Chapter 6
Cross-cutting and strategic issues

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.

The continent will face challenges associated with the rising expectations of its growing youth population

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.

### 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><strong>CROSS-CUTTING STRATEGIC AREAS INDICATORS — PROGRESS IN AFRICA</strong></td>
<td></td>
<td></td>
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<tr>
<td>(LEVEL 1)</td>
<td></td>
<td></td>
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<tr>
<td>Real gross domestic product (GDP) growth (constant 2010 US$) (%)</td>
<td>Baseline 2015</td>
<td>Latest 2018</td>
</tr>
<tr>
<td>3.6</td>
<td>3.5</td>
<td>3.8</td>
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<tr>
<td>GDP per capita (constant 2010 US$)</td>
<td>1 941</td>
<td>2 001</td>
</tr>
<tr>
<td>Mo Ibrahim index of African Governance (scale, 0 Low – 100 High)</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>Tax and non-tax fiscal revenues (percentage of GDP)</td>
<td>16.1</td>
<td>16.5</td>
</tr>
<tr>
<td>Gender Inequality Index (0 Low – 1 High)</td>
<td>0.53</td>
<td>0.52</td>
</tr>
<tr>
<td>Production efficiency (kg CO2 emissions per constant 2010 US$ of GDP)</td>
<td>0.55</td>
<td>0.57</td>
</tr>
<tr>
<td>Resilience to water shocks (index, from 0 to upwards – Lower resilience)</td>
<td>3.5</td>
<td>4.0</td>
</tr>
<tr>
<td>Number of refugees and internally displaced people (million)</td>
<td>17.5</td>
<td>23.9</td>
</tr>
<tr>
<td><strong>CROSS-CUTTING STRATEGIC AREAS INDICATORS — ADB CONTRIBUTIONS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(LEVEL 2)</td>
<td>Baseline 2015</td>
<td>Actual 2018</td>
</tr>
<tr>
<td>Countries with improved quality of budgetary and financial management</td>
<td>6</td>
<td>4</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.

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**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-courting 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.

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
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. Transitioning 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).

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.

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 mobilization through modernized 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 harmonized 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.

**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 Entreprenarium Foundation to train 1,000 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.