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<td>EAST AFRICA ECONOMIC OUTLOOK</td>
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<td>7TH GENERAL CAPITAL INCREASE (GCI VII)</td>
<td>48</td>
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<tr>
<td>AFRICA INVESTMENT FORUM</td>
<td>62</td>
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<td>ROOM TO RUN</td>
<td>80</td>
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</tbody>
</table>
EAST AFRICA
Abidjan, 27 February 2019

2019
Regional Governors’ Consultation Meetings
AfDB offers differentiated solutions for economic diversity in East Africa.

Profile of East African Countries (13):

- Mix of countries by finance sources:
  - ADF Only (7)
  - ADF accessing AfDB (4)
  - Blend (1)
  - AfDB Only (1)


- 6 states are in transition and affected by conflict.

- 340 million inhabitants, accounting for 16% of Africa’s nominal GDP.

- 4 out of 10 economies ranked “Fastest growing economies in Africa.” (2018)
The Bank recognizes the region’s potential as well as the challenges it faces.

- East Africa remain the largest recipient of ADF assistance.
- The Bank remains a significant lender in infrastructure.
- EAC is one of the key sub-regional blocks in the continent, with significant free movement of labour amongst citizens of member states.
- Opportunities
- Significant intra-regional trade when compared with other sub-regions.
- Positive economic outlook with growth rates projected at 5.7% and 5.9% in 2019 and 2020.
- Highest rate of financial innovation and inclusion.
The Bank recognizes the region’s potential as well as the challenges it faces.

- Trade Integration: Institutional support to AUC for setting up CFTA to strengthen trade across Africa
- Support to Regional DFIs and Banks: Lines of Credit provided to support TDB, EADB, UDB, TADB, Shelter Afrique, Commercial Banks and support to IGAD, ATI
The Bank recognizes the region’s potential as well as the challenges it faces

Currently 82 multinational operations totaling USD 3.2 Billion

Power Sector Integration: Support to East Africa Power Pool; 2 studies for Nile Equatorial lakes Subsidiary Action Program (NELSAP); Regional Power Sector Outlook and Diagnostic Report

Improving Lives of EAC Citizens: Regional Centers of Excellence
The Bank recognizes the region’s potentials as well as the challenges it faces:

- Peace and security
- Harnessing demographic dividend
- Uneven infrastructure development
- Debt sustainability
- Climate change

AfDB OFFERS DIFFERENTIATED SOLUTIONS FOR ECONOMIC DIVERSITY IN EAST AFRICA
AfDB INTERVENTIONS ARE TRANSFORMING LIVES IN EASTERN AFRICA

AfDB current portfolio is estimated at USD 11.6 bn in East African countries

SECTOR DISTRIBUTION
Transport -30.9%
Energy -24%
Water -16.2%
Finance - 10.1%
Agriculture - 9%
NATIONAL DEVELOPMENT PLANS ARE AMBITIOUS, TRANSFORMATIVE AND AlIGNED, REQUIRING MORE FUNDING.

<table>
<thead>
<tr>
<th>Vision 2025</th>
<th>SSDS (2012-2020)</th>
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<tbody>
<tr>
<td>SCA2D 2015-19</td>
<td>SNDP (2017-2019)</td>
</tr>
<tr>
<td>Vision 2035</td>
<td>Vision 2040</td>
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<tr>
<td>Vision 2030</td>
<td>Vision 2025</td>
</tr>
<tr>
<td>Vision 2050</td>
<td>Vision 2040</td>
</tr>
<tr>
<td>GTPII (2015/16-2019/20)</td>
<td></td>
</tr>
</tbody>
</table>

REGION HAS DIVERSE NEEDS ALIGNED TO THE HIGH 5:

- **Infrastructure** investments for supporting inclusive growth and poverty reduction
- **Structural transformation** to foster growth that is equitably shared, and creates jobs
- **Reinforcing human capacities** while strengthening the **social safety nets** systems
- **Addressing challenges relating to food insecurity**, and **climate change / environment**
The Bank has stepped up its support... Bank products are more responsive to the growing needs of its clients.

AfDB current portfolio is estimated at USD 11.6 billion in East African countries.

Eligible East African ADF-only countries have accessed a total of USD 2.7b in AfDB sovereign financing between 2014 and 2018.

Private Sector Credit Enhancement Facility: USD 121m across East Africa out of a total of USD 406m since 2015.

Beyond regular allocation, the Bank is also co-financing its operations (AGTF, EU, AFD, JICA, KOAFEC..)
Some transformative projects changing lives and livelihoods

**INTEGRATE AFRICA**
Submarine Cable Project
1,900-km submarine cable laid from Dar Es Salaam to the Seychelles
Average internet speed increased from 2.92 Mbps to 11.32 Mbps

**FEED AFRICA**
Koga Irrigation and Water Shed Management Project:
Production of 15,000 metric tons of maize; 24,000 metric tons of potatoes; 18,000 metric tons of onions and 5400 metric tons of wheat

**LIGHT UP AND POWER AFRICA**
Last Mile Connectivity Project
300,000 new connections towards the universal access by 2020

**IMPROVE LIVES OF PEOPLE**
Institutional Support To Public Finance Management
Operationalization of National Revenue Authority – USD 14.2 million
non-oil revenue received in January 2019
Some transformative projects changing lives and livelihoods

2018: Lending at a Glance

USD 2.18b
30 Projects
8 Countries + 1 Multi

80% Sovereign
20% Non Sovereign

TOP 5 BORROWERS IN EAST AFRICA (US$ M)

2018 East Africa Lending by Sector
Some transformative projects changing lives and livelihoods

Some transformative projects approved in 2018 for a brighter tomorrow...

