy, the Bank has been actively investing in large-scale renewable projects. Our power generation investments in 2018 will generate up to 60% of installed power capacity from renewable sources. In Zambia, we have invested in a 120 MW hydropower generating plant. In Morocco, Phase 1 of the Noor Ouazarzate Solar Complex project has installed capacity of 160 MW and guarantees electricity to half a million people (see Box 11). We have also co-invested with the Climate Investment Fund in one of the largest wind energy projects in South Africa, the 100 MW Sere Wind Farm Project.

The Bank also contributed the single largest investment in Kenya’s history. The $680 million Lake Turkana Wind Power Station began full commercial operation in March 2019, following delays in connecting the 436-km transmission line to the national grid. Africa’s biggest and most efficient wind power station, its 365 wind turbines will produce 310 MW of reliable electricity — enough to supply 1 million homes (see Figure 8).

Our focus on delivering renewable investments reduced CO₂ emissions by 719 000 tonnes in 2018, considerably more than the 17 300 tonnes we achieved in 2015.

Natural gas has the potential to contribute to greater economic integration in Africa through increased domestic utilisation and cross-border trading of gas and its derivatives, such as electricity and bottled cooking gas. In 2018, following new discoveries, the Bank supported policy dialogue on domestic utilisation of natural gas in the East and West Africa regions.

We have yet to complete operations that connect people through off-grid systems or provide people with clean cooking access. We are, however, working in these areas in line with our commitment to provide energy access through decentralised renewables under the New Deal for Energy in Africa. In 2017, the Bank launched the off-grid revolution initiative to develop green mini-grids and solar home systems. The Bank is already providing technical assistance in support of this initiative in countries like Togo. In 2018, we also began financing private sector investments in renewable energy (see section on new programmes below).

We have recently approved funding for a clean cooking technical assistance project that will be piloted in Cameroon, Ghana and Kenya. It will promote the growth of clean cooking solutions, support small and medium-sized enterprises and create jobs for young people.

The Bank has also approved a $30 million investment in the Facility for Energy Inclusion Off-Grid Energy Access Fund, which will reach 75 million households through off-grid energy access solutions.

**Figure 8** Africa’s largest wind farm is now providing electricity to five million Kenyans

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**Box 10** Improving project preparation with the Sustainable Energy Fund for Africa

The Sustainable Energy Fund for Africa (SEFA), a multidonor trust fund administered by the Bank, seeks to promote energy access and local economic development by unlocking investments in small and medium-scale renewable energy and energy efficiency projects. Financing options available through SEFA include project preparation grants, equity investments and enabling environment grants.

Some of the projects supported by SEFA include the preparation of the Saltinho Hydropower Project in Guinea-Bissau (40 MW); the Makambako wind farm in Tanzania, with an estimated capacity of 50 MW (equity investment); support to governments to create an enabling environment for green mini-grids; and programmes in The Gambia, Burkina Faso and Democratic Republic of Congo.
by 2025. By supporting the use of clean energy instead of fossil fuels to power communities, the Fund is expected to reduce up to 8 million tonnes of CO₂ emissions over its lifetime.

**Optimising investments under the New Deal on Energy for Africa**

The New Deal on Energy for Africa is a partnership-driven effort that has the aspirational goal of achieving universal access to energy in Africa by 2025. In line with the Bank’s aim to support regional integration, the New Deal provides funding, technical and legal advisory support to accelerate the development of regional power projects.

Under the New Deal, we are working with regional organisations to overcome obstacles to regional energy integration. We are strengthening capacities, encouraging exchanges and dialogues, and supporting initiatives to facilitate technical and regulatory harmonisation. The Bank will seek to establish fast-track finance for large-scale regional projects and will use its own capital to mobilise other finance for regional projects.

**New programmes to power the continent**

Among our recently approved projects, we have joined with other donors in committing $20.8 million to support the reform of Burkina Faso’s energy sector. This will improve power sector governance, increase access to energy, particularly in rural areas, and increase investment in the energy sector.

In Rwanda, we are funding the construction of 795 km of medium-voltage and 7317 km of low-voltage lines as part of the $265.32 million Scaling-Up Electricity Access Program Phase II. This is the Bank’s first results-based financing project, which aims to ensure that by 2024 all Rwandan households, health centres, schools and businesses are connected to reliable electricity.

In Côte d’Ivoire we are supporting the first stand-alone private sector off-grid investment to facilitate the deployment of solar home system kits. This will meet the energy demands of 700 000 households in mainly rural areas. In South Africa, we will be investing $221 million in the 100 MW Redstone Concentrated Solar Power project, which will support South Africa’s transition to renewables and improve its energy mix, whilst also increasing supply and access. In Kenya, we have approved $18.17 million for the Kopere Solar Power Project, and we are mobilising additional resources from the Climate Investment Fund’s Scaling-Up Renewable Energy Programme. This project will reach approximately 600 000 people and save 1 081 kt CO₂eq in greenhouse gas emissions annually.

*The Bank has placed climate change mitigation and powering Africa at the top of its agenda*

With the Green Climate Fund, we are cofinancing Zambia’s Renewable Energy Financing Framework, which will finance 100 MW of renewable energy projects under the country’s Renewable Energy Feed-in-Tariff policy. This will diversify Zambia’s energy production, which relies heavily on hydropower.

In Malicounda, Senegal, we have committed a $58.02 million loan to finance a 120 MW dual combined cycle power plant. The plant will increase the base load needed to strengthen grid stability and will facilitate the addition of more renewables into the grid.

We are also providing two grants under SEFA: $1.5 million to help Ghana overcome technical, financial, and regulatory and institutional barriers to scaling up renewable energy investments; and $1.5 million to support the Nigerian government in implementing phase 1 of its Jigawa 1-GW on-grid Independent Power Producer Solar Procurement Program.

The Bank has placed climate change mitigation and powering Africa at the top of its agenda. Through its support of regional energy integration, it has delivered projects that increase access to and reduce the cost of electricity to businesses and communities across the continent. We have delivered and continue to finance...
interconnector projects and large-scale renewable projects. We will increasingly focus on off-grid decentralised and clean cooking solutions. Under the New Deal, we will continue to work with governments, the private sector, and energy sector initiatives to achieve our goal of reaching universal access to energy in Africa by 2025.

### Box 12: Lessons learned: Light up and power Africa

#### What has worked well

**High-level political backing at regional and national levels**

Political commitment is required to sustain regional cooperation and achieve long-term results in multinational projects. In the Ethiopia-Djibouti interconnection project, the political commitment of the governments involved and the close cooperation between the utilities helped make the project successful. All parties’ adherence to the agreements underlying multinational operations is a major prerequisite for successful project operations.

**Enhanced dialogue as a solid foundation for ownership and sustainability of outcomes**

The rural electrification project in Guinea benefited from strong government commitment to the country’s energy sector. A strong sense of ownership was fostered throughout the lifespan of the project, from the President of the Republic to the beneficiary populations. Consultation with the population and the involvement of authorities and civil society should be encouraged for project success.

#### What has not worked so well

**Coordinating regional energy projects to make joint progress**

The success of regional projects requires strong coordination and commitment mechanisms, which were lacking in the NELSAP Interconnection Project. As a result, countries made uneven progress and interconnection was hindered. Strong regional institutions have a key coordination and regulatory role to play.

**Designing realistic timeframes to deliver results**

Realistic timeframes are required to ensure effective project implementation. A cluster evaluation of the Bank’s interconnection projects reported that timeframes were overly optimistic and agreements lacked provisions to motivate borrowers to fulfill loan conditions. Solid analysis and assessment of potential risks is needed to minimise delays that could affect project schedules and costs.

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Improving Africans’ nutrition status through integration
Under its Feed Africa strategy, the Bank supports operations that promote regional integration, strengthening links among the production, distribution and consumption hubs of the food systems to ensure that food surpluses in one region can balance food deficits in others.
Chapter 3
Feed Africa

Transforming Africa’s agriculture sector is central to economic growth, poverty eradication and food security. However, the continent faces significant barriers to achieving its potential. Boosting regional trade and harnessing new technologies will help add value and raise incomes.

Although there have been significant improvements in Africa’s net agricultural trade balance, progress on reducing the incidence of hunger and malnutrition has been slow. The Bank has played a leading role in supporting agribusiness, innovation and nutrition initiatives. In 2018, 19 million people benefited from Bank projects. Yet more needs to be done if we are to reach the Feed Africa target to end hunger by 2025.

Enhancing food security through integrated markets

With more than a quarter of the world’s arable land and 65% of the world’s uncultivated land, Africa has vast agricultural potential. Many Africans rely on agriculture for their livelihoods. Transforming Africa’s agriculture sector is central to economic growth, poverty eradication and food security.

The continent faces significant barriers to achieving its potential. Traditional smallholder farming techniques have kept crop yields low. Conflict and extreme climate events have started to erode the gains made in food security and nutrition improvements. Water remains a scarce resource in many areas. While the technologies needed to boost production and productivity are available, stronger policies and more investment are needed to meet the scale of the ambition.

Agricultural exports from African countries have almost doubled

Linking agricultural produce suppliers along regional corridors in Africa is vital to creating economies of scale and connecting suppliers with buyers. By giving African producers access to larger markets, the African Continental Free Trade Area will help to add value to agricultural commodities, raise incomes and increase food security.

Great strides have been made in addressing Africa’s net agricultural trade balance, which declined to $24.8 billion in 2018 from $38.9 billion in 2015. Over the past decade, agricultural exports from African countries have almost doubled (see Figure 9). However, the trade deficit for low-income countries has increased slightly.

While agriculture is predominantly a private sector activity, its successful transformation depends on national institutions, investment and policies. Countries across the continent have agreed...
to agricultural reform through the Comprehensive Africa Agriculture Development Programme (CAADP) and have committed to increase public spending targets in the agricultural sector to 10%. Even so, progress has been slow in all but a handful of countries — for instance, Burundi, Burkina Faso, D.R. Congo, Ethiopia, Ghana, Guinea, Madagascar, Malawi, Mali and Zambia (see Box 13).

**Box 13 Transforming agriculture in Ethiopia with public investment**

Ethiopia has registered remarkable economic growth in the last decade. Since the mid-1990s the Government of Ethiopia has put agriculture at the heart of its development policy and ensured sustained public investment in the sector. Between 2005 and 2015 it was one of only five African countries to meet the Comprehensive Africa Agriculture Development Programme target to spend 10% of annual government expenditures on agriculture — alongside Malawi, Niger, Mali and Burkina Faso. The country’s ambitious five-year Growth and Transformation Plan emphasises the agriculture sector.

As a result of this sustained focus, crop production has doubled over the last decade, mitigating food insecurity. The use of modern farming inputs like fertilisers and improved seeds has increased significantly through the efforts of a publicly funded extension system. The country has also established around 15,000 farmer training centres in rural areas. To improve agricultural productivity and natural resource management, the new National Adaptation Plan seeks to enhance efforts to reduce the country’s vulnerability to the impacts of climate change, focusing on the most vulnerable sectors — agriculture, forestry and water.

Crop yields have been on an upward trend over the past few years. However, in 2018 Africa’s average cereal yields declined to 1.5 tonnes per hectare, below 2015 levels — likely because of drought, the threat of fall armyworm and the unavailability of improved varieties. Initiatives to tackle these causes and identify new technologies to support smallholder farmers are underway across the continent (see Box 19). Agricultural productivity increased to $1692 per worker, up from $1544 in 2015, but still below the target. This confirms that meeting Africa’s ambition for a transformed agriculture sector will require high levels of investment and adoption of good agricultural practices.

There is still underinvestment in agricultural research and in policies to promote technological innovation. Increasing farmers’ access to new technologies, such as improved and climate-resilient seed varieties, to enable them to move up the agricultural value chain, remains a key challenge, largely because of the complexities involved in developing the sector. **Africa’s share of market value for**

![Table 3 Feed Africa indicators (Level 1 & Level 2)](image-url)
key processed commodities has increased slightly to 11% in 2018, from 10.3% in 2015. Fertiliser consumption has remained constant since 2015 at 25 kilograms per hectare. More investment in such inputs will have a positive impact on agricultural productivity.

Rise in global hunger
World hunger has been on the rise in recent years, driven by an increase in conflict and the frequency of climate extremes. In Africa, these factors, along with population growth, have put pressure on land availability, land fertility and water access.

Despite commitments such as the Malabo Declaration, the UN Decade of Actions on Nutrition, and the Scaling Up Nutrition Movement, of which 40 African countries are part, much more needs to be done. Across the continent, 240 million people are hungry/malnourished — a number that has been growing over the past three years (see Figure 10). Thirty four percent of Africa’s children under 5 are stunted — an increase from 25.2% in 2015; and of these the vast majority (32.4%) are girls. Significant efforts are required to fast-track the achievement of the SDGs and meet the ambition to end hunger and malnutrition by 2025 (Box 14 describes one example).

The Bank’s catalytic role in spurring agricultural development
Transforming the continent’s agriculture sector requires stronger policies and increased levels of investment. The Bank is working with international partners and the private sector to help improve and integrate Africa’s agriculture sector to improve livelihoods, reduce poverty and enhance food security.

Box 14 Establishing regional food reserves to lessen the effect of fluctuating production levels
Regional emergency food stockholding schemes allow countries to mitigate the impact of domestic production shortfalls. The ECOWAS Regional Food Security Reserve, established in February 2013, provides a third line of defence in preventing and managing food crises, alongside local and national food security stocks. The pool has an intervention capability of 410 000 tonnes, and its financing plan is based on a combination of national, regional and international resources.

Food stocks have the added benefit of contributing to climate change adaptation. They buffer the impacts of fluctuations in supply on prices and can improve efficiency and reduce the cost over national reserves. They function best when integrated into food security strategies and linked to early warning systems.

Under the Feed Africa Strategy, we aim to improve the lives of millions of Africans by raising smallholder yields and incomes, helping women to access land and providing training to integrate young people in the agriculture sector. We have made a considerable contribution to providing vital infrastructure to enable farmers to reach new markets with their produce. We are working across national boundaries to protect vital natural resources, as in the Congo, Lake Chad and Niger River Basins.

In 2018, 19 million people benefited from improvements in agriculture because of our projects. This far exceeded our target of 6.3 million people. Our projects in agriculture also benefited 9.3 million women — three times our target. In Kenya alone,
our work has helped to improve the lives of 2 million, including 1164 women-led households.

We are working across national boundaries to protect vital natural resources

The Bank is also working to alleviate food insecurity and prepare communities for future climate-related events. We have demonstrated our ability to deliver timely results in emergency situations. In Burundi, we worked with the Global Environmental Facility to co-finance the restoration of degraded lands, train communities in better farming practices and improve their capacity to collect climate change data. In Malawi, the Bank provided budget support to help alleviate the country’s food crisis. The Bank’s intervention helped to mobilise funding from other international donors and to provide more than 2 million people with adequate food.

Rural infrastructure development is crucial to supporting regional integration, improving yields, linking markets and improving livelihood opportunities. As a result of our projects, 3400 km of feeder roads were built or rehabilitated, compared to 800 km in 2015 — more than double our target of 1500 km. Our projects in Nigeria and Rwanda to improve rural infrastructure have not only reduced travel times and raised incomes, but have also improved access to water supply and sanitation, enabled enterprises to access financial services and trained farmers to improve agricultural productivity (See Figure 11).

