Annual Development Effectiveness Review 2014
Towards Africa’s transformation
ACKNOWLEDGEMENTS

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Cover photo: The modernisation of the Dakar Container Port Terminal will stimulate international trade and export activities in Senegal and the region. Efficiency gains in shipping and handling are expected to save consumers an estimated $150 million through cheaper imports, shipping lines will reduce their costs, and revenues for government will increase by $130 million. Photo by Arne Hoel, © 2013 AfDB.

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Development Effectiveness Review 2014

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

**ADF**  African Development Fund

**AfDB**  African Development Bank

**CPIA**  Country Policy and Institutional Assessment

**CPPR**  Country Portfolio Performance Review

**CSP**  Country Strategy Paper

**EITI**  Extractive Industries Transparency Initiative

**ESW**  economic and sector work

**GDP**  gross domestic product

**ICT**  information and communications technology

**IMF**  International Monetary Fund

**IT**  information technology

**PCR**  Project Completion Report

**RMF**  Results Measurement Framework

**SMEs**  small and medium enterprises

**UA**  Units of Account

**USD**  United States dollars

**Weights and measures**

**CO₂**  Carbon dioxide

**ha**  hectares

**kg**  kilograms

**km**  kilometres

**km²**  square kilometre

**kWh**  kilowatt hour

**m³**  cubic metres

**MW**  megawatts
After a decade of robust economic growth, Africa today is challenging the old narratives of poverty and dependency and writing a new story of change and opportunity.

Across the continent, we see many signs that a new chapter is beginning. There is every prospect that the strong economic growth of the past 10 years will continue in the coming years. By 2025, an ever larger number of Africans will be in a position to make choices which will make them an increasingly attractive market to investors. They will be more vocal in their demands for services and good stewardship of public resources. In short, the rise of the African middle class signals the beginnings of a shift towards a self-sustaining pattern of development for Africa.

Yet to build the foundations for lasting and shared prosperity, Africa needs to leverage its recent growth performance into a more profound transformation of the economy. Africa needs to make use of its most important resource—its abundant labour—to become a base for global manufacturing. It also needs to create opportunities for Africans to use their assets—their labour and their land—more productively, by linking farmers, firms and household enterprises into more efficient value chains. Thus three areas—jobs, entrepreneurship and agriculture—are the key to achieving inclusive and sustainable growth.

The African Development Bank’s new Ten Year Strategy sets out our agenda for how we will support the transformation of the African economy by promoting the twin goals of inclusive growth and green growth. This Annual Development Effectiveness Review is the first assessment of our progress on the Strategy. We are proud of the many ways in which we have reached or surpassed our targets, but we also discuss candidly our efforts to build on our successes, address weaknesses, and improve our results in the future.

Looking ahead, we will continue to be a leading investor in African infrastructure, helping to link Africans from Cape Town to Cairo into a single economic space. We will press ahead with our work on private sector development, including by promoting a skills revolution in science and technology and empowering African women. We will promote more effective and accountable government and make a concerted effort to support tackling the roots of conflict and fragility. We will achieve this by forging deeper partnerships with African governments, firms and civil society.

I am a firm believer in Africa’s ability to craft its own development narrative. And I believe that—as this Annual Development Effectiveness Review shows—the Bank can play an important role in writing that story.

Donald Kaberuka
President of the African Development Bank Group
Executive summary

The Annual Development Effectiveness Review presents the contribution of the African Development Bank (AfDB, or the Bank) to Africa’s development. It outlines recent development trends across the continent and describes the opportunities and challenges that Africa faces in the coming years. It shows how our portfolio of operations—now standing at $33 billion—responds to Africa’s needs, and how well we are performing against our objectives. It also describes our efforts to strengthen our portfolio and make our own organisation as lean and effective as possible.

This year’s development effectiveness review is based on our new Results Measurement Framework 2013–2016, which translates our Strategy 2013–2022 into concrete objectives and targets. As the Bank’s operations have grown in size and complexity, the results framework has assumed an increasingly important role in keeping us working together as One Bank towards a shared set of goals. This review presents the results data in a simple, narrative form, to support transparency and accountability to our partners and stakeholders.

This development effectiveness review follows the structure of the results framework itself. The first chapter looks at Africa’s progress in two key transformations: the move towards inclusive growth (including economic, spatial, social and political inclusion and improved competitiveness) and the transition to green growth (adapting to a changing climate, managing natural resources sustainably, and ensuring sustainable infrastructure). The second chapter analyses the Bank’s contribution to these transformations across the five operational priorities in our Strategy: infrastructure development, regional integration, private sector development, skills and technology, and governance and accountability. It also discusses our cross-cutting objectives of promoting gender equality, strengthening agriculture and food security, and addressing fragility and building resilience. The third and fourth chapters look at the management of our portfolio and at our own organisational efficiency, and the final chapter shares some of our objectives for the coming period.

Towards economic transformation

Africa is growing at an unprecedented speed. Despite the adverse international environment, growth has averaged 5% for over a decade, making Africa the fastest growing continent in the world today. This growth is bringing about some dramatic changes. By 2025, most African countries will have middle-class majorities, and already many are becoming attractive consumer markets for investors. Foreign investment in the past decade has been six times higher than in the previous decade, and trading links with emerging economic powers like China, India and Brazil are growing fast. New mineral resources are being discovered and exploited, while infrastructure gaps are being steadily reduced. A key aspect of this new economic dynamism is a gradual but fundamental improvement in the quality of African governance. In most of the continent, the threat of instability is receding, democracy is putting down stronger roots and governments are increasingly effective at ensuring the preconditions for private sector development.

Africa’s positive growth performance is already transforming lives. The poverty rate has fallen faster in the past 5 years than over the previous 15. Access to basic education and health services has expanded rapidly, and access to clean water and sanitation is growing, although at a more modest pace. The spread of HIV/AIDS has been halted, malaria infection is down by 30%, maternal and child mortality is falling, and life expectancy has increased by 10%. These are significant achievements, feeding widespread talk of an “African Renaissance”.

The poverty rate in Africa has fallen faster in the past 5 years than over the previous 15

Economic inclusion – Yet growth in its current form is not going to be enough to lift all Africa out of poverty. Over 400 million Africans are still living on less than $1.25 a day. Most of these people benefit little from a pattern of growth that is concentrated in a few sectors or geographical areas. Africa’s mineral wealth has been an important driver of growth, accounting for more than half of exports from sub-Saharan Africa, but it generates few opportunities for the population at large. It is therefore encouraging to see that some African countries—such as Ethiopia, Mozambique, Kenya and Tanzania—are managing to sustain high growth that is not fuelled by natural resources. Importantly, they are showing increasing signs of structural transformation in their economies—that is, a movement of workers from lower- to higher-productivity activities, such as manufacturing, tourism and more productive forms of agriculture.

This kind of structural transformation is essential to achieving more inclusive growth. Over the longer term, Africa has the potential to become a centre of global manufacturing, creating jobs and opportunities for its young population. In the shorter term, it is important to increase productivity in the sectors that make the greatest use of the assets of the poor—namely, their labour and
### Executive summary

**Summary performance scorecard 2013**

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For Level 1 Africa’s relative performance is measured by comparing its progress with progress in Africa’s peer group (low-and middle-income countries around the world), for Level 2 the Bank’s performance is measured by comparing expected and actual achievements for all operations that have been completed, for Levels 3 and 4 the Bank’s progress is measured against its progress in achieving its 2013 targets set out in the Bank’s Results Measurement Framework.

- **Good progress:** On average the group improved over baselines or reference groups.
- **Moderate progress:** Results are mixed; on average the group of indicators show moderate improvement.
- **Progress stalled or regressed:** On average the group of indicators stalled or regressed.
- **Progress could not be measured.**
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their land. This means creating more productive agriculture through improved farming practices, and creating the conditions in which micro-businesses can grow and generate real livelihoods.

**Ethiopia, Mozambique, Kenya and Tanzania sustain high growth that is not fuelled by natural resources**

**Spatial inclusion** - Critical to increasing spatial inclusion is expanding access to infrastructure. Infrastructure enables remote areas to link to growth poles, citizens to access services, and farmers and other businesses to bring their produce to market. Recent years have seen some encouraging progress. Africa’s major transport connections are developing quickly, its road density is on the rise and its transport networks are now much better maintained. Around a third of households in sub-Saharan Africa now have electricity connections, although underinvestment in new generation capacity has left many countries facing regular power outages. Access to clean water and sanitation is slowly improving, while mobile phone and internet access is spreading rapidly. Over half of Africa’s improved growth performance in recent years can be attributed to improvements in infrastructure. However, the investment needs for the coming years are still vast, estimated at some $93 billion a year.

**Social inclusion** - Social inclusion means ensuring equal opportunities for all. Lack of opportunity can spread the effects of poverty from one generation to the next. Breaking this cycle requires universal access to basic services. In recent years, access to health services has improved substantially, driving down mortality and morbidity, while access to primary education has expanded enormously. However, many young Africans are not yet equipped with the skills they need for private sector employment. Many Africans remain trapped in vulnerable occupations, often in the informal sector. A critical component will be women’s economic empowerment. While women now represent 40% of the non-agricultural labour force, they still face a wide range of barriers to their full participation in the economy and society. As a billion women enter the global workforce, they will be the third emerging market, joining the global economy as consumers, producers, employees and entrepreneurs.

**Political inclusion** - Capable and responsive government is another key condition for inclusive growth. Overall, Africa has made remarkable progress in recent years in the governance arena. Democracy has become the norm, the media and civil society are more vibrant and citizens are increasingly engaged in political life. Government across the continent is becoming increasingly effective. Revenue collection is improving, and governments are more accountable for their use of public resources. While two-thirds of African countries have strengthened their quality of governance, serious pressures remain — exclusion and poverty, unemployment, high migration, rapid urbanisation, climate change and poor management of natural resources. Such pressures could give rise to social and political tension, with possibly profound effects on development prospects, especially for countries affected by conflict and fragility.

**Competitive economies** - The final area we identify as key to economic transformation — sustaining growth through more competitive economies — will need major efforts in the coming years. Competitiveness refers to all the factors that determine a country’s productivity, and therefore the level of prosperity it is able to achieve. Some African countries, such as Rwanda, Morocco and Botswana, have achieved significant improvements in recent years. Others are improving more gradually. There have been successes in regulatory and institutional reforms, with the average time required to register a business falling from 57 days in 2005 to just 28 days in 2013. But only a fifth of African adults have access to a bank account or financial services, which limits their ability to save and invest. With high growth and further regional economic integration, African markets are expanding, offering higher economies of scale and attractive investment opportunities. To stay on course and deliver jobs, African countries need to further boost competitiveness and diversification.

**Only a fifth of African adults have access to a bank account or financial services, which limits their ability to save and invest**

**Towards green growth**

Africa’s transition to green growth will necessarily be a gradual one. It needs to manage its natural resources in a sustainable manner. Since Africa is home to a large share of the world’s clean energy potential, greening the economy should deliver real economic dividends over the longer term.

**Increasing resilience** - Africa is exposed to the risks of a changing climate. As temperatures rise, the hydrological cycle is accelerating, resulting in more rain in the tropics while water-scarce areas such as the Sahel become dryer and hotter. As rainfall becomes more variable, as many as 250 million people could be exposed to water stress, while some countries will face a 50% reduction in yields from rain-fed agriculture. Improving farming practices, investing in irrigation, improving environmental management, promoting efficient markets and developing social protection systems are among the measures required to make communities more resilient to these stresses. The proportion of Africans vulnerable to food security has fallen to 27%, from 33% in 2000 — a significant improvement. But in the face of a changing climate, the rate of progress is not enough.

**Africa has a one-time opportunity to convert its resource wealth into investments in human and physical capital and financial wealth that will benefit future generations**

**Managing resources sustainably** - Africa’s extraordinary mineral wealth is expected to contribute $30 billion a year to government revenues for at least the next 20 years, providing a huge boost to
development. Africa has a one-time opportunity to convert this resource wealth into investments in human and physical capital and financial wealth that will benefit future generations. At the same time, growth is increasing Africa’s environmental footprint. To take better care of renewable resources, a growing number of African countries are incorporating environmental sustainability goals into their national development strategies; but there are still widespread gaps in institutional capacity for environmental management. And while the continent has abundant agricultural land, current land management practices and natural desertification are taking a heavy toll on soil fertility. A shift towards more intensive agricultural methods is needed, in a sustainable way without degrading productivity in the future, including making better use of water resources for irrigation.

Sustainable infrastructure – Africa also needs to move towards developing sustainable infrastructure. While renewable energy accounted for only 17% of Africa’s total in 2010, within 20 years this will rise to 40%, putting Africa at the forefront of new global technologies and industries. For Africa, developing its renewable energy potential and promoting energy efficiency could become a key driver of growth.

AfDB’s contribution to Africa’s transformation

The AfDB Strategy 2013–2022 sets out how we will contribute to Africa’s transformation towards inclusive and green growth. It identifies five operational priorities in which we will support change, based on our areas of comparative advantage: infrastructure, regional integration, private sector development, skills and technology, and governance and accountability. Cutting across these five pillars are our areas of special emphasis: addressing fragility and building resilience, strengthening agriculture and food security, and promoting gender equality.

Infrastructure – Filling Africa’s infrastructure deficits emerged from our consultations as the number one priority of African governments, business and civil society. Infrastructure is therefore at the heart of our portfolio, with current investments of over $21 billion. Over the past decade, we have invested in the development of regional transport corridors, linking major cities and ports across Africa. These corridors lower the costs of trade and enable African producers to become more competitive, while helping adjacent rural areas to access markets and services. Our investments are also helping to manage congestion in Africa’s rapidly growing cities. Over the past two decades, we have invested $4.5 billion in the electricity sector in Africa, recognising that affordable and reliable power is key to better living standards and to private sector development. We created 978 MW of new power generation capacity in the past three years alone, while providing nearly 10 million people with electricity connections. Clean energy, including hydro, wind and solar power, is an increasingly important part of our portfolio. Our investments in water and sanitation focus on rural communities, small towns and peri-urban areas, benefiting over 8 million people. We are also working closely with regional

and intergovernmental bodies to strengthen their capacity to manage transboundary water resources.

We are the largest external financier for infrastructure in Africa, with investments of over $21 billion

Regional integration – We believe that linking African countries into larger economic spaces is critical to economic transformation. Since 2009, we have financed more than 70 operations supporting regional integration, at a cost of over $3.8 billion. We promote regional power pools, which enable countries to develop their energy systems collaboratively and avoid the inefficiencies of small national markets. We support regional transport links and more efficient border crossings, which lower the cost of trade and help businesses become more competitive. We also promote the “soft infrastructure” of harmonised national rules and regulations, to support the free movement of goods, services and people.

Governance and accountability – Capable, accountable and responsive government is one of the foundations for inclusive growth. We focus much of our policy dialogue and analytical work on supporting good economic governance. We promote prudent macroeconomic policies, efficient revenue mobilisation, sound public financial management and robust governance of the natural resources sector. Our support is often in the form of budget support operations, linked to technical support for an agreed programme of reforms. Through these programmes, we have helped to strengthen public administration and the business environment in a number of countries, and to introduce reforms to public financial management systems (although in some cases more work is needed to make these reforms effective). To ensure that government is responsive to the needs of the poor, we will broaden our engagement in the economic governance arena to give poor people a stronger voice in national policymaking.

We helped 20 countries improve the quality of budgetary and financial management

Skills and technology – We believe that the economic transformation of Africa calls for a skills revolution. To equip young Africans with the skills they need for gainful employment or entrepreneurship, we focus our education portfolio on higher education, science and technology. In recent years, we have provided vocational training to 95 000 people, with a strong focus on women and vulnerable groups. Projects such as Souk At-Tanmia (“Market for Development”) in Tunisia and social business pilots in Togo and Uganda are offering training and mentoring to micro-enterprises created by young people and women.

Private sector development – Promoting jobs and livelihood opportunities in the private sector is the most direct way of reducing
poverty. Under our new Private Sector Strategy 2013–2017, we are helping to improve Africa’s business climate, expand access to social and economic infrastructure and promote enterprise development. While all enterprises are important, we recognise small and micro business as essential to reducing poverty. We have provided over 150 000 microcredits in the past three years, combined with training in business management, leading to the creation of over a million jobs. Through our private sector window, we also invest directly in commercial projects with wider development impact, helping to attract foreign investment, develop financial markets and promote new technology. In 2013, we launched the Inclusive Industries Program, which is designed to encourage larger companies to include informal business in their production chains.

**Our support to enterprises helped create over one million jobs**

**Agriculture and food security** – Nearly 70% of Africa’s labour works on family farms, mostly smallholdings producing at subsistence level. Improving the productivity of agriculture is therefore key to inclusive growth. Our rural livelihoods programmes are demonstrating the potential of agriculture to create decent jobs and increase food security. Most of our agriculture portfolio is devoted to rural infrastructure, including irrigation, water storage, energy connections and feeder roads. We are also helping to promote more sophisticated value chains by linking farmers to agri-businesses. For example, in Ghana we have helped to create more than 25 000 small businesses in higher-value agricultural activities such as fresh juice production and fish farming. Our work also helps to promote sustainability by improving water and land management.

**Promoting gender equality** – Empowering African women to play a stronger role in government, society and the economy is a winning strategy for promoting inclusive growth. We are focusing our knowledge work and policy advocacy on addressing barriers faced by women entrepreneurs, such as access to and control of productive assets. We are developing a range of interventions to benefit women, including cash transfer programmes, early childhood development, and microfinance for women farmers. We support the emergence of women scientists as leaders in their communities and role models for a new generation of African girls.

**Addressing fragility and building resilience** – More than 250 million Africans live in countries affected by conflict and fragility. Many countries still lack the institutional capacity to manage pressures such as population growth, urbanisation, youth unemployment and climate change, creating risks of conflict and instability. We are preparing a new strategy to help us engage more directly with the drivers of fragility and to build more resilient states and societies. This includes mobilising resources quickly and flexibly to help countries emerging from crisis. We also see regional cooperation as a strategy for overcoming conflict and fragility. In regions such as the Mano River Union, we are helping to promote the joint management of shared national resources with a strong conflict-prevention focus.

**How well the Bank manages its operations**

Since 2006, the Bank has more than doubled the size of its portfolio, to over $33 billion. To ensure the best development return on our investments, we are continually working to improve the design and management of our operations. To this end, we have adopted some exacting management targets for the coming years.

**Managing for results** – We are piloting new results-based Country Strategy Papers as the foundation for our country operations. They are informed by extensive consultations and rigorous analysis of the country context, and are closely aligned to the goals of the Bank’s overall Strategy 2013–2022. We undertake regular Country Portfolio Performance Reviews to tell us whether our programmes are on track. We continue to press forward with our aid effectiveness commitments, using government procurement procedures in over 90% of our procurement contracts. We have kept to our targets on predictable disbursements, although a decline in the share of budget support in the portfolio has resulted in a dip in the share of assistance recorded on budget. We have an active knowledge portfolio: the 31 major analytical works we produced in 2013 serve as a platform for dialogue with our regional member countries. We are also leading supporters of managing for development results, through a range of capacity-building measures.