**INTEGRATE AFRICA**
Rumonge-Gitaza and Kibondo-Kasulu-Manyovu Road
- Reduce transportation costs from 0.52 to 0.34 USD per km by 2023
- Increase volume of trade from 403,000 tons to 800,000 tons by 2023

**IMPROVE LIVES OF PEOPLE AND INTEGRATE AFRICA**
Kampala – Jinja Expressway Project
- Opening the gateway to landlocked countries;
- Volume of exports and imports to Mombasa to increase by 20% by 2028

**FEED AFRICA**
Agriculture and Value Chain Development Project
- 236,457 households to benefit;
- Over 50,000 hectares of agriculture land to be developed.

**LIGHT UP & POWER AFRICA**
Scaling Up Energy Access II
- 318,166 new customers, including 193,366 on-grid and 124,800 off-grid;
- Increase off grid access in the Southern and Western provinces.
2019 Planned Operations - 44 AfDB & ADF operations totaling USD 2.4 billion

- Burundi: 18
- Comores: 42
- Eritrea: 17
- Ethiopia: 227
- Kenya: 592
- Rwanda: 23
- Seychelles: 29
- Somalia: 28
- South Sudan: 42
- Sudan: 84
- Tanzania: 413
- Uganda: 244
- Multinational: 591
East African Coastal Corridor Development Project

The Bagamoyo-Tanga-Horohoro/Lunga Lunga-Malindi – Mombasa road (214km) forms the Northern Corridor of the Malindi-Bagamoyo Highway that links Kenya and Tanzania. The Corridor will also stimulate the blue economy along the coast while also offering a vital link to landlocked neighbouring countries through connections with the Northern and Central Corridors and the North-South (Cape to Cairo) Corridor.

Estimated Cost: USD 455 million
Dar Es Salaam - Isaka – Kigali/Keza - Musongati Railway project

Contribute to the implementation of an efficient and low cost transport system which will promote regional economic integration, development of areas of high mining, industrial and agricultural potential in Burundi, Rwanda, Tanzania and potentially in the Eastern region of the Democratic Republic of Congo and southern Uganda. The project provides “greener” transport solutions to the current transport modes used in the region.

Estimated Cost: USD 6 billion
Djibouti Ethiopia Transport Corridor

Development / upgrading / reconstruction of sections of 400km of road Ethiopia and 230km of roads in Djibouti that pass through Galafi to the north and Dewele / Galileh to the south. Other co-financiers such as the AIIB, AFD, EIB, Italy, JICA, FfW, Korea EXIM and WB have been identified as potential partners by the borrowers. A PPP option is being considered through IFC and AfDB Private Sector window.

Estimated Cost : USD 2 billion
Lake Tanganyika Transport Corridor Development Project

Unlock the Region’s untapped potential for multimodal transportation to provide affordable and environmentally friendly maritime transportation linking the Northern Province of Zambia (population 1.3 million) and Burundi (population 10.5 million).

Expansion in trade, agriculture, manufacturing and fisheries as well as tourism.

Estimated Cost: USD 54 million
African Continental Free Trade Area (CFTA)

Establishment of a CFTA Secretariat that is fully functional. The CFTA will bring together all African countries with a combined population of more than one billion people and a combined gross domestic product of more than USD 2.2 trillion dollars. The CFTA is expected to push regional trade levels up from 15% to 25% within a decade and stimulate intra-trade by up to USD 35 billion per year.

Estimated Cost: USD 5 million
Capacity Building to East African Power Pool

Provide technical assistance and training to the EAPP and its member utilities in order to operationalize the regional power market. Harmonization of regional rules, regulations, guidelines in areas such as wheeling arrangements, tariffs, and design of PPAs; provision of technical assistance and training to EAPP and its member countries on the development of regional power markets:

Estimated Cost: USD 5 million
2020-2022 INDICATIVE OPERATIONAL PIPELINE – USD 9.8 BILLION
ROBUST PIPELINE EXCEEDS BANK’S CURRENT AVAILABLE RESOURCES

- Power Africa
  - USD 3.5 billion - Access to energy for all; Energy security; Renewable energy

- Feed Africa
  - USD 0.8 billion - Food security; Agricultural technologies; Agroindustry parks

- Industrialize Africa
  - USD 0.5 billion - Economic diversification

- Integrate Africa
  - USD 3.2 billion - Building and upgrading major trade transport routes; Building ports to facilitate transfer of goods

- Improve the quality of life
  - USD 1.8 billion - Improve urban water and sanitation; Reinforce human capacities; Youth employment

Eastern Africa (2020-22)
USD 9.8 billion
Successful GCI VII will increase funding for projects such as...

**INTEGRATE AFRICA**
- Uganda: Moyo to Laropi South Sudan Border Project
- Rwanda: Kigali-Isaka Railway Project

**LIGHT UP AND POWER AFRICA**
- Seychelles Undersea Electricity Cable Between Praslin and La Digue
- Tanzania Dar es Salaam Gas Distribution Network

**IMPROVE LIVES OF PEOPLE**
- Tanzania- Dodoma City Water Supply and Sanitation
- Kenya - Nairobi Commuter Rail Rehabilitation Project

**FEED AFRICA**
- Uganda Community Agricultural Infrastructure Improvement Programme – Project 4 (CAIIP-4)
- Tanzania Kikonge Agriculture Value-Chain
Unleashing East Africa’s Private Sector Potential through the Africa Investment Forum (1)

Table 1: AIF2018 Boardroom and Marketplace Deals: East Africa vs. Total

<table>
<thead>
<tr>
<th></th>
<th>AIF 2018 Total</th>
<th>AIF 2018 - East Africa</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Boardroom Projects</td>
<td>63</td>
<td>10</td>
</tr>
<tr>
<td>USD Value of Projects (USD billion)</td>
<td>46.9</td>
<td>4.6</td>
</tr>
<tr>
<td>Number of Projects Featured on AIF Marketplace Gallery</td>
<td>112</td>
<td>10</td>
</tr>
<tr>
<td>USD Value of Projects Featured on AIF Marketplace Gallery (USD billion)</td>
<td>51.2</td>
<td>4.76</td>
</tr>
</tbody>
</table>