Support for agricultural research to improve technologies and practices across the continent has led to increases in both yields and incomes. We provided 1.7 thousand tons of agricultural inputs (fertilisers, seeds, etc.), compared to 0.6 thousand tons in 2015. In 2018, the Bank also convened talks to boost seed and agricultural production in Eastern and Southern Africa. This produced an action plan to accelerate seed release and deployment and boost trade.

The poor quality of agricultural infrastructure and inadequate beneficiary needs assessments and consultations led to slow adoption of new farming technologies. For instance in Kenya incomplete in-field irrigation infrastructure resulted in farmers continuing to use rudimentary irrigation methods. As a result, we successfully supported 100 000 people in rural areas to use improved farming technologies.

Our engagement with CGIAR and other centres of excellence under the Technologies for African Agriculture Transformation (TAAT) programme (discussed further below and in Box 19) have helped to develop new varieties of crops and supported the production of prototype farming tools and primary processing equipment. The Bank will continue to focus on promoting new technologies and modern farming techniques.

Improved water management is essential for developing agriculture in Africa, especially given irregular rainfall patterns and the
Ensuring a comprehensive agricultural value chain analysis
Agricultural value chain projects require sound and comprehensive value chain analysis in design and implementation. The multinational CGIAR project adopted a research and innovation platform approach that improved access to best-fit technologies and innovations, ultimately increasing the productivity and incomes of the four Comprehensive Africa Agriculture Development Programme priority value chains (cassava, maize, rice and wheat).

Managing future trans-boundary natural resources trust funds
The Bank supports a number of trans-boundary resources initiatives, such as the Congo Basin Forest Fund. These open-format funds require flexible and adaptive coordination mechanisms. They should strive to promote innovation and adopt a participatory approach to working with communities to manage their natural resources base.

Assessing optimal design options for rural infrastructure
A change in pavement design in the Nigeria Rural Access and Mobility Project due to local climate resilience requirements tripled the costs. This could have been avoided if all options had been assessed at the project design stage. Rural infrastructure projects require robust life-cycle cost analysis to ensure value for money.

Coordinating performance measurement and reporting
Lack of a single M&E system made coordination a challenge in our regional project on sustainable management of endemic ruminant livestock in West Africa. Multi-country projects require well-coordinated regional M&E systems that can ensure the effective measurement of overall outcomes and facilitate the assessment of the economic and financial performance of regional programmes.

What has worked well

Milestones in climbing up agricultural value chains
The Bank envisions a food-secure continent that uses advanced technologies, creatively adapts to climate change, and develops a new generation of “agripreneurs” – agriculture entrepreneurs, including youth and women, who will take agriculture to the next level. Under our Feed Africa Strategy, we support projects and initiatives that will transform agricultural supply chains (see Box 17).

Boosting Africa’s agricultural productivity through technology
The Bank has been active across the continent in harnessing the potential of technology to boost agricultural value chains. The use of drones, automated tractors, artificial intelligence, robotics and block chains will transform agriculture (see Box 18). Smart farming and technological innovation will boost productivity, but they also require the appropriate skills, connectivity and funding.

Rural infrastructure development is crucial to supporting regional integration, improving yields, linking markets and improving livelihood opportunities
In Kenya, Madagascar and Morocco, our projects have improved irrigation and modernised water infrastructure. In the Lake Chad Basin, overuse of water, poor management and climate change had dramatically reduced the surface area of this vital ecosystem, affecting livelihood activities, including fish production. We increased the incomes of 1.5 million people through projects to improve water management and secure economic activities.

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What has not worked so well

Leveraging the potential of drones for precision agriculture in Tunisia
Drones can make a real difference to farm productivity, particularly in remote or hard-to-reach areas. They lower risk to workers, lower operating costs and provide high-quality data collection capabilities.

In 2018, Tunisia, Busan Metropolitan City and the African Development Bank signed an agreement launching a $1 million pilot project on the use of drones for better management of agriculture projects. The project will train 32 Tunisian young people with four drones.

The drones will be able to provide fast and accurate data related to the agriculture sector to improve project management, expedite delivery and improve decision-making.

Box 17 Transforming African agriculture
Under the Feed Africa Strategy, the Bank is rolling out special agro-industrial processing zones (SAPZs) to drive agricultural transformation across the continent. These zones aim to attract private sector investment and boost productivity by supporting integrated infrastructure and promoting agro-processing activities. They have a strong component of skills enhancement and will help create entrepreneurs and jobs, increase food production and add value to agricultural production.

In 2018, the Bank approved financing for the establishment of SAPZs in Ethiopia and Togo, and there are plans to reach 15 countries in the next few years. Togo’s SAPZ project targets import substitution on rice, maize, soybean and poultry. It will boost agricultural productivity and improve local market access, including by linking Togo to the northern corridors of Ghana and Nigeria. It also aims to boost exports, particularly of cashew nuts and sesame.
The Bank’s TAAT framework aims to expand access to agricultural productivity-increasing technologies, including high-yielding and biofortified crop varieties such as drought-resistant maize and high-iron bean and wheat. TAAT aims to reach 40 million farmers with improved food technologies by 2025.

**Box 19 Harnessing technology to tackle invasive pests across the continent**

Under the TAAT project, the Bank and the International Institute of Tropical Agriculture launched an Africa-wide initiative to mobilise regional efforts to stop the spread of fall armyworm — an invasive pest threatening the food supply and incomes of millions of African smallholders. Fall armyworm is a dangerous trans-boundary pest with a natural migratory capacity and thus a high propensity to spread. Without appropriate action, it could cause losses of up to 53% in maize yield in 12 African countries within five years. The value of these losses is estimated at between $2.48 billion and $6.19 billion. The initiative seeks to identify new technologies to combat the pest and distribute them to smallholder farmers across the continent. In collaboration with 15 private seed companies, this initiative will reach 1.5 million farmers in the southern Africa region with 6000 metric tonnes of drought-resistant pesticide-treated maize varieties to control fall armyworm.

To date, TAAT has been successful in promoting the regional harmonisation of seed policies and regulations across regional economic blocks. This will help open up regional seed markets and cross-boundary trade. It has also collaborated with the ENABLE youth initiative across 19 countries and supported youth-led agribusiness across a number of value chains.

**New programmes**

In scaling up our work in agriculture in line with our Feed Africa strategy, we have approved a range of projects focused on improving production and productivity.

We are actively working to support agribusiness and the private sector. In the second phase of a project working with the Nigerian fertiliser company Indorama Eleme Fertilizer & Chemical Ltd, we are providing a $100 million senior loan to help double its annual fertiliser output. This will reduce the high cost of fertiliser, boost crop yields and reduce Nigeria’s heavy reliance on food imports. The Agricultural Fast Track Fund will also launch 12 new projects in support of small and medium agribusinesses in six African countries.

**Across the continent, we are working to improve sustainable livelihoods and food security**

In Sudan, the Bank approved its first private sector investment through a $75 million senior loan to DAL Group, one of the country’s largest food and agriculture companies. This investment is expected to make a significant contribution to food security, food import-substitution, job creation through increased local production, distribution and linkages with smallholders.

Across the continent, we are working to improve sustainable livelihoods and food security. In Kenya, we are supporting a reforestation project to improve forest conservation, raise household incomes and enhance food security. In Eritrea, we are working to improve drought resilience, crop and livestock production and productivity, and to expand opportunities in agriculture and agribusiness. And in Sudan, we are investing $42 million to support the National Agriculture Investment Plan.

In the Niger Basin, the Pillar Assessed Grant or Delegation Agreement (PaGoDA), a partnership of the Bank, Green Climate Fund, Global Environmental Facility, Climate Investment Fund and the European Union, will mobilise $218 million to finance the programme for integrated development and adaptation to climate change. This effort seeks to strengthen the resilience of the Niger River’s ecosystem and its population through sustainable resource management.

**Over 10 000 agripreneurs are expected to benefit from advocacy and capacity building over the next few years**

The Bank has approved a $15 million equity investment in the Africa Food Security Fund to support agribusiness SMEs and enhance food security in Africa. The fund will target underserved countries such as Senegal, Rwanda and Mali and is expected to create at least 20 direct jobs for each $1 million invested. It will benefit over 14 000 smallholder farmers, with women taking at least 40% of employment opportunities created.

Scaling up its support for nutrition, in December 2018 the Bank launched the Multi-Sectoral Nutrition Action Plan 2018–2025, which aims to catalyse nutrition-smart investments in agriculture,
water, sanitation and hygiene, social and health projects. The Bank also launched the African Leaders for Nutrition (ALN) initiative, supported by the Bill & Melinda Gates Foundation, which engages heads of state, finance ministers and eminent leaders to catalyse and sustain high-level political leadership and commitment to end malnutrition in Africa. The African Union’s endorsement of the ALN initiative reaffirms this commitment. In 2019, ALN launched the Continental Nutrition Accountability Scorecard, which will highlight individual country progress and provide a snapshot of continental progress. With funding from Big Win Philanthropy and the Aliko Dangote Foundation, the Bank is also working to provide technical support to mainstream nutrition interventions and develop a foundation for nutrition-smart multi-sectoral investments across the continent.

The Bank has also signed an agreement with the Food and Agriculture Organization of the United Nations to raise up to $100 million over five years, to support joint activities to enhance the quality and impact of investment in food security, nutrition, social protection, agriculture, forestry, fisheries and rural development.

Through the Enable Youth initiative, the Bank has committed to develop the next generation of agribusiness and commercial farmers for Africa. Over the next few years, over 10 000 agripreneurs are expected to benefit from advocacy and capacity building. In Sudan alone, 2000 agripreneurs and 1900 youth-run businesses are expected to be generated — and 50% of the beneficiaries will be women. The Bank will also host a $3 million Rockefeller Trust Fund to spur agricultural and youth employment in Africa.

Going forward, we are supporting leadership efforts across the continent to meet our commitments under our High 5 priority Feed Africa. Our focus on modernising the agriculture sector, integrating markets and increasing the value gained from products will help us to eliminate hunger and improve nutrition in Africa by 2025.
Bringing large and transformative infrastructure

Industries on the continent need regular and affordable power supply. In Guinea, we are leveraging hydropower sources to build dams that reduce the average cost of electricity production, bringing the country closer to becoming a regional hub.
Chapter 4

Industrialise Africa

Industry plays a vital role in economic development. It increases the value created in an economy, boosts productivity and creates jobs. While manufacturing has doubled in Africa over past decade, the bulk of its value remains concentrated in a few countries, such as South Africa and Morocco. However, there have been positive trends towards greater regional integration of industrial value chains and increased intra-Africa investment. Strengthening regional ties can spur further industrial growth.

Africa’s global competitiveness is improving, and 49% of the population now has access to finance. However, progress has been slow on key industrial indicators. Africa’s economic diversification remains low, despite growth in some promising non-extractive sectors like tourism and ICT. In 2018, Bank private sector projects benefited 1.2 million people across the continent, half of whom were women. The Bank continues to support micro, small, and medium-sized enterprises (MSMEs) and to promote transformational, high-value industrial projects.

Connecting countries to spur industrial growth

Industry plays a vital role in development. It boosts productivity, adds economic value and creates jobs. It improves the balance of trade by creating goods for export and local competition for imports. Across Africa, countries have sought to promote industrial growth through a variety of approaches, including establishing special economic zones (SEZs), supporting SMEs and intervening in key markets.

Across Africa, companies are becoming increasingly connected through cross-border ownership structures and regional hubs

Strengthening regional ties is a necessary part of Africa’s industrial development. It promotes cross-border transfer of technology, improves production practices, gives producers access to larger markets and enables them to exploit economies of scale.

There are positive trends across Africa toward greater economic integration. Companies are becoming increasingly connected through cross-border ownership structures and regional hubs. The Bank’s Africa-to-Africa Investment: A First Look reports that intra-African investment is becoming an increasingly significant source of foreign direct investment (FDI) in the region, with South Africa and Morocco leading the way. The AfCFTA has the potential to reinforce this trend and encourage stronger intra-Africa trade and investment.

While manufacturing has doubled in Africa over past decade, it remains concentrated in only a few countries. Two-thirds of African manufacturing by value is located in just four countries — Algeria, South Africa, Nigeria and Egypt — and these positions have remained fairly stable over the last 10 years (see Figures 12 and 13).

Across the continent, there has been a steady rise in major companies that are innovating in their markets and generating real value. However, Africa lags behind other emerging regions in this respect: much of its manufacturing remains small-scale and fragmented. At the same time, SMEs are responsible for 77% of all jobs in Africa and as much as half of GDP in some countries.

On key industrial growth indicators, Africa is making slow progress. Gross fixed capital formation has grown to $535 billion, from $504 billion in 2015. There has been a slight increase in industrial gross domestic product, from $619 billion in 2015 to $627 billion in
Value added on manufacturing increased to $231 billion from the $222 billion achieved in 2015.

The continent is also demonstrating fast growth in tradable services like tourism, ICT and remote office services, as well as agribusiness and horticulture, so that manufacturing’s share of GDP is declining. These sectors produce high-value exports and have the potential to further increase Africa’s international competitiveness. They also create jobs and share many characteristics with manufacturing. Thus, they can benefit from policies designed to increase productivity growth and scale in manufacturing: improving logistics and infrastructure, investing in skills and establishing policies to promote exports.

Despite the growth in non-manufacturing sectors, economic diversification — measured on a range from 0 (high) to 1 (low) — declined from 0.62 in 2015 to 0.63 in 2018. Many African economies remain dependent on a few primary export commodities. However, there are encouraging signs of the emergence of new industries, such as leather in Ethiopia, garments in Lesotho and pharmaceuticals in East Africa. Some countries, such as Ethiopia and Rwanda, have used Special Economic Zones to actively diversify their export portfolios (see Box 20).

Africa is becoming an increasingly attractive destination for foreign investment. Asian-based companies are shifting manufacturing to Africa, and Western investors are attracted to Africa’s growing, youthful and affordable work force. South Africa and Morocco, in particular, are attracting high levels of FDI.
As a result, Africa’s position on the Global Competitiveness Index is rising (see Figure 14). African countries are making strong progress on improving their business climates, making them more competitive and attractive to global investors (see Figure 15). Strong GDP performance in East Africa, in particular, makes it an attractive investment destination. According to UNCTAD’s World Investment Report 2018, FDI in Kenya increased 71% as a result of demand for ICT industries and government tax incentives to foreign investors.

Industrial development is heavily dependent on the development of infrastructure — power, roads and railways. Logistics performance on the continent (measured on a range of 1–5) has been steady since 2015, at 2.5. The Bank estimates Africa’s infrastructure gap at $130 billion to $170 billion per year. Closing it will require innovative thinking on how to mobilise new sources of finance, particularly through joint public-private efforts.