**93% of operations were rated satisfactory by the independent evaluation office**

**Timely and effective delivery** – We have introduced tight project management systems to ensure that our operations are well designed and regularly supervised. In 2013, 98% of our new operations were rated as satisfactory. We are continuing to reduce the time involved in approving new operations and reaching first disbursement. Of the operations that were completed in 2013, 93% were rated satisfactory by an independent evaluator, showing that their objectives were appropriate and the resources used efficiently. In addition, 88% were assessed as delivering sustainable outcomes.

**Our disbursement ratio was ahead of target, at 24%, suggesting that projects are moving forward smoothly**

**Portfolio performance** – In 2013, we achieved 95% of our target disbursement, at $4.8 billion. Our disbursement ratio was also ahead of target, at 24%, suggesting that projects are moving forward smoothly. However, we slipped slightly in the timeliness of our procurement, despite measures to build capacity among our staff and partners. We are increasing the level of procurement authority delegated to country offices while pushing forward with the introduction of e-procurement. To address some of the implementation challenges that can hold up project delivery, we have simplified loan conditions and legal processes. This has helped to reduce the
proportion of operations at risk to just 18%. Our Integrated Safeguards System is being rolled out and will further improve our attention to implementing sound environmental and social standards. Already 76% of our projects were assessed as having satisfactory social and environmental risk mitigation measures.

Gender and climate – Promoting gender equality and building resilience to climate change are priorities that run right across our portfolio. Our new results framework includes indicators for these goals, to ensure they are given due attention. We recently appointed a Special Envoy for Gender, who is championing gender equality across the Bank. Our new Country Strategy Papers incorporate gender into their results frameworks to track any differences in the impact of our support on women and men. Our project designs are based on sector-specific gender analysis and incorporate activities to address gender gaps. 78% of our completed projects had satisfactory gender-equality outcomes—a pleasing result. We are continuing to implement our Climate Change Action Plan by “climate-proofing” our projects. We have developed a new Climate Safeguards System that helps us identify climate risks, assess vulnerabilities and design appropriate offsets and mitigation measures, from improving road drainage to restoring vegetation cover to create carbon sinks.

78% of our completed projects had satisfactory gender-equality outcomes

How well the Bank manages its own organisation

Decentralisation – Over recent years, we have pushed ahead with ambitious reforms to the Bank as an organisation, to improve our capacity to deliver high-quality support in a cost-effective way. With our newly established presence in Benin, Guinea Conakry and Mauritania, we now have a field presence in 37 countries across Africa, compared to just 4 in 2002. Over 40% of our operational staff are based in the field, and half of our projects are managed from country offices. Thus we are better placed to understand the country context and work in close partnership with our clients. In line with our increasing emphasis on conflict and fragility, we have asked additional staff to work on Comoros, Guinea-Bissau and Somalia from our offices in neighbouring countries. Our decentralised structure is supported by a new communications infrastructure, allowing staff in the field easy access to videoconferencing facilities and the Bank’s central knowledge facilities.

With over 40% of our operational staff based in the field, we are closer to our clients

Human resources – We continue to improve our human resource management, to enable us to attract high-calibre staff and motivate them to perform at their best. Our People Strategy 2013–2017 aims to improve leadership, strengthen employee engagement, improve performance and accountability, and introduce more flexible, family-friendly work patterns. As a result, our employee surveys report steadily increasing staff commitment and job satisfaction. We remain concerned, however, that women make up just 27% of professional staff. We have launched outreach programmes to identify suitable women candidates. Overall, our recruitment processes have become more efficient, enabling us to reduce our vacancy rate among professional staff to just 6%. The coming year will see the return of the Bank’s headquarters to Abidjan, which is a major organisational challenge. A hiring freeze is in place until the move is completed, which will lead to a temporary increase in the vacancy rate.

Value for money – We are committed to ensuring that every dollar we invest delivers the maximum value for our beneficiaries. Our administrative budget has grown by just 3% since 2011, suggesting a decline in real terms. Our administrative costs—UA 89 000 per UA 1 million disbursed—compare favourably with those of other development banks. To increase operational efficiency, we are bringing in new measures, including a new Cost Accounting System and Strategic Resource Assessment Software, enabling management to keep a closer eye on our cost drivers.

Conclusions and way forward

Africa is beginning an exciting new chapter in its development. A decade of growth has touched off a number of virtuous circles of development. To ensure that the benefits of this new economic dynamism are sustained and widely shared, Africa needs to press ahead with a more profound economic transformation, to achieve growth that is both more inclusive and more sustainable.

The results in this annual review show that the AfDB is well positioned to support this transition. Drawing on our decades of experience and our trusted position as Africa’s own development bank, we will continue to tackle critical infrastructure bottlenecks. We will invest in major transport routes to link African economies with each other and the global market, and in rural roads to support economic inclusion. Our investments in power, water and telecommunications will help businesses to grow. Working closely with the regional economic communities, we will promote the hard and soft infrastructure required for regional economic integration.

Private sector development will create jobs and raise incomes. We will invest directly in major companies through our private-sector lending, and in small business through micro-finance. Our support will help to introduce more productive farming techniques and to develop new opportunities for agri-business. In the governance arena, our focus on improving natural resource management will help ensure that the revenues are used to support national development. We will promote sound macroeconomic management, efficient tax collection and more accountable public financial management, as well as social safety
nets to protect the most vulnerable. Our investments in higher education and vocational training will help equip Africa’s young people with scientific and technical skills. We will work towards the economic empowerment of African women, which is fundamental to unlocking Africa’s development potential.

These ambitious goals will be supported by robust portfolio management that ensure both better results and better value for money. Our efforts to improve our client engagement will make us more responsive to the needs of our partner countries. Our broadened country engagement will include a wider range of stakeholders across the private sector and civil society, ensuring that our Country Strategy Papers reflect our partners’ needs and aspirations. With lighter and more nimble business processes, we will be better able to act rapidly and adapt to different country contexts. Our new One Bank Results Measurement Framework will ensure that we remain firmly focused on achieving our shared vision of Africa’s development.
Introduction

Each year, in the Annual Development Effectiveness Review, the African Development Bank presents its contribution to Africa's development. The review challenges us to reflect on how our operations and many activities contribute to the implementation of our corporate strategy and our shared vision of Africa's development. It enables us to identify where our efforts may be falling short of our targets and to take early corrective action. For our member countries and our many external partners and stakeholders, this review offers a clear and accessible narrative of the opportunities and challenges facing Africa today, how we are responding to them, and what we have achieved.

The Annual Development Effectiveness Review assesses the Bank’s accomplishments against the indicators in the new Results Measurement Framework 2013–2016 (RMF). The results framework translates our Strategy 2013–2022 into a set of concrete, medium-term objectives and identifies the measures that will tell us whether or not we have achieved our ambitions (see Figure 1).

Since we adopted our first results framework in 2003, the Bank has changed dramatically. A decade ago, it was a highly centralised organisation with offices in just eight countries, fewer than 1000 staff and an active portfolio of around $12 billion. Today it is Africa’s premier development institution, with more than 2000 staff spread across 37 countries and around $33 billion in active operations. As the Bank’s operations have grown in size and complexity, the latest results framework has assumed an ever more important role in keeping us working together as One Bank – including both public and private investments – towards a common set of goals.

The latest results framework introduces a number of important new elements. First, it has a stronger strategic orientation. The Strategy 2013–2022 commits us to supporting Africa’s transformation in two key areas: inclusive growth and a gradual transition towards green growth. In the results framework, each of these strategic objectives has its own measures of progress. Inclusive growth has five dimensions: economic, spatial, social and political inclusion, and promoting sustainable growth through improved competitiveness. The transition to green growth has three: building resilience and adapting to a changing climate, managing natural resources sustainably, and promoting sustainable infrastructure. Level 1 of the results framework tracks Africa’s progress in these areas through 29 indicators.

Level 2 then maps the Bank’s contribution to these areas of transformation across the five operational priorities set out in the Strategy: infrastructure development, regional integration, private sector development, skills and technology, and governance and accountability. To help show the causal linkages between our projects and the development results they contribute to, we have included a larger number of intermediate outcomes. We also reflect the Bank’s strong commitment to promoting gender equality by disaggregating our results, wherever possible, to show the impacts on women and men.

Level 3 of the results framework focuses on whether we manage our operations effectively. It contains 21 indicators and targets on managing for results in our country operations, delivering effective and timely operations, and designing gender- and climate-informed operations. Finally, Level 4 looks at how well we manage ourselves as an organisation, with indicators that measure our progress on decentralisation, building the calibre of our staff, and ensuring value for money in our operations.

After discussing the four levels of the results framework, the review shows how our results measure up against our goals and provides examples of our operations and activities at work.

This Annual Development Effectiveness Review comes at an important moment. For the Bank, it is an opportunity to take stock of what we achieved through our last results period and to set out our objectives for the coming three years. But it is also an important moment for Africa. After a period of dynamic growth, new horizons have opened up for Africa’s development. There is increasing reason for confidence that Africa is firmly on the path towards the ambitious transformation described in the Bank’s Strategy. For this reason, we have taken “Transformation” as the theme of this year’s Development Effectiveness Review.
Africa: A new pole for global growth

Africa is creating a new economic momentum that is driving global growth. Nine of the fifteen fastest growing economies in the world today, are in Africa.

African economies are growing faster and faster

The number of fast growing economies in Africa has been growing steadily since 1990. In 2014, 22 African countries are expected to grow at more than 6%. At this rate GDP is set to double by 2026.
Africa is changing at an extraordinary speed. Over the past decade, it has been one of the most economically dynamic regions of the world, achieving record rates of economic growth. With increasingly stable governments, open business environments and a rapidly growing middle class, Africa is becoming an attractive destination for investors. There is every reason to believe that Africa’s economic transformation will surge ahead in the coming years.

However, the current patterns of change are not yet enough to deliver on Africa’s ambitious development agenda. At present, the benefits of growth are unevenly distributed, concentrated in particular sectors or geographical areas, and many people are not yet able to benefit from it. To lift more Africans out of poverty, Africa’s growth must become more inclusive. This means creating livelihood opportunities that will benefit more people through more meaningful work, more business opportunities and more productive agriculture. It means linking remote areas to growth poles through better infrastructure connections and greater regional integration. It means ensuring that Africa’s immense natural wealth is used efficiently, sustainably and to the benefit of all Africans. It means transitioning towards an environmentally sustainable growth path that will benefit future generations in the face of a changing climate.

The AfDB is committed to supporting Africa’s transformation under its Strategy 2013–2022. In this chapter, we explore the progress that Africa has made in recent years towards these goals and some of the challenges it will face in the coming years.

**Africa’s transformation**

Africa’s recent economic performance is unmatched in the history of the continent (see Figure 1.1). Despite an adverse international environment, the continent has averaged growth of nearly 5% for the past decade. Buoyed by strong domestic demand and increased output in the minerals, agriculture and service sectors, Africa’s GDP growth is expected to remain close to 6% in the coming years. This makes Africa the fastest growing continent in the world today, with more than half of the countries growing at over 5%. It is expected to have 19 of the 30 fastest growing economies in the next five years, with 46 countries growing at 4% or more.

Although during the 1980s and ’90s real incomes in Africa fell by 10%, over the past 10 years GDP per capita has increased by 30%. By 2025, most African countries will have reached middle-income-country status, and many of them will have middle-class majorities. Consumer spending will increase from $680 billion in 2008 to $2.2 trillion by 2030. Already, three in every four Africans have mobile phones—the same share as India. By 2025, there will be 600 million internet users contributing $300 billion to GDP.

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1. A green bullet indicates that progress is strong and better than peers.
2. A yellow bullet indicates that progress is positive but less than peers.
Table 1: **Development in Africa (Level 1)**

This table summarises the continent’s development progress between 2010 and 2013. The indicators are those that were adopted in the new One Bank Results Measurement Framework 2013–2016, reflecting the Bank’s two strategic goals: inclusive growth and the transition towards green growth. Inclusive growth has five dimensions: economic, spatial, social, and political inclusion, and promoting sustainable growth through improved competitiveness. The transition to green growth has three: building resilience and adapting to a changing climate, managing natural resources sustainably and promoting sustainable infrastructure.

- **Progress is strong and better than peers**;
- **Regression against the baseline**;
- **Progress is positive but less than peers**;
- **Data are not available to measure progress**.

<table>
<thead>
<tr>
<th>INDICATOR</th>
<th>ALL AFRICAN COUNTRIES</th>
<th>OF WHICH ADF COUNTRIES</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Baseline 2010</td>
<td>Latest 2013</td>
</tr>
<tr>
<td><strong>INCLUSIVE GROWTH</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Economic inclusion: Reducing poverty and income inequality</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross domestic product (GDP) growth (%)</td>
<td>4.8</td>
<td>4.3</td>
</tr>
<tr>
<td>GDP per capita (USD)</td>
<td>905</td>
<td>948</td>
</tr>
<tr>
<td>Population living below the poverty line (%)</td>
<td>42.4</td>
<td>41.6</td>
</tr>
<tr>
<td>Income inequality (Gini index)</td>
<td>42.3</td>
<td>42.6</td>
</tr>
<tr>
<td>Spatial inclusion: Expanding access to basic services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Access to improved water source (% population)</td>
<td>66.5</td>
<td>67.0</td>
</tr>
<tr>
<td>Access to improved sanitation facilities (% population)</td>
<td>40.0</td>
<td>40.0</td>
</tr>
<tr>
<td>Access to telephone services (per 1000 people)</td>
<td>538.0</td>
<td>624.0</td>
</tr>
<tr>
<td>Access to electricity (% population)</td>
<td>40.0</td>
<td>43.0</td>
</tr>
<tr>
<td>Road density (km per km²)</td>
<td>7.90</td>
<td>7.90</td>
</tr>
<tr>
<td>Share of population living in fragile countries (%)</td>
<td>22.0</td>
<td>25.0</td>
</tr>
<tr>
<td>Social inclusion: Ensuring equal opportunities for all</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Life expectancy (years)</td>
<td>58.0</td>
<td>59.0</td>
</tr>
<tr>
<td>Enrolment in education (%)</td>
<td>45.0</td>
<td>46.0</td>
</tr>
<tr>
<td>Enrolment in technical/vocational training (%)</td>
<td>12.5</td>
<td>12.8</td>
</tr>
<tr>
<td>Unemployment rate (%)</td>
<td>10.6</td>
<td>11.3</td>
</tr>
<tr>
<td>Women’s participation in the labour market (%)</td>
<td>54.7</td>
<td>55.1</td>
</tr>
<tr>
<td>Political inclusion: Securing broad-based representation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mo Ibrahim Index of African Governance (index)</td>
<td>51.0</td>
<td>52.0</td>
</tr>
<tr>
<td>Tax and non-tax fiscal revenues (% of GDP)</td>
<td>22.0</td>
<td>29.0</td>
</tr>
<tr>
<td>Index of effective and accountable government (index)</td>
<td>2.70</td>
<td>2.90</td>
</tr>
<tr>
<td>Country Policy and Institutional Assessment (EPIA score)</td>
<td>4.00</td>
<td>3.90</td>
</tr>
<tr>
<td>Gender-Sensitive Country Institutions (index)</td>
<td>..</td>
<td>0.30</td>
</tr>
<tr>
<td>Sustaining growth: Building competitive economies</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intra-African trade (billion USD)</td>
<td>125.0</td>
<td>148.0</td>
</tr>
<tr>
<td>Cost of trading across borders (USD)</td>
<td>2090.0</td>
<td>2290.0</td>
</tr>
<tr>
<td>Economic diversification (index)</td>
<td>0.570</td>
<td>0.550</td>
</tr>
<tr>
<td>Global competitiveness (index)</td>
<td>3.60</td>
<td>3.60</td>
</tr>
<tr>
<td>Time required for business start-up (days)</td>
<td>42.0</td>
<td>28.0</td>
</tr>
<tr>
<td>Access to finance (% population)</td>
<td>..</td>
<td>22.0</td>
</tr>
</tbody>
</table>
This surge in consumer demand is making Africa an increasingly attractive environment for domestic and international investors. Between 2001 and 2012, net foreign investment totalled $460 billion—six times the level of the previous decade. Trade with emerging powers such as China, India and Brazil has emerged as a key driver of African development. New mineral resources are being discovered and exploited, and trade, transportation, telecommunications, construction and manufacturing are growing. Infrastructure is steadily improving, connecting Africans better than ever to each other and to the world, allowing Africa to integrate into global value chains and creating business opportunities and growth potential.

Underpinning this new economic dynamism is a gradual but profound improvement in the quality of African governance. Despite setbacks, the threat of war and civil strife is steadily receding. All but a handful of African countries are now firmly democratic, with vibrant media, an active civil society and an increasingly engaged citizenry. Most countries have achieved a sustained period of macroeconomic stability, which is indispensable to national development. Public institutions are becoming more effective, bureaucratic constraints on the private sector have been eased, and national economies are more open. Tax revenues are rising rapidly, giving African governments more resources to invest in national development.

Improvements in governance have in turn enabled African countries to make sustained progress on human development. The poverty rate has fallen faster in the past 5 years than over the previous 15. Most African countries are on track to achieve universal primary education, and secondary and higher education enrolment rates have increased by 50% and 80%, respectively, over the past decade. Africa has halted the spread of HIV/AIDS, reduced malaria by 30% and increased life expectancy by 10%. Access to clean water and sanitation is spreading. Child and maternal deaths are falling rapidly.

A decade of achievement has placed Africa on a growth trajectory of enormous potential.
Inclusive growth
Though growth is indispensable, it alone is not enough to lift most Africans out of poverty. More inclusive growth is needed to generate benefits that could be shared broadly, across economic, geographic and social lines.

Economic inclusion: reducing poverty and income inequality
Africa has made significant inroads into poverty. The share of the population living below the poverty line has fallen further in the past 5 years than over the previous 15, although it remains stubbornly high at 41.6%; over 400 million people are still living on less than $1.25 a day. Many of those who have been lifted out of poverty and have joined the middle class remain vulnerable to economic shocks and are at risk of falling back into poverty if the economic situation worsens.

Poverty in Africa has fallen further in the past 5 years than over the previous 15
But while poverty rates are falling, inequality is rising. Africa is among the most unequal regions in the world in terms of income distribution. The Gini index (a standard measure of income inequality) for Africa saw a gradual improvement in the early 2000s, before regressing in recent years. Research suggests that, because of high inequality, growth has less impact on poverty in Africa than in Asia.

The rise in inequality is closely tied to the sources of economic growth. An important driver of growth has been the extractives sector – particularly oil and minerals – which account for more than half of all exports from sub-Saharan Africa, and in some countries more than 90%, compared to just 10% in Asia. The extractive industries tend to be foreign-owned, capital-intensive and concentrated in narrow geographical areas. They generate limited benefits for the population at large. In the Republic of Congo, for example, oil revenues of $1000 per capita have led to GDP growth of 4% over many years. However, half the population still lives in poverty. Resource-rich countries need to diversify their economies to tackle poverty.

Beyond the resource-rich economies, countries such as Ethiopia, Mozambique, Kenya and Tanzania have also managed to achieve high rates of growth in recent years. Importantly, they show the first signs of structural transformation in their economies—that is, a movement of workers from low- to higher-productivity activities. They are beginning to develop manufacturing industries and in some cases higher-value services such as tourism. This is helping to lift many people out of poverty and is creating a growing middle class (see Figure 1.2). Agriculture is also beginning to show its potential for creating wage employment. In Ethiopia, a single firm began exporting roses in the early 2000s. Today, there are a dozen more, employing over 50 000 people, of whom 70 percent are women. Within a decade, Ethiopia has created a niche agricultural product worth $200 million in exports.