Table 2: AIF2018 Boardroom Deals which attracted Investor Interest: East Africa vs. Total

<table>
<thead>
<tr>
<th></th>
<th>AIF 2018 Total</th>
<th>AIF 2018 - East Africa</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Boardroom Projects which attracted investor interest</td>
<td>47</td>
<td>9</td>
</tr>
<tr>
<td>USD Value of Boardroom Projects with investment interest secured (USD billion)</td>
<td>38.7</td>
<td>4.04</td>
</tr>
</tbody>
</table>
Unleashing East Africa’s Private Sector Potential through the Africa Investment Forum (2)

Major Signings

- USD 400 million cooperation agreement between the Africa 50, and the Government of Rwanda to develop and finance the Kigali Innovation City.
- Five high-impact bankable projects worth in excess of USD1.5 bn were selected in the East of Africa region. Projects presented included a major multi-modal infrastructure corridor across the Horn of Africa region, expansion of a key FMCG business, development of a greenfield agribusiness, and expansion of a leading healthcare service provider in South Sudan.

Next Steps

- The Africa Investment Forum team has launched the Deal Tracker phase – a mechanism to follow-up on transactions and investor interests secured post Boardroom to financial closure.
- The Deal Tracker will provide a structured way to gather information on actions which emerged from the Boardrooms, ensure implementation of agreed next steps, and facilitate ongoing dialogue among interested parties to remove obstacles that could impede financial closure. This is ongoing.
CONCLUSION

East Africa is on a growth and transformation trajectory: Total Approvals since 2010 amounts to USD 13.81 billion

Total Approvals in 2018 was USD 2.18 billion

In partnership with members countries and development partners, AfDB is committed to further regional transformation: Estimated approvals for 2019 USD 2.4 billion

Realizing the regional member countries’ vision and addressing the challenges they face, will require additional resources.
The GCI-VII will significantly increase the Bank’s development impact

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<tbody>
<tr>
<td>Average</td>
<td>5.3</td>
<td>5.5</td>
<td>6.6</td>
<td>7.8</td>
<td>9.3</td>
<td>11.1</td>
<td>13.2</td>
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**Impact (Annual)**

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</thead>
<tbody>
<tr>
<td>New total power capacity installed</td>
<td>MW 618</td>
<td>660</td>
<td>730</td>
<td>806</td>
<td>891</td>
<td>984</td>
<td>1087</td>
</tr>
<tr>
<td>New renewable power capacity installed</td>
<td>MW 260</td>
<td>319</td>
<td>421</td>
<td>516</td>
<td>570</td>
<td>630</td>
<td>696</td>
</tr>
<tr>
<td>People with new or improved electricity connections</td>
<td>million 5.6</td>
<td>6.0</td>
<td>6.7</td>
<td>7.5</td>
<td>8.3</td>
<td>9.2</td>
<td>10.3</td>
</tr>
<tr>
<td>People benefiting from improvements in agriculture</td>
<td>million 13.4</td>
<td>14.4</td>
<td>16.0</td>
<td>17.8</td>
<td>19.8</td>
<td>22.1</td>
<td>24.6</td>
</tr>
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</thead>
<tbody>
<tr>
<td>People benefiting from investee projects</td>
<td>million 1.3</td>
<td>1.3</td>
<td>1.5</td>
<td>1.7</td>
<td>1.9</td>
<td>2.1</td>
<td>2.3</td>
</tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Transport - roads constructed, rehabilitated or maintained</td>
<td>Km 2296</td>
<td>2595</td>
<td>3118</td>
<td>3746</td>
<td>4501</td>
<td>5408</td>
<td>6498</td>
</tr>
<tr>
<td>People with improved access to transport</td>
<td>million 18.8</td>
<td>20.2</td>
<td>22.4</td>
<td>25.0</td>
<td>27.8</td>
<td>30.9</td>
<td>34.4</td>
</tr>
</tbody>
</table>

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</thead>
<tbody>
<tr>
<td>People with new or improved access to water and sanitation</td>
<td>million 9.3</td>
<td>10.0</td>
<td>11.1</td>
<td>12.4</td>
<td>13.8</td>
<td>15.3</td>
<td>17.0</td>
</tr>
<tr>
<td>Number of jobs created (direct, indirect and induced)</td>
<td>million 2.1</td>
<td>2.1</td>
<td>2.5</td>
<td>2.9</td>
<td>3.5</td>
<td>4.2</td>
<td>5.0</td>
</tr>
</tbody>
</table>
Sand bank near Stone Town, Zanzibar, Tanzania
EAST AFRICA’S ECONOMIC OUTLOOK
Integration for Economic Prosperity

Seychelles  Djibouti  Comoros  Rwanda  Uganda
Kenya  Tanzania  Ethiopia  Sudan  Somalia
Burundi  Eritrea  South Sudan
African economies are gaining momentum

Despite progress, important challenges remain

Changing global economic conditions

Regional integration for growth and job creation

Suggested policy priorities and Bank support

OUTLINE
African economies are slowly gaining momentum

- Average real GDP growth estimated at 3.5 percent in 2018
- Projections: 4 percent in 2019 and 4.1 percent in 2020

**Real GDP Growth—Comparative Rates, 2018-2020**

- Emerging and developing countries
- Africa
- East Africa
- World
Real GDP Growth:

- East Africa includes a wide range of very different economies
- The region is growing well above Africa's average
17 African economies grew above 5 percent in 2018
11 economies grew at 3-5 percent
Total of 38 countries above 3 percent

East Africa continues to be the fastest-growing region of the continent
Despite progress, important challenges remain(1)

Managing public expenditure and financing fiscal deficits remain a major challenge.
External debt in East Africa is rising, with trends well above the average level for the continent.