Access to finance has improved for 49% of the population, above the target of 44%. Africa is a leader in mobile money, which has contributed significantly to greater financial inclusion. According to McKinsey & Company, there are over 100 million active mobile money accounts across the continent. Mobile money services have also expanded to include a broad array of other services: credit, insurance and cross-border remittances. Traditional banks and fintechs are now entering this market.

Cities as hubs of industrial development
Cities help facilitate growth in critical economic sectors and spur structural transformation. Cities like Cairo, Lagos, Johannesburg and Nairobi lead the way in attracting FDI, facilitating international trade and connecting Africa to global value chains. Africa is experiencing explosive growth in its cities (see Figure 16), with an urban population that is set to reach 50% by 2030, from 36% in 2016. However, large infrastructure deficits prevent cities from fully reaping the benefits of agglomeration and connectivity. Africa’s cities require stronger policies and institutions to develop physical infrastructure and social capital, promote ICT, introduce zoning policy and implement strategies to become key nodes of production.

The Bank’s support for industrial development
Under the Industrialise Africa High 5 priority, we are working with our development partners to support enterprises of all sizes and promote productivity along international value chains. We have identified and invested in high-value industrial projects that promote the transformation of African economies.

Our investments have been successful in improving the lives of people across the continent and in supporting the growth of MSMEs. In 2018, 1.2 million people benefited from investee projects of which 0.6 million were women. Inadequate infrastructure restricting access to rural areas, regulations in financial services and high interest rates on SME loans are some of the challenges that prevented us from reaching more beneficiaries. For instance, beneficiaries of a line of credit to a commercial bank in Nigeria for on-lending to SMEs cited high interest rates as costly for their businesses.

Despite this, our investee projects also generated $356 million in MSME turnover — up from $68 million in 2015 and well above our target of $306 million.

Working with the Private Sector Credit Enhancement Facility funded by the ADF, we are investing in more challenging markets, including low-income and fragile contexts. This effort is complemented by policy-based operations, knowledge products, policy dialogue and

### Box 20 Special economic zones

A number of African countries use Special Economic Zones (SEZs) to attract FDI and boost industrial output. SEZs receive government investment in infrastructure improvements, have substantially lower barriers to import and export, and confer initial tax benefits that help to offset start-up costs.

Kigali, Rwanda, has shown strong upward growth in attracting FDI. Kigali’s SEZ exempts firms from taxes for 10 years and provides reliable utilities such as power, water and sanitation with subsidised initial connection costs and high-quality infrastructure such as access roads and fibre-optic Internet. Firms in the special zones also benefit from trade facilitation, including fast-track customs procedures, and from the improving business climate in the country. Recently, this has attracted $20 million from Volkswagen for a new vehicle assembly plant.

### Figure 14 The state of African countries’ competitiveness

Global competitiveness Index, 2017–2018

![Competitiveness Index Graph](image_url)

Source: World Economic Forum
Figure 15  Many African countries are making headways in improving their business climate

Ease of Doing Business Ranking
(each dot represents a country)

Source: World Bank

Figure 16  Booming population growth in African cities

Projected population growth for Africa cities, 2018-2035
% change (cities with current population above 1 million)

Source: UN Population prospects
capacity building, as well as strategic investments in key infrastructure — affordable energy, clean water and transport connections. For instance, our policy advice to the government of Zambia on inter-sectoral linkages between extractive sectors and the broader economy enhanced the 2020/2021 budget framework. Together these inputs catalyse private sector development and improve African producers’ access to regional and global value chains.

We are investing in more challenging markets, including low-income and fragile contexts

In 2018, 154,000 owner-operators and MSMEs were provided with financial services — more than double our target. Of these beneficiaries, 81% were in low-income countries. The Youth Empowerment Facility in Zimbabwe improved access to finance for young business owners. In Uganda, our line of credit for Housing Finance Bank Limited supported over 110 construction projects and improved the confidence of the financial services to lend to housing finance and SMEs. In Nigeria, a line of credit we extended to Fidelity Bank enabled it to provide medium-term loans to about 57 SMEs. As a result, thousands of new jobs have been created and 900,000 people have benefited from more reliable electricity.

The Bank has a particular focus on making investments that contribute to continental integration. For instance, a line of credit extended to Ecobank Transnational Incorporated enabled the Volta River Authority in Ghana to extend its electricity generation and distribution operations to domestic, industrial and commercial customers in the neighbouring countries of Côte d’Ivoire, Togo, Benin and Burkina Faso. In Namibia, a new container terminal in Walvis Bay will act as a regional logistics hub and increase trade with the rest of the world (see Box 23).

Over the past 10 years, the Bank has invested more than $35 billion in infrastructure, and it will continue to support public and private infrastructure, including ports and airports, which connect cities to the global economy.

Box 21 Working with the private sector

In Morocco, we provided a $250 million senior loan to finance the investment programme of the Office Cherifien des Phosphates (OCP), one of the world’s largest exporting producers of phosphates.

The investment increased OCP’s production capacity at its Jorf site and enabled it to set up an integrated production system. It reduced the cost of transporting rock, eliminated pollution, reduced water consumption and improved access to electric energy at the site. It also created jobs, improved railway transport, and increased the availability of electricity and water to the surrounding population.

OCP has made a significant contribution to Morocco’s GDP and government revenues. Through wages and employment opportunities, it has had a positive impact on poverty reduction. It has also supported the training of 1200 young people in entrepreneurship and supported 30 start-ups over 3 months.

The Bank has enabled the increase of government revenues in a number of our investee projects and subprojects. In 2018 they generated $394 million of additional government revenues — up from $331 million in 2015 and an improvement of $118 million on last year’s figure. Further support for private sector development on the continent can increase production and export values, and thus government revenues, and can have wider positive benefits to the surrounding populations. (Morocco is a case in point; see Box 21 and Figure 17)
Bank projects have given 14 million people improved access to transport — above the target of 10 million — of which half were women. Our projects constructed, rehabilitated or maintained 1021 km of road, of which 695 km were in low-income countries. For instance, the Bank’s investments in Ethiopia’s Mizan Road Upgrading project have supported market integration between urban and rural areas and improved access to health and education services in the region.

Making plans to attract private investment
As part of the Industrialise Africa Strategy, the Bank intends to help raise Africa’s industrial GDP by 130% by 2025 and drive Africa’s overall GDP from $2.2 trillion to $4.6 trillion. Achieving this level of investment calls for broad-based partnerships and a collective effort among national institutions, multilateral development banks and the private sector.

Private sector development creates jobs and opportunities for green and inclusive growth. The Bank identifies private sector development as a core element in the achievement of the High 5 priority areas. We play a catalytic role in mobilising financial resources for private sector development, for instance through the Africa Investment Forum (see Box 24).

Newly approved projects
The Bank actively supports innovation across the continent. We have provided $30 million to the Rwanda Innovation Fund project to support tech-enabled SMEs in the East African Community region. The Fund will support more than 150 companies, creating 2000 direct jobs and 6000 indirect jobs over 10 years. It will also support capacity building for incubators and accelerators, facilitate angel networks and train entrepreneurs across the region.

As part of our Boost Africa Investment Programme, a collaboration with the European Union and the European Investment Bank, we have provided a $7.5 million equity investment to the Africa Tech
Ventures Fund. This will boost the operations of highly scalable technology start-ups across the continent.

We will continue to support SMEs in transformative sectors. We have approved a $9.66 million line of credit for the Sahel-Saharan Bank for Investment and Trade in Mali. Our $100 million trade finance line of credit to Angola’s Investment Bank (Banco Angolano de Investimentos) will also strengthen subsidiaries in Cabo Verde and São Tomé and Príncipe.

Building on successes in 38 countries, the Bank approved an additional investment in the Africa Guarantee Fund for SMEs to strengthen SMEs and stimulate the development of private enterprise and sustainable jobs. The Bank also approved support for private sector development in Cabo Verde and an equity investment in the Maghreb Private Equity Fund IV to accelerate the development of mid-cap companies in North Africa with strong growth potential in sub-Saharan Africa.

The Bank supports the development of local capital markets. We have provided a $10 million senior loan to the African Local Currency Bond Fund to crowd in domestic institutional investors and support MSMEs. We have also approved a $10 million equity investment in the Africa Financial Sector Deepening Fund to provide Tier 2 capital to financial institutions.

Across the continent we are supporting projects that will not only reduce travel times and cost but also open up new opportunities for income generation. In Senegal, we have invested $103 million for the rehabilitation of the Senoba-Ziguinchor-Mpaka Road, a project that will improve connectivity with neighbouring Guinea-Bissau. In Côte d’Ivoire, we have approved €329 million to transform 88 km of roads.

In Uganda, we have approved $229.5 million for the 95 km Kampala-Jinja Express Way project, which will reinforce Uganda’s position as a regional transit hub. In Cameroon, as part of the Transport Sector support programme, we have approved €17.96 million to fund the construction of a ring road in the northwest of the country. And in Benin, we will support the upgrading of the 210 km Djougou-Pehunco-Banikoara Cotton Road to help improve the competitiveness of the country’s cotton industry.

In South Africa, the Bank has approved over $100 million in loans to SA Taxi Development Finance Limited to support the growth of the minibus taxi operators that account for 69% of all public transport trips in South Africa. It will also help attract funding from international commercial banks.

In working to Industrialise Africa, we are focusing our assistance on fostering successful industrial policies and establishing special economic zones that will strengthen industry. We will continue working with our partners to support infrastructure to catalyse more private sector investments and help transform African economies.

**Box 24 The Africa Investment Forum**

The Africa Investment Forum is an innovative transaction-based investment marketplace platform designed to catalyse investments into Africa. The first forum, held in November 2018 in Johannesburg, South Africa, brought together 350 investors from 53 countries alongside politicians and government officials from 30 African and 23 foreign countries.

During the Forum, investment interest was secured for 49 projects worth $38.7 billion. This included a $2.6 billion Memorandum of Understanding between Ghana and South Africa to develop and finance the Accra Ai Skytrain; a $400 million cooperation agreement between Africa 50 and the Government of Rwanda to develop and finance Kigali Innovation City; and a $800 million deal agreement signed by the Bank, Africa 50 and the governments of DRC and Republic of Congo to develop and finance the first road-rail bridge linking Kinshasa and Brazzaville.
Providing skills to youth
With the continent’s youth population projected to reach 830 million by 2050, the need for employable skills — particularly in science and advanced technologies — is becoming crucial. The Bank is equipping students in Burkina Faso with skills that are directly relevant to the demand from the job market.
Chapter 5

Improve the quality of life for the people of Africa

Improving the quality of life for the people of Africa is at the core of the Bank’s work. As the continent’s population grows, we are working to ensure that Africans have the skills they need to obtain decent jobs and establish sustainable businesses in the global economy. We support countries in improving access to quality services like health, education, and water and sanitation, which is crucial to improving the lives of all Africans.

This chapter shows that while Africa’s economic growth continues to strengthen, 40% of Africans live below the poverty line, and inequality remains high. Meeting Africa’s rising demand for jobs will require strong and sustained economic growth and structural change. The Bank is working with governments, academic institutions and the private sector to increase skills in science and technology. In 2018, our projects provided 1.2 million people with jobs and 8.2 million people with improved access to water and sanitation.

Providing productive jobs for the continent’s growing population

Over the past two decades, Africa has sustained fast growth that is expected to continue into the future. However, this growth has occurred without job creation on the scale that would be required to make major inroads into poverty. Forty percent of the population lives below the poverty line. To address poverty, growth must become more inclusive, benefiting remote geographical areas and the poorest social groups. Reducing inequality is essential to tackling poverty. Yet income inequality remains high, with the Gini coefficient at 41 (on a scale of 0 to 100).

Policies to reduce poverty need to be accompanied by complementary measures to reduce income inequality. For instance, well-targeted social protection, efforts to increase productivity in the informal sector and progressive taxation have the potential to address income disparities. Disaggregated data on inequality can help inform policies in the future.

Figure 18 In most countries, women’s labour force participation is lower than men’s

Labour force participation by gender %, 2017

Source: ILO

Policies to reduce poverty must be accompanied by measures to reduce income inequality

Africa’s working-age population is growing rapidly, intensifying pressure for decent jobs. In 2018, the youth unemployment rate was 14%, compared with a rate of 8.3% for the population as a whole. The unemployment rate for young women is 15%. Women face additional barriers to work and have a lower participation rate than men (see Figure 18). Even so, countries like Rwanda, Madagascar
and Mozambique have made great strides in increasing the levels of female participation in the labour force.

Young people, especially women, are more likely to be in informal work. Africa has the highest rate of informality in the world, estimated to be around 72% of non-agricultural work. Work in the informal sector is insecure, with low wages and productivity — a fact that makes eradicating poverty more challenging.

Future of work
Meeting Africa’s rising demand for jobs will require strong and sustained economic growth and structural change. Africa’s productivity lags well behind that of Asia and other developing regions.

Technologies associated with today’s “fourth industrial revolution” (4IR) — such as ICT, artificial intelligence, robotics and machine learning — bring both opportunities and challenges for Africa. The 4IR has the potential to accelerate development and unleash the entrepreneurial potential of the continent’s youth. 4IR technologies can increase productivity and support transformation in industries such as agriculture, services, manufacturing and infrastructure.

However, the 4IR will also fundamentally change the nature of work, making traditional manufacturing-led growth less viable. Taking advantage of the opportunities associated with the 4IR will depend on Africa’s level of preparedness and the availability of relevant skills in science and technology.

Policymakers will need to invest in transformative, job-creating sectors

The gig economy has become an important source of work. Digital platforms are providing new opportunities for artisanal producers, connecting them with regional and international markets.

Policymakers will need to respond flexibly to the shifting nature of work. They will need to invest in transformative, job-creating sectors and take measures to improve the conditions of workers in the gig economy.