The structural transformation of African economies is fundamental to achieving inclusive growth. Asian countries such as China and Vietnam achieved rapid poverty reduction through the mass creation of employment in manufacturing sectors like textiles and footwear. This created a pathway for the rural poor to move from subsistence agriculture into wage-earning jobs. Africa, with its large labour pool, could follow a similar path.

Further inroads into poverty can be made by increasing productivity in the sectors that make the greatest use of the assets of poor people—namely, their labour and their land. This means creating more efficient agriculture and greater access to wage employment in rural areas and secondary towns. In Uganda, half of those who exited poverty between 2005 and 2009 still spent most of their time on agriculture but supplemented it with nonfarm work. Though agriculture may contribute only a small proportion of GDP growth, it accounts for a high proportion of poverty reduction. Therefore, it is important to boost farm incomes through improved farming practices and greater use of technology, while opening up opportunities in related areas like food processing.

The challenge of achieving economic transformation is an urgent one. Africa’s population, 1.1 billion people today, is expected to...
reach 2.4 billion by 2050—a quarter of the world’s population. This demographic dynamism can be a major asset but, as 10 million additional people enter the labour force each year, it also raises the stakes for economic transformation.

**Spatial inclusion: expanding access to infrastructure**

While Africa has been enjoying high aggregate growth rates, the benefits are distributed unevenly across the continent. Growth is concentrated in and around urban centres, with remote rural areas often left behind. Africa’s challenging geography, low population density and limited connectivity among the 54 countries present obstacles to the spread of economic opportunity.

One of the building blocks of inclusive growth, therefore, is to strengthen the connections within and between countries, through infrastructure. Infrastructure enables producers to join with each other in more productive value chains, farmers to bring their produce to market, and citizens to access public services. It also allows more efficient use of natural resources. Improving infrastructure therefore boosts overall economic growth while helping lagging areas to catch up.

Looking back over the past decade, Africa has made considerable progress in infrastructure: over half of its improved growth performance in recent years can be attributed to investments in infrastructure. Yet Africa’s infrastructure deficit remains vast. To close the gap and support Africa’s continuing development will require $93 billion in investment each year until 2020. And the gap is most significant in fragile states: to catch up on infrastructure over the next decade, fragile states would need to use more than a third of their GDP.

**Over half of Africa’s improved growth performance comes from better infrastructure**

Africa’s rapid urbanisation is presenting new and increasingly urgent demands for infrastructure development. More than 40% of Africa’s population now lives in urban areas, and the proportion is increasing rapidly (see Figure 1.3), creating sizable economic poles. The GDP of Lagos alone exceeds that of Kenya. By concentrating firms and skilled labour, African cities can act as growth poles, drawing in goods and labour from surrounding areas. Yet, if the rate of urbanisation outstrips the growth of urban economies, it can lead to high unemployment and the associated social costs, including the spread of slums. African governments need to plan for urbanisation through investments in basic infrastructure, social services and affordable housing.

Africa’s largest infrastructure investment needs are in electric power. African countries, with over one billion people, together generate only as much power as Germany, with 80 million. Thirty countries now face regular power shortages, at an economic cost of 1–2% of GDP. To compensate for inadequate capacity, many countries are forced to turn to small-scale diesel-powered generation, which costs twice as much as coal or hydropower. Across Africa, tariffs for businesses and consumers can be up to three times those in other parts of the world.

While the share of African households with access to electricity has increased, still only 43% of households, and 32% in sub-Saharan Africa, are connected. This leaves 645 million people without ready access to electricity—a major driver of inequality. Ethiopia, for example, has 86% access to electricity connections in urban areas but just 2% in rural areas. Across sub-Saharan Africa, average annual power consumption of 124 kWh per person—barely enough to power one 100-watt light bulb for three hours a day—is actually falling, as supply fails to keep pace with population growth.

Another major deficit is all-season roads, which play a key role in enabling communities to engage in economic activity and access services. Reducing the time and cost involved in transporting goods has a direct impact on the poor, especially in rural areas. Africa’s road density (length of road per square kilometre) though improving, was only 7.9 km in 2010—just 30% of Asia’s road density—and three-quarters of the roads are unpaved and often unusable in the rainy season. To increase access to roads, most African countries have established autonomous road agencies and road funds, supported by fuel levies, to boost investment. Maintenance practices have improved, with 80% of the main road network now in good condition.

**300 million Africans have gained access to clean water since 1990**

Access to clean water reached 67% in 2011, up 6% over the past decade, while access to improved sanitation increased more slowly, to 40%. Over 300 million Africans have gained access to clean water since 1990. However, at the current rate of investment, most...
African countries are still 50 years away from achieving universal access. The lack of coverage, particularly in rural areas, increases the burden of disease and directly affects women and girls, who bear the primary responsibility for fetching water. A number of countries nonetheless have made outstanding progress. Mozambique has given high priority to developing its water-related infrastructure, with major schemes for harvesting rainwater in dry regions. Benin has invested heavily in simple water systems for small towns and rural areas, achieving an increase in rural drinking water coverage from 39% in 2004 to 57% in 2010. One of the policy challenges, however, is that public subsidies for residential water and sanitation services tend to be regressive, benefiting the more privileged segments of the population that enjoy household connections.

The spread of information and communication technology (ICT) is one of Africa’s biggest success stories, with huge transformative potential. In 2000, there were fewer than 20 million fixed phone lines in Africa—a 2% penetration rate. Since then, Africa has leapfrogged landline development and gone straight to mobile networks. By 2012, it had over 650 million mobile phone subscriptions—more than either the United States or the European Union. More than 60% of the population now has access to telephone services. Mobile phones are the gateway to the financial system, government services and of course the wider world through the internet. In recent years, 68 000 km of submarine cable and 615 000 km of backbone networks have been laid, increasing internet bandwidth twentyfold. By 2020, the mobile phone industry is expected to generate 8% of GDP, 6.6 million direct jobs and $42 billion in government revenues (see Figure 1.4). The spread of ICT has opened up access not just to mobile money, such as Kenya’s famous mPesa service, but also a wide range of new solutions to development challenges, from tracking livestock to training teachers and managing pharmaceutical supply chains.

Social inclusion: ensuring equal opportunities for all
The pernicious effects of poverty can spread from one generation to the next, perpetuated by poor health, inadequate education and a lack of opportunities for advancement. Promoting inclusive growth means breaking down these poverty traps through measures designed to improve the life prospects of the most vulnerable and disadvantaged groups.

Improving access to basic health services is one such measure. Africa’s poor suffer from a heavy burden of communicable diseases and nutritional deficiencies, reducing their productivity, their quality of life and their life expectancy. Poor households are vulnerable to health shocks that can cause them to become destitute. Life expectancy across Africa has gradually improved, from 53 years in 2000 to 59 in 2012, but still lags behind all other developing regions.

African countries have made important progress in extending access to health care for the poor. The coverage of basic health services, immunisation campaigns, skilled birth attendants, insecticide-treated bed nets and essential drugs have all increased, as average health

![Figure 1.4 Mobile phones are creating value](image1)

**Figure 1.4** Mobile phones are creating value

<table>
<thead>
<tr>
<th>Total GDP impact from mobile phones</th>
<th>$ billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobile operators</td>
<td>27.8</td>
</tr>
<tr>
<td>Related industries</td>
<td>8.4</td>
</tr>
<tr>
<td>Productivity increase</td>
<td>24.0</td>
</tr>
<tr>
<td>Total impact</td>
<td>60.2</td>
</tr>
</tbody>
</table>

**Job contribution from the mobile ecosystem**

<table>
<thead>
<tr>
<th>Thousands of jobs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Infrastructure &amp; supp. service</td>
</tr>
<tr>
<td>Network operators</td>
</tr>
<tr>
<td>Distributors and retailers, incl. airtime commissioners</td>
</tr>
<tr>
<td>Content &amp; services, incl. support services</td>
</tr>
<tr>
<td>Mobile ecosystem</td>
</tr>
</tbody>
</table>

Source: GSMA, Boston Consulting
spending per capita rose from $38 in 2000 to $63 in 2007 (purchasing power parity). This has led to a steady decline in under-five mortality, from 164 deaths per 1000 live births in 1990 to 104 in 2010. Yet too many mothers and infants are still dying unnecessarily.

Africa has accomplished an extraordinary mobilisation of resources to push towards universal primary education (see Figure 1.5). Net primary enrolment rates have risen from just 64% in 2000 to 87% in 2011. There are, however, sharp variations among countries. Net primary enrolment in Nigeria stands at just 57.6%, and enrolment rates in 13 other countries are below 80%. Africa’s young women have increasingly better access to education: a growing number of countries have eliminated gender disparities in the education system. Countries such as Tanzania, Zambia and Sudan have used public advocacy, girl-friendly schools and scholarships to break down the traditional bias against girls’ education. Yet in many countries, early marriage and sexual harassment still lead to high dropout rates.

Overall, enrolment in education (combined primary, secondary and tertiary enrolment) has risen from 37% in 2000 to 46% in 2012. But school completion rates in sub-Saharan Africa are just 70%, compared to 90% globally: too many young people are leaving the education system without the functional literacy and numeracy they need to be employable. Raising standards is difficult but achievable; in the past ten years, Ethiopia, Rwanda and Mozambique have all managed to improve completion rates by 4-5% a year.

Lifting educational standards is an urgent priority, to equip young people with the skills they need

Africa’s 200 million young people (aged 15 to 24) are not making the transition from education to the labour market in high enough numbers. Though they are better educated than previous generations, their prospects of gainful employment have not increased. Enrolment in technical and vocational training—a proxy measure for how well young people are being equipped for employment—has doubled over the past decade, to 12.8%. Yet the persistence of high youth unemployment alongside high vacancy rates reveals a serious skills mismatch, particularly in middle-income countries. Egypt has 600 000 private sector vacancies and 1.5 million unemployed young people, while South Africa has 800 000 job vacancies but 600 000 unemployed university graduates.

Across Africa, official unemployment rates have risen over the past five years to 11.3%, but these figures mask a much broader problem with underemployment and vulnerability of employment (see Figure 1.6). Just 28% of working people in Africa have stable jobs; the remaining jobs are mostly divided between family farms and informal enterprise. With Africa’s population young and growing, 122 million new entrants must be incorporated into labour markets in the next 10 years. Realistically, even with a structural shift in African economies towards light manufacturing, wage jobs will be only part of the solution. African countries need to find ways to increase the productivity—and therefore the earnings—of those who remain in the informal sector.

122 million new entrants must be incorporated into labour markets in the next 10 years

A critical component will be the integration of women into the labour market. Increasing women’s access to and control over resources can generate broad productivity gains and help improve many other development outcomes (health, nutrition, etc.). Crucially, women’s economic gains benefit not only themselves but also the next generation, magnifying the development impact. Women’s participation in the labour market has increased slightly in recent years to 55.1% in sub-Saharan Africa, and women now represent 40% of the non-agricultural labour force. As these improvements continue, they will be critical to the achievement of Africa’s development goals.

Political inclusion: securing broad-based representation

Capable, accountable and responsive governance is a precondition for inclusive growth. A recent report commissioned by the AfDB concluded that rapid social, economic and environmental change is placing African societies under considerable strain. Where national institutions are resilient enough to manage such stress, these
changes can be an impetus for development. Where countries lack inclusive political systems and robust institutions to manage these pressures, the changes can lead to fragility and conflict.

Overall, Africa has made remarkable progress in recent years towards capable and responsive states. Today only a handful of states do not have multi-party systems and regular elections. A growing number of countries have achieved the peaceful transfer of power through the ballot box, and increased voter registration and turnout rates are evidence of democratic consolidation. African media—both traditional and social—are vibrant, and civil society is increasingly engaging with governments on their policy choices and their use of public resources.

As tax revenues have more than doubled to 15% of GDP, African countries are increasingly generating their own development finance

In the area of economic governance, African countries have made important progress. Over the past decade, many have managed a sustained period of sound macroeconomic management, reduced budget deficits and stable exchange rates. Sub-Saharan African countries have moved steadily upwards on the AfDB’s Country Policy and Institutional Assessment, rising on average from 3.7 out of 6 in 2005 to 4.02 in 2010. The average fell slightly to 3.9 in 2012 because of the inclusion of South Sudan and the developments in Mali and North Africa, especially Libya, Egypt, and Tunisia.

A decade of painstaking public financial governance reforms is yielding dividends. Most countries now have a robust legal and policy framework for budgeting and public expenditure, and they are pressing forward with the accompanying institutional reforms. Kenya, for example, has set out the core principles of sound public financial governance in its new constitution, which also guarantees the independence of the Auditor-General. Ethiopia has introduced greater clarity on revenue assignments across different tiers of government. Though capacity constraints are a continuing challenge, there is evidence of greater fiscal discipline, improved targeting of public expenditure, and greater transparency and accountability in the use of public resources.

Revenue collection is also steadily improving. Many countries are now introducing automated business processes to reduce the level of individual discretion and the scope for corruption. In Sub-Saharan Africa, tax and non-tax fiscal revenues as a proportion of GDP have more than doubled, from 6.4% in 2006 to 15% in 2012, helping African countries to increasingly generate their own development finance.

In the Mo Ibrahim Index of African Governance, which looks at the rule of law, security and accountability, African countries have slowly lifted their average scores from 47 out of 100 in 2000 to 51.6 in 2012. Yet, while Africa’s performance in general is improving on the Index of Effective and Accountable Government, many sub-Saharan countries have in fact slipped back slightly in recent years. African women are now better represented in national parliaments—11 parliaments have achieved 30% women’s representation, compared to 18% in the US Congress—and there is mounting evidence that this is leading to better engagement of parliaments in the issues that matter to the poor. However, the ranking of African countries on the Gender-Sensitive Country Institutions index, which measures discrimination within laws and social practices, is only gradually improving. As Box 1.1 shows, overcoming barriers to women’s full participation in economic and social life is key to promoting inclusive growth.

While the overall trajectory of governance is a positive one, conflict and fragility are still a significant constraint on Africa’s development. Africa’s fragile states are home to 280 million people; the share of population living in fragile countries has grown to over 25%. Conflict-affected countries lack the ability to mobilise sustained investments in national development. As a result, they lag far behind on the Millennium Development Goals and are largely excluded from Africa’s growth. Overcoming this most difficult form of exclusion will require progress at the political level.

Key drivers of conflict need to be addressed. The High Level Panel on Fragile States – which the Bank initiated as part of its efforts to gain a better understanding of fragility in Africa – identified five drivers of fragility on the continent: poverty and exclusion, the youth bulge, urbanisation and the growing informal sector, extractive industries, climate disruption and resource conflicts. Addressing these drivers and building resilience will require concerted efforts from the countries themselves and their partners, building alliances and combining different mandates and sources of expertise.

Sustaining growth: building competitive economies
To sustain Africa’s growth into the future, and to make lasting inroads into poverty, Africa needs competitive, diversified economies that are capable of attracting investment.

Box 1.1 Do African women receive a fair deal?
Traditionally, African women have faced a range of institutional and cultural impediments to their full participation in the economy and public life. In many African societies, patriarchal traditions give women lower status in the household and less access to economic resources and decision making. In the education system, there has been significant progress towards gender parity in enrolment, but all too often lack of female teachers and role models lead to high dropout rates. The share of women in the non-agricultural workforce has increased from 35% to 40% over the past two decades, but still lags well behind other regions. Work practices frequently discriminate against women, and women often receive lower wages than men for similar work. There is evidence that women fare better as economies diversify, as in South Africa and North Africa.

Key drivers of conflict need to be addressed. The High Level Panel on Fragile States – which the Bank initiated as part of its efforts to gain a better understanding of fragility in Africa – identified five drivers of fragility on the continent: poverty and exclusion, the youth bulge, urbanisation and the growing informal sector, extractive industries, climate disruption and resource conflicts. Addressing these drivers and building resilience will require concerted efforts from the countries themselves and their partners, building alliances and combining different mandates and sources of expertise.

Sustaining growth: building competitive economies
To sustain Africa’s growth into the future, and to make lasting inroads into poverty, Africa needs competitive, diversified economies that are capable of attracting investment.
Competitiveness refers to all the factors, institutions and policies that determine a country’s productivity, and therefore the level of prosperity it is able to achieve.

In the Global Competitiveness Index, Africa improved its position marginally in the 2000s and but stalled in recent years. There are wide gaps between African countries: South Africa and Mauritius rank 52nd and 54th in the world, putting them above India and Russia, and Rwanda, Morocco and Botswana are among those that have registered substantial improvements. However, many African countries, particularly conflict-affected countries, lag well behind. Oil-exporting countries as a group are not performing particularly well, which limits their potential to convert mineral wealth into sustainable growth.

Even so, Africa’s growth potential and increasingly favourable outlook, together with more stable and business-friendly policies and a lighter regulatory burden, are attracting increasing amounts of foreign investment. Annually over $50 billion is invested in Africa, five times as much as a decade ago (see Figure 1.7). The continent is also attracting record remittance flows, reaching $60 billion in 2013, which is thought to provide an important source of finance for family businesses. The time required for business start-up has fallen from an average of 57 days in 2005 to 28.3 days in 2013—a major achievement that is boosting private sector development. More can be achieved if financial markets in many countries are developed further. Just 22% of African adults have access to finance (i.e., an account at a bank or other financial institution), which is half of access rates in Asia. This limits their ability to leverage their savings or earnings for increased productivity, for starting new businesses and creating jobs, and, ultimately, for growth.

Trade among African countries has doubled over the past five years, to $113 billion

Many African countries are also held back by their small market size: domestic producers cannot become more efficient by achieving economies of scale. African policy-makers have long recognised that regional economic integration is the key to improving competitiveness. Cross-border trade creates a virtuous circle, increasing competition in domestic markets, lowering the costs of goods and services, and enabling firms to join with each other in more sophisticated regional value chains. Inter-African trade has doubled over the past five years, to $148 billion in 2012. Yet intra-regional trade represents just 12% of total exports, compared to 25% in the Association of Southeast Asian Nations, 49% in the North America Free Trade Agreement and 65% in the European Union.

To promote regional economic integration, African countries need to simplify cross-border trade, reduce non-tariff barriers such as restrictive rules of origin, and streamline immigration processes.

At present, shipping a container across national boundaries costs an average of $2290 in administrative fees and charges and entails delays of 37 days, compared to 20 days in Southeast Asia. The landlocked countries are the worst affected: a truck driver travelling on the Koutiala-Dakar corridor between Mali and Senegal has to pass through 100 checkpoints and pay $437. Further improvements in the movement of goods and people can have a significant contribution to growth.