Public debt is quite high in some countries and requires close monitoring.

Non-debt finance should be considered in several fast-growing economies.

**External Debt as a Percentage of GDP, 2000-2018**

[Graph showing external debt as a percentage of GDP from 2000 to 2018]
Despite progress, important challenges remain (3)

The dominance of agriculture and the development of services mainly reflects informal and low-productivity activities.

Economic transformation is slowly taking place but accelerated industrialization is needed for diversification and the creation of decent jobs.
Despite progress, important challenges remain

East Africa: Unemployment rates are relatively low but vulnerable employment is high

<table>
<thead>
<tr>
<th></th>
<th>Employment to population ratio (%)</th>
<th>Labour force participation rate (%)</th>
<th>Unemployment rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Burundi</td>
<td>Total 77.7</td>
<td>Total 83.3</td>
<td>1.5</td>
</tr>
<tr>
<td>Comoros</td>
<td>41.4</td>
<td>57.7</td>
<td>4.3</td>
</tr>
<tr>
<td>Djibouti</td>
<td>55.6</td>
<td>52.6</td>
<td>5.8</td>
</tr>
<tr>
<td>Eritrea</td>
<td>76.2</td>
<td>83.2</td>
<td>6.3</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>78.2</td>
<td>83.1</td>
<td>5.3</td>
</tr>
<tr>
<td>Kenya</td>
<td>57.9</td>
<td>67.2</td>
<td>11.4</td>
</tr>
<tr>
<td>Rwanda</td>
<td>84.9</td>
<td>84.8</td>
<td>1.4</td>
</tr>
<tr>
<td>Somalia</td>
<td>43.4</td>
<td>54.5</td>
<td>5.9</td>
</tr>
<tr>
<td>South Sudan</td>
<td>64.0</td>
<td>...</td>
<td>11.5</td>
</tr>
<tr>
<td>Sudan</td>
<td>40.5</td>
<td>47.8</td>
<td>12.7</td>
</tr>
<tr>
<td>Tanzania</td>
<td>81.5</td>
<td>78.4</td>
<td>2.3</td>
</tr>
<tr>
<td>Uganda</td>
<td>69.2</td>
<td>85.1</td>
<td>2.2</td>
</tr>
<tr>
<td>East Africa</td>
<td>68.4</td>
<td>74.6</td>
<td>5.8</td>
</tr>
<tr>
<td>Africa</td>
<td>59.6</td>
<td>65.9</td>
<td>7.8</td>
</tr>
</tbody>
</table>

Vulnerable Employment 2018, Percent of Total Employment

Sources: International Labour Organisation, ILOSTAT Database
Changing global economic conditions

01 The world economy is growing at decent rate, thanks to China
- 3.5 percent so far this decade
- 3.7 percent in 2000-2010
- 3.3 per cent rate in the 1980s and 1990s

02 The US-China imbalances at the heart of the 2008 crisis have subsided
- US CA deficit at 2-2.5 percent of GDP—sustainable
- China’s surplus declined to 0.5-1 percent of GDP

03 The current global expansion will likely continue in 2019
- The US is running large fiscal deficits—need for stimulus
- China is pursuing loose fiscal and credit policies
- China’s GDP nearly tripled in 10 years, from $4.6 trillion to $13 trillion
- China will import $8 trillion of goods in 5 years

04 Global economic conditions could change quickly
- FED and ECB monetary-policy tightening and interest rates
- Slower growth in Europe (trade wars, tensions, BREXIT)
- Remittances to Africa
Regional integration to boost growth and job creation (1)

Rationale for open regionalism:

- Over 60 percent of global trade now occurs in GVCs
- Economies of scale in production, cross-border industrialization
- Inter-firm competition, intrafirm productivity
- Investment and firm development (SME and African conglomerates)
- Harmonized laws and regulations
- Mitigate risks of policy reversals/agencies of restraint
- Peace and security
Regional integration to boost growth and job creation (2)

5 trade policy actions for East African nations

1. Eliminate all of today's bilateral tariffs within Africa
2. Implement WTO's Trade Facilitation Agreement to reduce the time it takes to cross borders and the transaction costs tied to nontariff measures
3. Remove all nontariff barriers on goods and services trade, without discrimination among countries (on a most-favored-nation basis)
4. Negotiate with other developing countries to reduce by half their tariffs and nontariff barriers without discrimination
5. Keep rules of origin simple, flexible, and transparent

If all African countries implemented these 5 actions, the benefits would total $134 billion a year
Suggested Policy Priorities:
(1) Competitiveness, Debt, and DRM

01 Bank support on knowledge and governance
- Granular work on debt dynamics and DRM
- Promoting transparency (non Paris-Club debt)
- Robust program of PER and MTEF
- Fighting corruption and Illicit Financial Flows

02 Bank Support on the operational aspects: non-debt finance
- Legal/regulatory work to develop domestic K markets
- Promote non-debt finance
- Credit enhancement instruments, innovative blended finance
- De-risking investment (AIF)

03 Bank support on capacity development and
- Institute revamped
- Stronger partnerships (IMF, WB, AERC, ACBF, ...)
- Debt module in SHaHA
- Interactive e-Training platform
- Targeted programs for learning/certification, secondments
Suggested Policy Priorities:
(2) Building Staple Crop Processing Zones

01 What are SCPZs
- Agro-processing activities in areas of high potential to boost productivity and integrate production, processing and marketing of selected commodities
- Shared facilities to reduce transaction costs and share business development services

02 Benefits
- Production, transformation, and commercialization of food products to reduce dependence on imports
- Investment, economies of scale and productivity
- Increased value addition—local, regional and international trade; Connection to Global Value Chains
- Stronger ecosystem with SMEs involved, entrepreneurship and innovation
- Stronger ecosystem with SMEs involved, entrepreneurship and innovation

03 Success Factors
- Adequate infrastructure (energy, water, roads, ICT) in carefully-selected rural areas of high agricultural potential
- Four-party deal: Government, investors, farmers, and buyers
- Proactive facilitation and incubation strategies
Suggested Policy Priorities: (3) : Creating Skills Enhancement Zones

01 What are SCPZs
- PPP centers where (mostly) young people are exposed to a wide set of skills across sectors, connected to industrial clusters, and prepared for entrepreneurship development.