Education systems need to keep pace with changing skill requirements. Lack of skills and skills mismatch is a major constraint

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Table 5  Improve the quality of life for the people of Africa indicators (Level 1 & Level 2)

<table>
<thead>
<tr>
<th>INDICATOR</th>
<th>ALL AFRICAN COUNTRIES</th>
<th>ADF COUNTRIES</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>IMPROVE THE QUALITY OF LIFE FOR THE PEOPLE OF AFRICA INDICATORS—PROGRESS IN AFRICA (LEVEL 1)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Population living below the poverty line (%)</td>
<td>42 40 39 32</td>
<td>45 43</td>
</tr>
<tr>
<td>Income inequality (Gini index)</td>
<td>41 41 40 38</td>
<td>41 42</td>
</tr>
<tr>
<td>Youth unemployment rate (%)</td>
<td>14 14 13 11</td>
<td>10.3 10.2</td>
</tr>
<tr>
<td>— rate for young women</td>
<td>16.5 15 15.5 13.0</td>
<td>12.2 11.6</td>
</tr>
<tr>
<td>Unemployment rate (%)</td>
<td>8.9 8.3 8 7</td>
<td>6 6</td>
</tr>
<tr>
<td>— rate for women</td>
<td>9.8 9.7 9.3 8.0</td>
<td>8 8</td>
</tr>
<tr>
<td>Enrolment in technical/vocational training (%)</td>
<td>11 11 11 12</td>
<td>8 8</td>
</tr>
<tr>
<td>— of which women</td>
<td>9 9 9 10</td>
<td>7 7</td>
</tr>
<tr>
<td>Enrolment in education (%)</td>
<td>62 62 64 68</td>
<td>59 59</td>
</tr>
<tr>
<td>— of which women</td>
<td>59.2 60 60.9 65</td>
<td>56 57</td>
</tr>
<tr>
<td>Access to safely managed drinking water services (%)</td>
<td>72 72 75 83</td>
<td>64 66</td>
</tr>
<tr>
<td>Access to safely managed sanitation facilities (%)</td>
<td>39 40 40 43</td>
<td>25 26</td>
</tr>
<tr>
<td><strong>IMPROVE THE QUALITY OF LIFE FOR THE PEOPLE OF AFRICA INDICATORS—AFDB CONTRIBUTIONS (LEVEL 2)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct jobs created (millions)</td>
<td>1 1.2 1.06 10.6</td>
<td>1 1.2</td>
</tr>
<tr>
<td>— of which jobs for women</td>
<td>0.6 0.6 0.53 5.3</td>
<td>0.3 0.6</td>
</tr>
<tr>
<td>Indirect and induced jobs created (millions)</td>
<td>— — 0.82 8.2</td>
<td>— —</td>
</tr>
<tr>
<td>— of which jobs for women</td>
<td>— — 0.41 4.1</td>
<td>— —</td>
</tr>
<tr>
<td>People trained through Bank operations (thousands)</td>
<td>290 178 900 9000</td>
<td>290 170</td>
</tr>
<tr>
<td>— of which women</td>
<td>118.9 89 450 4500</td>
<td>79.6 85</td>
</tr>
<tr>
<td>People benefiting from better access to education (millions)</td>
<td>0.38 0.27 0.38 3.8</td>
<td>0.38 0.18</td>
</tr>
<tr>
<td>— of which females</td>
<td>0.24 0.12 0.19 1.9</td>
<td>0.24 0.08</td>
</tr>
<tr>
<td>People with new or improved access to water and sanitation (millions)</td>
<td>2.03 8.2 3.62 36.2</td>
<td>1.23 8.2</td>
</tr>
<tr>
<td>— of which women</td>
<td>1.01 4.0 1.8 18</td>
<td>0.60 4.0</td>
</tr>
</tbody>
</table>

Achieved 95% or more of the 2018 target
Achieved less than 95% of the 2018 target but above baseline value
Achieved less than the baseline
Data are not available to measure progress
on African business. Many graduates possess skills that are not relevant to the needs of the jobs market. Only 2% of African college graduates have science, technology, engineering and mathematics (STEM) degrees. Yet the STEM skills are crucial requirements in a 4IR world. And too few of Africa’s scientists work in sectors that drive economic transformation.

Africa’s education system will require adequate support through innovative financing mechanisms, including domestic resource mobilisation and public participation, to enhance its efficiency and effectiveness. Estimates show that Africa will require an additional $40 billion to achieve the SDGs for education by 2030.

Overall, 62% of children (of whom 60% girls) are currently enrolled in education. Only 11% of young people are enrolled in technical or vocational training, and only 9% of young women. Angola, Libya, Cameroon and Egypt lead the way, with the highest proportions of both young people and women enrolled in technical or vocation training.

Migration
Migration has a direct impact on skills availability in Africa. In addition to conflict-driven migration, young professionals emigrate to other African nations and beyond in search of better job prospects and quality of life. Poverty is a driver of both. However, with the right policies in place, intra-regional migration can contribute to poverty reduction (see Box 25).

"With the right policies in place, intra-regional migration can contribute to poverty reduction"

Access to basic services
Access to basic services is essential for quality of life. Yet access to safe drinking water and sanitation in Africa is characterised by wide disparities between and within countries. Only 72% of the population has access to safely managed drinking water, and only 40% has access to safely managed sanitation facilities. Overall, access is higher in North Africa than in the rest of the continent. Inter-country variations for access to safe drinking water range from 100% of the population in Mauritius to 19% of the population in Eritrea.

"Africa needs natural resource governance reforms and infrastructure investments to ensure that everyone has access to services"

There are still major gaps between access rates in urban and rural communities. Climate change is leading to increased incidence of drought and floods, creating further challenges to the provision of basic services. Africa needs natural resource governance reforms and infrastructure investments to ensure that everyone has access to services. An estimated $13 billion per year is needed to meet the SDG targets of universal access to water supply and sanitation.

Box 25 Maximising regional migration’s contribution to African development

Migration is increasingly seen in positive terms in Africa. It is largely intra-regional and can contribute to poverty reduction, for instance through remittances. A 2018 OECD-ILO report estimated that immigration contributes on average 7% to GDP — ranging from about 1% in Ghana to 19% in Côte d’Ivoire.

Several countries, such as Burkina Faso, Morocco and Zimbabwe, are implementing policies to link migration to development objectives: providing support for families, lowering remittance costs and creating mechanisms to channel remittances to productive investment. They also work with the diaspora and support returning migrants. Integrating immigrants and investing in better access to services, education and labour rights will also help maximise the benefits of immigration.

There are increasing continent-wide efforts to support the positive contributions of migration. The Bank has joined forces with other multilateral development banks to coordinate support for economic migration and forced displacement, and our third annual African Resilience Forum focused on migration and fragility. The AfCFTA also supports the free movement of Africans, to strengthen regional links and economic growth.

The Bank’s impact in providing employment and access to services

The Bank’s portfolio of projects creates new employment opportunities and reduces poverty across Africa. In 2018, we exceeded our employment targets, creating 1.2 million direct jobs, of which half were for women. New jobs are also created indirectly or induced from our operations.

Over the past decade, our projects have helped provide access to affordable financial and business services for underserved and rural populations. This has helped create 45 900 jobs in Tunisia and almost 66 000 in Egypt. In Tanzania, our work to support entrepreneurs in gaining access to financial services created almost 210 000 jobs, and in Ghana our work to transform agriculture created 118 000 jobs.

A study of the impact of our investments in Senegal between 2014 and 2018 revealed that they had created 186 000 jobs in priority sectors. Bank’s support contributed to 15% of those jobs (see Figure 19). Continuous assessment of the impact of our investments on jobs will help respond to the demands of a growing population.

At the Africa Innovation Summit in Kigali, Rwanda, we launched the Jobs for Youth Africa Innovation Lab. Its aim is to promote skills and learning and create linkages among the organisations that support the creation of high-potential businesses in Africa. In collaboration...
with the Fund for Private Sector Assistance, an e-platform is being piloted as a one-stop continent-wide marketplace for incubators, accelerators and entrepreneurs.

The Bank’s education projects have invested over $1.64 billion in programs benefiting 6 million African youth and women

Through our work on education and skills development, we are ensuring that countries across the continent are equipped to address the emerging needs of the 4IR and tap into the opportunities it affords. Over the last 15 years, the Bank’s education projects have invested over $1.64 billion in programmes benefiting 6 million African youth and women, equipping them with the right skills for the jobs of the future.

Our activities have focused on scaling up STEM skills through investments in regional centres of knowledge and excellence, policy dialogue and implementation of flagship programmes. This will help foster opportunities for knowledge sharing across borders, promoting innovation and linkages with global networks.

The Bank hosted the third Africa Forum on Science and Technology Innovation in Egypt, a policy dialogue that resulted in a ministerial declaration highlighting the need for an African Education Fund. We also provided support in West Africa to improve higher education and promote the harmonisation of systems for greater integration across the region.

In 2018, our projects resulted in 270 000 people benefiting from better access to education, of which 120 000 were women. We also provided technical and vocational training across Africa: 178 000 people were trained through Bank operations, of whom 89 000 were women. Sustained investment in both ‘hard’ and ‘soft’ infrastructure of technical and vocational education is needed to equip young people with skills that are relevant to the labour market. Our Jobs for Youth in Africa strategy aims to create
opportunities through education and training and promoting enabling environment for entrepreneurship.

To further promote education across the continent and close the financing gap, we spearheaded the development of the African Education Fund (AEF). In 2018, we worked with the Association for the Development of Education in Africa to produce a feasibility study for the fund. The study found that the AEF is feasible and there is strong interest from African governments and other education stakeholders. Revitalising and transforming education systems to support inclusive growth and sustainable development is a key commitment of African ministers and development partners.

Through our work in 22 countries across the continent, we supported the use of ICT to provide education and training. For instance, our African Virtual University project enrolled 23,095 students in Open Distance e-learning centres across the countries.

In 2018, about 500 young people in five countries benefited from training through our Coding for Employment programme. In Malawi, projects are helping to improve the quality and relevance of science, technology and industrial skills for job creation and employability of graduates (see Box 26). In Equatorial Guinea, we supported innovative technical and vocational training for middle and senior managers.

We also have a portfolio of projects designed to improve access to essential basic services. We finance water and sanitation schemes in both rural and urban areas. In 2018 we exceeded our target, providing 8.2 million people with new or improved access to water and sanitation facilities, respectively. The project also included a broad public health education campaign and institutional capacity building.

Working with the Agence française de développement (AFD) in the Dosso and Tillaberi regions of Niger, we provided 265,000 people with improved water and sanitation. This included the construction of 266 new boreholes and more than 4000 latrines. The project also established new drinking water network systems and trained construction workers, female outreach workers and teachers.

Our support has also helped respond to emergencies. In Côte d’Ivoire, we responded to flooding by funding the construction and rehabilitation of priority flood-regulation infrastructure, including reservoirs and public toilet blocks, and management and treatment of solid waste. In Sudan, we improved access to water for more than 750,000 in support of recovery and peace. Many of our projects also include capacity building, investment planning and public health awareness training.

The Bank’s support for the health and sanitation sectors has been catalytic. In West Africa our support for training health workers and the construction of health facilities helped stop the transmission of Ebola and strengthen public health systems. In Uganda, improvements to public sanitation facilities in the Kawempe division of Kampala reduced the incidence of typhoid, cholera and diarrhea, benefiting more than 165,000 people. In Ghana, 89,200 people benefited from projects to improve sanitation and waste management in urban slum communities.

Milestones in implementing innovations to improve people’s lives

Initiatives and projects to support jobs for youth
Under the Bank’s Jobs for Youth in Africa Strategy (2016–2025), we are scaling up support for employment and entrepreneurialism. Over the next 10 years we aim to create 25 million jobs and benefit 50 million youth by equipping them with the right skills. We are funding programmes to support this strategy and creating partnerships to enhance opportunities for young people across the continent.

Our Coding for Employment programme will create 130 centres for excellence and train 234,000 young people by 2020. Our
What has worked well

Forging effective partnerships and co-operation in regional programmes
Regional health programmes require effective collaboration mechanisms combined with flexible and adaptive implementation arrangements. The use of the World Health Organisation to coordinate all stakeholders ensured an effective response to the Ebola virus outbreak. The Bank should encourage such approaches, especially in countries facing capacity challenges.

Choosing appropriate technology in project design
The choice of appropriate technology in project design can ensure project success. In Gambia, the use of solar-powered pumping systems for water supply, rather than electricity-powered systems, was cost-effective, reliable, user-friendly and appropriate for rural areas.

What has not worked so well

Ensuring local stakeholders are engaged
Forging partnerships with local governments and stakeholders at the community level is crucial for project implementation and the sustainability of results. In our Darfur water access project, focusing our engagement on national-level authorities without input from local authorities led to project delays. The Bank should ensure that projects actively incorporate participation from local-level stakeholders to achieve results.

Maximising impact through better coordination of project activities
Water and sanitation provision must be well coordinated to fully reap the potential health benefits. In Mozambique, lack of coordination between different parts of the government impeded the Bank’s ability to boost access to safe drinking water and sanitation. During project implementation the Bank should support better coordination among various water, sanitation and hygiene institutions and stakeholders to achieve common goals.

We have called for increased investment in the health sector to achieve universal coverage. The Bank’s Multi-Sectoral Nutrition Action Plan (2018–2025) aims to contribute to a 40% reduction in the number of stunted children on the continent by 2025. We will make “nutrition-smart” investments in such sectors as water, sanitation and hygiene.

Newly approved projects
In 2018, we approved $96 million in Morocco to improve access to the labour market for young people and women. This includes support to improve the quality of jobs and to establish training centres for vocational skills. In Senegal we are providing support for agricultural supply chains as well as investing in energy, water and transport infrastructure, benefiting an expected 3 million people. In Malawi, we are providing a $15 million grant to provide jobs and boost the livelihoods of nearly 300,000 people.

In DRC, our $84 million support will contribute to responsible cobalt ore supply chains and help 6250 people back into the agriculture sector. This project will also help children who are excluded from the school system and at risk of social exclusion, vulnerable to exploitation and exposed to armed conflict.

In the water and sanitation sector, we will provide $62 million to finance Uganda’s Strategic Towns Water Supply and Sanitation project, covering 10 towns over five years. It will help the government achieve sustainable safe water and sanitation for 390,000 people, improving their health and productivity. In Gabon, our support of $86 million will help reduce the drinking water deficit in Grand Libreville, benefiting 920,000 people. In Eswatini, we approved a $52 million loan for water and sanitation services that will improve the lives of more than 67,000 people.

Working with the EIB and the OPEC Fund for International Development, we will provide $130 million in additional financing to address the challenges of low water and sanitation access.

We are working to make agriculture more attractive to young people, reversing skills flight across the continent
We are working to make agriculture more attractive to young people, reversing skills flight across the continent. Since 2016, we have invested over $800 million to support young entrepreneurs in agriculture in more than 15 countries. Over the next 10 years we expect to galvanise over $1.5 billion annually in support of agripreneurs.

Social sector initiatives and projects
The Bank will continue to support initiatives and projects to achieve better health and improve the quality of social services. We will use our position as a trusted partner and our convening power to strengthen collaboration across sectors and will use smart technologies to address the challenges of low water and sanitation access.

With the African Water Facility, we signed a financing agreement worth $14.5 million with the Bill & Melinda Gates Foundation to help address the challenge of sanitation, especially for the urban poor. In addition to preparing projects for follow-on investments along the sanitation value chain, we will assess the feasibility of establishing an Africa Urban Sanitation Investment Fund to enhance investments in sanitation.
for the Sustainable Water Supply and Sanitation Program to help 1.5 million people in Rwanda access improved water supply services. In Tunisia, we will provide $88 million to support cities with under 10,000 inhabitants in improving their sanitation systems and providing jobs for young people. And in Morocco we approved a $132 million loan to finance investments in water treatment that will improve the drinking water supply for 2.5 million people.

In Kenya, our loans worth $267 million will support the completion of construction work on Thwake dam, enabling the storage of 681 million m³ of water, which will be used for electricity production, irrigation and human use. We are also co-investing $71 million in sewage improvements in the Nairobi River basin that will benefit 500,000 people.

In Ethiopia, the Bank approved a $123 million grant to strengthen transparency and accountability in the delivery of basic services and improve citizen engagement in service delivery.