To deliver needed jobs, especially for increasingly better-educated youth, and sustain robust growth, African countries need policies to boost competitiveness and diversification. By promoting growth poles and coordinated investments in infrastructure targeted to

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**Figure 1.7 Investing in Africa’s transformation**

$ billion

<table>
<thead>
<tr>
<th>Year</th>
<th>FDI</th>
<th>Remittances</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1990</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: World Bank, UNCTAD, AfDB

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**Figure 1.8 Leveraging Ethiopia’s competitive advantage**

Cost of producing a shirt in China compared to Ethiopia

<table>
<thead>
<tr>
<th>Country</th>
<th>Wages</th>
<th>Inputs</th>
<th>Trade/logistics</th>
<th>Cost of producing a shirt</th>
</tr>
</thead>
<tbody>
<tr>
<td>ETHIOPIA</td>
<td></td>
<td>+3%</td>
<td>+6%</td>
<td>$103</td>
</tr>
<tr>
<td>CHINA</td>
<td>-8%</td>
<td>+4%</td>
<td></td>
<td>$100</td>
</tr>
</tbody>
</table>

With better infrastructure it would be cheaper to produce shirts in Ethiopia than in China. While labour costs in Ethiopia are 8% lower than in China, the overall cost of producing a shirt is 5% higher. This is because compared to China trade and logistics in Ethiopia add 6% to the price tag, inputs add 4% and labour productivity is 3% lower.

Source: Global Development Solutions 2011
the needs of particular industries, some African countries have been able to promote forward and backward linkages around successful industries, helping to add value and spread the benefits. Others have developed industrial parks – with access to industrial land and facilities, worker housing and export incentives – that help small firms grow into medium-sized operations capable of generating greater employment. Through measures like these, a number of African countries—among them, Ethiopia, Kenya, Mozambique and Tanzania—have succeeded in establishing viable manufacturing hubs and promoting economic diversification. But many others still rely heavily on a limited number of industries. For countries such as Angola, Gabon, Ghana, or Mozambique, it has been estimated that a small reduction in the price of oil or metal could reduce growth by as much as 8%. By contrast, countries with more diversified economies—Uganda, Kenya or Senegal—would actually benefit from cheaper oil.

**Transition towards green growth**

Africa is blessed with abundant natural resources. Its land, water, forests and minerals are immensely valuable assets that, if used wisely, can form the foundation for its future development. Yet the continent is also vulnerable. Its ecological footprint is steadily increasing and its environmental management practices are often poor. Already, there are visible signs that ecosystems—and the communities that depend on them—are coming under stress.

Africa’s growth path needs to take account of the interests of future generations by being environmentally sustainable. The continent must build economies and societies that are resilient in the face of a rapidly changing climate. Africa must learn to use its abundant natural resources responsibly, and to develop its infrastructure in ways that minimise damage to the environment. This section looks at some of the opportunities and challenges ahead as Africa makes a transition towards green growth.

**Building resilience and adapting to a changing environment**

With modest economic diversification and wide dependence on rain-fed agriculture, Africa is particularly exposed to the impact of climate change (see Figure 1.9). Yet few African countries have in place the policies and institutions to enable them to adapt successfully to the threat of climate change.

Climate change comes with a major economic cost. Climatic shocks cost Mozambique an average of one percentage point of GDP growth each year, while in Zambia rainfall variability has cost $4.3 billion in lost agricultural production over the past three years.

**Without proper adaptation strategies, between 75 and 250 million people may be exposed to water stress**

In the coming years, as global temperatures rise, the hydrological cycle is expected to accelerate. This means there will be more rain in the tropics, while water-scarce areas such as the Sahel will become dryer and hotter. Rainfall will also become more variable, with both drought and floods becoming more common—sometimes in the same locations. In 2012–13 alone, there have been major droughts in seven countries, affecting 16 million people, and floods in another nine. Without proper adaptation strategies to increase resilience to water shocks, between 75 and 250 million people may be exposed to water stress, while some African countries will face a 50% reduction in yields from rain-fed agriculture.

The effects of climate change are made more acute by farming systems that fail to replenish soil fertility—a result of systematic underinvestment, poor land-management techniques and a widespread lack of secure land tenure. Promoting resilience and increasing food security for rural communities will require a range of complementary policy measures, including improving farming practices, investing in irrigation systems, creating more efficient food markets and establishing social protection systems for the most vulnerable. It means acting on sources of stress before they undermine food systems.

In Africa in 2012, 27% of the population was at risk of food insecurity. While this is a significant improvement on 33% in 2000, in the face of a changing climate the rate of progress is not enough. So far, only nine African countries have achieved the target of allocating 10% of their budgetary resources to agriculture.
One of the most promising strategies for improving food security is empowering women. While African women are more than half of the agricultural labour force, they represent just 15% of agricultural smallholders — and just 5% in North Africa. Improving women's property rights in Burkina Faso would increase household agricultural production by 6%, even with no additional resources. If women farmers in Malawi and Ghana had the same access as men to fertilisers and other inputs, maize yields would increase by 15%. There is growing recognition that promoting gender equality is not just the right thing to do; it is also the key to building community resilience in the face of a changing climate.

Managing natural assets efficiently and sustainability
Africa has extraordinary mineral wealth — at least 122 billion barrels of proven oil reserves, 500 trillion cubic feet of gas reserves and 85% of the world’s platinum. Furthermore, it is the least explored continent, and new resources are being discovered every year.

Natural resources will contribute $30 billion a year to government revenues for the next 20 years
Natural resources are expected to contribute $30 billion a year to government revenues for at least the next 20 years. But these are non-renewable resources. Africa has a one-time opportunity to convert this resource wealth into investments in human and physical capital and financial wealth that will benefit future generations. This is by no means a guaranteed outcome. The extractive industries create few jobs or wider economic benefits, other than public revenues.

To ensure that natural resource wealth is a boon rather than a curse, resource-rich countries need to pay urgent attention to governance issues. They need clear and transparent rules for contract negotiation and revenue management. They need to create rules-based stabilisation and wealth funds that channel natural resource revenues into productive investments and social safety nets that benefit the population at large. It is estimated that poverty could be eliminated in a number of resource-rich countries if just 10% of natural resource revenues were distributed to the poor.

Africa also needs to take better care of its renewable resources. A growing number of African countries are incorporating environmental sustainability goals into their national development strategies, but there are still widespread gaps in institutional capacity for environmental management. While the continent has abundant agricultural land, poor land-management practices and natural desertification are taking a heavy toll on soil fertility. Africa has 17% of the world’s forests and exceptional biodiversity, but 0.5% of the forests are being lost each year, and some 2000 species of plants, 1000 species of mammals and 2000 species of fish are threatened. A growing number of African countries are taking measures to protect habitats. Benin, Botswana, the Democratic Republic of Congo and Zimbabwe are among the 13 African states that now have national reserves covering more than 15% of their territory.

However, the core of the problem is that growth in agricultural output is happening primarily by expanding the area of land under cultivation, encroaching into natural habitats. A shift towards more intensive agricultural methods is needed, in a sustainable way without degrading productivity in the future, including making better use of water resources for irrigation. Agricultural productivity has increased only slowly. Per capita food production has remained almost constant from 1990 to 2009 and remains at a very low level – at almost half the world average (see Figure 1.10). At present, only 5% of cultivated land is irrigated, but it produces 20% of agricultural output by value.

Promoting sustainable infrastructure
Although Africa’s production efficiency (CO₂ emissions per unit of output) has been gradually improving in recent years, population growth and economic development are steadily expanding the continent’s ecological footprint. It needs to counteract this by reducing waste and pollution in industry and infrastructure. Sustainable infrastructure that uses the latest in modern technologies and environmental management techniques often entails higher up-front costs, but it is more economic over the longer term.

Africa has more than half of the world’s clean energy potential, in the form of hydropower, bio-energy, geothermal, solar and wind energy
Africa is fortunate to have more than half of the world’s clean energy potential, in the form of hydropower, bio-energy, geothermal, solar and wind energy. Paradoxically, because its traditional energy
infrastructure is underdeveloped, it has the potential to leapfrog older technologies and move straight to cleaner and renewable sources (see Box 1.2). For example, meeting the energy needs of remote rural communities will involve more use of clean, small-scale, off-grid energy solutions. While renewable energy counted for only 17% of Africa’s total in 2010, within 20 years it will rise to 40%, placing Africa at the forefront of new global technologies and industries.

**Box 1.2 Shifting to modern bio-energy**

Many households in sub-Saharan Africa depend on burning traditional bio-energy (charcoal, wood, and especially animal waste and crop residue) for cooking. However, indoor pollution from traditional stoves poses serious health risks, particularly to women and children. Modern bio-fuels, such as ethanol from corn, are becoming increasingly available, and they offer benefits for households and opportunities for local producers. For Africa, unlike other continents, the abundance of unused agricultural land means that the production of bio-fuels need not affect food prices.

Hydropower will be an important part of the mix. Africa has vast hydropower potential, particularly in Central Africa’s dense river network. The Democratic Republic of the Congo and Ethiopia alone have the potential to supply most of Africa’s energy needs. To make use of this potential, Africa needs to press ahead with the development of regional power networks, to facilitate the trading of electricity across national borders.

For Africa, developing its renewable energy potential and promoting energy efficiency could drive growth. Reducing the heavy losses throughout the generation, transmission and distribution process, increasing investments in capacity, improving management practices, introducing the latest technology, and promoting such consumer measures as low-energy light bulbs and more efficient stoves would mean more reliable and more affordable energy for people and businesses.

**Conclusion and outlook**

Rapid social and economic development is transforming Africa. The impressive growth performance of recent years is already evidence of achievements in some critical areas, particularly economic management. The continent’s economic dynamism has opened up new development horizons and created a widespread sense of optimism for the future.

“To sustain and build on this momentum, Africa needs to accomplish some major transitions. This means structural change to the economy, to create the jobs and livelihood opportunities that will lift more Africans out of poverty. It means enhancing connectivity through infrastructure, so that remote regions and rural areas are not left behind. It requires the introduction of modern agricultural practices, to ensure food security in the face of a changing climate. It means putting in place measures to protect the most vulnerable in society and to empower excluded groups, particularly women. It means developing and preserving Africa’s abundant natural resources for the benefit of future generations.

In the next chapter, we turn to what the AfDB is doing to support the key transition processes and help place Africa on the path to inclusive and green growth.”

Ellen Johnson Sirleaf, President of the Republic of Liberia
The African Development Bank approved around $21.8 billion in loans and grants between 2011 and 2013 ($66 billion since 2002). To increase the transparency of its operations and better allocate its resources across the continent, the Bank is geocoding its entire portfolio. This map plots the geographic location of the 166 Bank operations that were approved between 2011 and 2013 (646 since 2002). Projects that can be pinned to a geographic location are signalled by the symbol ⬤.
As Africa’s premier development finance institution, with investments of over $33 billion, AfDB is well placed to help African countries deliver on their ambitious development goals. We believe that, with the right policies and investments, Africa can build on the gains of the past decade and achieve the transformation that is required for inclusive and sustainable growth. We recently adopted a new Ten-Year Strategy 2013–2022, which outlines the role the Bank will play in this transformation through our lending operations, our knowledge building and our policy advocacy.

This section outlines how we have contributed to Africa’s development over recent years, and how we propose to build on that in the coming years. After introducing our Strategy, the chapter is organised according to the five operational pillars of our Strategy: infrastructure, regional integration, private sector development, skills and technology, and governance and accountability. It also presents some of our work on cross-cutting policy objectives: reducing conflict and fragility, strengthening food security and promoting gender equality. While this year’s Annual Development Effectiveness Review is organised around the new Results Measurement Framework, we are reporting on results that the Bank has achieved over the past three years, which includes results delivered under the new strategy as well as results delivered under our previous Medium Term Strategy. We show the results in the 2011–2013 period, with traffic light symbols indicating whether we reached or fell short of our targets, and we introduce some of the ambitious goals we have set ourselves for the next three years.

The AfDB Strategy 2013–2022

Over the past decade, African countries have successfully tackled some of the most pressing obstacles to their development, achieving a sustained period of robust economic growth. They now need to achieve the structural transformation of their economies, to deliver jobs and livelihood opportunities in sufficient numbers to make deep inroads into poverty reduction.

The AfDB, in its Strategy 2013–2022, has committed to playing a central role in this transformation. The Strategy directs our policies and priorities, our financial assistance, our knowledge development and our role in championing African interests in the international arena. It is firmly rooted in a deep understanding of Africa’s challenges and opportunities, based on decades of experience across different countries and sectors. And was developed through extensive dialogue with our clients, partners and beneficiaries across Africa. We believe it represents a shared vision of Africa’s future.

The Strategy is built around two major objectives. First, we are committed to helping Africa deliver inclusive growth. Our aim is that all African countries and citizens will be able to participate actively in Africa’s transformation and share in its benefits. This means creating opportunities by removing economic, social and geographic barriers to participation. Second, we are committed to helping African countries transition towards green growth. Africa is endowed with abundant natural resources. If they are to be a driver of growth and poverty reduction, now and for future generations, they must be managed responsibly. In addition, Africa faces a range of environmental challenges, from the management of its rapidly growing cities to the pressures on agriculture and water supplies from a changing climate. We will help African communities build their resilience in the face of these challenges.

In practice, this means promoting new forms of growth through the structural transformation of African economies. From being a producer of mainly unprocessed primary products, Africa needs to move towards having a diversified economy, with a wider range of manufacturing, services and higher-value agricultural products. It needs to supplement its traditional exports with active participation in global production chains.

Our Strategy identifies five operational priorities in which we will support this transformation, based on our areas of comparative advantage as a development bank: infrastructure, regional integration, private sector development, skills and technology, and governance and accountability. Cutting across these five pillars are
Table 2: How AfDB contributes to Africa’s development (Level 2)

This table presents the contribution the Bank is making to development through its operations in Africa. The Bank’s performance is measured by comparing expected and actual achievements for all operations that have been completed.

- Bank operations achieved 95% or more of their targets;¹
- Bank operations achieved less than 60% of their targets;
- Bank operations achieved 60–94% of their targets;
- Data are not available to measure progress.

<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td><strong>INFRASTRUCTURE DEVELOPMENT</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Transport - Roads constructed, rehabilitated or maintained (km)</td>
<td>9127</td>
<td>8192  90%</td>
</tr>
<tr>
<td>• Transport - Staff trained/recruited for road maintenance (number)</td>
<td>9280</td>
<td>9506  102%</td>
</tr>
<tr>
<td>• Transport - People educated in road safety, etc. (people)</td>
<td>536 987</td>
<td>544 996 101%</td>
</tr>
<tr>
<td>• Transport - People with improved access to transport (people)</td>
<td>27 612 000</td>
<td>26 484 000 96%</td>
</tr>
<tr>
<td>— of which women¹</td>
<td>..</td>
<td>13 149 000 ..</td>
</tr>
<tr>
<td>• Energy - Power capacity installed (MW)</td>
<td>994</td>
<td>978  98%</td>
</tr>
<tr>
<td>— of which renewable (MW)</td>
<td>325</td>
<td>324 100%</td>
</tr>
<tr>
<td>• Energy - Staff trained/recruited in the maintenance of energy facilities (number)</td>
<td>1537</td>
<td>1543 100%</td>
</tr>
<tr>
<td>• Energy - People with new or improved electricity connections (people)</td>
<td>8 542 000</td>
<td>9 743 000 114%</td>
</tr>
<tr>
<td>— of which women¹</td>
<td>..</td>
<td>4 970 000 ..</td>
</tr>
<tr>
<td>• Energy - CO₂ emissions reduced (tons per year)</td>
<td>524 000</td>
<td>524 000 100%</td>
</tr>
<tr>
<td>• Water - Drinking water capacity created (m³/day)</td>
<td>125 912</td>
<td>125 899 100%</td>
</tr>
<tr>
<td>• Water - Workers trained in maintenance of water facilities (number)</td>
<td>10 777</td>
<td>10 721 99%</td>
</tr>
<tr>
<td>• Water - People with new or improved access to water and sanitation (people)</td>
<td>8 096 000</td>
<td>8 261 000 102%</td>
</tr>
<tr>
<td>— of which women¹</td>
<td>..</td>
<td>4 180 000 ..</td>
</tr>
<tr>
<td>• ICT - People benefiting from improved access to basic ICT services (people)</td>
<td>32 000</td>
<td>31 000 97%</td>
</tr>
<tr>
<td>— of which women¹</td>
<td>..</td>
<td>16 543 ..</td>
</tr>
<tr>
<td><strong>REGIONAL INTEGRATION</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Transport - Cross-border roads constructed or rehabilitated (km)</td>
<td>136</td>
<td>129 95%</td>
</tr>
<tr>
<td>• Energy - Cross-border transmission lines constructed or rehabilitated (km)</td>
<td>467</td>
<td>465 100%</td>
</tr>
<tr>
<td><strong>PRIVATE SECTOR DEVELOPMENT</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Government revenue from investee projects and sub-projects (US$ million)</td>
<td>1053</td>
<td>1060 101%</td>
</tr>
<tr>
<td>• SME effect (turnover from investments) (US$ million)</td>
<td>..</td>
<td>208 ..</td>
</tr>
<tr>
<td>• Microcredits granted (number)</td>
<td>192 838</td>
<td>156 477 81%</td>
</tr>
<tr>
<td>• Microfinance clients trained in business management (number)</td>
<td>10 266</td>
<td>10 054 98%</td>
</tr>
<tr>
<td>• Jobs created (number)</td>
<td>1 044 000</td>
<td>1 014 000 97%</td>
</tr>
<tr>
<td>— of which jobs for women¹</td>
<td>..</td>
<td>254 000 ..</td>
</tr>
<tr>
<td>• People benefiting from investee projects and microfinance (people)</td>
<td>4 547 000</td>
<td>4 560 000 100%</td>
</tr>
<tr>
<td>— of which women¹</td>
<td>..</td>
<td>2 394 000 ..</td>
</tr>
<tr>
<td>• Agriculture - Land with improved water management (ha)</td>
<td>76 305</td>
<td>52 003 68%</td>
</tr>
<tr>
<td>• Agriculture - Land whose use has been improved: replanted, reforested (ha)</td>
<td>725 014</td>
<td>809 503 112%</td>
</tr>
<tr>
<td>• Agriculture - Rural population using improved technology (people)</td>
<td>1 012 000</td>
<td>1 456 000 144%</td>
</tr>
<tr>
<td>• Agriculture - People benefiting from improvements in agriculture (people)</td>
<td>17 918 000</td>
<td>18 896 000 105%</td>
</tr>
<tr>
<td>— of which women¹</td>
<td>..</td>
<td>8 522 000 ..</td>
</tr>
<tr>
<td><strong>SKILLS &amp; TECHNOLOGY</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• People benefiting from vocational training (people)</td>
<td>98 000</td>
<td>94 000 96%</td>
</tr>
<tr>
<td>— of which women¹</td>
<td>..</td>
<td>53 000 ..</td>
</tr>
<tr>
<td>• Classrooms and educational support facilities constructed (number)</td>
<td>2919</td>
<td>2560 88%</td>
</tr>
<tr>
<td>• Teachers and other educational staff recruited/trained (number)</td>
<td>71 800</td>
<td>55 051 77%</td>
</tr>
<tr>
<td>• People benefiting from better access to education (people)</td>
<td>2 794 000</td>
<td>2 772 000 99%</td>
</tr>
<tr>
<td>— of which female¹</td>
<td>..</td>
<td>1 611 000 ..</td>
</tr>
<tr>
<td>• Primary, secondary and tertiary health centres (number)</td>
<td>788</td>
<td>971 123%</td>
</tr>
<tr>
<td>• Health workers trained (number)</td>
<td>14 027</td>
<td>14 114 101%</td>
</tr>
</tbody>
</table>
our areas of special emphasis: overcoming conflict and fragility, strengthening agriculture and food security, and promoting gender equality. These areas correspond to our partner countries’ needs and priorities, as they emerged through wide consultations (see Box 2.1). In this chapter, under each of these five operational priorities and the three areas of special emphasis, we present our approach, our operations, our results in recent years and our plans for the coming period.

