Rehabilitation and Expansion of Cuamba City Water Supply System, Mozambique.

# Chapter 3
# Bank Group Operations

# Chapter 3

**This chapter presents an overview of the Bank Group's performance during 2015 in its lending operations, and further examines other non-lending areas of interventions. The Bank Group conducts its lending operations for projects and programs through three windows: the African Development Bank ('the Bank', or 'ADB'), the African Development Fund ('the Fund', or 'ADF') and the Nigeria Trust Fund ('NTF'). In 2015, total approvals of Bank Group operations amounted to UA 6.33 billion, for 241 operations, as at end-December 2015, an increase of 25.4 percent over the 2014 approvals.**

## 3.1 Overview of Bank Group Operations

*The Bank Group's operations in 2015 were guided by the twin objectives of achieving inclusive and green growth as stipulated in the Ten-Year Strategy (TYS). During the year, Bank Group operations at end-December 2015 increased by 25.4 percent over the operations at year-end 2014. This is significant, compared to the 15.1 percent increase in Bank Group operations at end-2014, compared to 2013, and a 3.1 percent increase at end-2013 over end-2012. As in the previous years, infrastructure operations, mainly transport and energy, received the bulk of Bank Group's resources.*

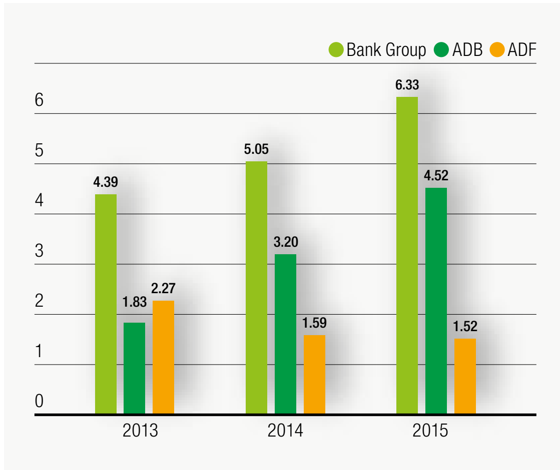
**Overview of Bank Group Operations by Financing Window.** In 2015, total Bank Group operations amounted to UA 6.33 billion, Figure 3.1 shows the distribution of this amount, compared with those of the two previous years, by financing window.

For the ADB window, total approvals amounted to UA 4.52 billion, comprising public sector approvals of UA 2.97 billion (representing 65.7 percent of the total) and private sector approvals amounting to UA 1.55 billion (34.3 percent of the total). The total approvals for the ADB window in 2015 increased by 41.1 percent compared to 2014. In terms of distribution, ADB public sector operations increased substantially by 78.3 percent in 2015 relative to 2014 while ADB private sector operations increased by only 0.9 percent over the same period (see Table 3.1).

The performance of ADB financing in 2015 for both the public and private windows was equally high relative to the targets for the year. For the public sector, actual approvals amounted to UA 2.97 billion—65 percent above the UA 1.80 billion target. Similarly for the private sector, actual approvals of UA 1.55 billion exceeded the target of UA 1.50 billion by 3.3 percent.

The rise in ADB public sector operations is mainly related to an increase in borrowing from the sovereign window by ADB-eligible countries as well as the accommodation of newly eligible

**Figure 3.1**
Bank Group Total Approvals by Window*, 2013-2015 (UA billion)




Source: AfDB Statistics Department.
* Notes:
1. There are three Financing Windows: ADB, ADF and NTF.
2. NTF approvals are not shown as they are negligible, measured in UA millions, when compared to ADB and ADF scales measured in UA billions. NTF approvals were: UA 31.2m (2013), UA 11.5m (2014) and UA 12.5m (2015).
3. For completeness, the Special Funds financing mechanism is included in Total Bank Group Approvals. Special Funds approvals, also not shown in the chart, were: UA 253.4m (2013), UA 244.2m (2014), and UA 288.9m (2015).

ADF countries from sub-Saharan Africa for ADB resources. The revision of the Bank Group's credit policy enabled ADF-eligible countries to access ADB resources, and thus contribute to lowering the risk of concentration of Bank lending mainly towards countries in Northern Africa. The increase in the level of activities of the ADB private sector window is linked to the Bank's scaling up of its non-sovereign operations, including through the trade finance facility, the partial credit guarantee instruments, and the Private Sector Credit Enhancement Facility.

Table 3.1 shows that ADF approvals stood at UA 1.52 billion, representing a decrease of 4.9 percent against the 2014 position. This performance was 5.4 percent below the ADF target of UA 1.6 billion for 2015. The relatively lower level of approvals in 2015 can be explained by the ADF-13 cycle financing modalities, which permitted front-loading of the ADF resource envelope in 2014, the first of the three-year cycle, with allocations declining gradually in subsequent years.

For the Nigeria Trust Fund (NTF), two operations were approved in 2015 amounting to UA 12.5 million: (i) The allocation of UA 6.5 million loan was for Support for Youth Employability and Integration in Growth Sectors in Togo; and (ii) the UA 6 million loan for the Water Loss Reduction and Performance Improvement of Drinking Water Systems in Benin. These approvals were 8.8 percent above the UA 11.5 million approved in 2014 (see Table 3.1).

Figure 3.1 shows that approvals for Special Funds accounted for UA 288.9 million and represented 4.6 percent of total Bank Group approvals. These were for the African Water Facility (AWF), the Rural Water Supply and Sanitation Initiative (RWSSI), the Global Agriculture and Food Security Program (GAFSP), the Africa Growing Together Fund (AGTF), the European Union–Africa Infrastructure Trust Fund (EU-AITF), the Fund for African Private Sector Assistance (FAPA), the Enhanced Private Sector for Africa (EPSA), the Middle East and North Africa (MENA) Trust Fund, and the Zimbabwe Multi-Donor Trust Fund (ZimFund). Others included the Global Environment Facility (GEF) and the Sustainable Energy Fund for Africa (SEFA), specifically related to energy and climate-change operations.

Table 3.2 on financing instruments shows that total loans and grants amounted to UA 5.24 billion, representing 82.7 percent

**Table 3.1**
Bank Group Total Approvals by Window, 2014-2015 (UA million)

| Window | 2014 Operations | 2015 Operations | | Percentage Change (%) | |
|---|---|---|---|---|---|
| | | Actual | Target | Against 2014 Operations | Against 2015 Target |
| ADB Private | 1,536.21 | 1,549.54 | 1,500.00 | 0.9 | 3.3 |
| ADB Public | 1,665.09 | 2,968.68 | 1,800.00 | 78.3 | 64.9 |
| ADB Total** | 3,201.30 | 4,518.23 | 3,300.00 | 41.1 | 36.9 |
| ADF | 1,592.91 | 1,515.12 | 1,602.00 | -4.9 | -5.4 |
| NTF | 11.49 | 12.50 | 25.00 | 8.8 | -50.0 |
| Special Funds (SF)* | 244.22 | 288.85 | - | 18.3 | - |
| Bank Group | 5,049.92 | 6,334.69 | 4,927.00 | 25.4 | 28.6 |

Source: AfDB Statistics Department.
* SF: see the list in the text above.
** ADB total amount may not add up due to rounding.

**Table 3.2**
Bank Group Total Approvals by Financing Instruments in 2015 (UA million)

| Financing Instruments | ADB | ADF | NTF | Bank Group |
|---|---|---|---|---|
| **Loans & Grants** | 3,757.10 | 1,468.16 | 12.50 | **5,237.76** |
| **Other Approvals** | 761.13 | 46.96 | - | **1,096.94** |
| of which: Special Funds | | | | **288.85** |
| Private Equity Participation | 64.27 | | | **64.27** |
| Public & Private Guarantees | 696.86 | | | **696.86** |
| HIPC Debt Relief | | 46.96 | | **46.96** |
| **Total Approvals** | **4,518.23** | **1,515.12** | **12.50** | **6,334.69** |

Source: AfDB Statistics Department.
* Total approvals amount may not add up due to rounding.

of total approvals. The remaining UA 1.10 billion (17.3 percent) comprised approvals for Special Funds (discussed above), ADB private equity participation, ADB public and private sector guarantees, and approvals for debt relief under the Heavily Indebted Poor Countries (HIPC) initiative. The private equity participation of UA 64.3 million went to finance the following four multinational operations: CEC Africa Investments Limited, Atlantic Coast Regional Fund, AfricInvest Fund and Alitheia Identity Fund. Total ADB guarantees of UA 696.9 million were made up of a public partial credit guarantee (UA 397.8 million) to Cameroon and ADB private guarantees (UA 299.1 million). The private guarantees were provided in support of five multinational financial intermediaries and a heavy-fuel oil-power project in Sierra Leone. The UA 47 million for debt relief was provided to Chad, following the country's attainment of the HIPC completion point.