Under our Jobs for Youth in Africa strategy, we will continue to help young Africans gain the skills they need to succeed in jobs and enterprise. We will also scale up our work to support universal access to water and sanitation. Together, our strategies and investments will enable millions to find jobs, improve their livelihoods and reduce poverty.
Strengthening the business environment

African countries are making rapid progress in improving their public sector management systems, but governance remains a challenge in many areas. The Bank is providing institutional support to reinforce open and accountable institutions.
The Bank has a set of cross-cutting and strategic issues that are integrated across its operations, knowledge work and policy dialogue to maximise development impact: governance and institution building, fragility, climate change, and gender equality. All these issues are critical to our High 5 priorities, the SDGs and our overall objective of promoting inclusive and green growth in Africa.

Africa is making steady progress in many of these cross-cutting areas. Overall, the quality of governance has improved, but there are challenges ahead in meeting the demands of a rapidly growing young population. The Bank is helping African countries to improve the efficiency and transparency of their public financial management (PFM), especially in fragile situations, to support social services and to improve business climates. Our projects are helping countries build resilience to climate change and supporting women’s access to finance to help expand their businesses.

Strengthening institutions for more inclusive and green economies

Economic growth on the continent
Economic growth in Africa is expected to expand over the medium term, with improving fiscal positions and declining inflation. In 2019, nearly half of the world’s 10 fastest-growing economies will be in Africa. According to Bank’s 2019 Africa Economic Outlook, the drivers of growth are gradually rebalancing; the contribution of investment to Africa’s real GDP growth has increased significantly from 14% in 2015 to 48% in 2018, while the contribution of consumption, historically the main source of growth, declined from 55% in 2015 to 48% in 2018. Efforts to promote integration and trade, like the AfCFTA, will continue to enhance opportunities for private-sector-led growth.

In 2018, average real GDP growth was 3.5%, and average growth in low-income countries was 5.6%. Ethiopia, Rwanda, Ghana, Côte d’Ivoire, Senegal, Benin, Kenya, Uganda and Burkina Faso are among the fastest-growing countries on the continent and will continue to exhibit strong growth. Africa’s GDP per capita (constant 2010 $) rose to $2,001. Further reforms and integration will help boost livelihood opportunities and productivity.

Our Ten-Year Strategy is focused on inclusive and sustainable growth. To ensure that our investments are as effective as possible, we take into account the cross-cutting issues that determine sustainability — governance and institution building, fragility, climate change and gender equality.

Governance and institution strengthening
Overall, Africa’s progress on governance is slowly improving. The Mo Ibrahim Index on African Governance ranks Africa 50 on a scale of 0 to 100. Over the past decade, three out of four African citizens have lived in countries where public governance has improved. Among them, Côte d’Ivoire, Morocco and Kenya have demonstrated the greatest progress.

However, the continent will face challenges associated with the rising expectations of its growing youth population, such as increasing demand for education and economic opportunities. Key development indicators are failing to keep pace with economic growth. Education scores have fallen in half of African countries over the last five years, and a deterioration in the business environment is holding back opportunities for people to prosper, despite sustained economic growth.

Macroeconomic governance and domestic resource mobilisation have been improving, although debt is rising across the continent and 16 countries are considered to be at high risk of debt distress. However, according to the 2019 Africa Economic Outlook, the average government debt-to-GDP ratio is 53% (with wide variability
across countries), so there is no systemic risk of a debt crisis. Further improving public financial management and revenue mobilisation can help to better leverage debt to attract private investment and deepen domestic capital markets. To this end, the Bank launched the African Bond Index to encourage investments in Africa’s domestic currency bonds and support the integration of Africa’s capital markets to ease cross-listing across stock exchanges.

Countries have made significant efforts to strengthen their tax policies and administration, and several have successfully consolidated their fiscal position. Overall, the tax-to-GDP and savings-to-GDP ratios have increased from 14.3% to 15.8% and 15.5% to 16.0%, respectively, between 2006 and 2016, but it is necessary to improve efficiency in the use of public finances. Corruption, poor public financial management (PFM) and illicit financial flows still impede governments’ ability to deliver basic social services.

The Bank has helped strengthen PFM systems in regional member countries — improving tax administration systems, enhancing natural resource transparency and tackling illicit financial flows. For instance, we supported the establishment of revenue authority and modern customs management systems in Liberia, leading to a 14% increase in domestic tax revenues from 2010/2011 to 2015/2016; established and operationalised mechanisms to combat customs fraud in Madagascar, with the tax-to-GDP ratio reaching 11.4% in 2017 compared to 10.8% in the previous year; and reduced customs clearance procedures from 96 hours in 2012 to 72 hours by 2015 in Guinea by installing an automated system. (Box 28 describes our support to Zimbabwe in this area.)

Overall, tax and non-tax fiscal revenues have improved, reaching an average of 16.5% of GDP compared to 16.1% in 2015. For low-income countries, revenues increased from 13.1% to 14.1% of GDP. We supported four countries in improving the quality of budgetary

**Box 28 Zimbabwe’s Electronic Tracking System**

Bank support to the Zimbabwe Revenue Authority included ICT enhancement through the Electronic Cargo Tracking System (ECTS), the Data Mining and Analysis System and the Super Cluster Server Infrastructure, as well as staff training programmes to enhance efficient and effective tax collection.

The ECTS is an effective counter-smuggling and transit-fraud-curbing system, which increases revenue to the Treasury. Following the launch of the ECTS, excise duty collection increased by 25.6% from April 2016 to April 2017. In May 2017, it rose by 1.8% and in June 2017 by 6.4%. ECTS has also reduced congestion at ports of entry by eliminating physical examinations, scanning and escorts, and thus reducing operational costs.

The Government of Zimbabwe is keen to implement strategies to deal with corruption and increase revenue inflows.

**Table 6 Cross-cutting and strategic areas indicators (Level 1 & Level 2)**

<table>
<thead>
<tr>
<th>INDICATOR</th>
<th>ALL AFRICAN COUNTRIES</th>
<th>ADF COUNTRIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>CROSS-CUTTING STRATEGIC AREAS INDICATORS — PROGRESS IN AFRICA (LEVEL 1)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real gross domestic product (GDP) growth (%)</td>
<td>3.6</td>
<td>5.1</td>
</tr>
<tr>
<td>GDP per Capita (constant 2010 US$)</td>
<td>2015</td>
<td>2018</td>
</tr>
<tr>
<td>Mo Ibrahim Index of African Governance (scale, 0 Low – 100 High)</td>
<td>50</td>
<td>47</td>
</tr>
<tr>
<td>Tax and non-tax fiscal revenues (percentage of GDP)</td>
<td>16.1</td>
<td>13.1</td>
</tr>
<tr>
<td>Gender Inequality Index (0 Low – 1 High)</td>
<td>0.53</td>
<td>0.59</td>
</tr>
<tr>
<td>Production efficiency (kg CO₂ emissions per constant 2010 US$ of GDP)</td>
<td>0.55</td>
<td>0.28</td>
</tr>
<tr>
<td>Resilience to water shocks (index, from 0 to upwards – Lower resilience)¹</td>
<td>3.5</td>
<td>2.21</td>
</tr>
<tr>
<td>Number of refugees and internally displaced people (million)</td>
<td>17.5</td>
<td>16.1</td>
</tr>
<tr>
<td>CROSS-CUTTING STRATEGIC AREAS INDICATORS — ADFB CONTRIBUTIONS (LEVEL 2)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Countries with improved quality of budgetary and financial management</td>
<td>6</td>
<td>5</td>
</tr>
<tr>
<td>Countries with improved transparency, accountability in public sector</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>Countries with improved procurement systems</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Countries with improved competitive environment</td>
<td>3</td>
<td>2</td>
</tr>
</tbody>
</table>

*Achieved 95% or more of the 2018 target*  
*Achieved less than 95% of the 2018 target but above baseline value*  
*Achieved less than the baseline*  
*Data are not available to measure progress*  
¹ The methodology for this indicator captures annual progress and does not take into account the baseline.
and financial management, exceeding our target, and four countries in improving transparency and accountability in the public sector, considerably exceeding our target. We supported one country in improving its procurement systems.

For instance, in Chad our support helped improve the efficiency and transparency of public financial management (PFM), enhancing public spending effectiveness and improving revenue mobilisation. A new General Tax Code and Public Procurement Code were adopted, as well as a new Budget Review Law and a Transparency and Good Governance Code for PFM. As a result, the share of social spending as a percentage of total budget expenditure reached approximately 22% in 2015, well above the target of 19%.

In Sudan, our support strengthened debt management capacity through installing and upgrading debt management software and building the debt management capacity of line ministries at the federal and subnational levels and the Central Bank. Over 50% of the 45 trainees were women.

However, a Bank’s independent evaluation office evaluation of our budget support programmes also identified several factors that limited the influence on the path or speed of the reforms. These included failure to provide a full package of support, from policy dialogue to analysis and technical assistance alongside the financial support, and limited in-country capacity to implement reforms.

Our programmes strengthened the public sector’s capacity to encourage private sector development. We exceeded our target by supporting two countries in improving their competitive environment.

Through a programme-based operation in Mozambique, the Bank supported the rollout of an electronic one-stop-shop process for company registration, as well as tax and social security registration, and the revision of the country’s SME strategy. This expanded opportunities for business creation, growth and employment, particularly for young people, women and MSMEs. The programme also improved the country’s position on the 2017 Natural Resource Governance Index by enhancing the transparency of extractives in line with the EITI standards. In Ghana, the Bank’s support helped the country improve its ranking on the Global Competitiveness Index 2017–2018.

Transitional out of fragility
Fragility in Africa has increasing cross-border significance. Poor natural resource management, disease and conflict all spill over national boundaries, with regional consequences. Long-standing regional conflicts have resulted in the forced displacement of millions of people. This migration is taking place both within African and out of Africa to Europe. Furthermore, fragility, conflict and violence contexts can undermine regional integration and discourage private investment.

In 2018, 23.9 million people were refugees or internally displaced, an increase from 17.5 million in 2015. Ongoing crises in the Great Lakes Region, South Sudan and the Niger Basin have contributed in large part to this soaring number (see Figure 20).

Poor natural resource management, disease and conflict all spill over national boundaries, with regional consequences

The Bank is strongly committed to strengthening resilience to fragility across the continent. We aim to address such root causes of fragility as climate change, migration and regional challenges. We have helped regional member countries that are transitioning out of conflict or are at risk of fragility to strengthen their key institutions for economic governance. This includes strengthening their fiscal control systems, increasing transparency and accountability in the use of public resources, modernising tax systems for domestic resource mobilisation, supporting private sector development, promoting trade across borders, and supporting international contract negotiation and litigation.

In transition countries such as Chad, Guinea, Madagascar and the Central African Republic, we have helped governments restore core state functions around revenue collection and public financial management, and have helped to introduce sustainable social safety nets to reduce vulnerability. In Madagascar, our support for economic management reforms helped to broaden the fiscal space, enabling
the government to carry out investments in the priority social sectors of education, health and water services.

Last year, we launched the Country Resilience and Fragility Assessment to diagnose fragility in countries. We also hosted the second Africa Resilience Forum in Abidjan to encourage effective partnerships and debate to boost resilience for the most vulnerable people.

**Box 29 The Climate Investment Funds after 10 years of operation**

In 2018, the Climate Investment Funds (CIF) celebrated 10 years of operation. Over the past decade, the CIF has worked to mainstream climate change financing and catalyse transformational change at scale throughout the world. In Africa, the Bank and the climate fund work together to implement investments in renewable energy, forestry, and resilience solutions. The Bank is implementing around $830 million in CIF investments, which have mobilised an additional $12.3 billion in co-financing from official and private sector co-financiers.

These projects include investments in wind, geothermal and solar energy that will improve access to energy, reduce greenhouse gas emissions and create jobs. In Morocco, a $512 million Bank investment will construct three wind farms and water storage facilities and connect 75,000 households to the grid. In South Africa, our investment in concentrated solar power is expected to create over 1400 green jobs over time.

In Ghana we are supporting the restoration and sustainable plantation of 11,700 hectares of degraded forest reserves, a process that will create 1100 jobs and enhance carbon sequestration. Our projects in Mozambique will strengthen communities’ capacity to address the adverse impacts of climate change and will lead to a 150% increase in the income of smallholder farmers and rural entrepreneurs in the region by helping to improve their resilience to negative climate change events.

**Box 30 Desert-to-Power Initiative: Yeleen Rural Electrification Project**

Lack of energy remains a significant impediment to Africa’s development. In response, the Bank has embarked on a desert solar initiative, the Desert-to-Power Initiative. This solar project will stretch across the Sahel region and is expected to provide 10 GW of solar energy by 2025, supplying 250 million people with green electricity. The initiative is a collaboration with the Green Climate Fund and will leverage private sector capital with blended finance.

The Yeleen Rural Electrification Project is the first project under the Desert-to-Power Initiative. It will use decentralised photovoltaic systems to provide 150,000 households in Burkina Faso with off-grid energy access. It will provide rural populations with 100% access to renewable energy, with a service period of approximately 16 hours/day. The project will reduce CO₂ emissions by an average of 15,500 tonnes per year and will contribute to the development of the agriculture sector in rural areas.

In addition, we approved an equity investment of $25 million in the Trade and Development Bank to expand its work in fragile contexts, including Burundi, Democratic Republic of Congo, Somalia and Sudan. Our “Say No to Famine” programme responded to the immediate humanitarian needs of 800,000 Somalis affected by drought and famine.

**Adapting to climate change**

Climate change poses a significant risk to Africa. Four out of five of the world’s countries that are most vulnerable to climate change are in Africa. High levels of poverty, food insecurity, limited safety nets, poor natural resource management and high dependence on subsistence farming increase the vulnerability of African countries. Climate impacts are already affecting millions of people across the continent, impeding agricultural productivity and tipping millions into hunger and malnutrition.

“Climate impacts are already affecting millions of people across the continent”

As more countries face water shortages, adaptation strategies are needed to increase resilience to water shocks. The Bank supports transboundary water management and development through investments in infrastructure, resource management capacity building and protection of vital rivers and lake basins. (Read more about this in the Feed Africa section). The Africa Water Facility is the primary vehicle through which we support these projects. Under the African Financial Alliance for Climate initiative, the Bank is also working with Africa Risk Capacity, Green Climate Fund and Global Environment Facility to provide countries with risk insurance against droughts and adverse climatic conditions.

Although Africa accounts for less than 4% of the world’s greenhouse gas emissions, it has work to do to improve its CO₂ production efficiency; according to the production efficiency indicator, the continent produces 0.57 kg CO₂ per dollar of GDP. Some countries are still overly dependent on coal power plants or diesel generators, like South Africa or Nigeria, respectively.

“Renewable energy and off-grid solutions have the potential to transform rural communities and reduce carbon emissions”

The Bank has mainstreamed climate change and green growth into its operations. We have helped strengthen the capacity of 14 national climate centres, thereby helping to provide early warning systems for 300 million people. We are increasingly working with partners, such as the Climate Investment Funds, to leverage finance for investments in climate-related and renewable energy programmes (see Box 29). Renewable energy and off-grid solutions have the potential to transform rural communities and reduce carbon emissions (see Box 30). The Bank also encourages
What has worked well

Focusing on meeting strategic country goals
Support for institutional strengthening is most effective when reform actions are focused and clearly linked to the country’s reform agenda. In Malawi, the Bank helped to strengthen revenue mobilisation through modernised customs management systems, capacity building and implementation of legislation. This reduced the time for customs clearance across borders from 2–3 days in 2013 to 2 hours in 2017 and enhanced the environment for doing business.