02 Benefits
- Reduce unemployment and mitigate risks of sociopolitical instability
- Incentivize the youth to move into agriculture as a business
- Develop a new generation of young ICT entrepreneurs (4th IR) who are supported with business incubation and financing facilities
- Encourage learning and knowledge sharing
- Capacity development and capacity retention

03 Success Factors
- Credible workforce development plans for selected industries
- 4-party deal: (Government, Private Sector, Academia, NGOs)
- Align curriculum to the needs of the labor market
- Apprenticeship, internships and vocational skills plans
- Innovative fiscal incentives (TTT) for firms to employ young graduates from the SkEZs
Customized Knowledge and Governance Products

Policy-oriented Economic Flagship Reports

Budget Support Operations
Ethiopia

Country Economic Report
Transportation of salt slabs on camels, Karum lake, Danakil, Afar Ethiopia
7th General Capital Increase (GCI-7)

Regional Governors Consultation Meeting

25 Feb to 1 Mar 2019
Abidjan – Cote D’Ivoire
GCC members commended

- Progress made in the area of reforms
- Creation of the AIF platform to attract private sector investment
- Achievements outlined in Management’s presentation

GCC members highlighted that the huge resource needs in Africa required that the Bank:

- Remains a strong financial institution that can continue to be a voice for Africa on international development issues
- Uses its convening power to crowd-in the private sector and leverage resources
- Supports the transformation of the continent
- Needs to preserve the bilingual character of the institution
<table>
<thead>
<tr>
<th>Define</th>
<th>Emphasize quality</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank Group’s comparative advantage</td>
<td>Focus on fragile and transition countries, green energy and infrastructure, job creation and financial markets</td>
</tr>
<tr>
<td>Define</td>
<td>Intensify policy dialogue:</td>
</tr>
<tr>
<td>complementarities and how to create synergies between the Bank and the Fund</td>
<td>Governance, public finance, debt sustainability, green and inclusive growth and private sector engagement</td>
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</table>
STRATEGIC GUIDANCE ARISING FROM 1st GCC MEETING

- Deepen internal reforms especially HR
- More effort on cross-cutting issues:
  - Gender, climate change, governance, regional integration
- Strategic Plan to operationalize High 5
- How do we work with other development partners to ensure that resources are best deployed?
- Define strategy to maintain AAA during GCI-VII discussion period
THE BANK GROUP IN AFRICA’S DEVELOPMENT LANDSCAPE

High 5s at the heart of Africa’s development agenda

- Critical investment priorities to unlock and accelerate Africa’s development
- High 5s will deliver 90% of Africa’s Sustainable Development Goals and Agenda 2063 aspirations

An important channel for scaling up development assistance to Africa

- 4th largest provider of Official Development Finance to Africa
- Largest provider of non-concessional lending among traditional partners, only China ahead
- Leading provider of finance in priority sectors: transport 1st, energy and water 2nd, agriculture 4th

- AfBD’s AAA rating offering nine-fold leverage on paid-up capital from member countries
- AfDB’s lending can play a countercyclical role, helping to shield Africa from global economic shocks
WHAT IS THE BANK GROUP’S COMPARATIVE ADVANTAGE?

REGIONAL INTEGRATION
Promoting regional investments and initiatives

INFRASTRUCTURE
Investing in strategic infrastructure

RESOURCE MOBILIZATION
Mobilizing development finance for Africa?

PRIVATE SECTOR DEVELOPMENT
Unleashing Africa’s private sector potential

GOVERNANCE
Strengthening economic governance

The Bank will use GCI-7 resources to strengthen its focus and capacity in these areas
REFORMS THE BANK GROUP HAS IMPLEMENTED SINCE GCI-VI

01 Strategic Focus
Enhancement of operational effectiveness and strategic positioning after GCI-VI

02 Decentralization
Major decentralization of staff and functions since 2010

03 Financial Sustainability and Resilience
New Income Model and a strengthened risk management framework

04 Innovative Instruments and revamped Credit Policy
New financial instruments and a revamped credit policy

05 Focus on Results
Enhanced results culture across the organization

36 policy commitments delivered for GCI-VI

Stronger country presence

Fit for purpose and performing well amongst its peers
HOW TO INCREASE SELECTIVITY AND OPERATIONAL FOCUS?