**Infrastructure development**

Infrastructure is the number one development priority for African countries. We will therefore continue to place infrastructure development at the heart of our portfolio. We are the largest external financier for infrastructure in Africa, with investments of over $21 billion. Drawing on decades of experience, our Strategy 2013–2022 highlights the importance of investing in transport, energy, water and information and communication technology (ICT) to overcome infrastructure deficits and promote structural transformation. Our commitment to green growth will strongly influence how we select and design our investments, to ensure that they are sustainable and minimise negative impacts on the environment.

“We are the largest external financier for infrastructure in Africa, with investments of over $21 billion”

**Transport**

The Bank is at the forefront of transport development across Africa. Many of our flagship projects support the development of regional transport corridors, linking major urban centres and ports across the continent. These major transport links promote sustainable growth by reducing the costs of imports and making African producers more competitive.

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>People with access to better health services (people)</td>
<td>32 292 000</td>
<td>89%</td>
</tr>
<tr>
<td>— of which female</td>
<td>14 749 000</td>
<td>6 275 000</td>
</tr>
</tbody>
</table>

**GOVERNANCE AND ACCOUNTABILITY**

<table>
<thead>
<tr>
<th>INDICATOR</th>
<th>Expected</th>
<th>Delivered</th>
<th>Expected</th>
</tr>
</thead>
<tbody>
<tr>
<td>Countries with improved quality of budgetary and financial management (number)</td>
<td>27</td>
<td>20</td>
<td>74%</td>
</tr>
<tr>
<td>Countries with improved quality of public administration (number)</td>
<td>10</td>
<td>9</td>
<td>90%</td>
</tr>
<tr>
<td>Countries with improved transparency, accountability and corruption mitigation in the public sector (number)</td>
<td>31</td>
<td>23</td>
<td>74%</td>
</tr>
<tr>
<td>Countries with improved procurement systems (number)</td>
<td>2</td>
<td>1</td>
<td>50%</td>
</tr>
<tr>
<td>Countries with improved competitive environment (number)</td>
<td>14</td>
<td>11</td>
<td>79%</td>
</tr>
</tbody>
</table>

.. = data not available; ha = hectares; km = kilometres; MW = megawatts; m³ = cubic metres; SME = small or medium-sized enterprise; US$ = United States dollars; ICT = information and communication technology

1 The performance indicator for governance applies different thresholds. Given the nature and attribution distance, the levels for the traffic lights are different from other indicators: green, 75% and above; amber, 50%–75%; and red, below 50%.

2 Gender-disaggregated figures are extrapolated from a subset of projects that have available data with baseline and actual data built in. As more projects have started to include gender-informed design, these data are expected to become increasingly robust and complete.

Note: UA figures from material converted at 1 UA = $1.53.

Source: African Development Bank

**Responding to our clients needs**

When preparing our Strategy 2013–2022, we undertook an extensive process of consultation with different stakeholder groups: policymakers, parliamentarians, the private sector and civil society organisations (CSOs). Strikingly, all four groups nominated infrastructure as their number one priority, with higher education, governance and the private sector also ranking high.
competitive on international markets. Given the variations in economic performance across the continent, these projects also play a key role in promoting inclusive growth. For example, our support to the Trans-Saharan Highway will enable landlocked countries such as Niger, Chad and Mali to be connected to growth centres in West and North Africa.

Our transport corridors are also designed to help rural communities in adjacent areas, through networks of feeder roads. They promote rural development by helping farmers and other entrepreneurs acquire inputs and bring their produce to market (see Box 2.2). An example is the 100 km road connecting Kabale-Kisoro-Bunagana in Uganda, which has improved transport links connecting Uganda, Rwanda and the Democratic Republic of Congo. Communities along the route report that the new road has increased demand for their agriculture produce, livestock and iron ore, leading to higher prices and lasting improvement in incomes.

Our expanding transport portfolio also includes investments in urban infrastructure for Africa’s rapidly growing cities. Many African cities are struggling to manage the congestion that has come with rapid urbanisation. In Senegal, we helped to finance the 32 km, four- to six-lane Dakar Diamniadio Toll Road, which drastically reduced travel time to and from Dakar. In Kenya we helped build the 50 km Nairobi-Thika superhighway, which leads to the heart of the Nairobi metropolitan area, where a third of Kenya’s national output is generated. The commute from Thika town to Nairobi has dropped from 2–3 hours to 30–45 minutes, benefitting workers in both the formal and informal sectors.

**Box 2.2 Roads 2000 - District Rural Roads Rehabilitation**

The Kenyan Government’s Roads 2000 Programme, implemented with the support of the AfDB and other development partners, shows the potential of rural road development for poverty reduction. The Programme is rehabilitating nearly 20 000 km of rural roads across all 60 of Kenya’s districts, while building the capacity of local authorities in road maintenance. The Bank contributed finance in eight districts, covering some 3000 km of rural roads. This has reduced travel times by 50% and vehicle operating costs by 25%. It has led to increased production of milk and potatoes in Marakwet, greater livestock production in Kajiado and Narok and increased tourist numbers in the Masai Mara Game Reserve. To maximise the benefits, 160 local contractors were engaged for road maintenance, creating 4000 direct jobs and helping to bring marginalised areas of the Rift Valley into the market economy.

Overall, over the past three years we **constructed, rehabilitated or maintained** 8200 km of road, 90% of our target. Over the next three years, we plan to double this figure. To maximise the benefits of these investments both now and into the future, 9500 **staff were trained/recruited for road maintenance** and nearly 545 000 **people were educated in road safety**. In all, our investments provided some 26.5 million **people with improved access to transport**, of whom 50% were women.

**The Nairobi-Thika highway in Kenya reduces travel time from 2–3 hours to 30–45 minutes**

We have also financed the modernisation of railways in Tunisia and East Africa. In Tunisia, this led to lower operating costs and a much improved service in terms of reliability and speed for both passengers and freight. The proportion of trains experiencing delays fell from 91% in 2004 to just 25% in 2012, to the significant benefit of local industries such as phosphate. In the Rift Valley, our support for the refurbishment and expansion of an integrated rail system across Kenya and Uganda has reduced transit times for landlocked countries, enabling them to benefit from more competitive prices.

**Energy**

Africa’s largest infrastructure deficit is in the energy sector. Total installed generation capacity in sub-Saharan Africa is just 79 GW, and only a quarter of households have electricity connections. We recognise that access to affordable and reliable energy makes a significant contribution to people’s quality of life and is a precondition for private sector development. We are therefore making energy a priority for the Bank.

Over the past two decades, we have devoted $4.5 billion (12% of our resources) to boosting power generation and promoting rural electrification. In the last three years alone, our investments have led to 978 MW of new **power capacity** (98% of our target), of which 324 MW was **renewable energy**. However, this is still just a fraction of the need. We will therefore continue to dedicate significant financial resources to this sector over the coming decade.

**The AfDB invested in 978 MW of new power, of which 324 MW come from renewable sources**

An example of our investment in power generation was the El Kureimat Combined Cycle Power Plant in Egypt, which provides 780 MW — a 3.2% increase in national capacity. Using state-of-the-art natural gas technologies that emit less carbon, the plant supports Egypt’s plans to move towards a greener economy.
Our support for rural electrification has included projects in Sierra Leone and Benin. In Sierra Leone, we financed a hydroelectric power station and a 200 km transmission line to connect it to the national grid. This provided affordable electricity to 55 000 people, as well as to schools, health facilities and businesses. In Benin, we supplied electricity to 57 localities and created 16 000 new household connections, with a direct impact on lives and livelihoods.

Our projects over the past three years have provided 9.7 million people with new or improved electricity connections. We expect to double this figure over the next three years. To ensure that the investments are sustainable, 1543 maintenance staff have been trained and recruited.

In the coming years, we will increase our focus on modern energy investments (see Box 2.3). In Morocco, we are co-financing the landmark Ouarzazate Solar Power Plant Project. The first concentrated solar power plant in Africa, it will reduce Morocco’s heavy dependence on energy imports. Our project pipeline also includes several hydropower investments – for example, in Zambia and Gabon – to further develop Africa’s vast hydropower potential. We encourage trading energy in regional power pools so that Africa can make best use of its natural resources.

Water and sanitation
Expanding access to clean water and better sanitation is a strategic priority for the AfDB. We recognise its fundamental importance in promoting better health and reducing poverty. With a strong emphasis on rural communities, small and medium-sized towns and peri-urban areas, we are providing sustainable water and sanitation services to the most underserved areas in Africa.

In Morocco, for example, we increased access to clean water for 370 000 people in rural areas. We also helped to provide reliable drinking water supplies to five towns whose populations are expanding rapidly because of a booming tourist industry and the growth of local manufacturing.

In the Democratic Republic of Congo, we rehabilitated the water treatment plant at Boma as part of a wider programme to address socioeconomic needs after the conflict. The townspeople are now far less vulnerable to waterborne diseases, while local women and children are no longer required to walk long distances to collect water from unsafe water ponds.

Our sanitation work in Liberia enabled people in four urban areas to access better sanitation. Our interventions included the construction of a treatment facility to turn waste into fertiliser for agricultural use. The project has received international recognition for its innovative and transformative qualities: it was selected as one of the 2013 Lighthouse Activities showcased at the November 2013 UN Climate Change Conference in Warsaw.

Over the past three years, our projects have provided over 8.26 million people with new or improved access to water and sanitation, of which 51% were women. In addition, we achieved our target of 10 721 workers trained in maintenance of water facilities.

Through our operations more than 8 million people benefited from new or improved access to water and sanitation

In the coming years, Africa faces some significant challenges in maintaining water security in the face of growing climate pressure. We are committed to strengthening our partnership with African countries to promote water security. We are working with them to develop clear policies, strengthen institutional capacity and boost investment in the water sector. This work also has an important regional dimension. Many of Africa’s most important water resources cross national boundaries. We are therefore helping to promote regional cooperation and to develop mechanisms for managing transboundary water resources equitably and sustainably.

Telecommunications
Over the last three years, our support for the development of ICT infrastructure has given over 31 000 people improved access to basic ICT services. In the next three years, we plan to scale up our ICT investments significantly, with the target of reaching nearly 3 million people. We are financing regional and national broadband infrastructure through investments in high-speed, high-capacity internet and telephone cables. For example, we invested in the East African Submarine Cable System along the east and south coasts of Africa, connecting 21 African countries to each other and the rest of the world. We also support the MainOne submarine fibre-optic cable from Portugal to South Africa, with many landings along the route. These investments will provide Africa with huge bandwidth, expected to exceed 50 terabytes per second in 2014, to meet the growing demands of governments, businesses and private users for data services.
Competitive markets in ICT services are critical for attracting private finance and opening up cheap and reliable internet access. While the number of private internet service providers has mushroomed in recent years, there are still many areas where access is limited and prices consequently high. We are therefore working with African countries on their pricing and regulatory policies.

We also support research and advocacy with a view to helping African economies realise the transformative potential of ICT. Our “eTransform” Africa study, conducted jointly with the African Union and the World Bank, assessed policy options and best practice for using ICT across sectors, from agriculture, health and climate change to financial services, regional integration and trade.

Along with our research and analysis, we have been responding to requests for specialised support on ICT from several countries. We have launched some targeted interventions such as the introduction of e-learning in the education sectors in Malawi and Uganda. We have also supported the development of a city performance “dashboard” in Fez, Morocco, through which citizens can monitor key indicators on service quality and socioeconomic development. When rolled out to other cities, this tool will enable local authorities to benchmark their performance against each other, promoting healthy competition and innovation.

**Regional integration**

The AfDB is fully committed to supporting Africa’s vision of regional economic integration. We believe that connecting countries, markets and people is essential for Africa to transform its economies and achieve inclusive growth. Since 2009, we have financed more than 70 multinational operations in support of regional integration, at a total cost of $3.8 billion. One-fifth of our concessional ADF resources are earmarked for regional integration programmes.

One of the pillars of our regional integration approach is promoting regional power connections, to make up for the inherent inefficiencies of small national power systems. We are helping to promote the development of regional power pools, under which neighbouring countries link their energy grids into a single network. By trading energy across borders, they are able to plan the development of their infrastructure far more efficiently. Our cross-border investments have created power connections between Algeria, Morocco and Spain, between Ethiopia and Djibouti, and across West Africa. Over the last three years, we delivered on our target of constructing or rehabilitating 465 km of [cross-border transmission lines](#), and we plan another 734 km for 2014–16.

Our investments in cross-border energy links are delivering real economic benefits. For example, we financed a 1000 km transmission line between Ethiopia and Kenya, so that Kenya can benefit from Ethiopia’s huge hydropower capacity. This investment has helped Kenya reduce its dependence on higher-cost fossil fuels and increase energy efficiency across its system. Over 1.4 million Kenyans will, for the first time, be able to access electricity at affordable rates. We also helped to finance connections between Ethiopia and Djibouti. The number of households accessing electricity in Djibouti increased by 20%, while electricity prices fell by more than 60%. Ethiopia now receives at least $1.5 million in revenues from power exports each month. The investment also created electricity connections for four towns and 8500 households on the Ethiopian side of the border.

**Box 2.4 The Enugu-Bamenda Road—the worst in the world?**

Not long ago, locals described the road between Enugu in Nigeria and Bamenda in Cameroon—a link in the 6300 km Trans-African Highway between Lagos and Mombasa—as the “worst in the world”. In the rainy season, it was common to find crowds of people straining to push stranded trucks out of the mud. Now a new paved road is under construction at a cost of $423 million, including a $288 million loan from the AfDB. The road has already had a transformational impact on communities along its route, raising household incomes through job creation, boosting agricultural production and improving access to local services. It is also helping to cement good relations between the two countries.

When the electricity grids of Ethiopia and Djibouti were connected, electricity prices in Djibouti fell by more than 60%

A second pillar of our regional integration strategy is the development of regional transport links. Our investment in transport corridors is helping connect landlocked countries to regional and global markets, while also benefitting communities along the routes. Faster transit times and cheaper costs improve competitiveness, enabling businesses to expand and create jobs. Over the last few years, we have constructed or rehabilitated 129 km of [cross-border roads](#). For example, we funded the Mombasa-Nairobi-Addis Ababa road corridor, which is expected to increase trade between Kenya and Ethiopia fivefold, while giving Ethiopian businesses easier access to international markets via the port at Mombasa.

Among the many benefits of regional integration is its contribution to conflict resolution and peacebuilding. Our investment in transport connections between Kenya and Ethiopia has helped create new livelihoods and bring stability to areas prone to conflict. Another example is the Enugu-Bamenda Road linking Cameroon and Nigeria, which has helped foster regional integration and greater social cohesion (see Box 2.4).

Our investments in regional connectivity are accompanied by support for the “soft infrastructure” of harmonised national rules and
regulations, to facilitate the free movement of goods, services, people and capital. We work closely with the regional economic communities to build their capacity to broker agreements among their member countries. We have also invested in the facilitation of cross-border trade through one-stop border posts. For example, at Chirundu on the Zimbabwe-Zambia border, we have supported the development of a new border post with a single window for accessing the services of different government agencies. This has significantly reduced bureaucracy and delay. Since the cost of trading across borders in Africa is the highest in the world, this successful model is being widely replicated, improving access to regional markets.

We also support a range of regional initiatives designed to promote the sustainable use of natural resources. Many of Africa’s key natural resources — river systems, lakes and forests — span national boundaries. Their sustainable development and protection must therefore be approached as a regional public good. Likewise, action to limit the impact of climate change on agriculture and fragile ecosystems requires international cooperation. Collaboration on natural resource management also has an important conflict-prevention dimension. For example, we have been working with the Mano River Union and its member states to build their capacity for the joint management of the Upper Guinea Forest, paying close attention to conflict analysis and conflict-sensitive conservation techniques.

**Private sector development**

The private sector is the engine for Africa’s transformation: it generates 70% of Africa’s output and 90% of its employment. Promoting the creation of jobs and livelihood opportunities in the private sector will make lasting inroads into poverty. This means encouraging private firms and informal businesses not just to expand their activities, but also to move into new areas of production. Our goal is to support African firms in becoming more competitive and linking into global value chains.

Our new Private Sector Strategy 2013–2017 focuses on improving Africa’s investment and business climate, expanding access to social and economic infrastructure and promoting enterprise development. We are working with African countries to improve the business environment, so that enterprises of all sizes can grow and prosper. An appropriate set of regulations and institutions helps business become more competitive. We help to reform tax systems, to make them more efficient while creating a level playing field for the private sector. We also help develop financial and capital markets to serve the needs of different types of business, from microcredit for household enterprises up to mature financial services for large-scale investment.

**Our support to enterprises helped create over one million jobs**

While all types of entrepreneurship are important, we see small and micro businesses as particularly important for promoting inclusive growth. We are working to develop new financial services that meet the needs of the many Africans who run their own informal businesses (see Box 2.5). Over the past three years, we have granted 156,477 microcredits, around 80% of our target. We combine our microfinance with training and mentoring, to enable micro businesses to use the funds to best effect. We provided 10,054 microfinance clients with training in business management. Overall, our direct support to enterprises led to over one million jobs created. A total of 4.6 million people benefited from investee projects and microfinance, of whom 53% were women.

**Box 2.5 Inclusive growth through financial inclusion**

The Advans Banque Congo (ABC) was established with AfDB support to improve access to financial services for people and small businesses in the Democratic Republic of Congo. Only 3% of Congolese have access to a bank account, which limits the potential for informal business to grow and develop. ABC has developed specialised financial products for this market. By June 2013, it had made 5000 loans for a total of $19 million and opened 28,000 deposit accounts.

In the formal economy, we work with governments to simplify the bureaucratic processes involved in establishing new businesses and obtaining licences and other approvals. This is often a key component of our budget support operations, which link financial support to dialogue around the achievement of key policy goals. For example, Rwanda has been a leader in Africa and around the world at improving its business environment. Through a series of general budget support operations, we have helped the Government of Rwanda introduce a range of reforms, including online business registration and an electronic land registry. From ranking 139th in the world for ease of doing business in 2006, Rwanda reached 45th place in 2012.

AfDB also has a window that invests directly in private sector projects that offer wider development impact. We invest in new industries to promote diversification, and in the modernisation of production facilities. Our support helps to attract foreign investment, develop local financial markets and promote the uptake of new technologies, all of which contribute to generating employment. We are helping to mobilise private investment in infrastructure development through public-private partnerships. One such project, the Bujagali Hydropower Project in Uganda, doubled national generation capacity.

We are now refocusing our private sector operations to play a more active role in promoting inclusive growth. In 2013 we launched the Inclusive Industries Program, which stimulates linkages among large, medium and small enterprises. We
encourage larger producers to include smaller and informal enterprises in their production chains, providing them with opportunities to upgrade their skills and technology and learn new management techniques.