Focusing on influence
The Bank can play a pivotal role in ensuring that budget support achieves results. As part of our support to Ghana’s public financial management (PFM), Energy and Private Sector Competitiveness programme, the Bank, through its country office, was closely involved in policy dialogue with the Government and other development partners (including the World Bank and IMF) to ensure that the authorities were on track in implementing energy sector and PFM reforms. During the programme, progress was made, as the fiscal deficit was reduced beyond the envisaged programme target.

What has not worked so well

Sustaining engagement to drive reforms
Structural reforms require a sustained approach and comprehensive approach, consolidating achievements over multiple years. In Zimbabwe, the Bank supported an institutional strengthening project aimed at enhancing transparency and accountability in public procurement and in the management of mineral resources. While capacity was strengthened, the outcomes sought were not fully achieved, indicating the politically sensitive nature of the reforms, which required a broad-based and sustained approach, rather than a short-term one. The Bank should prioritise medium- to long-term programmes to drive structural reforms.

Ensuring strong coordination among development partners
In a project to improve public financial management in Liberia, development partners lacked a harmonised M&E reporting framework. As a result, multiple donor requirements initially constrained timely monitoring and reporting of results; these challenges had to be resolved during implementation. Ensuring strong donor coordination on all aspects of project implementation, monitoring and reporting is essential for achieving better results.

African financial centres to shift their portfolios towards climate-resilient and low-carbon investments.

Addressing gender equality
The gender inequality index in Africa is 0.52 on a scale of 0 to 1, representing slow progress towards equality. The index indicates that women face a broad range of barriers to economic participation, including legal discrimination and negative gender norms and stereotypes. Women also bear a disproportionate burden of care for children, the sick and the elderly. While more than half of economically active women earn a living in the agriculture sector and in many cases are the primary producers and processors of food, they continue to lack land use and ownership rights. Women’s equal political participation remains a major challenge, with few exceptions.

Women’s equal political participation remains a major challenge in Africa
The Bank’s investments are focused on supporting women and helping lift them out of poverty, in line with its gender equality strategy. In 2017, we introduced a gender marker system that has greatly increased the extent to which projects include gender objectives, outcomes or outputs, and has improved the quality of those objectives, outcomes or outputs. The gender marker system will increasingly help us to formulate specific activities and objectives to empower women and promote gender equality in our operations.

Our health project in Sudan contains a focus on improving health outcomes for women, particularly by training 40,000 community health workers and through the innovative use of mobile phone technology to share health information. Focusing on maternal and reproductive health and early detection and treatment of cancer, the project is in line with Sudan’s Women Empowerment Policy.

The Bank is also committed to enhancing women’s access to finance. In Tunisia we are seeking to deepen access to financial services for groups in vulnerable situations, particularly women and youth. The programme has improved women entrepreneurs’ access to loans by establishing financing products devoted to women entrepreneurs.

The Bank’s Affirmative Finance Action for Women in Africa (AFAWA) aims to raise $300 million and leverage $3 billion by 2025 for financial and nonfinancial services to women in business. We are partnering with the Entrepreneurial Foundation to train 1000 women entrepreneurs in five countries; 400 women entrepreneurs have already been trained in Côte d’Ivoire, Gabon and Kenya. AFAWA is also partnering with the World Bank-led Women Entrepreneurs Finance Initiative to mobilise resources to address the financial and non-financial constraints faced by women-owned/-led SMEs in Africa.

In line with AFAWA, we launched the Fashionomics Africa Initiative, focusing on the potential of African cultural and creative industries to stimulate job creation and promote women’s economic empowerment. So far, more than 500 textile/fashion entrepreneurs have been trained, of whom 70% were women. We are also developing the Fashionomics Africa digital marketplace and mobile application with e-commerce functionalities, starting with a pilot phase in five African countries (Côte d’Ivoire, Ethiopia, Nigeria, South Africa and Kenya).

We have also set up two incubator centres to support women-led ICT businesses in Rwanda and Sudan. And in West Africa, we are working with 16 women entrepreneurs to expand their energy businesses.

The Bank is developing an Online Gender Data Portal that will provide an open platform with access to key gender-related statistics.
for regional member countries and will help staff generate sex-disaggregated data, gain access to presentation-ready graphics and monitor the impact of their operations on gender outcomes.

New programmes in cross-cutting and strategic areas

Strengthening good governance in Africa is critical to regional integration. During 2018, the Bank prioritised programmes that help improve institutional governance, raise public financial management standards and align policy frameworks.

In 2018, we approved a new programme to support the African Peer Review Mechanism’s work to support regional integration, including research to promote best practice regional integration and policy harmonisation. We have also approved two projects in Ghana and Côte d’Ivoire that will improve coordination between the two countries’ cocoa sectors.

In Namibia, we have approved $217.8 million to strengthen PFM and the quality of public sector spending. The Bank’s support will improve revenue collection, enhance the efficiency of public spending, improve debt management and enhance investment facilitation for industrial and MSME development. It will also provide a foundation for industrialisation through business environment reforms.

We continue to support domestic resource mobilisation across the continent. In Lesotho, we signed a loan agreement to support tax modernisation, strengthening the effectiveness of tax administration. In DRC, we have committed $21.4 million to consolidate the gains from tax reform by increasing resource mobilisation and enhancing accountability.

In Niger, we have committed $42.7 million in support of the country’s reforms and economic resilience programme. This will improve tax mobilisation, enhance the transparency of the procurement system, increase access to electricity and water, improve agro-pastoral productivity, enhance women’s empowerment, and support job creation and environmental protection.

The Bank is working to build inclusive and sustainable economies. In Egypt, we are supporting the implementation of the government’s medium-term development agenda, which aims to build the foundations for inclusive and self-reliant economic growth. In Tanzania, the Bank is working with the government to build a resilient private-sector-led economy through improvements to economic and financial governance. In Chad, we have approved $20.9 million to support sustainable economic recovery through better PFM and an improved investment climate.

In Gabon, we have approved $72 million to contribute to strong and inclusive growth by improving the investment climate, strengthening institutional capacity and diversifying the economy. We have also approved an additional $113.2 million to strengthen the consolidation of public finances, reduce the budget deficit and increase non-oil revenue.

In Cameroon, the Bank has approved $170 million to accelerate growth and reduce poverty and unemployment. The support will consolidate public expenditure and strengthen governance and competitiveness in productive sectors. It will also contribute to improving the quality of the roads the energy infrastructure, and the legal regulatory environment.

The Bank is contributing to the resilience of the population and ecosystems in the Niger River Basin through sustainable management of resources. This includes efforts to recover degraded land, improve productivity and support populations in adapting to climate change.

To achieve sustainable results at scale, we will continue to focus our attention on cross-cutting and strategic issues when designing programmes. We remain committed to improving economic governance and improving transparency, helping countries to better raise and manage domestic resources, strengthening resilience to fragility and climate change and mainstreaming gender across our operations, to help ensure that investments in our High 5 priorities will deliver economic transformation and achieve the SDGs.
Strengthening the building industry

The infrastructure sector is a driver of economic growth. It supports jobs and provides industries with spaces to produce goods that are sold across the continent. In Burkina Faso, we are expanding the electricity grid to provide energy to households and enterprises.
Chapter 7
Improving our development impact and efficiency

The quality of the Bank’s performance is critical to achieving results. Our aim is to maximise our impact by mobilising more investment resources and to improve the quality of our portfolio by attracting and nurturing the right talent.

This chapter shows that, overall, the Bank has made important progress towards delivering better development results and driving improved value. We remain committed to continuously improving the quality of our operations through impactful reforms. We have made great strides in ensuring that cross-cutting issues like gender and climate inform the design of our programmes — climate finance now accounts for 32% of our approvals. Our internal reforms have increased accountability, streamlined processes and supported talent and diversity in our workforce. We have successfully expanded our footprint at country and regional office levels, bringing us closer to our clients and making us better able to deliver outcomes against our High 5 priorities and the SDGs.

Reaping results from a Bank acting as One Bank
In 2018, the Bank continued to implement its internal reforms to become more effective in delivering its High 5 priorities. The focus has been on capacity building, especially at country office level, increasing accountability, and harmonising standards and processes to ensure that we deliver as “One Bank”. We now have a much stronger regional presence, with 41 country offices, ensuring that we can work closely with all project stakeholders to deliver development outcomes.

Our stronger regional presence ensures that we can work closely with all project stakeholders to deliver development outcomes

Driving impact with enhanced accountability
In 2018, the Bank approved projects valued at $8.7 billion (UA 6226 million) — a 14% increase from 2017. Debt sustainability concerns and socioeconomic issues remain in some member countries, but we have made significant efforts to improve the readiness of projects and streamline their delivery during the year.

We strive to align our projects to the objectives of the Ten-Year Strategy (2013–2022) through the High 5 priorities. The Bank’s Project Completion Reports (PCRs) show that 89% of completed operations achieved their planned development outcomes — close to our target of 92%. They also indicate that 91% of our completed operations achieved sustainable outcomes. Our completion reports identify lessons for improving project design and implementation, which drive year-on-year improvement.

The Bank’s independent evaluation office (BDEV) also independently rates PCRs to assess the candor of operation teams’ assessments. While data are unfortunately missing for independently rated PCRs in 2018, BDEV made available data for 2016 and 2017, at 78% and 76% respectively, PCRs rated as satisfactory and above at

1 This figure excludes Special Funds.
We use evaluation findings to improve the quality and impact of our lending, and we track the implementation of agreed evaluation recommendations each quarter through the Management Action Record System (MARS). Since launching MARS in 2017, the Bank has increased the share of actions completed in response to recommendations from 32% to 65% (see Figure 22). This ensures that new projects and strategies are informed by lessons of the past.

The internal reforms have made timely reporting a priority. Last year, we increased the proportion of completed operations with a timely completion report to 85%. The Bank is now ranked fourth amongst multilateral development banks on the independent Aid Transparency Index. This reflects our operational capabilities and the efficacy of our systems and processes. We provide timely, accurate and comprehensive reporting on development activities in our new Data Portal and are transitioning to reporting on results in real time.

Managing operations for development effectiveness

During the past year, the Bank approved new Country and Regional Strategy Frameworks aimed at enhancing the impact and quality of...
our work. The ● quality of Country Strategy Papers (CSPs) was rated at 3.1 in our readiness reviews, up from 3 in 2015; this is on a scale of 1–4 that assesses compliance and procedural and financing factors. The ● quality of new operations was rated at 3.3, the same as in 2015. We expect this quality to improve with the adoption of a new results tool and further review of the quality-at-entry standards for CSPs.

Reducing delays in preparing projects helps achieve development effectiveness in a timely way. The ● time from concept note to first disbursement has fallen to 21 months from 21.9 months in 2015. Our ● disbursement ratio remains steady at 21.9%, almost reaching our target of 22%. We will continue to monitor disbursement performance and to work closely with regional member countries to improve project readiness and institutional capacity.

We continue to ensure that gender analysis is fully integrated into project design and all project appraisal reports

We pay close attention to cross-cutting issues in project design to deliver sustainable outcomes. On gender, we achieved 87% of ● new operations with gender-informed design, above our target of 81%. We continue to ensure that gender analysis is fully integrated into project design and all project appraisal reports. We have deployed nine gender specialists to regional centres, and our gender marker system ensures that measures to address gender inequality are included in policymaking, strategy, capacity building, compliance and knowledge management, as well as resource mobilisation. The Bank’s Civil Society Engagement Action Plan, currently under review, is expected to be finalised in 2019. The Bank has also set up a Civil Society Division and deployed staff to the regions to support mainstreaming of civil society organisations and communities in the Bank’s projects and programmes. Ongoing efforts to enhance the Bank’s engagement with CSOs will help to promote inclusivity and maximise the impact and sustainability of our development programmes.

On environmental issues, 80% of our ● operations had satisfactory environmental/social safeguard mitigation measures, compared to 87% in 2015 and 90% in 2017. This lower performance is attributed to lack of adequate resources to support project origination as well as implementation to assess the effectiveness of mitigation measures.

We achieved 85% of ● new operations with climate-informed design, above our target of 81%. In line with our Climate Change Action Plan II (2016–2020), we are working with global climate finance facilities to co-finance Bank projects in renewable energy generation, energy efficiency, sustainable transport and sustainable natural resource management. Overall, this will support the continent’s transition to low-carbon, climate-resilient growth and development.

Improving portfolio performance

The Bank is continuing to implement procurement reforms, and in addition is undertaking thorough assessments and strengthening the capacity of the procurement systems of regional member countries. As a result, we increased our share of ● procurement contracts using national systems from zero in 2015 to 21% of value in 2018. The ● time for procurement of goods and works was 6.5 months in 2018, down from 8.5 months in 2015 — exceeding the target of 7.8 months. We will continue to provide day-to-day support to projects to build capacity and improve quality.

In 2018, following proactive portfolio clean-up efforts, 23% of our ● projects faced implementation challenges and delays — a significant improvement from 2015. The share of our ● operations eligible for cancellation was 27% in 2018. Even though this is an increase from our baseline in 2015, it is an improvement from 29% in 2017.
Progress on a number of projects continue to be affected by delays in the mobilisation of national counterpart funds, difficulties in mobilisation of funds by co-financiers, slowness in execution of project contracts and delays in the processing and transmission of payment requests due to non-compliance of disbursement applications with Bank’s rules and procedures. Management will continue to monitor the performance of our portfolios through vigorous project supervision and periodic meetings with national authorities.

The Bank has increased its capacity to supervise its portfolio and address non-performing operations. Among other measures, the Bank has recruited implementation support managers and created the Special Operations Unit (SOU) for private sector projects (see Box 32).

The Bank will continue to actively monitor its portfolio, taking corrective measures and cancelling non-performing operations to continuously improve portfolio performance. As a result of our measures, certain projects that were due for cancellation were turned around and declared effective, and the first disbursements are being processed. Because of our efforts to enhance risk management in the project planning and design phase, only 8% of projects were classified as being at risk, a lower share than in 2015.

Last year, 52% of our Country Portfolio Performance Reports were completed on time. These annual reports check the health of our country portfolios. The outstanding reports were delayed because of processing challenges, but, with the increased capacity of country managers and country programme officers, their delivery is expected during 2019.

**Becoming a knowledge Bank**

The Bank provides leadership on economics and statistical research across the continent. Working with a wide range of partners, we generate knowledge that helps in understanding development challenges, improving operational efficiency and informing programme design.

In 2018 we delivered a high number of policy briefs that focus on cross-cutting issues and achieving the High 5 priorities. We launched flagship publications, such as the African Economic Outlook 2018, and supported integration through efforts to harmonise statistical information gathered across the continent and through initiatives like the African Information Highway and OpenData Platform. We also used our position to convene knowledge-sharing and capacity-building events that support regional integration, such as the African Economic Conference.