Use limited resources more strategically and more selectively
- Promoting greater selectivity for impact
- Sharpening focus within each of the High 5s

Prioritization matrix to underpin and track lending in priority areas

Increased investment in country and regional diagnostic work

Develop criteria for prioritizing investments:
- Alignment with national development priorities and the High 5s
- Fit with the Bank’s comparative advantage
- Potential for catalytic impact across the High 5s
- Leverage other financial flows
- Integration of cross-cutting objectives
STRENGTHENING SYNERGIES BETWEEN THE BANK AND THE FUND

- Expand Private sector investments in ADF countries
- Increase resources to regional integration projects
- Use ADB resources to promote a more active approach to graduation
STRENGTHENING CAPACITY TO DELIVER IN GCI-7

Develop INNOVATIVE FINANCING tools

Strengthen HUMAN RESOURCES

Implement the ONE BANK delivery model

Invest in IT

Increase OPERATIONAL IMPACT: enhance QUALITY & RESULTS

Build capacity for POLICY DIALOGUE & DEVELOPMENT in RMCs and RECs
THE BANK’S FINANCIAL POSITION

- Solid financial position, some financial ratios are constrained
- Rating agencies assess the Bank over a forward a 3-year horizon
- Their central scenario: capital increase approved in 2019, subscription payments starting in 2020
- On-going consultations with AAA shareholders on temporary callable capital
- Favourable conclusion to GCI-7 negotiations in 2019 is key
<table>
<thead>
<tr>
<th>Initiative</th>
<th>Target Population</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Light Up &amp; Power Africa</td>
<td>People with new or improved electricity connections</td>
<td>160 million</td>
</tr>
<tr>
<td>Feed Africa</td>
<td>People benefiting from improvements in agriculture</td>
<td>374 million</td>
</tr>
<tr>
<td>Industrialize Africa</td>
<td>People benefiting from private sector investment projects</td>
<td>24 million</td>
</tr>
<tr>
<td>Integrate Africa</td>
<td>People with improved access to transport</td>
<td>407 million</td>
</tr>
<tr>
<td>Improve the Quality of Life</td>
<td>People with new or improved access to water and sanitation</td>
<td>202 million</td>
</tr>
</tbody>
</table>
WHAT WILL SHAREHOLDERS BUY WITH A 200% GCI-7?

Assuming 15 times historical leverage, USD 6.7 billion of paid-in capital could translate into about USD 100 billion disbursements.

- Scaled-up Bank operations
- Increased public and private investment (including climate finance)
- Enhanced capacity of Africa’s regional institutions and states to lead the development agenda
- Accelerated implementation of the High 5s
2019 Regional Governors’ Meetings
What is the Africa Investment Forum?

Strategic Intent:
- Advance projects to Bankable stage
- Accelerate financial closure of deals
- Capital raising

The Platform

Totally transactional

A) Deal onboarding
   • AIF Digital platform
   • Standard Origination Criteria

B) Deal Bankability Assessments

C) Transaction Advisory to boost the pipeline of bankable deals

The Market Place

Efforts that culminate into the success of the market-days

A) Investment promotion
   • Regional Roadshows
   • Investor conference calls

B) Match-making investors and transactions
   • Investor Blasts

C) Partner engagement & crowding-in.

The Market-Days

Connecting investors, deal sponsors and policy makers

Sessions:
A) Boardroom Sessions
B) Bilateral rooms
C) AIF Marketplace Gallery
D) Plenary Sessions

Connect Engage Close
Africa Investment Forum 2018

a multi-stakeholder regional investment platform
Key Statistics

- 1943 participants from 87 countries represented
- 8 Heads of State/Government from Ethiopia, South Africa, Ghana, Guinea, Rwanda, Senegal, Cameroon, Nigeria
- 277 DFI delegates present
- 169 official bilateral meetings in addition to open marketplace B2B conversations
- 63 deals discussed in boardrooms
- Investment interest secured across 49 deals worth US$ 38.7 billion
- 19 Press conferences and announcements
- Over 33,000 social media mentions
- $46.9 billion value of boardroom deals discussed
- 1,122 active users on the Africa Investment Forum App
- 1,383 connection requests that were sent through the App (1,102 accepted)
- 400 investors from 53 countries
Northern Africa at Africa Investment Forum 2018

NORTH AFRICA'S NUMBERS AT AIF2018

- 5 projects valued at USD 12.59 billion from 2 countries were presented in the Boardrooms.
- Investment interests were secured for 3 projects worth USD 11.54 billion. This represents about 30% of the total value of AIF2018 projects which secured investor interest (USD 38.7 billion) at the Forum.

KEY FEATURES AT AIF2018

- Investment interest was secured for a greenfield USD10,900 billion petro-chemicals complex – Egypt's first naphtha cracker with potential to double the Nation's export within one year of operation.
- Showcase of Qalaa Holdings’ 12-year journey to develop the Egyptian Refining Company's (ERC) USD 4.3 billion refinery under the Compact With Africa Panel at AIF2018.
- An agreement on €150 million programme to upgrade the sanitation infrastructure in 33 Tunisian small areas was signed.
- AfDB and the Moroccan Agency for Solar Energy (MASEN) announced intention to form a “Desert to Power” program. Partnership will combine MASEN's expertise in renewable energy and AfDB's in capacity building, technical experience and capital.
Investment Opportunities for North Africa

As at end November 2018, the Africa Investment Forum’s pipeline included 16 identified projects valued at USD 19.45 Billion across 4 North African countries.
Western Africa at Africa Investment Forum 2018

**WEST AFRICA'S NUMBERS AT AIF2018**

- 19 projects valued at USD 16.1 billion from 8 countries were presented in the Boardrooms.
- Investment interests were secured for 16 projects worth USD 13.8 billion. This represents circa 36% of the total value of AIF2018 projects which secured investor interest (USD 38.7 billion) at the Forum.

**KEY FEATURES AT AIF2018**

- US$2.6 billion Memorandum of Understanding signing between a Ghanaian and South African consortium to develop and finance the Accra Ai Skytrain Project. The Ghanaian boardroom delegation was led by H.E. Nana Akufu-Addo, President of Ghana who signed the deal agreement. This deal is unique in that we have the Ghanaian Sovereign Wealth Fund as an anchor equity investor, crowding in other commercial and concessional investors.
- USD 3.1 billion Brass Fertilizer and Petrochemicals Project which featured at the ‘Unveiling the Boardrooms Session’. This deal represents the biggest private Sinosure deal for Africa in 2018.
As at end November 2018, the Africa Investment Forum’s pipeline included 39+ identified projects valued at US$ 28.3 Billion across 8 West African countries.