**Skills and technology**

If Africa is to make a successful transition to inclusive growth, it needs a skills revolution. Building on the successes of recent years in expanding access to basic education, it needs to equip young Africans with the skills they need for gainful employment or successful entrepreneurship. To this end, the Bank’s Human Capital Strategy 2013–2017 sets out the vision of harnessing the potential of a billion Africans by building skills, creating jobs and promoting equal opportunities. Our human development portfolio includes 77 projects worth $1.8 billion, covering education, health, poverty reduction and social protection.

Around 75% of our human development operations go towards higher education, science and technology, which is the Bank’s focus in the education sector. We are committed to building up the availability of technical skills so that African economies can realise their potential in high-technology sectors such as ICT and clean energy. We also have projects in secondary education and health, although these are not major areas of engagement for the Bank. Our strategy also encompasses a range of measures on social inclusion, to make sure that marginalised groups have better opportunities to participate in Africa’s economic and social life. Altogether, we have provided vocational training to 95 000 people, of whom 57% were women.

**A new education model for Africa**

In the post-independence period, Africa’s higher education systems were designed primarily to train civil servants, to help build modern states. In the coming years, however, most young Africans will find employment in the private sector, rather than in public administration. The AfDB is therefore promoting a New Education Model for Africa, which will be ICT-based and linked to the needs of the labour market. It will equip African young people with skills in science, technology and critical thinking, so they can be agents of change in their societies.

As Morocco, Rwanda, Senegal and Liberia we are using a combination of knowledge work, support for structural reforms, and targeted investments to tackle critical skills gaps in the labour force and promote entrepreneurship. Projects such as Souk Al-Tanmia (“Market for Development”) in Tunisia and social business pilots in Togo and Uganda are helping to promote inclusion by offering training, mentoring and incubation to micro-enterprises created by young people and women.

We see agriculture and agri-business as a promising area for boosting youth employment. In Senegal, for example, we are helping to support agricultural value chains through the development of 156 integrated agricultural, aquaculture and poultry farms on 1000 ha of land, with the aim of creating 15 000 long-term positions for young people and women.

We are working to promote inclusion through more effective delivery of public services. Our sector governance programmes help to ensure that resources allocated for local services are in fact received by service-delivery units. We are also piloting targeted support for vulnerable groups. For example, our budget support programme in Morocco has helped to finance free health care services in the poorest districts. Even in its pilot phase, this initiative resulted in a significant decrease in poor people’s out-of-pocket expenditure on health services and a major increase in the proportion of births attended by trained health workers. Overall, our service delivery programmes have provided 2.8 million people with better access to education and 28.6 million people with better access to health services.

**Governance and accountability**

Good governance is the foundation for Africa’s transformation. To promote inclusive and sustainable development, states need the capacity to raise revenues, manage them effectively, and direct them into public investments and programmes. They also need to deliver public services accountably, efficiently and equitably; to secure property rights; and to have a predictable set of rules to foster business development and job creation.

The Bank focuses its policy dialogue and technical support on economic governance at the regional, national and sub-national levels. We work with our partner countries to promote prudent macroeconomic policies, efficient revenue mobilisation and sound financial management systems, which reduce opportunities for corruption. All these are preconditions for sustaining Africa’s buoyant growth performance. We also work to improve governance across key sectors, such as infrastructure, natural resources and the social sectors.

In addition, the Bank is increasingly contributing to strengthening the enabling business environment for inclusive growth and green investments. We work to remove barriers to the growth of the private sector, support the development of micro, small and medium enterprises and promote the development of inclusive and sustainable financial systems.
Most of our governance operations take the form of budget support, which is linked to policy dialogue, an agreed programme of reforms, and a performance measurement framework for tracking progress. Our budget support operations are complemented by institutional support projects, which aim to strengthen government capacity to implement the reforms. In each country, we focus on the most pressing development challenges. For example, following the global financial crisis in 2008, the Seychelles found itself in serious macroeconomic difficulties. The Bank moved quickly to provide $22 million in emergency support to close the budget gap and provide resources for reforms, including a comprehensive debt restructuring strategy and a reduction of the role of the state in economic activity. As another example, Senegal has achieved strong economic growth in recent years, but its growth has not been particularly inclusive. In addition to promoting good public financial management, our $37 million budget support operation in Senegal focused on policies for inclusion, including gender-sensitive budgeting and measures to promote entrepreneurship among women and youth.

Our One Bank Results Measurement Framework introduces a new approach to assessing our contribution in the governance arena. The AfDB produces annual Country Policy and Institutional Assessment (CPIA) scores for each African country, using objective criteria to score national capacity in areas such as financial management, administrative capacity and control of corruption. By comparing these scores before and after Bank interventions, we can draw some broad conclusions as to whether we are having a positive influence. Given the complexity of governance reforms and the often long time lag before results are apparent, we consider improvement in 75% of cases to be a strong result (green) and 50% to be a creditable one (amber). The figures show that we achieved strong results on ● quality of public administration and the ● competitive environment, and creditable results on ● budget and financial management, ● transparency and accountability and ● procurement.

We helped 20 countries improve the quality of budgetary and financial management.

The results reflect the challenges involved in achieving lasting shifts in governance performance. In areas such as public finance management and procurement, many African countries have completed first-generation reforms, introducing new laws and systems, but they still have some way to go to ensure that these laws and systems are fully embedded across government at the national and sub-national levels, particularly in fragile contexts. We also recognise that reforms to government systems need to be supported by demand from the media and civil society for transparency and accountability and by stronger engagement from national politicians.

In the coming period, by implementing the Bank’s new Governance Strategy, we will deepen our engagement in economic governance to support the continued implementation of reforms. Promoting inclusive growth has a strong governance dimension. It calls for poor people to have a stronger voice in national policymaking, and for governments to have greater accountability for their use of public resources. It needs strong policies to promote economic opportunities for the poor and build social safety nets for the most vulnerable.

The transition to green growth is also, to a large extent, a governance challenge. It calls for stricter rules on environmental protection, and stronger capacity across government and in communities to adapt to a changing climate. A key area for the Bank is good governance of natural resources. While Africa’s abundant mineral wealth can be a driver of growth, it also gives rise to serious risks of corruption and conflict. To combat these risks, we are helping African countries to adopt the new Extractive Industry Transparency Initiative (EITI) guidelines (see Box 2.7) and the African Mining Vision. We are also helping to introduce new ways of managing natural resource revenues so they are invested wisely and for the benefit of future generations.

Agriculture and food security

Nearly 70% of Africa’s labour force works on family farms, most of which are smallholdings using little technology and producing mainly for subsistence. Improving the productivity and sustainability of agriculture is therefore one of the most direct ways of promoting inclusive growth. To tackle deep-seated poverty in rural areas, Africa needs an agricultural revolution to improve food security and nutrition and boost rural livelihoods.

Agriculture has the potential to absorb large numbers of new job-seekers if it can offer attractive livelihoods (Box 2.8 explains...
how job creation in agriculture can address poverty). We need programmes that help young people access land, capital and skills training, so that they can spearhead the introduction of new farming techniques and technologies.

**Box 2.8 Inclusive growth through decent work**

Our Agricultural Expansion Project in Gabon shows that introducing a fair deal for workers can promote both greater productivity and inclusive growth. We supported the expansion of the Tropical Agriculture Investment Company, an agro-business producing palm oil and rubber, providing work for 4435 employees, most of them seasonal workers from the poorest parts of Gabon and neighbouring countries. The workers receive fair wages and access to subsidised medical care, housing and education for their children. Fair working conditions help to boost their productivity as well as to raise incomes in a deprived area.

The Bank is committed to improving food security and rural livelihoods by tackling the most important constraints on agricultural productivity. Around 80% of our agricultural portfolio is focused on infrastructure: irrigation, water storage, energy supply, and transport connections, particularly rural feeder roads. At present, post-harvest losses, caused primarily by poor transport and a lack of storage and processing facilities, can cost farmers up to 40% of their output.

We are helping to create more sophisticated value chains by linking farmers to agri-businesses. For example, our Rural Enterprises Programme in Ghana is helping small and medium-sized enterprises to move into higher-value agricultural activities, such as fresh juice production, mushroom cultivation, bee-keeping and fish farming. The programme led to the establishment of 25 000 new small and medium-sized enterprises and increased participants’ monthly incomes by two-thirds—from an average of $255 to $424. Most of the beneficiaries have engaged apprentices, showing the potential for rural enterprise to generate youth employment. We are also helping to overcome African farmers’ limited access to financial services. One of our rural finance projects in Mozambique helped the beneficiaries have engaged apprentices, showing the potential for rural enterprise to generate youth employment.

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**Promoting gender equality in Africa**

Equality for women is progress for all. Better inclusion of women in institutional, social, and economic matters is an important goal in its own right. It is also a key driver of economic competitiveness: economies that harness women’s energy and talent will outperform those that do not. Empowering women by providing equal access to education, land and credit, ensuring their equal legal rights, and enabling their participation in public life can foster productivity and growth and reduce poverty.

The Bank is committed to promoting gender equality as an essential driver of progress and sustainable development. We are engaging with clients to address gender issues directly through our operations and indirectly by placing special emphasis on mainstreaming gender throughout all our operations.

Enhancing gender equality and women’s economic empowerment is critical to the Bank’s governance work. The Bank is focusing its knowledge work and policy advocacy on addressing critical barriers faced by women entrepreneurs, such as access to and control over productive assets. In Ghana for example through our budget support operation we have made sure that gender equality is mainstreamed into the national development strategy by the introduction of gender-responsive budgeting. This reduced gender disparities in the budget from 25% to just 5%.

**In Ghana we supported gender-responsive budgeting, reducing gender disparities in the budget from 25% to just 5%**

Women’s education and economic empowerment are key to breaking the intergenerational cycle of poverty, with benefits spreading out to future generations. We are developing a range of new interventions to benefit women, including using conditional cash transfers to encourage better nutrition during pregnancy, early

**19 million people benefitted from our investments in improving agricultural practices**

Over the past three years, we provided improved water management on 52 000 ha of land, which was short of our goal; but we achieved our targets in land replanted or reforested (810 000 ha) and people in rural areas using improved technology (1.5 million). Altogether 19 million people benefitted from our investments in improving agricultural practices.

Agriculture is also a key frontier in the transition towards green growth. Poor soil management practices have led to widespread loss of fertility. With the climate changing rapidly in many parts of the continent, we are helping to build the resilience of rural communities. One project in the Kafue sub-basin of Zambia is promoting adaptive capacity by helping to integrate climate change risk mitigation into local area planning and to redesign rural roads to withstand extreme weather. Another project has helped to promote sustainable forestry management of forests spanning the Ghana/Ivory Coast border, by delimiting production and conservation areas, preparing village and communal sustainable development plans and engaging local communities in riverbank restoration and reforestation activities.

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childhood development programmes, finance for women farmers and other livelihood measures. We are also determined to support the emergence of women scientists who can serve as leaders in their communities and as role models for a new generation of African girls. In Cameroon, for example, we helped to fund reforms to the national system for vocational training that, among other things, boosted girls’ participation in training programmes from 3% in 2005 to 10% in 2012.

Women are the backbone of small-scale agriculture, constituting a vast reservoir of enterprise and creativity, but they lack access to capital. If we can increase their access to land, training and essential inputs, they can become a key driver of poverty reduction. In Ghana 62% of the clients supported through our rural enterprise project were women, who were enabled to access resources and training to start small businesses and raise their incomes considerably. An evaluation found that, for example, a women’s group producing palm oil could increase their income sevenfold, while the control group did not increase income.

We are consistently building gender components into our projects, enhancing women’s access to services and supporting economic opportunities. By bringing clean water closer to villages, the Bank’s water and sanitation projects give girls more time to learn and to connect, as it is usually women and girls who are sent to fetch water; and health projects offer contraception advice and services to help young women avoid unwanted pregnancies. In transport projects, such as the Nacala Transport Corridor Project linking Zambia, Malawi and Mozambique, special helped increase income for both women and men from construction- and maintenance-related employment.

The impact of conflict falls disproportionately on women. In many countries we have a number of innovative projects to empower women and address violence against women. In our “Emerging from conflict” project in Côte d’Ivoire we funded an integrated package of medical, psychosocial, economic and legal services, income-generating projects for women’s associations, and training to help civil society organisations provide support to victims of violence against women. In the Mano River countries of Guinea, Liberia and Sierra Leone, we are helping to control the HIV/AIDS epidemic that was exacerbated by the use of sexual violence as a weapon of war. We are providing education for young women in Guinea whose schooling was interrupted by conflict.

**Addressing fragility and building resilience**

More than 250 million Africans live in countries that are affected by conflict and fragility, which has a profound effect on their development prospects. These countries lag behind on almost every development indicator and, at a time of high economic growth across the continent, they risk falling ever further behind. In addition, conflict can spill across national borders, creating complex, interlocking conflicts – as in the Horn of Africa or the Great Lakes region – that put at risk the development prospects of entire regions. Because countries affected by fragility often lack the institutional capacity to manage such pressures as rapid population growth, urbanisation, youth unemployment, climate change, and extractive industries, they risk renewed conflict and self-perpetuating “fragility traps”.

The AfDB is preparing a new strategy that sets out a more nuanced and nimble approach to addressing the drivers of fragility and building resilient states and societies. It is grounded in the Bank’s Strategy 2013–2022 and the principles of the “New Deal” for engagement in fragile states agreed at the Busan High Level Forum in 2011, which stresses country leadership and strong partnerships. This approach is informed by the report from the High-Level Panel on Fragile States—a special panel led by the President of Liberia, Ellen Johnson Sirleaf to advise the institution on expanding its strategy for engaging with fragile situations. As fragility does not respect state boundaries, the strategy focuses on fragile situations, rather than a defined group of states, while recognising that the Bank’s primary partners will be the states themselves.

Under the strategy, the Bank commits to deepening its understanding of fragility, tailoring its engagement in fragile contexts through the application of a fragility “lens”, and to taking a strong leadership on issues of fragility across the continent. It pledges to stay engaged in moments of crisis, using its convening power and privileged access as a “trusted broker” to offer economic and financial expertise. In partnership with others, it will help to build resilient institutions at both national and regional levels and to strengthen the role of non-state actors, including civil society and the private sector, in peace-building and state-building processes. Finally, it commits to strengthening its own ability to understand the causes of fragility and to mobilise resources quickly and flexibly in response to strategic opportunities.

**The African Legal Support Facility is assisting 26 countries to get fair agreements with international companies**

The Bank has an important role to play in improving the management of natural resources, which can be a potent driver of conflict. We host the African Legal Support Facility, which is currently providing legal expertise to 26 countries on concluding agreements with international companies. In countries such as Guinea, we are working with government, the private sector and civil society to implement the EITI process. We are working with the Government of Liberia to extend EITI principles into new areas, such as public disclosure of how mining revenues are used for the public benefit. Increasing transparency and accountability in the extractive sectors makes them less likely to generate conflict.

African women play a vital but often unrecognised role in building and sustaining peace. We are committed to placing women’s empowerment at the heart of our approach to building resilience.
Therefore, we are developing projects that address the specific needs of women in post-conflict contexts.

Most of Africa’s long-running conflicts involve more than one country or have consequences that spill across national boundaries. The AfDB is well positioned to promote regional cooperation on drivers of fragility and to build resilience at the regional level. For example, with the International Conference of the Great Lakes Region we are working on an initiative that uses a range of measures, including a shared minerals certification system, to stem the flow of conflict minerals. We are also a partner in the Congo Basin Forest Fund, which is helping to build sustainable livelihoods and combat deforestation. In the Horn of Africa, where recurrent drought has led to conflict over diminishing water resources and pasturage, we are working with the Intergovernmental Authority on Development to improve water management, promote livestock production and build local capacity for conflict resolution. A similar project is being prepared for the Sahel.

We also see the cooperative management of cross-border natural resources as key to building resilience. For example, variable rainfall and increased irrigation have reduced the size of Lake Chad by 90% since 1964. We are working with the Lake Chad Basin Commission to promote food security and economic integration in this conflict-prone region. We are also working with the Mano River Union and its member states to build their capacity for joint management of the Upper Guinea Forest—a biodiversity hotspot that is under increasing stress as a result of population growth and persistent conflict. We are helping to introduce conflict analysis and conflict-sensitive conservation techniques into the development of the shared Tai-Sapo forest complex, creating more participatory governance structures and livelihood opportunities for local communities.

**Conclusion and outlook**

These are exciting times for the AfDB. Our new Strategy 2013–2022 and its many support strategies in particular sectors and areas build on many decades of experience. More than ever, our efforts are focused on helping Africa break through the barriers to its transformation into a diversified, inclusive and sustainable economy capable of delivering improved lives and livelihoods for all Africans.

Our achievements in the past few years provide us with an excellent platform for moving forward with our ambitious goals. We have made a major contribution to improving connectivity across Africa through our infrastructure investments. We are helping to build a backbone of transport corridors to support regional integration, and networks of local roads that promote inclusive growth by linking farmers and businesses to their markets. We are helping to develop sustainable solutions to Africa’s energy deficit, providing cheap and reliable power. We are creating a communications infrastructure that will enable African economies to take advantage of the transformative potential of ICT.

To promote inclusive growth, we have increased our focus on broadening livelihood opportunities in the private sector. We are helping African countries strengthen their economic management and establish favourable business environments, so as to continue the continent’s strong growth performance. We have redoubled our efforts to create employment and livelihood opportunities in the informal sector, including farming and agri-businesses and are helping microbusinesses access skills and finance and link into more productive value chains.

We are also helping African countries make the transition towards a green growth pathway by helping to manage the environmental challenges of rapid urbanisation, strengthen the sustainable development of natural assets, and improve the governance of non-renewable resources so that they are used responsibly. We recognise, however, that Africa is still at the beginning of a transition to green growth and that much remains to be done.

In the remaining parts of this development effectiveness review, we turn to our progress in strengthening the management of our portfolio and building our own organisational capacity as Africa’s premier development finance institution. ■
Level 3: How well AfDB manages its operations

Level 3 of our new One Bank Results Measurement Framework contains 23 indicators that measure how well we manage our portfolio of projects across Africa. We strive to continually improve the design and supervision of our projects, so that they make the best possible contribution to our goals of promoting inclusive and green growth. We want our projects to deliver better results and to deliver them more quickly. Learning lessons from our past projects helps us to improve the effectiveness of our investments, including ensuring that our cross-cutting priorities of promoting gender equality and responding to climate change are embedded into our project design.

To drive forward continual improvement in all areas of project management, we have adopted some stretch targets for our Level 3 indicators over the next few years. In this chapter, we assess the progress we have made in strengthening results at the country level and delivering our operations. We examine the quality of our country strategies and project designs, and we look at whether we are delivering projects efficiently and on time. We also check progress on promoting gender equality and responding to climate change.

Strengthening results at the country level

Over the past years, we have been rapidly scaling up our investments so as to maximise our contribution to Africa’s development. Since 2006, we have more than doubled the size of our portfolio, from $13.5 billion to over $33 billion. The average size of our projects has also doubled. To ensure that we maintain high-quality results, we have put in place measures to improve the design of our strategies and projects and to monitor them more closely.

One of the most basic requirements for effective development assistance is to listen to our clients. Close dialogue with African governments, private sector and civil society helps us understand and respond to their needs and priorities (our operational priorities are set out in our Strategy 2013–2022, itself based on intensive listening and consultation). Our Country Strategy Papers (CSPs) therefore reflect both national and regional priorities and our strengths as a development bank.