We generate knowledge that helps in understanding development challenges, improving operational efficiency and informing programme design

We also provided capacity development to our regional member countries to enhance operational implementation. Over 500 staff in project implementation units across 10 countries benefited from fiduciary clinic workshops in 2018. Policy dialogues and trainings were held in areas such as fiscal management, public-private partnerships, climate change and other policy-relevant themes.

In 2018, we produced 253 new economic and sector work products, exceeding our target of 151. Examples include an assessment of the impact of the Emerging Senegal Plan on Employment, a trade facilitation and export competitiveness study in Angola and a study on job creation and strengthening of human capital.

**Maximising financing and attracting talents for increased impact**

The Bank is committed to managing its operations efficiently to increase impact and achieve the High 5 priorities. We continue to work with partners to mobilise resources and provide technical assistance. In line with the internal reforms, we are moving closer to clients and developing staff with the skills and experience to deliver our operations optimally.

In 2018, the Bank disbursed $6067 million (UA 4365 million). We are mobilising public and private sector finance to enhance our impact, whilst ensuring value for money for our clients.
Catalysing development resources and improving financial management

The Bank continues to co-finance projects with other international development agencies. Last year, $6.95 billion (UA 5.04 billion) was mobilised from the public sector, compared to our target of $7.5 billion (UA 5.3 billion). This included $104 million from both the European Union and the European Investment Bank on the Senegal Road Rehabilitation Project and $149 million from the World Bank and IMF on the Support to Reforms and Economic Resilience Programme in Niger.

To promote inclusive and sustainable growth and drive economic transformation, we crowd in funding from the private sector

The Bank also mobilises funds through bilateral and multidonor trust funds. In 2018, we mobilised $234 million, including a contribution from the Bill & Melinda Gates Foundation, to support the Africa Digital Inclusion Fund, and the European Commission’s contribution to the Somalia Infrastructure Trust Fund.

To promote inclusive and sustainable growth and drive economic transformation, we also crowd in funding from the private sector by sharing investment risk (see Box 26 in Chapter 4). In 2018, we achieved only $3.23 billion (UA 2.36 billion) in resources mobilised from the private sector, compared to $8.2 billion in

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Table 8 Is AfDB managing itself efficiently? (Level 4)

<table>
<thead>
<tr>
<th>INDICATOR</th>
<th>Baseline 2015</th>
<th>Latest 2018</th>
<th>Target 2018</th>
<th>2019</th>
<th>2020</th>
<th>2025</th>
</tr>
</thead>
<tbody>
<tr>
<td>MOVE CLOSER TO CLIENTS TO ENHANCE DELIVERY</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share of operations staff based in country offices and regional hubs (%)</td>
<td>40</td>
<td>53</td>
<td>54</td>
<td>58</td>
<td>63</td>
<td>85</td>
</tr>
<tr>
<td>Projects managed from country offices (%)</td>
<td>60</td>
<td>77</td>
<td>68</td>
<td>70</td>
<td>73</td>
<td>85</td>
</tr>
<tr>
<td>IMPROVE FINANCIAL PERFORMANCE AND MOBILISE RESOURCES</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Climate-related Bank commitments (%)</td>
<td>15</td>
<td>32</td>
<td>32</td>
<td>35</td>
<td>40</td>
<td>..</td>
</tr>
<tr>
<td>Total Bank income (UA millions)</td>
<td>93.2</td>
<td>124.7</td>
<td>271</td>
<td>271</td>
<td>271</td>
<td>271</td>
</tr>
<tr>
<td>Resources mobilised from public sector entities (UA billion)</td>
<td>3.5</td>
<td>5</td>
<td>5.3</td>
<td>5.3</td>
<td>5.3</td>
<td>5.3</td>
</tr>
<tr>
<td>Resources mobilised from private sector entities (UA billion)</td>
<td>5.8</td>
<td>2.4</td>
<td>6.4</td>
<td>6.4</td>
<td>6.4</td>
<td>6.4</td>
</tr>
<tr>
<td>INCREASE VALUE FOR MONEY</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administrative costs per UA 1 million disbursed (UA ‘000)</td>
<td>98.9</td>
<td>91</td>
<td>95</td>
<td>94</td>
<td>93</td>
<td>87</td>
</tr>
<tr>
<td>Work environment cost per seat (UA ‘000)</td>
<td>3.6</td>
<td>3.5</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Cost of preparing a lending project (UA ‘000)</td>
<td>85.6</td>
<td>128</td>
<td>83</td>
<td>83</td>
<td>82</td>
<td>78</td>
</tr>
<tr>
<td>Cost of supporting project implementation (UA ‘000)</td>
<td>19.7</td>
<td>28</td>
<td>19</td>
<td>19</td>
<td>19</td>
<td>18</td>
</tr>
<tr>
<td>STAFF ENGAGEMENT, DEVELOPMENT AND PRODUCTIVITY</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee engagement index (%)</td>
<td>64</td>
<td>..</td>
<td>70</td>
<td>72</td>
<td>74</td>
<td>83</td>
</tr>
<tr>
<td>Managerial effectiveness index (%)</td>
<td>48</td>
<td>..</td>
<td>54</td>
<td>56</td>
<td>58</td>
<td>68</td>
</tr>
<tr>
<td>Share of women in professional staff (%)</td>
<td>26.7</td>
<td>30</td>
<td>30</td>
<td>31</td>
<td>32</td>
<td>38</td>
</tr>
<tr>
<td>Share of management staff who are women (%)</td>
<td>29.4</td>
<td>26</td>
<td>32</td>
<td>33</td>
<td>34</td>
<td>38</td>
</tr>
<tr>
<td>Net vacancy rate—professional staff (%)</td>
<td>16</td>
<td>12</td>
<td>14</td>
<td>13</td>
<td>13</td>
<td>9</td>
</tr>
<tr>
<td>Time to fill vacancies (days)</td>
<td>223</td>
<td>116</td>
<td>183</td>
<td>170</td>
<td>157</td>
<td>90</td>
</tr>
<tr>
<td>Operations professional staff (%)</td>
<td>67</td>
<td>66</td>
<td>68</td>
<td>68</td>
<td>69</td>
<td>70</td>
</tr>
</tbody>
</table>

1 The unit of measure for this indicator has changed from tracking the volume of commitments to measuring the share of climate-related Bank commitments over total commitments. This reflects the targets set in the 2016–2020 Climate Change Action Plan approved by the Board of Directors in 2017. For the purpose of the ADER exercise, the target of 40% is kept as flat until 2020. New target(s) for the period 2021–2025 will be determined.

2 Corrections - The 2018 ADER misstated the values for this indicator. The 2015 baseline value is 64, not 73. The 2018 target value is 70, not 75 and the 2019 target value is 72, not 76.
2015 and against a target of $9 billion (UA 6.4 billion). While this is an improvement from 2017, it is lower than expected because a number of projects did not achieve financial close by the end of 2018. Lack of technical studies, delays in securing project preparation funds and project viability issues also impacted performance. For instance, two projects worth UA 92 million were postponed to 2019 in order to address some risk and audit concerns with the clients.

We are taking an active role in ensuring that these investments materialise this year. Our Private Sector Facility is helping to increase the volume of financing in low-income countries, and we have introduced new policies to guide and optimise our private sector projects (see Box 33). We are also taking steps to catalyse more private investment from new sources of capital, such as insurance companies (see Box 34).

Total Bank income was $173 million (UA 124.7 million) in 2018, down from $365 million in 2017. This decrease largely reflects changes in accounting standards and unfavourable market valuation effects. Following the July 2018 rating review exercises, the rating agencies reaffirmed the Bank’s AAA rating with a stable outlook. This rating reflects the Bank’s solid capital adequacy, prudent financial management, high liquidity coverage, preferred creditor status and strong shareholder support. In spite of this strong profile, the Bank’s prudential metrics are reaching the trigger levels for a capital increase that were foreseen at the time the Sixth General Capital Increase (GCI-VI) was approved.

Climate finance
The Bank continues increasing its support to help developing countries reduce greenhouse gas emissions and build resilience to climate change impacts. In 2018, we dedicated 32% of our commitments to climate finance, meeting our target of 32%. This puts us well on the way to achieving our target under the second Climate Change Action Plan (2016–2020) of committing 40% of total annual approvals as climate finance by 2020. We also mobilise finance from international climate funds and the private sector to pursue our climate change objectives. This year, for instance, we obtained our first approval from the Green Climate Fund, for the Zambia Renewable Energy Financing framework.
Increasing value for money
By implementing internal reforms, we are driving more efficient management of the Bank and better value for money for clients. In terms of cost-efficiency, our administrative costs per million of UA disbursed decreased to UA 91 000 in 2018 from UA 98 900 in 2015. This was an increase from 2017, when disbursements were at a record high and operation costs increased only modestly. This year, continuing reforms and the completion of essential hires in country offices increased our costs, but they remain below our target.

Our work environment cost per seat in 2018 was $4868 (UA 3500), a slight increase from 2017 because of higher costs of building security and electricity. We are exploring measures to mitigate these costs in 2019.

We remain committed to exploring ways of realising cost savings during the implementation of the Bank’s work programme.

Our cost of preparing a lending project increased to $178 000 (UA 128 000) from $126 500 in 2017, and our cost of supporting project implementation increased to $39 000 (UA 28 000) from $28 400 in 2017. These changes reflect an increase in the volume of knowledge work and business development we are undertaking, as well as an increase in our administrative expenses including a net increase in staffing as the Bank recruited to reach adequate staffing levels, merit-based performance increases and the costs of consultants to deliver on key work programme priorities. We remain committed to exploring ways of realising cost savings during the implementation of the Bank’s work programme.

We will continue to implement of our Digital Strategy to re-engineer the Bank’s business processes and help us transform into a “Smart Bank”. This includes upgrading our IT infrastructure to support the Bank’s reforms and realisation of the High 5s. Overall, it will improve operations and efficiencies and improve service delivery, governance, and domestic resource mobilisation.

Bringing the Bank closer to clients
Reforming our structure to bring us closer to clients and enable us to deliver our High 5 priorities is a critical element of our reforms.

We now have five Regional Development, Integration and Business Delivery Hubs, each headed by a Director General, that house relevant sectoral experts, functions and administrative capabilities in a shared service model for rapid delivery across countries. We have also streamlined our structure at HQ and transferred some functions to regional and country offices, and we have increased our presence in transition countries.

In addition, to accelerate decentralisation and ensure the right-sizing and mix of skills of regional and country offices, Management has refined the Delegation of Authority Matrix (DAM) organisational structure. This structure clarifies the division of responsibilities among HQ, the regions and sector complexes, strengthening the capacity and authority of regional hubs and country offices. Staff will be better able to work across boundaries, and streamlined structures help project management align with sector specialists.

We have 53% of operations staff based in country offices and regional hubs — just below our target of 54%. This enables us to strengthen policy dialogue with regional member countries and other donor agencies. All relevant fiduciary functions (procurement, financial management and disbursement) and operational staff, including managers and task managers, have been moved to the country and regional offices. As a result of these staffing changes, 77% of our projects are managed from country offices, above our target of 68%.

All relevant fiduciary functions and operational staff have been moved to the country and regional offices.

To further optimise skills distribution, a country office right-sizing exercise is ongoing to align country office staffing with current and planned lending programmes, portfolio requirements and the budget needed to achieve the expected increase in work programme activities.

Staff engagement, development and productivity
We aim to attract and retain top talent to execute our strategic plans and deliver the High 5 priorities. We pay close attention to employee engagement and managerial effectiveness to deliver our operations as effectively and efficiently as possible.

We will update the relevant indicators after completion of our staff survey, started this year. Under the internal reforms, we have gradually increased the number of staff in regional and country offices to deliver enhanced results.

Because of our efforts to accelerate recruitment, the time to fill vacancies fell to 116 days, compared to 223 days in 2015. Our net vacancy rate for professional staff has also fallen, to 12%, from 28% in 2017. The Bank’s overall gross vacancy rate declined from 24% in 2017 to 14% in 2018. Efforts are ongoing to fill the remaining vacant positions and reduce the vacancy rate to 10% in the course of 2019.

The proportion of professional staff working on operations was 66%, just under the target of 68%.

To build staff and manager capacity, we have stepped up training. In particular, we have supported the development of skills and knowledge for strategic policy dialogue. To optimise performance, we launched two flagship training programmes (Employee Relations and High-Performance Workshops), which were attended by 755 people.
We are also investing in leadership development, strategic mentoring and e-learning. In 2019, to ensure common standards and quality in project preparation, we will introduce an Operations Academy and a compulsory training and certification programme for all operational staff, and a Country Manager Exchange programme. We are also building our Staff Academy programme.

The Bank has trained over 950 people in PRINCE2 and launched the Lean Six Sigma Certifications (Yellow and Green Belts) to enhance portfolio performance and process efficiencies. So far, 50 staff have been certified at both levels. This certification will provide staff with knowledge, skills, techniques, and tools to manage the Bank’s programmes effectively and efficiently. The Bank will continue to build staff competencies and capabilities into the profiles of development consultants who enhance client policies and practices and promote achieving the goals of the High 5s.

Promoting staff diversity
In our recruitment process, we have continued to prioritise diversity, including gender, language and regional representation. We are committed to reducing the gender gap and have introduced gender-responsive practices in ongoing recruitment. In 2018, the share of women in professional staff was 30%, and the share of management staff who were women was 26%. We aspire to reach 38% women as managers and in technical and professional roles by 2025.

To achieve this, we have launched a Women Leadership Academy and are working with Economic Dividends for Gender Equality to create an optimal workplace for gender diversity through an array of initiatives.

Conclusion
The Bank is making progress towards both delivering better development results and driving improved value through its operations. We have placed greater emphasis on increasing accountability and innovation. We have raised our ambition on crowding in private sector finance to deliver impact for regional member countries. We have successfully increased our presence in country and regional offices to better deliver development outcomes whilst working in partnership with our clients. And we have continued working to ensure that the Bank is a lean and effective institution with a talented and empowered staff that is capable of delivering results for Africa.
Financing African cities
Cities support growth in critical economic sectors and spur structural transformation, attracting foreign direct investment, facilitating international trade and connecting Africa to global value chains. The Bank is working at overcoming large infrastructure deficits in cities.
Looking forward

The momentum behind regional economic integration in Africa is at an all-time high. The adoption of the Agreement establishing the African Continental Free Trade Area (AfCFTA) has ushered in a new era of economic cooperation. There have also been notable achievements in improving infrastructure connectivity and establishing the soft infrastructure needed to support the free movement of goods, services and finance.

The more progress Africa makes towards overcoming economic fragmentation and building an integrated market, the greater the opportunities for African business to become more productive and competitive and to create jobs at scale.

The Bank has been, and will continue to be, a champion of economic integration, trade and investment. We are key financiers of regional integration initiatives, working in close partnership with regional economic communities and their member governments. We use our convening power as Africa’s premier development finance institution to bring together African stakeholders to solve regional policy challenges.

Our role in promoting integration

This Annual Development Effectiveness Review shows that the African Development Bank has played an important role in promoting regional integration and economic transformation. Our work to improve infrastructure connectivity, increase access to services, strengthen skills and promote regional cooperation enhances opportunities for people across Africa.