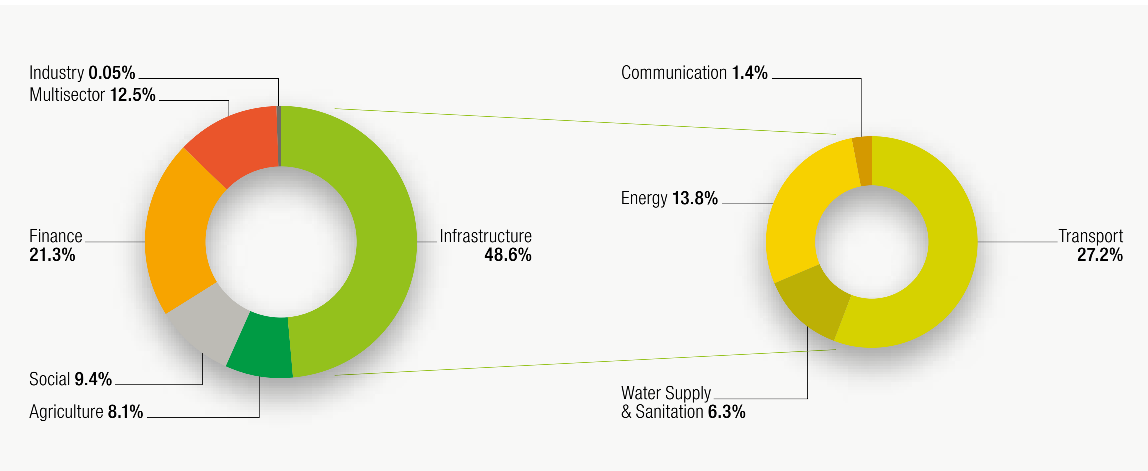
**Sector Distribution of Bank Group Operations.** In 2015, Bank Group operations continued to be aligned with the TYS, which emphasizes infrastructure investment in the key sectors of transport, energy, water and sanitation, and communications for the transformation of African economies. Figure 3.2 depicts the distribution of total Bank Group approvals to various sectors. The chart shows that, of total Bank Group approvals of UA 6.33 billion, UA 3.08 billion (48.6 percent) was allocated to infrastructure projects, with transport (27.2 percent) and energy (13.8 percent) accounting for the largest share. This was followed by water and sanitation (6.3 percent) while allocations to the communications sector accounted for only 1.4 percent. The relatively large allocation to infrastructure investment demonstrates the importance that the Bank Group attaches to addressing Africa's infrastructure deficit and its commitment to promoting inclusive and sustainable development.

Figure 3.2 also shows that the finance-sector operations received an allocation of 21.3 percent of the total Bank Group approvals. These were mainly in the form of lines of credit (LOCs), guarantees and trade finance targeted at alleviating credit constraints faced by businesses on the continent especially micro-, small-, and medium-sized enterprises (MSMEs). The MSMEs account for more than 45 percent of employment and 33 percent of GDP in Africa. Hence, the Bank Group's participation through lines of credit therefore serves to guarantee MSMEs access to financing from financial intermediaries. The resources allocated to multisector operations, including public finance management and other governance-related operations, represented 12.5 percent of total Bank Group approvals. These approvals strengthen governments' fiscal control, transparency and accountable use of public resources, modernize the taxation system and enhance revenue collection, boost domestic resource mobilization, and facilitate the restoration of public service delivery.

The chart also shows that the social sector received 9.4 percent of total Bank Group approvals for interventions in skills development, technological innovation and infrastructure improvement. Trends based on evidence suggest that Africa's structural transformation has been held back by low human

**Figure 3.2**

Sectoral Distribution of Total Bank Group Approvals, 2015 (UA 6.33 billion)



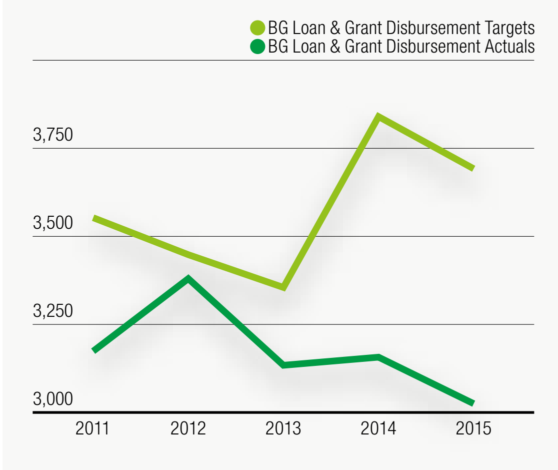

Source: AfDB Statistics Department.

capital, especially a shortage of appropriate skills. By helping to ease the skills constraint faced by the private sector, the Bank Group continues to demonstrate its commitment to facilitate sector-wide structural transformation in Africa.

In Figure 3.2, the agriculture sector accounted for 8.1 percent of total Bank Group approvals. This does not take into account investments in rural infrastructure that indirectly support agriculture but are included in the share of the infrastructure sector. However, this share is relatively low and should be increased to boost rural incomes and improve food security. Equally, the share of the sectoral allocation to industry is relatively insignificant at less than 1 percent. This should be scaled up in order to catalyze the pace of industrialization in Africa. Accordingly, the Bank Group also needs to support private sector operations and financial market development to increase Africa's share in global value chains.

**Figure 3.3**

Bank Group (BG) Loan & Grant Disbursement Targets vs. Actual Achievements, 2011-2015*




Source: AfDB Budget and Programming Department.
* Total loan and grant disbursements exclude Special Funds, equity participation, and guarantees.

**Bank Group Disbursements.** The performance of Bank Group disbursements has varied over time. In 2015, Bank Group loan and grant disbursements, excluding equity participation, guarantees, and Special Funds, amounted to UA 3.03 billion (Figure 3.3)—a 4.2 percent decrease compared to 2014. Over the past five years, the actual disbursement closely matched the target only in 2012. However, between 2012 and 2015, actual disbursements against targets showed a wider margin, as indicated by the decline of the disbursement rate from 98 percent in 2012, to 81.9 percent in 2015. The recent decline in the disbursement rate must be addressed.

Table 3.3 presents Bank Group actual and target loan and grant disbursements by financing window for 2015. It shows the disbursement rate for ADF operations at 92.2 percent compared with 74.9 percent for the ADB window, and only 49.8 percent for the NTF window. The disbursement rate for all Bank Group interventions was 81.9 percent during the year.

The relatively low disbursement rate was mainly due to delays occasioned by a number of factors. Notable among these were the weak institutional and management capacity in some Regional Member Countries (RMCs), and delays in procurement and in meeting disbursement conditions. Other causes of disbursement delays included fragility situations, conflicts, political transitions, and, in a few cases, anti-corruption investigations. In other cases, delays arose from complex country processes for obtaining parliamentary ratification for contracting loans. To address the delays in disbursements, the Bank Group has made concerted efforts, including strengthening the monitoring and reporting of recurring issues, and streamlining of operational business processes to improve disbursements. An inter-departmental working group was also tasked to update disbursement profiles and fine-tune the process for setting targets at

**Table 3.3**

Bank Group Disbursements in 2015: Actual vs. Targets (UA million)

| Window | Actual Disbursements | Target Disbursements | Disbursement Rate (%) |
|---|---|---|---|
| ADB Private | 602.39 | 842.00 | 71.5 |
| ADB Public | 1,016.78 | 1,319.00 | 77.1 |
| ADB Total | 1,619.17 | 2,161.00 | 74.9 |
| ADF | 1,398.36 | 1,516.00 | 92.2 |
| NTF | 7.47 | 15.00 | 49.8 |
| Bank Group | 3,025.00 | 3,692.00 | 81.9 |

Source: AfDB Statistics & Financial Control Departments.

regional, country, and sector levels. Accordingly, institutional disbursement targets have been objectively reviewed and further cascaded down to country offices and sector divisions. The purpose is to promote ownership and accountability across all business segments and ensure that the Bank Group achieves more robust and realistic disbursement targets.

**ADB Approvals by Country.** Of the UA 3.76 billion ADB loan and grant approvals, 68.4 percent was allocated to public sector operations and the remaining 31.6 percent went to private sector operations. Figure 3.4 illustrates the distribution of these approvals by recipient countries. Among these, in 2015, Congo was classified as an ADB country in transition, and Cameroon, Kenya, and Zambia became blend countries—eligible for both ADB and ADF resources. Also, following approval of the Bank Group's revised credit policy in May 2014, a number of ADF-only RMCs (Senegal, Tanzania, and Uganda) were able to access the ADB public non-concessional resources for financing their operations. These countries used the additional ADB resources to finance their operations in infrastructure, particularly transport, energy, water and sanitation (including climate-resilient sanitation programs), and in agriculture, skills development and entrepreneurship, among others. These reflect the areas of priority in the Results-based Country Strategy Papers of the respective countries.