We measure the quality of our Country Strategy Papers using a readiness review tool. On a scale of 1–6, the average CSP rating in 2013 was 4.2, which was below our target of 4.8. We have started to apply a more rigorous methodology to the readiness review of CSPs to ensure the highest quality. We aim to be more selective in our areas of engagement to make the best use of our comparative advantages, and to firm up the results focus of our country strategies to ensure that the composition of our portfolio is well targeted and maximises impact. Drawing on lessons learnt, in 2013 we started to pilot the new enhanced CSP format to strengthen our programming choices (see Box 3.1). This is part of our effort in refining the entire review process further by strengthening the role of peer reviews, clarifying the delegation of...
Table 3: How well AfDB manages its operations (Level 3)

This table presents the Bank’s progress in achieving its 2013 targets for portfolio management.

- We have achieved or are within 90% of achieving the target;
- We are not moving towards the target;
- We need to pay attention to progress;
- Data points are missing.

<table>
<thead>
<tr>
<th>INDICATOR</th>
<th>AfDB Baseline 2012</th>
<th>AfDB Latest 2013</th>
<th>AfDB Target 2013</th>
<th>ADF Baseline 2012</th>
<th>ADF Latest 2013</th>
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<td>STRENGTHENING RESULTS AT COUNTRY LEVEL</td>
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<td>Average CSP rating (1-6)</td>
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<td>Predictable disbursements (%)</td>
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<td>Use of country systems (%)</td>
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<td>New ESW and related papers (number)</td>
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<tr>
<td>DELIVERING EFFECTIVE AND TIMELY OPERATIONS</td>
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<td>Learning from our operations</td>
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<tr>
<td>Completed operations rated satisfactory (%)</td>
<td>75</td>
<td>93</td>
<td>76</td>
<td>77</td>
<td>89</td>
</tr>
<tr>
<td>Completed operations with sustainable outcomes (%)</td>
<td>81</td>
<td>88</td>
<td>83</td>
<td>85</td>
<td>90</td>
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<td>Completed operations with a timely PCR (%)</td>
<td>91</td>
<td>90</td>
<td>93</td>
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<td>Ensuring strong portfolio performance</td>
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<td>Disbursement ratio of ongoing portfolio (%)</td>
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<td>Time for procurement of goods and works (months)</td>
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<td>Operations with satisfactory mitigation measures (%)</td>
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<td>Operations no longer at risk (%)</td>
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<td>Operations at risk (%)</td>
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<td>Operations eligible for cancellation (%)</td>
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<td>Preparing high-quality operations</td>
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<td>Time to first disbursement (months)</td>
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<td>11</td>
<td>12</td>
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<td>New operations rated satisfactory (%)</td>
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<td>Time for approving operations (months)</td>
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<td>DESIGNING GENDER- AND CLIMATE-INFORMED OPERATIONS</td>
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<td>New CSPs with gender-informed design (%)</td>
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<td>80</td>
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<td>Projects with satisfactory gender-equality outcomes (%)</td>
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<td>78</td>
<td>69</td>
<td>71</td>
<td>83</td>
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<tr>
<td>New projects with gender-informed design (%)</td>
<td>78</td>
<td>85</td>
<td>80</td>
<td>83</td>
<td>80</td>
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<tr>
<td>New projects with climate-informed design (%)</td>
<td>65</td>
<td>70</td>
<td>70</td>
<td>90</td>
<td>80</td>
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</tbody>
</table>

.. = Data not available; AfDB = African Development Bank; ADF = African Development Fund; CSP = Country Strategy Paper; CPPR = Country Portfolio Performance Review; ESW = economic and sector work; PCR = Project Completion Report.

Source: African Development Bank

authority, and increasing transparency and accountability to ensure the highest quality of operations.

To ensure the overall health of our country portfolios, we undertake regular Country Portfolio Performance Reviews (CPPRs), as a separate process or as part of the preparation of country and regional strategies. These reviews tell us whether our programmes are on track and prompt us to take action where needed. Over the last year, half of our countries achieved timely CPPR coverage2; compared to one-quarter the previous year. In addition to the

2 A green bullet indicates that we have achieved or are within 90% of achieving the target.
country portfolio reviews, monthly reports to senior management flag issues and record progress. The rollout in 2014 of our enhanced operational systems will support more continuous monitoring and management of the country portfolio.

We continue to be committed to the aid effectiveness agenda initiated in the 2005 Paris Declaration, and we are making good progress against the three core indicators under the Global Partnership for Effective Development Cooperation agreed in Busan in 2011. Our **use of country systems** was on target in 2013. We have reviewed the national procurement systems in 46 countries and now use government procedures in over 90% of our procurement contracts. We have negotiated Letters of Agreement to facilitate the use of country systems for our projects in 12 countries.

**We have reviewed the national procurement systems in 46 countries and now use government procedures in over 90% of our procurement contracts**

In 2013, we met our targets for **predictable disbursements**, enabling partner countries to integrate our financial assistance into their own budget planning, for more efficient resource allocation. Partly as a result, nearly two-thirds of our **resources were recorded on budget**—slightly below target because of a dip in the proportion of budget support as we near the end of the ADF cycle. We were the first of the multilateral development banks to track our performance under the Busan Global Monitoring Framework, and our methodology has now been adopted by others.

Our knowledge work is central to our effectiveness as a development organisation: it helps build the quality and impact of our portfolio, and it informs our policy dialogue at the country and regional levels. We actively share knowledge products with partner countries, civil society organisations and development partners around the world, to contribute to the global development effort. In 2013, we produced 31 **new economic and sector work and related papers**, against a target of 25. These analytic products range from flagship report on infrastructure and growth in Sierra Leone after 50 years of independence to several studies on Africa’s potential to join global value chains.

We are one of the leading advocates in Africa on managing for development results. We promote **capacity building on results management** at country level by working with the African Community of Practice and the African Capacity Building Foundation, where we will be supporting training under the

Africa Knowledge for Results framework. Given the fundamental importance of good data to managing for results, we are continuing to work with other donors to build national statistical capacity across Africa.

**Delivering effective and timely operations**

Delivering high-quality results requires the highest standards of project design and implementation. We need to ensure that our projects are tightly focused on delivering results and that their benefits are sustained into the future after the projects are completed. Across the portfolio, we must manage risks and implement safeguards for a healthy portfolio that achieves the maximum results for our clients.

Under our Results Measurement Framework, we monitor a number of indicators that show our efforts to improve the quality and timeliness of our operations throughout the project cycle, from concept through implementation to the final review. Our targets are therefore demanding ones, pushing us to improve our performance at every stage of our operations. We have introduced independent evaluation of some of our indicators to ensure robust scrutiny of our progress.

**Learning from our operations**

All our operations should be well designed and regularly supervised. To achieve this, we have introduced measures to enhance our portfolio management and have set demanding targets for all our projects. This has resulted in steady improvement in the quality of our portfolio. Of the operations reviewed by an independent evaluator in 2013, 93% of **completed operations were rated satisfactory**—well above our target of 76%. The

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3 A yellow bullet indicates that we need to pay attention to progress.
ratings cover the quality of the original project design and the extent to which the project achieved its objectives and the resources were used efficiently (see Figure 3.1). This provides useful lessons to inform the design and delivery of new projects. In 2013, only two reviewed projects were rated as just moderately successful, and no projects were rated as unsuccessful.

93% of operations reviewed in 2013 were rated satisfactory by the independent evaluation office.

Our investments aim to provide lasting benefits to beneficiaries and to our partner countries. Sustainability is built into our projects in many different ways—for example, by training national officials, establishing management structures to oversee ongoing operations, or developing new funding mechanisms to cover long-term maintenance costs. As a result, we achieved 88% of completed operations with sustainable outcomes, which was above our target.

The graph shows the evaluation department’s rating of the outcome of projects reviewed in 2011 to 2013. Each box represents a project. The size of the box shows its share of the Bank’s value of projects reviewed by the evaluation department: the larger the box, the larger the share. The colour shows the project’s achievement of planned outcomes. Projects are organised in clusters by sector.
We also derive lessons from Project Completion Reports (PCRs) and use them to improve the design and implementation of new projects (see Box 3.2). Recently, we prepared a synthesis of lessons from our energy projects, which included practical ways for private sector investors to mitigate risks to their investments. Completing PCRs promptly at the end of the projects enables these lessons to be generated quickly. In 2013, there were 90% of completed operations with a timely PCR, and we have put in place a system of reminders to encourage timely PCR completion. In addition, the proportion of PCRs collecting gender-disaggregated data rose to 69%.

Ensuring strong portfolio performance

We disbursed around $4.8 billion in 2013, 95% of our target for the year. Our ADF disbursement level increased slightly over the previous year, from 18% to 19%, and our private sector operations continued to disburse quickly. Our overall disbursement ratio stood at 24%, which was above our target. This suggests that our projects are moving forward smoothly.

With $4.8 billion disbursed in 2013 we reached an overall disbursement ratio of 24%, which was well above target.

Another measure of our efficiency is the average time for procurement of goods and services. This fell slightly in 2013 to 9 months, a bit short of our target of 8 months. In most cases, delays are attributable to capacity constraints the project implementers face in managing what are often technically demanding procurement processes. To address this issue, in 2013 we provided training to both Bank staff and national counterparts. We have continued to increase the level of authority for procurement that is delegated to our country offices, so that they can be more flexible and responsive. The presence of procurement specialists in most country offices has helped bring efficiency and quality to fiduciary issues, particularly in complex procurement cases. We are expecting these actions to lead to savings of some five months in procurement processing times.

We have been proactive in addressing the implementation challenges that can hold up project delivery. Of the projects identified as problematic at the beginning of 2013, 36% were successfully brought back on track and are no longer at risk. This enabled us to stabilise the overall proportion of operations at risk at 18%. At the same time we have further reduced the number of operations eligible for cancellation to 8%, down from 8.5% in 2012. These are operations that have lapsed or are not performing: they should be either redesigned or shut down, and the resources reallocated to more productive uses. Most of these operations became eligible for cancellation because of delays in government ratification and in meeting loan conditions. The Bank is addressing such causes by speeding up the legal processes, being more selective with loan conditions, and strengthening our support to client countries through capacity building (procurement and disbursement clinics).

The Bank is committed to minimising any negative social or environmental impacts to its projects, by ensuring that the risks are carefully assessed and measures put in place to mitigate them. Besides monitoring risk through our implementation progress reports, we conduct environmental and social audits that assess our compliance with environmental covenants and regulations in each country and with the Bank’s own policies and procedures. The
audits note best practices, identify deficiencies against the policy commitments and operational principles set by the Integrated Safeguards System, and recommend corrective actions. In 2013, 76% of our operations had satisfactory mitigation measures, a marked improvement on 2012 and above our target of 64%.

Preparing high-quality operations
The Bank conducts quality-at-entry assessments to ensure that new projects are technically sound and designed to maximise impact. Quality-at-entry is a key component of portfolio effectiveness, as errors in design are hard to correct once projects are under way. As part of the enhanced review process, we use a Readiness Review tool that checks whether project documents comply with the Bank’s quality-at-entry standards. In 2013, based on the Readiness Review, 98% of new operations were rated satisfactory, which was above our target of 95% and shows that our portfolio for the coming years rests on good foundations.

98% of new operations were rated satisfactory in terms of quality of design and results focus

We have strengthened the quality of supervision, so that problems with project delivery are quickly identified and corrected. We monitor efficiency and timeliness at the start of a project, when delays can easily occur. The time for approving operations in 2013 has improved to 7.4 months but is still slightly short of our target. However, the time between approval and first disbursement—11 months—was within our target. A recent study identified a number of common reasons for delay, including slow finalisation of project documents, poor coordination with joint funders and overly complex conditionality. One finding of this study is that sometimes it is the Readiness Review itself that causes delays during project preparation. We are therefore redesigning the Readiness Review so that we can deliver reviews more speedily to country teams.

Designing gender- and climate-informed operations
Promoting gender equality and responding to climate change are cross-cutting priorities in our Strategy 2013–2022. We aim to integrate them into the design of operations wherever possible, and to assess all new projects for their contribution to gender and climate dimensions. Our new One Bank Results Measurement Framework contains additional indicators in these areas, to help us integrate them into our results management approach.

In recent years, gender equality has taken a much higher profile across Bank activities. In 2013 we appointed a Special Envoy for Gender, who is championing gender equality across the Bank, and we launched a new Gender Strategy in early 2014 (see Box 3.3). Gender specialists now participate actively in shaping our CSPs. In 2013, 75% of our new CSPs had gender-informed design, a significant increase over 2011, when the figure was just 44%. This means that results frameworks at the country level are now being designed to reveal differences in the impact of our support on women and men.

We are also working hard to increase the focus on gender issues in our projects. We now regularly conduct sector-specific gender analysis to inform project design, and include gender equality outcome statements and baselines. The independent evaluation office found that 78% of our projects had satisfactory gender-equality outcomes, which exceeded our target. New projects should also include activities designed specifically to address gender gaps, with enough funding and staff time allocated to them to ensure their effectiveness. Through these measures, we achieved 85% of new projects with gender-informed design.

78% of our projects had satisfactory gender-equality outcomes

Gender equality is also playing a growing role in our policy advocacy. In 2013, we initiated and hosted a Gender Forum in Africa for ministers and senior officials, focusing on disparities of opportunity between men and women, the ways in which laws discriminate against women, and examples of good practice. We
also met with other multilateral banks to discuss and better align strategies on gender equality.

We continued to implement our Climate Change Action Plan 2012. A central plank involves “climate-proofing” our projects, to ensure that investments and their results are not vulnerable to the effects of extreme weather and other changes. We are making steady progress. All projects that started between 2007 and 2009 have been retroactively screened and project designs have been adapted as needed to reduce vulnerability. In 2013, we delivered 70% of new projects with climate-informed design. Using the 2012 guidance note on mainstreaming climate change in country and regional strategies, we started pilots to inform programming efforts and better integrate climate change into country dialogue.

"70% of new projects had a climate-informed design"

As part of our new Integrated Safeguards System, to increase our capacity to incorporate climate change adaptation into our operations, we have developed a Climate Safeguards System that provides tools and guides to help us identify climate risks, evaluate vulnerabilities and determine the appropriate response (see Box 3.4). For example, road projects may need improved drainage systems to increase their longevity or measures to offset CO₂ emissions from increased traffic, such as planting trees and restoring vegetation cover to create carbon sinks. The Climate Safeguards System is easy to use and highly transparent, having been refined through consultation with staff across our country offices. It helps staff identify and cost adaptation options, to take advantage of additional finance from sources such as the Global Environmental Facility.

**Conclusion and outlook**

Our Strategy 2013–2022 is nothing if not ambitious in the goals it sets for the Bank. To achieve that level of ambition, we need to ensure that our operations are continuously improving. In recent years, we have made considerable progress with putting in place the systems required to make this happen. Our Country Strategy Papers and project designs are now rigorously scrutinised to ensure they support our objectives and our quality standards, and they are regularly supervised throughout their delivery. We are getting better at mobilising our resources quickly, although we are still working to reduce delays in procurement. The large majority of our new projects now have gender quality and climate change goals integrated into their design. While these are encouraging results, we are by no means fully satisfied. We will continue to push for better results in the coming years.

In the next chapter, we turn to the progress we are making in building our own capacity as a development organisation.
Level 4: How efficient AfDB is as an organisation

Level 4 of our One Bank Results Measurement Framework captures how efficient we are as a development finance institution. The 15 indicators show the progress we have made in reforming and strengthening our structures and management processes, to ensure that we can deliver quality results. We are committed to continuous improvement at the organisational level, so as to deliver better value for our member countries.

Over the past few years, we have pressed ahead with some ambitious internal reforms. We have been decentralising our staff and functions to the country and regional levels, strengthening our human resource management and streamlining our business processes. This chapter assesses how far we have come on decentralisation, building a high-calibre professional team, and achieving value for money.

Decentralisation: moving closer to our clients

We have made major progress in devolving functions and staff to field offices in our regional member countries, in line with our Decentralisation Roadmap. Many major products and services are now planned, prepared and delivered at country level. As a result, we are better placed to understand the country context, engage in constructive dialogue with our clients and respond quickly and flexibly to country needs (see Box 4.1). Having a presence in our partner countries also improves the quality of our knowledge products and the policy advice we offer to governments, while helping us to work collaboratively with other development partners. The effects can be seen in the improvements in our country engagement, our aid effectiveness, and our knowledge work, and in the quality and implementation of our operations (discussed in Level 3).

The progressive decentralisation of our operations over the past two decades has transformed the Bank and the way it works. We now have a field presence in 37 countries across Africa, compared to just 4 in 2002. Most recently, we established a presence in Benin, Guinea Conakry and Mauritania, and reinforced our staffing in Guinea Bissau, Mauritius and São Tome and Principe. In line with our increasing emphasis on engaging on conflict and fragility, we have asked additional staff to work on Comoros, Guinea-Bissau and Somalia from our offices in neighbouring countries.

This evolution has entailed some major changes for our staff and our business processes. We are progressively transferring staff each year from our headquarters into the field, and we now have 382 (39%) of our operational staff based in field offices.

With our new delegation of authority policy we have also devolved more authority to the country level, with almost half of our projects managed from field offices, as well as an increasing number of Economic and Sector Works. Field office staff supervised 42% of operations in 2013, compared to just 32% the previous year, enabling us to do more direct monitoring and to address concerns raised by our partner countries. The result was fewer projects with implementation problems.

Box 4.1 Bringing us closer to our beneficiaries in Liberia

Liberia is one of the countries where the Bank’s engagement has benefited greatly from a stronger field presence, enabling us to respond quickly to emerging opportunities. One example is the Fostering Innovative Sanitation and Hygiene project in Monrovia, which is building or rehabilitating sanitation infrastructure for 10 communities—benefitting 290,000 people and creating more than 100 permanent jobs—and piloting the conversion of sewage into fertiliser for the use of peri-urban farmers around Monrovia.

To meet President Sirleaf’s request for quick disbursement, the African Water Facility and the Liberia field office worked closely with the implementing agencies to guide them through the disbursement process, allowing the first tranche to be released ahead of schedule.

1. A green bullet indicates that we have achieved or are within 90% of achieving the target.
Table 4: **How efficient AfDB is as an organisation (Level 4)**

This table presents the Bank’s progress in achieving its 2013 targets for organisational performance.

- We have achieved or are within 90% of achieving the target;
- We are not moving towards the target;
- We need to pay attention to progress;
- Data points are missing.