Deals Distribution Across Sectors in West Africa (USD Million)
Central Africa’s Numbers at AIF2018

- 3 projects valued at USD 1.65 billion from 2 countries were presented in the Boardrooms.

- Investment interests were secured for 2 projects worth USD 1.6 billion. This represents 4% of the total value of AIF2018 projects which secured investor interest (USD 38.7 billion) at the Forum.

Key Features at AIF2018

- US$800 million Deal Agreement signed among the African Development Bank (AfDB), Africa50, and the Governments of Democratic Republic of Congo (DRC) and the Republic of Congo to develop and finance the first road-rail bridge project linking their capitals – Kinshasa and Brazzaville.

- Unique projects such as the Ngoulmendjim Hydropower Plant in Gabon, where we have the Sovereign Wealth Fund (FGIS) creating a Special Purpose Vehicle (SPV) and attracting private equity investors and development finance institutions to invest in a $300 million hydropower plant.
As at end November 2018, the Africa Investment Forum’s pipeline included 15 identified projects valued at US$ 11.2 Billion across 3 Central African countries.

Deals Distribution Across Sectors in Central Africa (USD Million)
**Eastern Africa at Africa Investment Forum 2018**

**Eastern Africa’s Numbers at AIF2018**
- 10 projects (including the Horn of Africa projects) valued at USD 4.6 billion across 6 countries (Djibouti, Ethiopia, Kenya, Somalia, South Sudan, Rwanda) were presented in the Boardrooms.
- Investment interests were secured for 9 projects worth USD 4 billion. This represents circa 11% of the total value of AIF2018 projects which secured investor interest (USD 38.7 billion) at the Forum.

**Key Features at AIF2018**
- USD$400 million cooperation agreement signed between the Africa50, and the Government of Rwanda to develop and finance the Kigali Innovation City.
- The Horn of Africa Transition States Boardroom which aggregated 5 bankable high impact deals amounting to USD1.78 billion in 5 countries for Korean and international investors under the Leveraging Strategic Private Sector Investment for Transition States Programme. The projects presented also included a multi-modal infrastructure corridor across the Horn of Africa region.
As at end November 2018, the Africa Investment Forum’s pipeline included 31 identified projects valued at US$ 12.4 Billion across 6 East African countries.
Southern Africa at Africa Investment Forum 2018

SOUTHERN AFRICA: INVESTMENT INTEREST SECURED RELATIVE TO TOTAL AIF2018 INVESTMENT SECURED

- 19 projects valued at USD 11.4 billion across 6 countries were presented in the Boardrooms.

- Investment interests were secured for 13 projects worth USD 8.8 billion. This represents circa 23% of the total value of AIF2018 projects which secured investor interest (USD 38.7 billion) at the Forum.

KEY FEATURES AT AIF2018

Investment Opportunities for Southern Africa

As at end November 2018, the Africa Investment Forum’s pipeline included 65 identified projects valued at US$ 62.8 Billion across 8 Southern African countries.

Deals Distribution Across Sectors in Southern Africa (USD Million)
The positive outcomes from AIF2018 confirmed investor interest (both African and global) in tapping Africa’s opportunities and demonstrated the potential to unlock significant flow of capital to towards Africa’s growth sectors.

**Key Lessons**

- **High-level Leadership Engagement**
  - High-level political leadership engagement strengthened investor confidence and facilitated the removal of regulatory bottlenecks necessary to unlock deals
  - AIF2018 gathered 8 Heads of State and scores of Government Ministers across Africa to discuss deals
  - E.g. President Nana Akufo-Addo of Ghana’s participation in Boardrooms helped advance the Accra SkyTrain deal

- **Early Preparation and Engagement**
  - Early project selection and engagement between investors and project sponsors is essential to secure firm investment commitments at AIF

- **Enhance Project Bankability**
  - Project bankability is at the heart of the Africa Investment Forum
  - Improving the quality of project structuring, preparation and packaging is essential to securing investor interest

**Implications for 2019 Africa Investment Forum**

- Frontload timelines for pipeline development and investor engagement
- Greater country diversity – regions and size (subject to project bankability)
- Streamline deal selection criteria
- Stronger focus on project preparation and transaction advisory
**Africa Investment Forum Deals Selection Criteria**

- **Key selection area**
  - **Strong Economic Impact**
  - **Innovation**
  - **Project Bankability**

- **Key selection criteria**
  - **Projects should:**
    - Have a transformative impact on country
    - Alignment with National development priorities
    - Private sector or PPP project
    - Create new economic growth poles for a country and help diversify economy
    - Boost productivity and job creation
    - Environmentally sound
  - **Projects should:**
    - Demonstrate innovation
  - **Projects should:**
    - Have financial and economic viability
    - Proven Technology
    - Have strong sponsors/stakeholders with proven experience in the sector

- **Key origination principles**
  - 1. Aim to achieve regional balance as much as possible
  - 2. Healthy balance between big and small economies
  - 3. Accelerate deal bankability and closure of transformative projects to close investment gap
AIF 2019 – Boardrooms Timeline

2019

Q1
- AIF 2019 pipeline origination drive
- Regional roadshows in one city (selected by DGs) for each region
- Selection of deals for AIF 2019

Q2
- Deadline for pipeline origination – March/April
- Organize Investors-Sponsors meetings for AIF2019 deals
- Organize Boardroom Workshops

Q3
- Confirm Deals feature and delegate attendance at AIF2019 Boardrooms
- Organize mock boardroom sessions with Deal Sponsors ahead of AIF2019

Q4
- AIF2019: November 6 - 8, 2019
Delivering as One for Africa
ROOM TO RUN

Balance Sheet Optimization to Deliver the “Billions to Trillions” Development Agenda
INTRODUCTION ...