**ADF Approvals by Country.** From the total ADF loan and grant approvals of UA 1.12 billion, 43.8 percent was allocated to multinational operations, while the remaining 56.2 percent benefited 28 ADF recipients. The distribution of loans and grants to these 28 RMCs is illustrated in Figure 3.5. Based on ADF performance-based allocation (PBA) and debt-sustainability analysis (DSA) criteria, the figure shows that some ADF countries (Tanzania, Kenya, Ghana, Madagascar, etc.) received only concessional loans. Others, including Sudan, Democratic Republic of Congo (DRC), Mali, and Côte d'Ivoire, received only grants. The rest, including Burkina Faso, Malawi, and Eritrea received a combination of loans and grants. The three blend countries, Cameroon, Kenya, and Zambia, which are eligible for ADF performance-based allocations, are not reflected in Figure 3.5 because they did not use their ADF allocations to finance any projects in 2015. For example, Zambia had front-loaded its 2015 allocation earlier in 2014 to partly finance the Kariba Dam Rehabilitation Project. Similarly, the records show that the two ADB countries in transition during 2015, Congo and Nigeria, did not use

**Figure 3.4**
ADB Loan and Grant Approvals by Country, 2015 (UA million)

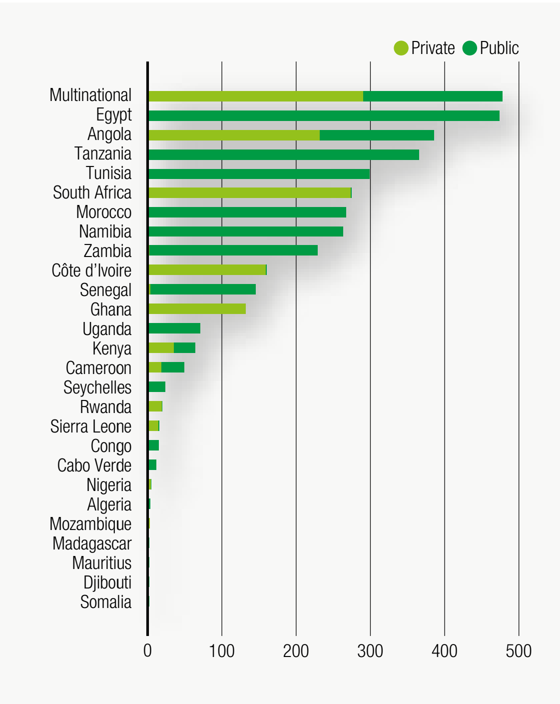
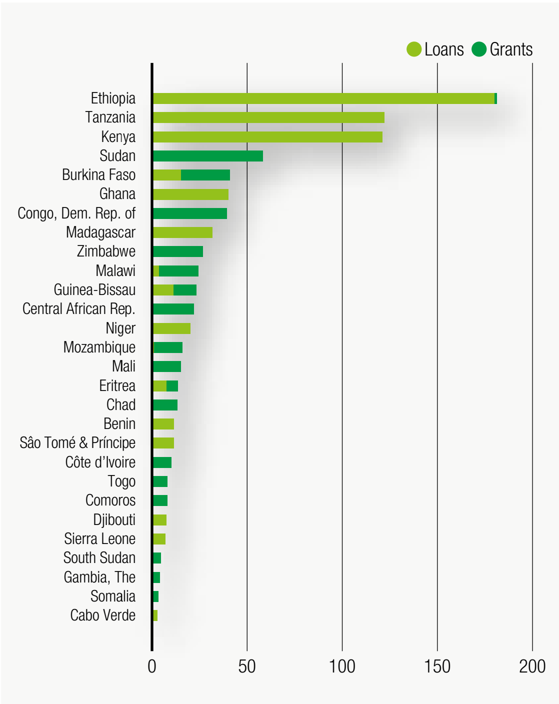



**Figure 3.5**
ADF Loan and Grant Approvals by Country, 2015 (UA million)



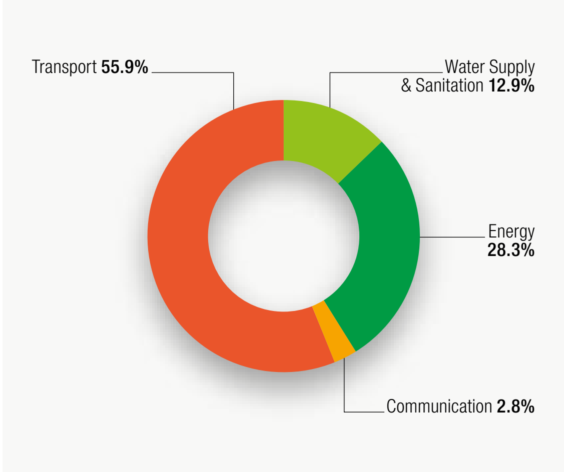

Source: AfDB Statistics Department.
Note: Private sector amounts exclude Equity Participation, Special Funds and Guarantees.

their ADF allocations to finance any projects in 2015, as their relatively smaller ADF allocations had also been front-loaded for financing operations in 2014.

## 3.2 Bank Group Operations by Priority Sectors and Areas of Special Emphasis

*This section reviews Bank Group operations with a focus on priority sectors and areas of special emphasis in the TYS. The areas of focus include infrastructure (energy, transport, water and sanitation, and communication); private sector development; regional integration; governance and accountability; and skills and technology. The three areas of special emphasis under the TYS are gender, agriculture and food security, and States in fragile situations. States in fragile situations specifically benefit from budget support operations to address fragility and other socio-economic challenges in some of the deprived areas of the continent.*

**Figure 3.6**
Total Bank Group Approvals for Infrastructure, 2015 (UA 3.08 billion)




Source: AfDB Statistics Department.

**Energy.** During the year, the Bank Group continued to play its leading role in Africa's energy sector, in partnership with other African institutions and international partners. This was facilitated through the Programme for Infrastructure Development in Africa (PIDA), the African Hub for the Sustainable Energy for All (SE4ALL) initiative, and the African Energy Leaders Group. The Bank Group's focus on energy highlights the extent of Africa's energy deficiency—a considerable impediment to the continent's development. To mobilize partnership support and financing to close Africa's huge energy deficit, the AfDB held a High-Level Consultative Stakeholders Meeting in Abidjan, Côte d'Ivoire in September 2015, where the New Deal on Energy for Africa was presented and discussed. The ambitious goal of this initiative is to ensure universal access to energy by all the RMCs by 2025. Details of the New Deal on Energy are discussed above in Chapter 2.

The proposed African Renewable Energy Initiative (AREI), was announced at the Climate Change Conference of Parties (COP21). It received endorsement from African Heads of State and Government and Ministers of Environment, the G7 (Elmau Summit), and the G20 (Energy Summit). At the Conference, the AfDB announced that it would triple its financing to climate-change initiatives by 2020 up to USD 5 billion a year.

Bank Group total approvals for the year in the energy sector amounted to UA 871.6 million, with UA 841 million (96.5 percent) in the form of loans and grants. The remainder (UA 30.6 million) was financed through equity participation, guarantees and Special Funds, particularly from the EU-AITF and SEFA. Energy-sector approvals represent 28.3 percent of total infrastructure approvals (Figure 3.6). Some of the key energy sector projects approved include: (i) the Kenya–Tanzania Power Interconnection Project (UA 102.8 million); (ii) the Uganda Rural Electricity Access Project (UA 80.2 million); and (iii) The Gambia River Basin Development Organisation (OMVG) Energy Project (UA 97 million). These projects are expected to ease the energy requirements in each of these countries.

The Kenya–Tanzania Power Interconnection Project will improve the supply, reliability, and affordability of electricity across the Eastern Africa region. It will allow the linkage of the Eastern Africa Power Pool to the Southern African Power Pool. It is also projected to link Egypt and Sudan in Northern Africa which will help the two countries to replace some of the high costs of thermal energy production with cheaper and cleaner hydropower while also reducing greenhouse gas emissions.

The Uganda project is envisaged to improve access to electricity for rural households, small- and medium-sized enterprises and public institutions (rural health centers, schools and local administration offices) in the project area. In a country where only 8 percent of the rural population has access to electricity, this project is aimed at contributing to inclusive growth and poverty reduction, especially among the rural poor.

**Box 3.1**
Renewable Energy Project for OMVG States

Approved in September 2015, this renewable energy project seeks to provide the four OMVG member states with renewable, clean, and affordable energy, while simultaneously promoting regional integration through the sharing of energy and improved electricity supply quality.

By increasing electricity supply, the project will expand household access to more reliable energy, boost business competitiveness in each of the countries, stimulate economic growth and create jobs, thereby contributing to poverty reduction. The interconnection network will also contribute to the expansion of the power pool system, creating a regional electricity market that will reduce the average cost of electricity generated in each of the OMVG member states. Further, the effects of using hydropower will curb fossil fuel consumption by a significant margin and consequently reduce greenhouse gas emissions in support of the COP21 objectives.

**Box 3.2**
Selected Transport Operations Approved in 2015

The *Transport Sector Support Program* in Tanzania comprises interventions mainly in the roads subsector, but also includes feasibility studies in the railway and air transport subsectors. The road improvements will provide access to agricultural products in Tanzania, thereby spurring growth in productivity. The roads will also serve as links to neighboring Malawi, Mozambique, Zambia, and DRC, and will facilitate cross-border trade, and deepen regional integration.

The *Chinsali–Nakonde Road Project* forms part of the Trans-Africa Highway and the North–South Corridor (NSC). The NSC is a priority corridor, which services eight countries in the region—Tanzania, DRC, Zambia, Malawi, Botswana, Zimbabwe, Mozambique, and South Africa.

The *Tunisia Road Infrastructure Modernization Project (PMIR)* seeks to rehabilitate 719 km of classified roads, most of which are in the country's inland governorates. The project will also upgrade some civil engineering structures on the classified network to make them more resilient to the effects of climate change.

The environmentally friendly OMVG Energy Project targets The Gambia, Guinea, Guinea-Bissau, and Senegal. The project is designed to harness the immense potential for clean energy, thus fostering affordable energy for the region's inhabitants (Box 3.1).

**Environment and Climate Change.** Climate change mitigation and adaptation are at the core of the landmark Paris Agreement reached at the December 2015 Climate Change Conference (COP21) in which the Bank Group participated actively. For details on Bank Group's 2015 activities in this area and at COP21, see section 2.3.