Integrate Africa – The Bank is a champion of regional economic integration, trade and investment. Our Regional Integration Strategic Framework (2018–25) supports the African Union’s Agenda 2063 and the establishment of AfCFTA. In 2018, we invested in infrastructure — including the construction of 390 km of cross-border roads and flagship projects like the Trans-Gambia Bridge — to improve cross-border linkages, strengthen access to regional and global markets and promote regional transport corridors. We also supported regional public goods, such as financial integration. We will continue to work with regional economic communities, national governments, international donors and the private sector to Integrate Africa.

Through our investments, we will continue to support the free movement of goods and people, to deliver enhanced social and economic opportunities across the continent.

Light Up and Power Africa – We are committed to providing clean, affordable and transformative energy for all Africans. Under the New Deal for Energy, we work with governments, the private sector and stakeholders to drive reform and investment in the sector. Last year, we delivered and financed interconnector projects and large-scale renewable projects. We installed 480 km of transmission lines and 2430 km of distribution lines, providing 570 000 people with electricity connections. On regional energy integration, we will continue to support projects that increase access to and reduce the cost of electricity to businesses and communities across the continent. This includes establishing fast-track finance for large-scale regional projects. We are working with regional organisations to strengthen capacities, encourage exchanges and dialogues, and support initiatives to facilitate technical and regulatory harmonisation. In line with our commitments, we will continue to scale up our efforts to support off-grid renewable energy and clean cooking solutions.

Feed Africa – The Bank has played a leading role in supporting agribusiness, innovation and nutrition initiatives across the continent. We are working with international partners and the private sector to strengthen and integrate Africa’s agriculture sector to improve livelihoods, reduce poverty and improve food security. In 2018, 19 million people benefited from our projects. We invested in vital infrastructure to enable farmers to reach new markets and worked across national boundaries to protect vital natural resources. The Bank will continue to develop its focus on promoting new technologies and modern farming techniques — to develop a new generation of “agripreneurs” and boost agricultural productivity and value chains to meet our commitments under our High 5 priority Feed Africa.

Industrialise Africa – Under the Industrialise Africa High 5 priority, we are working with our development partners to support enterprises of...
all sizes and promote productivity along international value chains. In 2018, Bank private sector projects benefited 1.2 million people across the continent, half of whom were women. The Bank will continue to support innovation and MSMEs in transformational sectors. We will continue working with our partners to support infrastructure, develop local capital markets and foster successful industrial policies to catalyse more private sector investments and help transform African economies. We will continue to invest in more challenging markets, including low-income and fragile contexts.

**Our strategies and investments will enable millions to find jobs, improve their livelihoods and leave poverty behind**

**Improve the quality of life for the people of Africa** – Improving the quality of life for the people of Africa is at the core of the Bank’s work. We are working with governments, academic institutions and the private sector to increase skills in science and technology. In 2018, our projects provided 1.2 million people with jobs and 8.2 million people with improved access to water and sanitation. Under Our Jobs for Youth in Africa strategy, we are supporting employment and entrepreneurialism, funding programmes to enhance opportunities for young people across the continent. In the coming period, we will scale up our work to support better health and universal access to water and sanitation. Together, our strategies and investments will enable millions to find jobs, improve their livelihoods and leave poverty behind.

**Cross-cutting and strategic areas: governance, gender, fragility and climate change** – The Bank pays close attention to a number of cross-cutting areas — gender equality, fragility, climate change, and governance — to maximise the development impact of our investments. We are helping countries to mobilise domestic resources and improve the efficiency and transparency of their public financial management, especially in fragile contexts. Our projects are helping countries build resilience to climate change and helping women to access finance and expand their businesses. We will continue to prioritise inclusion and sustainability in all our work, and to build cross-cutting and strategic issues into our operations, to help drive economic transformation and achieve the SDGs.

**The Bank’s performance**

The Bank seeks continually to improve its performance. This ADER shows that we have made important progress towards delivering better development results and driving increased value through our operations.

Our internal reforms have increased accountability, streamlined processes and supported talent and diversity in our workforce. To improve the quality of our portfolio, we are adopting new results tools and reviewing the quality-at-entry standards for CSPs. We will continue to focus on managing our operations efficiently to deliver enhanced results.

We have increased our capacity to supervise our portfolio and address non-performing operations. We will continue to implement procurement reforms and work towards greater cost-efficiencies. We will also work with regional member countries to improve project readiness and institutional capacity.

The Bank has an important role as a knowledge leader. Our work helps in understanding development challenges, improving operational efficiency and informing programme design. We will use our convening power and unique position to deliver high-quality economic and statistical research for the continent.

In line with our internal reforms, we are moving closer to clients and strengthening our staff’s capacity to deliver high-quality operations. We have successfully expanded our footprint at country and regional office levels, enabling us to work more closely with all project stakeholders. We will further harmonise our standards and processes to enable us to deliver better results.

We are working to attract and retain top talent. We continue to optimise skills distribution across country offices and to refine our matrix structure to ensure that we are meeting project requirements. We have stepped up training to build staff and management capacity, and we will continue to prioritise diversity as we work to reduce the gender gap amongst our managerial staff.

Looking forward, we are developing new approaches to further drive accountability, innovation and development impact. We aim to crowd in funding from the private sector to enhance our ability to drive economic transformation. Working with our regional member countries and development partners, we will remain focused on reaching our High 5 priorities and achieving the SDGs.
This note describes how the Bank assesses and reports on progress in the ADER.

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 achieve a range of needs and aspirations, including through education, better health, and membership in secure and supportive communities.

One of the methodological challenges of measuring development impact has to do with attribution — that is, the difficulty of assigning high-level development outcomes to a single development institution. Development outcomes are due not just to specific interventions but to a combination of external factors and decisions made by numerous agents, including governments, companies, households and development agencies. The contribution of a single intervention or institution to a particular outcome cannot be isolated from these other factors and assessed with a high level of confidence.

To address 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 all its operations, Level 3 assesses the quality of the Bank’s operations, and Level 4 monitors the Bank’s efficiency as an organisation (see Figure A).

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

<table>
<thead>
<tr>
<th>Level 1 – What development progress is Africa making?</th>
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<tbody>
<tr>
<td>Feed Africa</td>
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<tr>
<td>Cross-cutting strategic areas</td>
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<table>
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<tr>
<th>Level 2 – How well is AfDB contributing to development in Africa?</th>
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<tr>
<td>Feed Africa</td>
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<tr>
<td>Cross-cutting strategic areas</td>
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<table>
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<tr>
<th>Level 3 – Is AfDB managing its operations effectively?</th>
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<tr>
<td>Increase development impact</td>
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<tr>
<th>Level 4 – Is AfDB managing itself efficiently?</th>
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<td>Move closer to clients</td>
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</table>
Box A  How does the RMF track the Bank’s twin goals of inclusive growth and green growth?

The RMF tracks progress in the ADER towards the Bank’s twin goals of inclusive growth and green growth 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 as summarised below.

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 grow, the benefits of this growth tend to accrue to a narrow section of the population. Reducing poverty while securing a more even distribution of wealth is a way of both promoting greater economic inclusion and sustaining the pace of growth. It is measured by three indicators: GDP per capita, poverty, and income inequality (Gini coefficient).
- Spatial inclusion: Expanding access to basic services. Spatial inclusion is about ensuring that communities benefit from growth wherever they are. One way of achieving this is by making sure that everybody has access to the basic services that create economic opportunities for all—roads, electricity, water and health services.
- Social inclusion: Ensuring equal opportunities for all. Social inclusion is about ensuring that everyone can contribute to and benefit from growth. Outside agriculture, for example, women hold only 8.5% of jobs in Africa, and youth unemployment stands at 14%. The RMF tracks social inclusion by measuring populations benefiting from growth (education and health) and contributing to it 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. It is measured through indicators that track governance (Mo Ibrahim Index), the quality of institutions (CPIA indicators) and institutions’ ability to ensure broad-based representation (taxation and inclusion of women).

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

- Building resilience and adapting to a changing environment. Africa is already experiencing major environmental changes, such as an increase in severe weather, caused by a combination of climate variability and human activity. Building countries’ resilience and capacity to deal with these external shocks is fundamental to sustaining growth and development. This is measured in the RMF 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. Non-renewables such as oil and minerals must be produced cost-efficiently, to spur innovation and maximise the development return. Using efficient production techniques, especially in manufacturing, will add value and improve Africa’s competitiveness. These dimensions are measured in the RMF 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, through the pollution of air or drinking water. Managing waste products intelligently can help to sustain high growth rates and avoid negative impacts on communities. These dimensions are measured in the RMF through two proxies: (i) CO₂ emissions as a share of GDP, and (ii) renewable energy capacity.

By tracking performance at all four levels, the RMF offers a comprehensive picture of the Bank’s development effectiveness. It also serves as a tool for Bank Management to assess the organisation’s strengths and weaknesses, and to implement the Bank’s corporate priorities more effectively and efficiently.

The 2019 edition of the ADER tracks progress against the RMF (2016–2025) approved by the Bank’s Board of Directors in April 2017.¹ This new RMF innovates by vertically aligning Level 1 and Level 2, with both levels organised around the High 5s — the Bank’s five priority areas of the Ten-Year Strategy. Designing the RMF in this way helps build stronger 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 five Bank goals and cross-cutting strategic areas in a comprehensive vision of what the Bank aims to achieve. Annex A of the RMF provides a detailed description of the logics of intervention for the RMF as well as the rationale for each of the indicators tracked.

The RMF helps the Bank track progress in achieving its corporate strategies as they are set in out in the Ten-Year Strategy, the

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
High 5s and the Bank's internal reforms. Figure B maps these corporate priorities to the four levels of the RMF, and the Box below 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**

Level 1 indicators of the RMF report long-term development outcomes, providing the broader context for our regional member countries. 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 Level 1 indicators are drawn from internationally available statistical data (e.g., data produced by FAO, IEA, IMF and the World Bank), identified in coordination with the Bank's Statistics Department. The ADER reports use the latest data available and provide disaggregated data on ADF countries. More 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 development impact of completed operations is assessed through individual Project Completion Reports (PCRs) for public sector operations and Extended Supervision Reports (XSRs) for private sector operations, which include information and data on the extent to which the Bank’s operation has achieved its intended development objectives. This information includes the project outputs (e.g., number of kilometres of road built), outcomes (e.g., reduction in travel time) and, typically, the beneficiaries of the project (e.g., number of people with better access to roads).

To assess the Bank’s development impact for 2018, the ADER avoids data volatility by providing data in the form of a three-year average covering 2016–2018. The lower section of Tables 1 to 6 covering Level 2 indicators present the aggregate data from all PCRs and XSRs completed within this timeframe: 224 projects in both ADB countries and ADF countries, with data on ADF countries only presented separately for each table.

The African Development Bank is the first multilateral development bank that has chosen to report exclusively on its own contribution and not on the aggregate project contribution, which includes co-financiers. As our interventions are increasingly co-financed with other development partners, reporting the total sum of outputs would not adequately reflect the financial inputs of the Bank and would lead to double-counting. Outputs are prorated according to the level of the Bank’s financial support against total project costs.

A practical example is the Ain Beni Mathar Solar Thermal Power Plant Project in Morocco, for which the PCR was completed in 2016. The project built 165 km of transmission lines. The Bank funded $390 million, or 68% of the total $569 million project envelope. Using its proportional attribution approach, the Bank reports having contributed to 68% of the 165 km of transmission lines, or just 112 km.

**Level 3 and Level 4: Assessing the Bank’s effectiveness and efficiency**

Providing accountability on the Bank’s own performance is one of the main purposes of the ADER. Chapter 7 of the ADER reports on progress for Level 3 and Level 4 of the RMF.

Level 3 of the RMF tracks the quality of the Bank’s portfolio of operations. It gives additional emphasis to the key drivers of performance identified in the Bank’s internal reforms: increasing the development impact of operations, designing high-quality and timely operations, improving portfolio performance, and enhancing knowledge services (see Figure B).

Level 4 of the RMF tracks the Bank’s organisational efficiency by monitoring progress in (i) moving the Bank closer to its clients; (ii) improving financial performance and mobilising resources; (iii) increasing the Bank’s value for money; and (iv) engaging staff for better performance (see Figure B).

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

**Tracking performance over time**

In the ADER, performance is summarised in a scorecard that uses a three-coloured “traffic light” system to indicate whether the Bank reached or fell short of its targets for all four levels of the RMF. The annual targets are derived in a linear way from the 2025 targets that are available for each indicator.

Colours—green (●), amber (○) or red (●)—are assigned to each indicator. For Level 1 and Level 2 a green traffic light is provided when the indicator reached 95% or more of the 2018 target, a yellow one when it achieved less than 95% of the 2018 target but is above baseline value; and a red one when it achieved less than the baseline. For Level 3 and Level 4, a green light means the Bank reached more than 90% of the 2018 target, a yellow one that it achieved 80–90% of the 2018 target, and a red one that it achieved below 80% of the 2018 target. For all levels of measurement, grey (●) is used when data are not available.

**Reviewing the RMF**

To ensure that the RMF remains relevant to the Bank’s top priorities, it is reviewed every three years. This review is...
synchronised with the ADF replenishment process, so that it
can take into account the specific needs of ADF countries and
priorities. The following principles are applied to the revision:
discontinuing tracking indicators that have reached 100% and can
no longer be improved; tracking emerging development priorities
of increased relevance to Bank objectives; and adjusting the
direction of the pathway for the annual targets in reaching the
2025 target.

**New approaches to measuring development impact**

In addition to the methods described above, the Bank is
developing new, more innovative, approaches to assessing
its impact on development. One of these approaches is the
Development Impact Approach, which allows the Bank to measure
the social and economic impact of its operations across Africa. For
example, by using social accounting matrices, the approach will
assess not only the direct effects that occur at the investment
and/or project level (e.g., people employed by the project itself),
but also indirect (e.g., supply-chain jobs) and induced effects
(e.g., jobs created as the people who are directly or indirectly
employed spend their salaries). In essence, with the Development
Impact Approach, the Bank traces how its investments
flow through an economy and measures the corresponding
development impacts. The data presented in the ADER are drawn
from work undertaken on the Senegal portfolio (see Figure 19 in
Chapter 5).
About this publication

Since 2011, the African Development Bank (AfDB, or the Bank) has produced an Annual Development Effectiveness Review that assesses the Bank's overall contribution to development results in Africa. The Annual Review is complemented by a series of thematic reviews covering AfDB's activities in its regional member countries. This Country Results Brief is part of a series of summary reviews that examine ongoing operations in individual regional member countries.

The Bank appreciates the high level of dialogue it was able to hold with country authorities during the preparation of this review — a collaboration that highlights the quality of the partnership between the institution and the country.

Like other Development Effectiveness Reviews, this report is intended for the general public and aims to strengthen our institution's transparency and accountability to our partners. It is innovative in its conciseness and its focus on the bank's High-5 priorities. It also serves as a major additional management tool to facilitate the continuous improvement of our operations and organisation.

Design/layout: www.creondesign.net
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About this publication
The 2019 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.