- Multilateral Development Banks (MDBs) are being asked to help deliver the “Billions to Trillions” development agenda.

- But public shareholders alone are unable to provide sufficient capital resources to enable MDBs to achieve the required scale.

- The G20 has recommended “balance sheet optimization” as a way to achieve scale by mobilizing commercial resources.

- With its “Room to Run” initiative, the African Development Bank Group is leading MDB efforts to leverage scarce public resources with private sector financing.
The AfDB Group has piloted 4 innovative balance sheet optimization transactions

Creating Room to Run

1. Private Sector Credit Enhancement Facility
2. MDB Exposure Exchange
3. Room 2 Run - Synthetic Securitization
4. Room 2 Run - Portfolio Credit Insurance
The Private Sector Facility enables the Bank to do more NSO in low-income countries.

Private Sector Facility

Reference Portfolio

- Non-Sovereign Loans in LICs

Covered Portfolio USD 500m

- AfDB
- PSF

New Headroom USD 500m

Additional Portfolio

* All figures in this presentation are approximate
The AfDB Group has piloted 4 innovative balance sheet optimization transactions.

Creating Room to Run

1. Private Sector Credit Enhancement Facility
2. MDB Exposure Exchange
3. Room 2 Run - Synthetic Securitization
4. Room 2 Run - Portfolio Credit Insurance
The Exposure Exchange Agreement (EEA) optimizes an MDB’s balance sheet through diversification.

MDB Exposure Exchange

AfDB Before EE
Amount
Countries

AfDB Before EE
Amount
Countries

New Headroom
USD 10b

Additional Portfolio
The AfDB Group has piloted 4 innovative balance sheet optimization transactions

Creating Room to Run

1. Private Sector Credit Enhancement Facility
2. MDB Exposure Exchange
3. Room 2 Run - Synthetic Securitization
4. Room 2 Run - Portfolio Credit Insurance
R2R synthetic securitization uses risk transfer to create USD 700 million of new headroom for renewables.

Room to Run – Synthetic Securitization

Reference Portfolio
USD 1b

Risk Tranched Portfolio
USD 1b

AfDB
27.25%

EC
17.25%

Investors
2%

AIDB
0%

New Headroom
USD 700m

Reference Portfolio
45 NS Loans

Additional Renewables Portfolio

* All figures in this presentation are approximate.
Announcement of R2R Synthetic Securitization – Ottawa – September 18, 2018
Securitisation deal shows supranationals’ future scope

“The deal will “super-charge our ability to invest in urgently needed projects across Africa”, according to AfDB president Akinwumi Adesina. “It leverages our financial resources so we can have more impact, and it creates new pathways that enable long-term investors to support Africa’s development while getting excellent financial returns.”
Securitisation deal shows supranationals’ future scope

Bill Morneau, Canadian minister of finance, said: “Attracting more private capital into global development efforts is critical to building economies that work for more and more people around the world. “That is why Canada and our G20 partners have been calling on multilateral development banks to use their existing resources as efficiently as possible, and to look for new ways to attract more private capital.”

“This is to the best of my knowledge an absolutely new leaf, a green shoot in financial markets,” said Andrew Hohns, Mariner Investment Group. “I think there is a good chance that Room2Run will prove to be a template around which private sector investors globally can identify a very interesting and scalable pathway to engage with the MDB community to strengthen their balance sheets. It may well become a deep market with a lot of scale.”
Announcement of R2R Portfolio Credit Insurance
London – October 22, 2018
R2R portfolio credit insurance uses risk transfer to create USD 450 million of new headroom.

Room to Run – Portfolio Credit Insurance

Reference Portfolio
USD 2.5b

Insured Portfolio
USD 500m

AfDB
±80%

Insurers
±20%

New Headroom
USD 450m

Additional Portfolio

* All figures in this presentation are approximate
AfDB finds London's insurers a deep pool for risk transfer

“African Development Bank launches landmark USD 500 million credit insurance deal with African Trade Insurance Agency and UK reinsurers”

“This landmark transaction between AfDB and ATI is one of several recent initiatives undertaken by the Bank under its “Room to Run” program that responds to the G20 and G7 call on the multilateral development banks (MDBs) to explore innovative ways to optimize their balance sheets to achieve the “Billions to Trillions” development agenda. Credit insurance is one of such instruments involving a specialized market with currently low penetration in Africa, but intent on playing a more active role.”
AfDB finds London's insurers a deep pool for risk transfer

“This transaction leverages the Bank’s own capital to achieve more development and lending as it creates new pathways for collaboration between private insurers and the Bank in the development of the African continent,” said Akinwumi Adesina, President of the African Development Bank Group. “This is a significant step towards enhancing Africa’s finance partnerships across the globe.”

Launching the transaction at an event in London, Penny Mordaunt, International Development Secretary commented, “This is a great example of how the City of London can partner with African institutions to mobilise more investment for developing countries and support the creation of the 18 million new jobs a year which Africa needs. This work is driving economic development abroad and supporting prosperity at home.”
R2R is creating global pathways for institutional investors to support Africa’s development

Room to Run – Investor Pathways
In summary ...

The AfDB has learned valuable lessons from its pilot balance sheet optimization transactions ... and we are sharing our experience with other MDBs.

Investor appetite suggests substantial potential for scaling in the future.

The Bank and other MDBs are exploring new ways to leverage public resources with institutional investment.

Although rating agency feedback has been very positive, they have stressed that balance sheet optimization is not a substitute for strong shareholder support for MDBs.