**Transport.** In November 2015, the Bank Group organized the first AfDB Transport Forum: "Sustainable Transport for an Integrated Africa". The Forum noted that green and inclusive transport is critical in stimulating sustainable growth, given that green transport means cleaner and more efficient vehicles, less air pollution, less congestion and more green jobs. These goals are in line with the objectives of the recently concluded COP21 on Climate Change. At the Transport Forum, the AfDB also reiterated its commitment to work with the RMCs in ensuring that transport plays a catalytic role in promoting Africa's participation in agribusiness and global manufacturing value chains, facilitating regional integration, and providing opportunities for social inclusiveness.

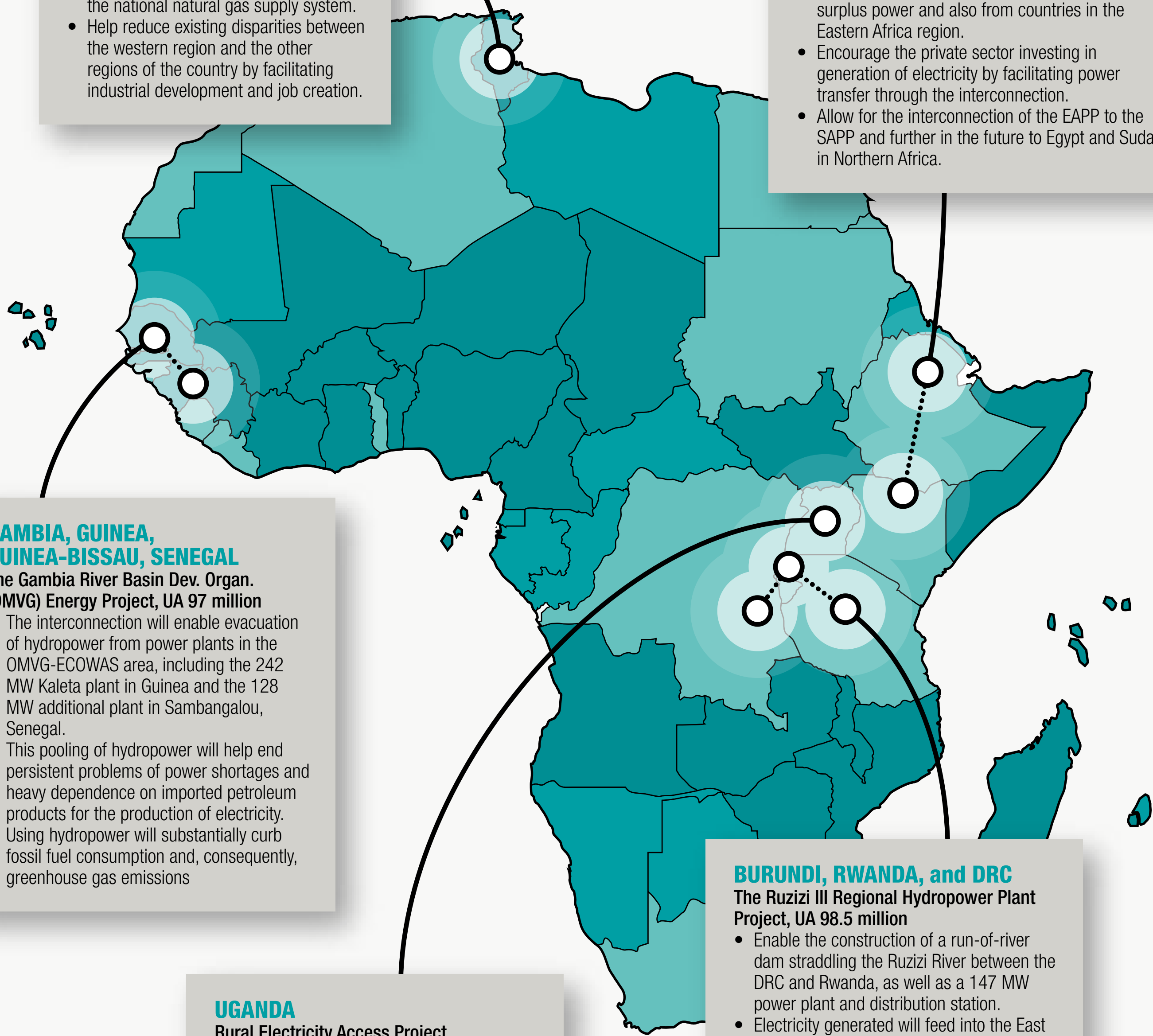
In 2015, Bank Group total approvals for transport sector operations amounted to UA 1.72 billion, with loans and grants accounting for UA 1.58 billion (91.9 percent). The remaining UA 139.5 million (8.1 percent) represented Special Funds financing, specifically from the Africa Growing Together Fund (AGTF). Approvals for the transport sector represented the largest share (55.9 percent) of the UA 3.08 billion total Bank Group approvals for all infrastructure operations (see Figure 3.6 above).

In Box 3.2, three approved transport operations are highlighted: (i) the Tanzania Transport Sector Support Program (UA 248.0 million); (ii) the Chinsali–Nakonde Road Rehabilitation Project in Zambia (UA 172.8 million); and (iii) the Tunisia Road Infrastructure Modernization Project (UA 152.9 million).

**Water Supply and Sanitation.** The importance of water security for sustainable economic and social development in Africa is highlighted in the TYS. During 2015, the AfDB continued to support water supply and sanitation infrastructure services and institutions that contribute to socio-economic development and resilience to water-related disasters and climate change in

## Map 3.1

Major National and Regional (Multinational) Energy Sector Projects Approved by the Boards in 2015



### TUNISIA

**Natural Gas Transport and Distribution Network Dev., UA 38.5 million**

- Construction of natural gas transportation and distribution networks in order to connect 19 local communities in the western region to the national natural gas supply system.
- Help reduce existing disparities between the western region and the other regions of the country by facilitating industrial development and job creation.

### KENYA-TANZANIA

**Power Interconnection Project, UA 102.8 million**

- Improve the supply, reliability and affordability of electricity in the two countries through cross-border exchange of cheap and cleaner surplus power and also from countries in the Eastern Africa region.
- Encourage the private sector investing in generation of electricity by facilitating power transfer through the interconnection.
- Allow for the interconnection of the EAPP to the SAPP and further in the future to Egypt and Sudan in Northern Africa.

### GAMBIA, GUINEA, GUINEA-BISSAU, SENEGAL

**The Gambia River Basin Dev. Organ. (OMVG) Energy Project, UA 97 million**

- The interconnection will enable evacuation of hydropower from power plants in the OMVG-ECOWAS area, including the 242 MW Kaleta plant in Guinea and the 128 MW additional plant in Sambangalou, Senegal.
- This pooling of hydropower will help end persistent problems of power shortages and heavy dependence on imported petroleum products for the production of electricity.
- Using hydropower will substantially curb fossil fuel consumption and, consequently, greenhouse gas emissions

### BURUNDI, RWANDA, and DRC

**The Ruzizi III Regional Hydropower Plant Project, UA 98.5 million**

- Enable the construction of a run-of-river dam straddling the Ruzizi River between the DRC and Rwanda, as well as a 147 MW power plant and distribution station.
- Electricity generated will feed into the East African Power Pool (EAPP).
- Provide reliable and affordable power and increase the region's access to electricity by about 300 percent.

### UGANDA

**Rural Electricity Access Project, UA 71.2 million**

- Improved access to electricity for households, commercial and business enterprises and public institutions (health centers, schools, and administration offices) in the proposed project areas.
- Improve the livelihoods and economic opportunities in rural communities, and provide better access to social services.
- Connect Bugala Island to the national grid.

### Box 3.3
The Three Water Initiatives

**African Water Facility (AWF).** The AWF is owned by the African Ministers' Council on Water (AMCOW), and has been operational since 2006. The AWF mobilizes funds for water resources development activities in Africa. Since 2006, AWF has funded 96 national and regional projects in 51 countries. In 2015, it celebrated ten years of operation and prepared its new long-term strategy to guide its future focus and operations. The AWF, which views itself as a "Project Preparation Facility", was named the Project Preparation Facility of the Year at the Africa investor (Ai) CEO Infrastructure Developers and Investment Summit in 2015. The AWF's achievements in 2015 include: (i) three new project approvals, one of which is supporting the DRC, considered a State in a situation of fragility; (ii) EUR 100 million mobilized for strengthening the financial base for the sector; and (iii) a Special Initiative for Climate Change which will trigger further investments to improve water supply and sanitation.

**Rural Water Supply and Sanitation Initiative (RWSSI).** This initiative was conceived by the Bank in 2002 and adopted by the RMCs and donors in 2005 as the framework for increased financing to water supply and sanitation (WSS) in rural areas in Africa, with a view to universal access. Indeed, the launch of the RWSSI saw an increase in the demand for rural WSS funding. In addition to the new approval in 2015 by the RWSSI Trust Fund (TF) for the Water Sector Reforms and Institutional Capacity Development Program in Sudan (UA 15.6 million), the RWSSI-TF contributed EUR 3 million to support the implementation of the National Post Ebola Recovery Strategies in Guinea, Liberia, and Sierra Leone. This was in response to building resilience to Ebola in the countries affected by the epidemic through the sustainable improvement of water and sanitation for the most-vulnerable segments of the population. The RWSSI-TF is also co-financing the "Sanitation Atlas" project that will provide evidence-based policy support to facilitate decision-making for boosting and sustaining sanitation service delivery throughout Africa.