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<tr>
<td><strong>DECENTRALISATION: MOVING CLOSER TO OUR CLIENTS</strong></td>
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<tr>
<td>Operational staff based in field offices (%)</td>
<td>36</td>
<td>39</td>
<td>38</td>
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<td>50</td>
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<tr>
<td>Projects managed from field offices (%)</td>
<td>42</td>
<td>50</td>
<td>45</td>
<td>50</td>
<td>53</td>
<td>55</td>
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<tr>
<td>Connecting to field offices (% successful videoconferences)</td>
<td>90</td>
<td>98</td>
<td>95</td>
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<td><strong>HUMAN RESOURCES: ENGAGING AND MOBILISING STAFF</strong></td>
<td></td>
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<td></td>
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<tr>
<td>Employee engagement index (%)</td>
<td>53</td>
<td>61</td>
<td>62</td>
<td>64</td>
<td>67</td>
<td>[70]</td>
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<tr>
<td>Managerial effectiveness index (%)</td>
<td>48</td>
<td>52</td>
<td>52</td>
<td>55</td>
<td>60</td>
<td>65</td>
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<tr>
<td>Operations professional staff (%)</td>
<td>67</td>
<td>67</td>
<td>69</td>
<td>70</td>
<td>70</td>
<td>70</td>
</tr>
<tr>
<td>Share of women in professional staff (%)</td>
<td>27</td>
<td>27.4</td>
<td>26</td>
<td>28</td>
<td>30</td>
<td>33</td>
</tr>
<tr>
<td>Share of management staff who are women (%)</td>
<td>24</td>
<td>26</td>
<td>26</td>
<td>28</td>
<td>30</td>
<td>32</td>
</tr>
<tr>
<td>Net vacancy rate — professional staff (%)</td>
<td>9</td>
<td>6</td>
<td>9</td>
<td>15</td>
<td>13</td>
<td>9</td>
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<tr>
<td>Time to recruit new staff (days)</td>
<td>223</td>
<td>184</td>
<td>160</td>
<td>..</td>
<td>150</td>
<td>100</td>
</tr>
<tr>
<td><strong>VALUE FOR MONEY: IMPROVING COST EFFICIENCY</strong></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>Administrative costs per UA 1 million disbursed (UA ‘000)</td>
<td>86</td>
<td>92</td>
<td>89</td>
<td>87</td>
<td>85</td>
<td>80</td>
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<tr>
<td>Cost of preparing a lending project (UA ‘000)</td>
<td>[74]</td>
<td>[71]</td>
<td>73</td>
<td>72</td>
<td>71</td>
<td>[70]</td>
</tr>
<tr>
<td>Cost of supporting project implementation (UA ‘000)</td>
<td>[21]</td>
<td>[28]</td>
<td>20.5</td>
<td>20</td>
<td>19.5</td>
<td>[19]</td>
</tr>
<tr>
<td>Work environment cost per seat (UA ‘000)</td>
<td>3.5</td>
<td>3.7</td>
<td>3.5</td>
<td>3.4</td>
<td>3.5</td>
<td>3.3</td>
</tr>
<tr>
<td>Share of users satisfied with IT service delivery (%)</td>
<td>96</td>
<td>95</td>
<td>97</td>
<td>more than 97</td>
<td>more than 97</td>
<td>more than 97</td>
</tr>
</tbody>
</table>

.. = Data not available; IT = information technology; UA = Units of Account.

1 The managerial effectiveness index has changed. The original estimation was corrected for the actual results, and targets changed in line with the revised baseline and methodology. The Bank retains its ambition to significantly improve managerial effectiveness by 2016.

2 The baseline for the time to recruit new staff has been adjusted in line with the external assessment in 2014, reflecting the Bank’s new methodology for measuring this indicator. The Bank remains committed to achieving its ambitious targets in reducing recruitment time.

3 Both the cost for project preparation and the cost for project implementation are still based on estimates.

Source: African Development Bank

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Figure 4.1 **Decentralisation**

We are improving our facilities in field offices, including through new equipment and telecommunications infrastructure. Our field office staff are now able to make internal calls to headquarters, use our online facilities and have ready access to our knowledge products, including from mobile devices. Extra investment in videoconferencing facilities has led to improvements in connecting to field offices, with 98% of our videoconferences
successful in 2013 compared to 90% in 2012. This greater connectivity and access is key both to operating as One Bank and to improving our communications with clients. Preparations are now under way to put in place network equipment and facilities for the headquarters buildings in Abidjan.

In light of the considerable changes that decentralisation has brought to the Bank, we have commissioned a mid-term review of our Decentralisation Roadmap to study how it has affected the management of our projects, our capacity for field-based analysis and our contribution to policy dialogue and donor coordination at country and regional levels. This review will draw detailed lessons from our experience and provide an invaluable perspective on the way forward.

**Human resources: ensuring motivated and high-calibre staff**

To deliver high-quality results, we need staff of the highest calibre from a range of specialised fields. We need to attract, retain and develop our people and create an environment where they are motivated to perform at their best. Over the last few years, we have taken several actions to help achieve this, aiming to become the employer of choice for those working on growth and development in Africa.

In 2013 we launched our People Strategy 2013–2017 to ensure that we have the human resources to deliver our Ten-Year Strategy. The People Strategy focuses on four pillars: developing leadership, strengthening employee engagement, improving performance and accountability, and creating the “workforce of the future” (see Box 4.2). Our Human Resource action plan sets out how we will take this agenda forward.

We undertake regular staff surveys to help us measure our progress and make adjustments. The November 2013 survey, completed by 80% of our staff, revealed that the Bank is becoming a better place to work. The **employee engagement index** improved from 53% in 2012 to 61%, showing that staff feel increasingly committed to the Bank and its mission. This index is calculated from responses to a number of detailed questions. For example, 69% of respondents believe the Bank is a better organisation to work for than other organisations they know.

In our staff survey 69% of respondents believe the Bank is a better organisation to work for than other organisations they know, and 58% felt that their current job offers a real sense of personal accomplishment. There are still some areas of concern for staff, but we are beginning to turn these around. For example, in 2010 only 23% of staff felt that the Bank offered an environment of openness and trust, but this share had increased to 30% in 2013.

**Box 4.2 Key elements in the Bank’s People Strategy**

The People Strategy 2013–2017 provides essential support for our Ten-Year Strategy, setting out the measures we will take to ensure we have the human resources we need. Among its goals are the following:

- Transform our **leadership culture** to one in which leaders work as enablers, coaches and mentors, modelling non-hierarchical, open leadership behaviours.
- Overhaul **performance management** to place a greater emphasis on people management, stronger links between performance and rewards and a clear line of sight between individual and organisational objectives.
- Strengthen **staff engagement** through employee communication and outreach and more inclusive policies and leadership styles.
- Prepare the **workforce of the future** through more flexible employment policies, more opportunities for staff learning and friendlier work and family policies.

**Figure 4.2 Human resources**

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee engagement index (%)</td>
<td>53</td>
<td>61</td>
<td>62</td>
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<tr>
<td>Managerial effectiveness index (%)</td>
<td>48</td>
<td>52</td>
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<tr>
<td>Time to recruit new staff (days)</td>
<td>223</td>
<td>184</td>
<td>160</td>
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</table>

Over the past few years, we have been working to improve management practices throughout the Bank. We have implemented a Leadership and Management Development Program, and we work with a range of external business partners to provide continuous training to managers. Staff surveys suggest that these measures are having a positive effect, resulting in an increase in the **management effectiveness index** from 48% to 52% since 2010. However, we still lag behind comparators on many key indicators, and we are committed to continue working toward our objective of making the AfDB the employer of choice for those working on Africa’s growth and development.
We remain concerned about the relatively low proportion of women in professional and management positions, and have sought to address this issue in a number of ways—for example, outreach programmes and advertising strategies to identify suitable women candidates. As a result, women professional staff have increased gradually from about 23% of our professional staff in 2009 to over 27% in 2013. We now have 44 managers who are women, increasing the share of women management staff from 24% in 2012 to 26% in 2013. However, women consistently rated the Bank lower than men across all aspects of our recent staff survey, indicating that we have a long way to go to make the Bank an attractive place for women to work.

"Women professional staff have increased gradually from about 23% of our professional staff in 2009 to over 27% in 2013"

Our staff balance and our recruitment processes are registering steady improvement. The share of our employees who are operations professional staff is already quite high at 67%, but we plan to increase this further. We have reduced the time required to recruit new staff from 223 to 184 days, which is a success but still needs further improvement. Our net vacancy rate for professional staff, which has been a concern in the past, is now down to 5.9%, surpassing our target of 9%. This achievement has been due to careful recruitment planning to cut down the time needed for each stage of the process.

Looking forward, the planned return of the Bank’s headquarters to Abidjan, most of which takes place in 2014, will affect some of these indicators (see Box 4.3). New staff will now join the Bank only after it has moved to Abidjan, and the cost savings will be used to pay for consultants to fill gaps as needed. This will lead to a temporary increase in the vacancy rate over the transition period.

Our plans for the coming period include a review of the Bank’s performance culture and promotion strategies, with a view to improving our talent management. We will also undertake a comprehensive compensation review and strategic staff planning exercise to ensure that we have the talent we need to implement the Ten-Year Strategy.

Value for money: improving cost-efficiency

The Bank is committed to maximising the value for money it delivers. We want to ensure that every dollar we invest delivers the greatest value for our partners and beneficiaries.

We have managed our resources prudently over the years, consistently staying within the budget envelope approved by the Board. The Bank’s administrative budget has grown by no more than 3% since 2011, implying a decline in real terms. This has been accompanied by a range of measures to maximise development impact, including decentralising to country level, implementing our aid-effectiveness commitments, boosting our knowledge work and increasing our focus on managing for results.

Our efficiency ratios compare favourably with those of other multilateral development banks, even though we have a higher share of fragile states in our portfolio. For example, our ratio of administrative costs to lending and our loan approvals per staff member are both on a par with those of the World Bank and the Asian Development Bank.

We aim to reduce costs further to deliver maximum value for money. Due to a slight drop in disbursements, in 2013 the Bank’s administrative costs per UA stood at UA 92 000, just short of the UA 89 000 target. Our work environment cost per seat increased from UA 3500 to UA 3700 as a result of one-off costs related to office space management.

We constantly strive to keep our businesses processes light and our costs under scrutiny. We have recently introduced a range of initiatives designed to increase our operational efficiency. A new Cost Accounting System will generate much richer data on our cost drivers to inform management decisions. We have also enhanced the Strategic Resource Assessment Software to strengthen the link between resource allocation and our strategic objectives and operational focus areas. We have introduced performance contracts to make senior management accountable for delivering their objectives based on efficient use of allocated human and financial resources. Together, these measures are expected to generate

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2 A yellow bullet indicates that we need to pay attention to progress.
3 Units of Account are a measure of value based on a basket of currencies, similar to the IMF’s Special Drawing Rights.
4 A red bullet indicates that we are not moving towards the target.
significant cost savings and thereby ensure good value for money in the coming years.

The Bank has started to track additional indicators of cost-efficiency: costs of preparing a lending project and costs of supporting project implementation. Because we are still scaling up the use of the Time Recording System, the reported costs are based on estimates. Management is rolling out a new cost accounting system that will help us define these costs; full uptake is planned by the end of 2014.

To increase efficiency, the Bank is investing in a modern, well-functioning IT infrastructure such as new technologies to reduce telephone costs, videoconferencing to reduce travel expenses, and smart support systems to help reduce manual tasks while improving management and permitting timely corrective action. To ensure that our systems are modern and delivering value for money, in 2012 we adopted a new IT Strategy (2013–2016), which links the development of our systems to core business processes such as procurement planning and performance and risk management. Besides allowing flexible access to Bank information from any location, the IT system also supports the “greening” of the Bank by allowing a shift to a paperless environment. One way of measuring the success of implementation and uptake by staff is to track the satisfaction of users. Overall, 95% of users were satisfied with IT services—a proportion that we aim to lift above 97% in the coming years.

**Conclusion and outlook**

Overall, we are optimistic and confident that the AfDB is becoming an increasingly effective organisation. Decentralisation is bringing us closer to our clients and our beneficiaries, making us better at listening and responding to their needs. Stronger management practices and an increasingly sophisticated communications infrastructure are helping us to operate as One Bank, despite our decentralised structure. We offer an increasingly positive environment for our employees, resulting in higher levels of staff satisfaction and a reduction in the vacancy rate. However, we still need to do more to attract and retain qualified women.

We are also becoming a progressively leaner and more efficient organisation, as a result of ambitious management reforms sustained over many years. Over the coming years, we expect these reforms to translate into substantial cost savings and a significant increase in value for money.

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5 A grey bullet indicates that data points are missing.
We stand at the beginning of an exciting new chapter in Africa’s development. A new era of self-sustaining growth and development is emerging. African cities are expanding rapidly, creating growth poles that open up opportunities for their surrounding areas. Africa’s middle class is growing, providing an increasingly attractive consumer market for domestic and foreign investors. African governments are doing better at mobilising revenues, enabling them to expand services and invest in development.

These virtuous circles are giving Africa new economic buoyancy. But they are not yet enough to deliver on Africa’s development vision. To give more Africans the opportunity for a better life, Africa needs an even more profound economic transformation. It needs more diversified economies, moving away from reliance on a narrow range of commodities. It needs to link larger and smaller firms into productive value chains, integrated into the global economy. With its young population and low wages, Africa has the potential to move into manufacturing to create more jobs; but formal job creation is just one part of the story. Africa also needs to create economic opportunities that are directly accessible to Africans today. This means promoting more productive agriculture, taking advantage of Africa’s abundant land. It also means making better use of Africa’s entrepreneurial energy, so that the micro-businesses on which so many Africans depend can generate real livelihood opportunities.

Our role in Africa’s transformation
The African Development Bank is well positioned to support economic growth that is both more inclusive and more sustainable. Drawing on our decades of experience and our status as a trusted African institution, we will focus our efforts in five main areas.

Infrastructure – Infrastructure development is fundamental to inclusive growth: it links remote areas to growth poles, and farms and businesses to their markets, so that more people can benefit from growth. As Africa’s leading development bank, we have the decades of experience and the financial strength to address critical bottlenecks in infrastructure. We will invest in major transport routes to help African countries integrate with regional and global markets. Our infrastructure investments — particularly our investments in clean energy and sustainable transport — will also support the transition towards green growth.

Private sector development – Private sector development is crucial to creating jobs and raising incomes. Building on the solid progress of recent years, we will help African countries to promote a more favourable environment for private investment, supporting legal and institutional reforms that remove barriers to the development of firms and financial institutions. We will invest directly in major firms through our private-sector lending, and in small businesses through micro-finance and training in entrepreneurship. As we help farmers link to agri-businesses, they will be able to adopt more productive farming techniques and add more value to their produce.

Governance and accountability – Much of our knowledge work, policy advocacy and lending will continue to focus on improved economic governance. With our support in improving natural resource management, countries will be better able to use their non-renewable resources responsibly and invest the revenues in national development. We will promote more effective revenue collection, to help free more African countries from their dependence on aid, and will promote stronger budget processes based on transparency and accountability. Our support for the development of social safety nets will provide more people with security against economic shocks.

Regional integration – Regional economic integration is a path to economic transformation. It will enable Africa to make better use of its shared natural resources and will allow producers access to larger markets, so they can produce at scale and become more competitive. We will work closely with the regional economic communities and their member states, helping to build the hard and soft infrastructure to support closer integration and create governance structures that enable them to address shared challenges in a collaborative way.

Skills and technology – Because Africa needs to harness the transformative power of science and technology, we will continue to
support higher education and vocational training, with a particular focus on hard technical skills like computing and engineering. Our aim is to equip young Africans with the management and practical skills they need to succeed in employment and entrepreneurship. We believe that empowering women and young people to be full participants in politics, society and the economy is fundamental to unlocking Africa’s development potential.

Finally, we will redouble our efforts to address the sources of fragility and conflict across Africa, helping African countries respond to rapid social, economic and environmental change so that these pressures do not engender instability. Our work will focus on building more resilient institutions at the regional, national and local levels, and on strengthening Africa’s capacity to manage its resource wealth fairly and sustainably.

Our continuing drive for excellence
This Annual Development Effectiveness Review shows that we have made a real contribution to Africa’s recent development successes. We have not just delivered better development results; we have also delivered them more efficiently, providing better value for money for our funders, our partners and the African people. Our portfolio is in robust shape, thanks to increasingly rigorous quality assurance throughout the project cycle. Our operations are now managed across a network of 37 field offices, bringing us closer to the governments and populations that we serve. We have invested in the systems and procedures that enable us to operate as One Bank in a decentralised structure.

While there is much to be pleased about in our results indicators at the portfolio and organisational levels, there is no room for complacency. Sustaining the achievements of recent years will require high levels of effort, and there are still many areas in which we would like to do better.

Our ambitions for the coming years include improving our client engagement. As a development bank, we must continue to enhance our responsiveness to our clients’ needs and priorities. We will be an active partner, working together through open dialogue and mutual learning. Our broadened country engagement will include a wider range of stakeholders across government, the private sector and civil society. Our new Country Strategy Papers, prepared through broad consultations, are designed to provide a stronger strategic foundation for our country engagement, guiding us to make programming choices that reflect national conditions while leveraging our comparative advantages.

Continued work to make our business processes lighter will enable us to act rapidly, flexibly and cost-effectively. We will adapt our rules to different country contexts, with lighter procedures for conflict-affected countries where speed of delivery is paramount.

To minimise delays, we will continue to build the procurement and financial management capacities of our staff and partners.

At the organisational level, 2014 will be a challenging year as we continue the move back to our statutory headquarters in Abidjan. This is a huge undertaking for the Bank, as we ensure that our operations are not disrupted and our staff are given they support they need. A hiring freeze will remain in place until the move is completed. Having already cut our costs substantially, we will remain in a tight budget environment and will continue to search actively for savings.

Managing for results
This development effectiveness review has provided us an opportunity to introduce our new One Bank Results Measurement Framework. It translates our Strategy 2013–2022 into concrete goals and provides us clear metrics to assess our progress. The new Results Measurement Framework contains more intermediate results, enabling us to link our operations to wider development impact.

The Results Measurement Framework is accompanied by a range of other measures to strengthen our results agenda. Our sector strategies and our Country Strategy Papers now include more detailed and robust results frameworks, which are supported by improved monitoring and reporting systems. In an exciting development for 2014, our new Operations Portal will be rolled out to country offices, linking the various levels of our results reporting system and enabling live capture of results data and lessons learned.

Results data need to carefully analysed and interpreted. To that end, we will continue our active portfolio of analytic work – both detailed studies of development challenges in particular countries that can inform our own operations and government policymaking, and thematic studies of broader development trends across Africa.

Finally, we continue to make significant investments in national capacity for results management. We will remain an active supporter of the African Community of Practice on Managing for Development Results, which has over 3500 practitioners in 42 African countries and supports the transmission of knowledge and good practices. We will also continue to make substantial investments in national statistical systems, which are a foundation for good development policy.

These investments in managing for results will support our continuing quest to ensure that our operations and all our activities make a real difference to communities and individuals across Africa.

Conclusion and outlook
The Development Effectiveness Review series of the Bank
About this publication
The 2014 Annual Development Effectiveness Review is a comprehensive report on the performance of the African Development Bank (AfDB). The report reviews development trends across the continent and explores how AfDB’s operations have contributed to Africa’s development results over the past three years. It also looks at how effectively AfDB manages its operations and its own organisation. The development effectiveness review is an annual publication, supplemented each year by more detailed reviews of particular sectors and thematic areas as well as selected country reviews.

About the African Development Bank Group
The AfDB Group is a multilateral development bank whose shareholders include 54 African countries and 26 non-African countries. The AfDB Group’s primary objective is to contribute to the sustainable economic development and social progress of its regional members, individually and jointly. It does this by financing a broad range of development projects and programmes through public sector loans, including policy-based loans, and through private sector loans and equity investments; by providing technical assistance for institutional support projects and programmes; by making public and private capital investments; by assisting countries with development policies and plans; and by supplying emergency assistance.