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.

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.