**Multi-Donor Water Partnership Program (MDWPP).** This program was also launched in 2002 to operationalize the AfDB's Integrated Water Resources Management (IWRM) Policy in AfDB-supported operations in the RMCs. The MDWPP catalyzed the establishment of both the above key initiatives—the AWF and the RWSSI—that have resulted in strengthening AfDB and RMC capacity for IWRM. The MDWPP also enabled the AfDB to play a key role in promoting dialogue with regional actors on critical water-sector issues.

In 2015, the MDWPP financed: (i) the editing and publication of the report entitled: "Unlocking Africa's Transboundary Water Potential" on AfDB's role in achieving regional integration through transboundary basin development and management; (ii) a study on the Investment Guarantee Fund for the Water Sector; and (iii) co-financing the "Sanitation Atlas" project referred to above.

urban, peri-urban, and rural areas. In carrying out this mandate, as in previous years, the AfDB continued its administrative and support roles for the three special and complementary initiatives: the Rural Water Supply and Sanitation Initiative (RWSSI), the Multi-Donor Water Partnership Program (MDWPP) and the African Water Facility (AWF) depicted in Box 3.3.

During the year, the Bank Group took action to tackle the lack of access to water of acceptable quality in both urban and rural areas. Its interventions contributed to sustaining livelihoods in several countries with total operations worth UA 398.7 million, approved for the development of the water supply and sanitation sector in the RMCs. Total approvals comprised UA 326.8 million (82 percent) for loans and grants, with the remaining UA 71.9 million (18 percent) drawn from Special Funds, comprising the African Water Facility (AWF), the Global Environment Fund (GEF), the Organization of Petroleum Exporting Countries (OPEC), the Rural Water Supply and Sanitation Initiative Trust Fund (RWSSI-TF), the Africa Growing Together Fund (AGTF), and the Zimbabwe Multi-Donor Trust Fund (ZimFund).

Two of the largest Water Supply and Sanitation operations approved—one in Tanzania and another in Angola—are highlighted: (i) the Arusha Sustainable Urban Water and Sanitation Delivery Project (UA 150.2 million); and (ii) the Angola Institutional Support for the Sustainability of Urban Water Supply and Sanitation Service Delivery (UA 89.7 million). The Arusha project provides safe, reliable and sustainable water and sanitation services thus contributing to improved health and social well-being, and raising the living standards of the beneficiaries. The Angola project aims to improve water-sector governance, and strengthen institutional capacity and efficiency in the water- and sanitation-sector institutions at the central and provincial level.

**Regional Economic Integration.** The Bank Group continues to foster regional and economic integration on the continent by increasing the effectiveness of its support to the RMCs, Regional Economic Communities (RECs) and other regional organizations, and the private sector. Through policy and strategic commitment, the Bank Group promotes regional integration to create larger, more attractive markets, link landlocked countries to international markets, and support intra-African trade. These interventions are aimed at realizing the AfDB's vision for stability, integration, and prosperity in its RMCs by growing African economies that are robust, competitive, diversified and sustainable, and able to participate fully in global trade and investment.

In November 2015, the Boards of Directors approved the new Regional Integration Policy and Strategy (RIPoS) for the period 2014-2023. Its focus is on creating larger and more attractive markets, linking landlocked countries to international markets, and supporting intra-African trade to foster the continent's development. The RIPoS will operationalize the TYS, which reaffirms the Bank Group's commitment to promote regional integration in Africa, identified as one of the five core operational areas.

In 2015, total Bank Group approvals for regional (multinational) operations amounted to UA 1.44 billion, a 34 percent increase over the 2014 approvals of UA 1.08 billion. The total approvals in 2015 were made up of loans and grants of UA 1.07 billion (74 percent), with the remaining UA 375.3 million (26 percent) financed by equity participation, guarantees, and five Special Funds. The Special Funds were made up of the Global Environment Facility (GEF), the Rural Water Supply and Sanitation Initiative (RWSSI), the African Water Facility (AWF), the Fund for African Private Sector Assistance (FAPA), and the Sustainable Energy Fund for Africa (SEFA).

Of the total multinational (regional) Bank Group approvals of UA 1.44 billion, the largest share (40.2 percent) was allocated to transport. This was followed by the finance sector (25.3 percent), for lines of credit to MSMEs, trade finance, guarantees, and equity participation; the energy sector projects (23.8 percent); and with the remaining 10.7

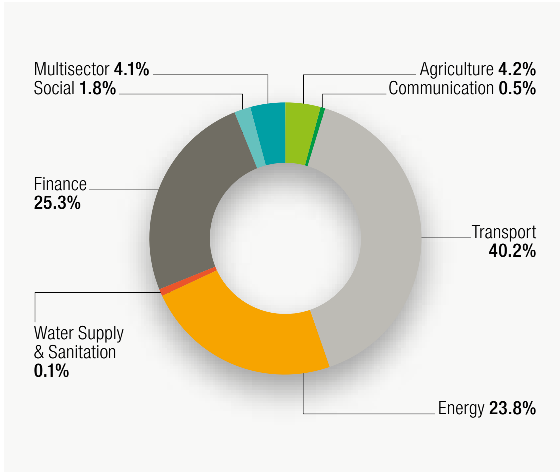
Investment in climate-resilient road infrastructure, Zambia.

percent allocated in smaller shares to operations in agriculture, multisector, social, communications, and water supply and sanitation sectors (Figure 3.7).

Among the regional operations, the largest approved project was Phase II of the Ketta–Djoum Road Corridor (UA 147.0 million), an important segment of the highway linking the capitals of Congo (Brazzaville) and Cameroon (Yaoundé). Apart from helping to boost trade between the two countries, the project is aimed at consolidating regional integration in Central Africa by providing highway interconnectivity linking Cameroon, Congo, DRC, Gabon, Equatorial Guinea, and Central African Republic. This project also has a biodiversity component aimed at raising the awareness of the local community on protective measures to safeguard classified forests and parks, and strengthening land management capacity, thereby fostering green growth.

**Figure 3.7**

Sectoral Composition of Regional Operations Financed in 2015




Source: AfDB Statistics Department.

Two of the largest regional project approvals offering lines of credit to MSMEs and trade finance were: (i) FirstRand Bank in Southern Africa (UA 72.5 million), discussed below under the section on Private Sector Operations, and (ii) Standard Chartered Bank (SCB) Risk Participation (UA 71.1 million). The goal of the SCB approval is to increase its risk participation agreement (RPA) facility from USD 200 million to USD 300 million coinciding with the maturity of the original facility in May 2016. The facility is an unfunded risk-sharing arrangement that requires the AfDB to disburse funds only when there is a payment default on a guaranteed trade transaction. The increase in the facility limit would enable issuing banks on the continent to receive more trade finance support from SCB. This is the largest RPA facility the Bank has signed with any confirming bank under the Bank's Trade Finance Program.

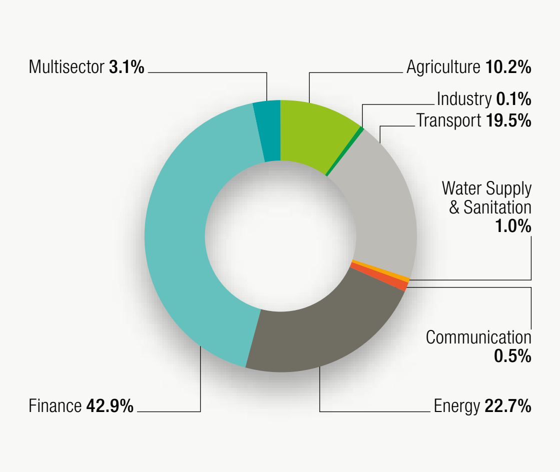
The AfDB's support for regional power pools is in line with the TYS emphasis on energy (infrastructure) and regional integration for Africa. A key regional project approval in this regard was the Kenya–Tanzania Power Interconnection Project (UA 102.8 million), which is to be connected to the Ethiopia–Kenya transmission system. This forms part of the Eastern Africa Electricity Highway with a transfer capacity of 2,000 MW. When completed, it will serve as a major link for power transfer between the Eastern Africa Power Pool, and countries in the North such as Sudan and Egypt. The expected power line's completion is in early 2017. The project will contribute to: (i) improved power supply in Kenya and Tanzania and in the Eastern African region in general; and (ii) reduced operation costs of energy production by replacing some of the high cost thermal energy production with cheaper hydropower. This will also help to reduce greenhouse gas emissions.

**Private Sector Operations.** The establishment of the Africa50 Infrastructure Fund in 2013 and its eventual incorporation in Morocco in 2014 was a significant stage in the Bank's shift towards mobilizing innovative private and public sector financing for infrastructure development, from both in Africa and externally. Today, Private investments in the energy sector in Africa are also benefiting from a rapid growth in Independent Power Projects, in which over USD 4 billion is allocated annually by private sector investors across sub-Saharan Africa. As a result, during 2015, energy and other infrastructure investments have been beneficiaries of private sector operations.

Total Bank Group approvals for the private sector in 2015 amounted to UA 1.56 billion—a marginal decline of 1.9 percent from the UA 1.59 billion private sector-financed operations in 2014. The 2015 approvals were made up of loans and grants, equity participation and guarantees amounting to UA 1.55 billion, and two Special Funds totaling UA 10.93 million. The two Special Funds were the GEF and FAPA.

In 2015, of the total private sector approvals of UA 1.56 billion, finance operations accounted for the largest share of 42.9 percent, followed by energy (22.7 percent), with the remaining shares going to transport operations (19.5 percent), agriculture (10.2 percent), and other sectors (see Figure 3.8).

**Figure 3.8**
Private Sector Operations by Sector, 2015




Source: AfDB Statistics Department.

The large share for finance came in the form of lines of credit mainly to MSMEs, trade finance, and guarantees to some of the largest financial intermediaries for on-lending activities to financially constrained firms that would otherwise not have had access to financing due to the lack of guarantees.

Three projects supported by private sector funding in the finance, transport, and energy sectors are highlighted. The first, in finance, is Banco de Poupança e Crédito in Angola (UA 231.5 million), the largest project. A second example, the Ghana Airports Company Limited Project (UA 85.5 million), is in transport, and the third is the multinational CEC Africa Investments Limited (UA 36.2 million) Project, which is an energy operation. An outline of each of the three selected projects is provided below.

The Banco de Poupança e Crédito (BPC) was granted a ten-year (with a two-year grace period) Government-guaranteed line of credit (LOC) of up to USD 325 million to enable it to increase its loan portfolio by USD 800 million over the next five to seven years. The BPC will target mainly medium-sized enterprises and some large corporations involved in priority sectors including water, agriculture, and industry. To enhance the effectiveness of its interventions, the AfDB will also provide advisory services to BPC, especially in setting up Environmental and Social Management Systems. The project will contribute to stimulating the diversification and competitiveness of the Angolan economy, which largely depends on oil.

The Ghana Airports Company Limited (GACL) capital investment program entails the construction of a new modern terminal at Kotoka International Airport in Accra to increase its capacity from 2.4 million to 5 million passengers per year, and the rehabilitation of other airports that it also manages in Kumasi, Tamale, Ho, and Wa. The project will strengthen the transport sector in Ghana and in the region as a whole by increasing the capacity of existing airports and improving the quality and efficiency of airport operations.

The final private sector example, CEC Africa (CECA), was established in 2013 as a pan-African company with a mandate to develop, finance and operate power projects across sub-Saharan Africa. In 2015, the Board approved CECA's "Blue Flare" project in Sierra Leone. CECA is strategically placed across the energy value chain, with investments in distribution, hydropower and thermal generation, and renewable energy. CECA also benefited from the Private Sector Credit Enhancement Facility to provide support for the high-risk environment in the country. The Bank's investment will support the growth of local African utility and offer a platform for additional project development as well as job creation.

**Supporting Governance and Accountability.** Overall, the Bank made notable progress in delivering governance support in 2015. As at end-December 2015, total approvals for governance-related operations amounted to UA 788.9 million. Of this amount, UA 689.3 million (87.4 percent) represented loan and grant approvals, and the remaining UA 99.6 million (12.6 percent) was from other approvals made up of UA 47 million for HIPC debt relief at completion point for Chad, UA 47.6 million from the Private Sector Risk Participation Agreement Facility (PSF-RPA), and UA 52 million from the Middle East and North Africa (MENA) Trust Fund. Almost three-quarters of the volume of lending for 2015 were Program-Based Operations (PBOs) against 27 percent for institutional support projects.

The Governance Strategic Framework and Action Plan 2014-2018 (GAP II), approved by the Boards in 2014, serves as the key programming instrument for governance operations within the overall framework of the TYS. The GAP II outlines three main pillars that enable the Bank Group to deliver its work and improve the quality of governance in Africa. These include: (i) public sector and economic management; (ii) sector governance; and (iii) investment and business climate. In addition, governance interventions have also contributed to other priority areas of the Bank Group's TYS, encompassing private sector development, gender mainstreaming, programs addressing states of fragility, and the bolstering of economic resilience.

*Public Sector and Economic Management (PSEM).* Bank Group interventions for PSEM have been directed at the continued strengthening of government policies and institutional capacity to enhance the transparent and accountable use of public resources, and the ability of citizens to hold governments accountable. In this regard two key operations were undertaken in 2015. In Niger, the Bank Group supported the implementation of the Financial Reforms and Food Security Support Programme (PAREFSA I) through a PBO loan worth UA 20 million using the ADF window. Its objective is to support the creation of conditions conducive to inclusive growth through enhanced food security. The Bank Group also approved a total of UA 15 million financing of Mali's Emergency Governance and Economic Recovery Support Program (EGERSP). The financing was drawn from the Transition Support Facility (TSF). The EGERSP is part of a coordinated effort by the international community to restore the Government's authority and support economic recovery to reverse the deteriorating humanitarian situation resulting from the various crises over the last three years. These PSEM interventions reflect the Bank Group's commitment, responsiveness, and flexibility in addressing fragility and emergency situations.

*Sector Governance.* In continued efforts to improve sector governance specifically aimed at addressing procurement-related corruption at the sector level, the Bank Group provided support towards the strengthening of procurement policies and the legal frameworks in a number of the RMCs. For example, a PBO totaling UA 50 million drawn from the ADF was approved for the Power Sector Reform and Governance Support Programme in Tanzania. This operation was aimed at enhancing the competitiveness of Tanzania's power sector that has historically suffered from weak economic and financial governance.

*Investment and Business Climate.* Interventions in this area have focused on strengthening legal and institutional frameworks through improved investment codes, and the creation of robust judicial systems for better contract enforcement and resolution of disputes. The Bank has also supported the strengthening of policy, legal, and institutional frameworks for Public-Private Partnerships (PPPs). Examples include the technical assistance grants for the Ethiopia Institutional Support Project for Public-Private Partnerships (ISP-PPP) for USD 1.6 million, and the Namibia Institutional Strengthening for Public-Private Partnerships Project (ISPPP) for USD 2.8 million.

**Promoting Skills and Human Development.** In 2015, implementation of the AfDB's Human Capital Strategy (2014-2018) gathered pace. This strategy provides a framework for the Bank Group's vision to harness human resources to support the competitiveness of African economies. For the review period, the AfDB approved various innovative operations aimed at capacity building, including skills development, promoting entrepreneurship, creating jobs, and promoting equal opportunities for men and women. As exemplified below this also included consolidating the gains attained during the campaign against the Ebola virus disease in 2014, with the Post Ebola Recovery Social Investment Fund Project (PERSIF). In total, as at end-December 2015, UA 595.9 million had been approved for various operations. The bulk of the financing—UA 592.5 million (99.4 percent)—was through loans and grants. The remaining UA 3.4 million (0.6 percent) was sourced from the RWSSI Trust Fund and FAPA. Box 3.4 provides a summary

### Box 3.4
Selected Approved Projects in 2015 for Skills Development

The Kenya Support to Technical Vocational Education and Training Project (UA 41 million) will train middle-level engineering and applied sciences faculties in 33 Technical Training Institutes (TTIs). The Skills Development and Entrepreneurship Project in Zambia (UA 21.4 million) will contribute to job creation, the promotion of gender equality and poverty reduction, in particular supporting women and youth through skills development and entrepreneurship. In Sudan, the Capacity Building for Improved Quality of the Education System (UA 15.3million), aims to enhance skills development among teachers and education managers and promote the use of technology to enhance the quality of education. The Support Project for Youth Employability and Integration in Growth Sectors in Togo (UA 14.5 million) will contribute to creating conditions for more inclusive economic growth by boosting youth employability and promoting entrepreneurship in growth sectors. In Eritrea, the Support to Skills Development for Employability and Entrepreneurship Project (UA 13.5 million) aims to improve formal technical/vocational education and training, and to offer basic skills training programs to youths and adults, with an emphasis on gender equality.

Catering trainees at the Zanzibar Institute for Tourism Development with the Support of the Alternative Learning and Skills Development Project, Tanzania.

of this genre of interventions within the different operations undertaken in Eritrea, Kenya, Sudan, Togo, and Zambia.

The single largest operation for job creation was the UA 144.3 million approved for Tunisia's Regional Development and Job Creation Support Programme (PADRCE). This seeks to establish a climate that is conducive to accelerated job creation and inclusive growth through regional development. This program is expected to bridge regional disparities as well as reduce Tunisia's unemployment, which stands at 13.3 percent, with youth unemployment at an a particularly high level of 31.2 percent. Specifically, the program's beneficiaries will include: (i) the inhabitants of the interior region; (ii) about 58,000 higher-education graduates annually; (iii) women and youth beneficiaries of microcredit interventions; and (iv) the 235,000 families targeted by social assistance to alleviate the burden of high unemployment.

Other social sector operations approved in 2015 were aimed at supporting reconstruction efforts in Central African Republic (CAR), and the protection of basic services in Malawi. In CAR, the Support Program for Reconstruction of Grassroots Communities, Phase 1 (PARCB-1) totaling UA 15 million, was AfDB's most significant intervention in support of the country's transition, following outbreaks of unrest. The program involves the rehabilitation of vocational training and learning centers to promote the socio-economic reintegration of communities, including the half a million unemployed and out-of-school youth in the project area, as well as facilitate increased access to social services. In Malawi, the AfDB approved a project of UA 19 million for the Protection of Basic Services. Among other objectives, this project is expected to: (i) improve access to quality health and education services; (ii) increase the participation of poor households in the Public Works Program; and (iii) increase transparency in the delivery of basic social services.

Three countries in West Africa (Guinea, Liberia, and Sierra Leone) had suffered from the outbreak of the Ebola virus disease in 2014, which damaged their economic and social fabric. In 2015, the ADF Board approved a grant of UA 20.4 million for the Post Ebola Recovery Social Investment Fund Project (PERSIF). PERSIF complements the Bank Group's earlier interventions for alleviating the pressure resulting from the outbreak, and strengthening subsequent responses to future epidemics. It is also geared at restoring basic social services and improving people's livelihoods.

### 3.2.1 Ten-Year Strategy: Areas of Special Emphasis

In addition to the five operational priorities, the TYS also emphasizes support to the special areas of agriculture and food security, gender mainstreaming, and States in situations of fragility. Operational activities in these areas during 2015 are highlighted below.

**Agriculture.** Agriculture employs 65 percent of Africa's labor force and accounts for 32 percent of its GDP. It is therefore a key priority for reducing poverty and hunger, raising household


NERICA Rice Project, Benin.

incomes, spurring GDP growth, and creating jobs. In line with its emphasis on agriculture as one of the TYS focal areas, the Bank Group organized the Dakar-High Level Conference on Agricultural Transformation in October 2015 for over 600 participants, including 155 high-level Government representatives, ranging from Ministers of Agriculture, Finance, and Trade, and Central Bank Governors, as well as other policy makers, business leaders, members of civil society, and other stakeholders. The conference endorsed an 18-point plan of action, summed up in "Feeding Africa: An Action Plan for African Agricultural Transformation: Summaries Work Streams 1-26". The Action Plan is guiding the preparation of the continent's long-term strategy for agricultural transformation (2016-2025).

The Action Plan called on governments to demonstrate strong commitment, and to take critical steps towards the transformation of Africa's agriculture (Box 3.5).

### Box 3.5

Feeding Africa: An 18-point Action Plan for African Agricultural Transformation

In October 2015, African leaders met in Dakar, Senegal, at a high-level conference called to kick-start agriculture as an engine of growth by mapping out an ambitious action plan. The conference outlined a shared vision for African agricultural transformation, based on the following goals:

- Eliminating extreme poverty.
- Ending hunger and malnutrition.
- Turning Africa into a net food exporter.
- Moving Africa to the top of global value chains.

The Action Plan is to be implemented with AfDB as the focal point, working closely with co-conveners and development partners: AU, FAO, UNECA, and the World Bank. Highlights of the 18-point Action Plan, include the following:

- The conference agreed to increase the number of nutrition programs across Africa to end malnutrition and hunger. The synergy needed was created for effective partnerships to achieve this objective.
- The program will involve establishing a strategic partnership with US President Obama's Feed the Future Initiative, Grow Africa of the World Economic Forum, the Big Win Philanthropy, the FAO, Scaling Up Nutrition, the World Food Programme, the Bill and Melinda Gates Foundation, the Global Panel on Agriculture and Food Systems for Nutrition, as well as the private sector in general, to deploy innovative approaches to addressing malnutrition.
- The Bank Group will work with partners to leverage USD 3 billion in financing for women farmers, agribusinesses, and other women-owned enterprises. This will include the establishment of a USD 300 million facility to de-risk financing to women-owned businesses by commercial banks and microfinance institutions.
- The Bank Group will also triple its climate financing to USD 5 billion annually by 2020 by working closely with the African Union, the African Ministerial Conference on the Environment, the United Nations Environmental Programme, and the G7 for the establishment of the Africa Renewable Energy Initiative.
- Under the plan, Central Banks in Africa will set aside Special Funds to allow farmers to access credit at reduced interest rates, and also for long-term agricultural loans with longer-term maturity.
- The Bank Group will scale up skills enhancement for youth in agriculture and establish an African Youth in Agriculture Financing Facility to support young commercial farmers and other youth in agriculture.

Source: AfDB.

Other stakeholders who attended the conference included program and task managers, entrepreneurs, women and youth leaders of non-governmental agricultural organizations in rural and urban communities in Africa. Their testimonies revealed their experiences at the conference, and what they perceived to be the benefits they expect to derive from it (Box 3.6).

In 2015, Bank Group approvals in the agricultural sector amounted to UA 514.6 million. Of this, UA 472.2 million (91.8 percent) was through loan and grant approvals and the remaining UA 42.4 million (8.2 percent) was financed through Special Funds, specifically the Global Agriculture and Food Security Program (GAFSP), the Global Environment Fund (GEF), and the Fund for African Private Sector Assistance (FAPA). One of the largest operations approved was the Green Morocco Plan Support Programme (PAPMV-2), a public sector initiative, for UA 94 million. Phase 2 of the Programme aims at improving sustainable natural resource management through green governance in the agricultural sector and development of agricultural sector value chains (see Box 3.7).

## Box 3.6
### Testimonies from Stakeholders at the Dakar Conference on Feeding Africa

On 23 October 2015, delegates attending the Dakar conference on transforming African agriculture expressed enthusiasm about the new commitments to agribusiness.

"You need high-profile events like these to get things done. It was important for the new President of the AfDB to make this strategic decision at this early stage on assuming office because it has drawn attention across Africa and encouraged political and technical buy-in" said Ikhide Imumorin, Program Leader at Cornell University's College of Agriculture. Imumorin continued: "By bringing in Central Bank Governors, Ministers of Finance and Agriculture, and regional development banks, this will certainly achieve results."

During the conference, the AfDB President announced the creation of a USD 300 million financing facility to channel more funds to African women in agribusiness and provide bank guarantees. Claudius Kurtna, a youth agribusiness entrepreneur from Kenya, who also attended the conference, hailed the President for emphasizing the role of the youth and women in agriculture. He added: "It was not a youth event on agriculture, but the President has driven it like one and we are very happy. This has marked the start of a big change in Africa." Kurtna noted that his organization managed to sign agreements for business expansion and was looking for further commitments in agribusiness.

Oluwatosin Ariyo, who is currently overseeing an initiative funded by the British Government to improve the status of women in agriculture in rural Nigeria said his organization hoped to "tap into the strong commitments reached at the conference to bolster programs under implementation in Nigeria". He continued: "This conference has brought agriculture to the fore. The financial sector will begin to connect the dots that have been missing in the whole value chain, and the fund created by the AfDB will help to reduce interest rates on agribusiness loans. This will enable more women to benefit."

Source: AfDB.

## Box 3.7
### Green Morocco Plan Support Programme, Phase 2

In October 2015, the Bank approved a sector budget support loan of UA 94 million to Morocco to finance the second phase of the Green Morocco Plan Support Programme. This is in line with the Bank Group's TYS. Adopting a participatory, inter-sector approach, this support recognizes agriculture as an innovative business sector, which complements and creates synergies with other sectors, but also gives value to its stakeholders, especially women and youth. The program's specific objective is to improve sustainable natural resource management through green governance in the agricultural sector and the inclusive development of agricultural sector value chains.

The program includes an insurance scheme for women farmers in cooperatives to promote equality with men over access to this scheme. It also promotes gender budgeting in the area of agricultural value chains. Land tenure for women is encouraged in the allocation of valuable agricultural plots to women farmer groups through Public-Private Partnerships, as well as the provision of accessible and affordable financing to rural women.

Source: AfDB.

**Gender.** Following the approval of the Gender Strategy, an action plan to operationalize it was developed and adopted in December 2014. The implementation of the strategy was accelerated in 2015 with the establishment of a network of 85 gender focal points throughout the Bank in April 2015. The role of the focal points is to ensure that gender equality and empowerment are: (i) integrated into the Bank Group's day-to-day operational business processes; and (ii) that these are appropriately addressed in the AfDB's projects, Country Strategy Papers (CSPs), Regional Integration Strategy Papers (RISPs) and Project Appraisal Reports (PARs), through mainstreaming. Three capacity-building training workshops were held to support the focal points in September and October 2015. The aim of the workshops was to equip focal points with common skills and tools to enable them to effectively champion gender mainstreaming in their departments/units. In all, 62 of the 85 gender focal points appointed received training. Of these, 27 are based in the field offices. In addition, the gender focal points have formed an institutional network for information sharing, joint approaches, and peer support. This will be further strengthened through a Gender Community of Practice, scheduled for launch in 2016.

The Coordinating Committee on Gender Equality was established to address specific needs for better results measurement and reporting of Bank Group operations. The Bank Group is the secretariat of the African Finance Ministers Community of Practice (CoP) on financing for gender results. The first meeting of the CoP took place at the AfDB's Annual Meetings in Abidjan in May 2015. Another initiative supporting the Gender Strategy involves reform of the AfDB's approaches in relation to the Country Gender Profile (CGP). The CGP seeks to identify gaps and propose revisions for improving the quality and inclusivity of operations. As part of the CGP, three separate work streams have been developed, each focusing on a key operational need or product of the AfDB. The first is aimed at supporting CSP preparation (e.g. Uganda's new Country Gender Profile). The second proposes addressing sector- and project-specific issues from a gender perspective (e.g. energy sector in Côte d'Ivoire's Gender Profile). The third

Leaders of various community-based organizations that have been instrumental in the Ebola response in Liberia.

addresses gender and economic issues to promote inclusive growth (e.g. Rwanda's Country Gender Profile).

Additionally, the Africa Gender Equality Index was launched at the Bank Group Annual Meetings in Abidjan in 2015. The index is a compilation of data from various sources, reflecting the status of women around Africa along three dimensions of equality: economic opportunity, social development, and laws and institutions. Its purpose is to track progress along these dimensions to determine whether over time there is improvement or deterioration in the status of women.

At the Dakar High-Level Conference on African Agricultural Transformation held in October 2015, the President announced a new initiative called the Affirmative Finance Action for Women in Africa (AFAWA). This is a proposed USD 300 million facility that will leverage USD 3 billion to de-risk financing of women-owned businesses by commercial banks and microfinance institutions. The objectives of this initiative are in line with the 18-point Action Plan of the Dakar Conference and the target beneficiaries are: (i) women-owned micro-enterprises, particularly for rural women involved in small-scale and commercial agriculture and along the agriculture value chain; and (ii) women-owned small- and medium-sized enterprises (SMEs) operating in several sectors of the economy (agribusiness and food industry, technology and telecommunications, extractive and creative industries, and energy).

In 2015, work began on the development of a Gender Marker System to systematize mainstreaming of gender in the AfDB's operational business processes. The Gender Marker System seeks to codify existing practices and identify clear entry points to strengthen existing provisions. As part of this exercise, operations that have potential for high gender impact will receive attention through the adoption of gender action plans for specific project designs.

**Countries in Situations of Fragility.** The 16 countries eligible for Pillar I of the Transition Support Facility (TSF) are the RMCs considered to be in fragile situations. These countries are: Burundi, CAR, Comoros, Côte d'Ivoire, DRC, Guinea, Guinea-Bissau, Liberia, Madagascar, Mali, Sierra Leone, Somalia, South Sudan, Sudan, Togo, and Zimbabwe. Pillar I refers to supplemental top-up (additional) resources to ADF performance-based allocations. Accordingly, the ADF Board approved UA 365.7 million for these countries to finance their operations. Pillar II of the TSF represents funds that are set aside to support arrears clearance for eligible countries with arrears, while Pillar III of the TSF constitutes resources set aside for capacity building and technical assistance.

To strengthen the Fund's support for all the RMCs eligible for the TSF resources, the ADF Board had approved a new Strategy for Addressing Fragility and Building Resilience in Africa (2014-2019) in June 2014. This was one of the outcomes from the recommendations of the consultative process conducted by the High-Level Panel for Addressing Fragility in Africa. In January 2015, the Board approved the Operational Guidelines for the implementation of the Strategy and the Transition Support Facility (TSF). Therefore, 2015 marked the first year that the ADF began implementing a new operational framework in its engagement with countries in fragile situations. The conceptual framework of the Operational Guidelines contains several innovations that shaped the Fund's engagement with countries in fragile situations in 2015. This includes the introduction of a traffic light system for all the RMCs to monitor fragility and guide the Fund's engagement in countries, in states of fragility.

The systematic application of the new traffic light system has changed the AfDB's business model. Thus, in 2015, all CSPs and RISPs were informed by fragility assessments using the traffic light system, and more than 80 percent of operations approved in 2015 in high-risk countries integrated a fragility perspective. For instance, in Madagascar, the new Interim Country Strategy Paper approved in 2014 was prepared, and all short and medium term projects approved since then, respond to the priorities of the fragility assessment based on the traffic light system. The new projects underscore access to basic social services, private sector participation, youth employment, food security, and women's empowerment.

With the approval of the Operational Guidelines, the Fund has also revised its approach to using Pillar III resources of the TSF, meant for critical capacity-building interventions, building on lessons learned from the past and the findings of the Independent Evaluation conducted in 2014. One of the beneficiaries of the application of the new model was a technical assistance project (UA 1. 4 million) in Zimbabwe for the "Support to the Beef and Leather Value Chain", which leverages co-financing from the Fund for African Private Sector Assistance (FAPA). This project seeks to address fragility and build resilience in the country, placing emphasis on value-addition and employment creation.

**Special Programs to Address Fragility.** The AfDB has developed special flagship programs and initiatives focusing on

**Box 3.8**
The Special Programs in the Horn of Africa and the ECOWAS Region

**The Horn of Africa Initiative.** In June 2015, the Boards approved Phase III of the Drought Resilience and Sustainable Livelihoods Program in the Horn of Africa (DRSLP III) for USD 30 million, targeting Djibouti and Sudan. The DRSLP is a long-term program to build the resilience of communities to drought and climate change, improve their livelihoods and promote regional integration in the Horn of Africa. The Bank Group had committed USD 115.6 million to Phase I under the DRSLP approved in December 2012, and USD 104.3 million for Phase II (DRSLP II) in November 2014.

Based on wide consultations and studies, the program addresses the root causes of the drought, which drives the fragility of the region. In this regard, Phase III of the program will develop infrastructure for: (i) water harnessing and management; and (ii) agriculture and livestock production, health, and marketing. It is also designed to build the capacity of the inhabitants and governments of the participating countries to better cope with the effects of climate change, resource scarcity and related resource-based conflicts. Direct and indirect beneficiaries of the overall program are estimated at 20 million agro-pastoralists affected by drought and land degradation, half of whom are women.

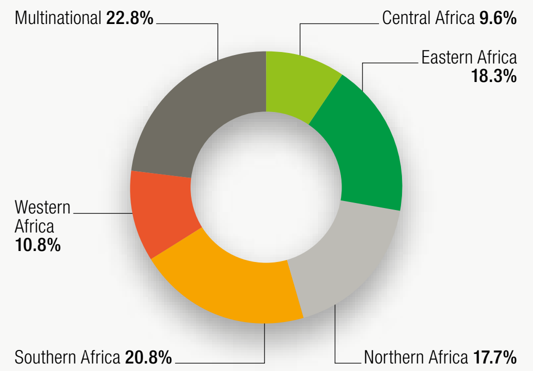
**ECOWAS Region Programs.** The Boards approved two Special Programs in this region in the energy and transport sectors. The energy sector operation, discussed earlier, is The Gambia River Basin Development Organisation (OMVG) Renewable Energy Program (UA 97 million), approved in September 2015, which seeks to deal with fragility and provide the four OMVG member states with renewable, clean and affordable energy. At the same time, it aims to promote regional integration through the sharing of energy and improved electricity supply quality. The second is the multinational road project linking Mali to San-Pédro in Côte d'Ivoire (UA 140.4 million), to address fragility situations in both countries in the region. It will contribute to improving competitiveness, diversifying their economies as well as reducing poverty, and further assist in the emergence of San-Pédro as a key transit port for neighboring landlocked countries such as Mali and Burkina Faso.

development challenges facing the vulnerable and disadvantaged populations in regions and countries affected by disasters and fragility. In 2015, the Boards approved three such special programs, including one in the Horn of Africa, and two in the ECOWAS region (Box 3.8).

## 3.3 Bank Group Operations by Region

*This section of the Report presents the regional distribution of Bank Group resources. In 2015, among the regions, the largest share of Bank Group operations was undertaken in the Southern Africa region. The largest approvals were in infrastructure, despite variations in the sector distribution of other operational priorities within the regions. The emphasis on regional integration is also highlighted by the approval of key projects and programs in energy inter-connections and inter/intra-regional transport networks.*

**Figure 3.9**
Total Bank Group Approvals by Region, 2015 (UA 6.33 billion)




Source: AfDB Statistics Department.

**Bank Group Approvals by Region.** As outlined above, the Bank Group operations cover all 54 RMCs and the five regions. However, variations exist in terms of the volume of operations accross the regions. As reflected in Figure 3.9, the regional distribution of total Bank Group approvals shows that, among the regions, the largest share of 20.8 percent of approvals was allocated to Southern Africa. This was followed by Eastern Africa (18.3 percent), Northern Africa (17.7 percent), Western Africa (10.8 percent), and Central Africa (9.6 percent). The

**Table 3.4**

Total Bank Group Approvals by Region, 2014-2015

| Regions | Countries | | | 2014 UA million | 2014 Share | 2015 UA million | 2015 Share | % Change in Approvals 2015 |
|---|---|---|---|---|---|---|---|---|
| Central Africa | Cameroon**<br>Central African Rep.<br>Chad | Congo*<br>Congo, Dem. Rep. of<br>Equatorial Guinea* | Gabon*<br>São Tomé & Príncipe | 371.35 | 7.4 | 606.23 | 9.6 | 63.3 |
| Eastern Africa | Burundi<br>Comoros<br>Djibouti<br>Eritrea<br>Ethiopia | Kenya**<br>Rwanda<br>Seychelles*<br>Somalia | South Sudan<br>Sudan<br>Tanzania<br>Uganda | 652.11 | 12.9 | 1,158.75 | 18.3 | 77.7 |
| Northern Africa | Algeria*<br>Egypt* | Libya*<br>Mauritania | Morocco*<br>Tunisia* | 391.36 | 7.7 | 1,121.20 | 17.7 | 186.5 |
| Southern Africa | Angola*<br>Botswana*<br>Lesotho<br>Madagascar | Malawi<br>Mauritius*<br>Mozambique<br>Namibia* | South Africa*<br>Swaziland*<br>Zambia**<br>Zimbabwe | 1,220.70 | 24.2 | 1,318.33 | 20.8 | 8.0 |
| Western Africa | Benin<br>Burkina Faso<br>Cabo Verde*<br>Côte d'Ivoire<br>Gambia, The | Ghana<br>Guinea<br>Guinea-Bissau<br>Liberia<br>Mali | Niger<br>Nigeria***<br>Senegal<br>Sierra Leone<br>Togo | 1,337.05 | 26.5 | 686.61 | 10.8 | -48.6 |
| Multinational | | | | 1,077.36 | 21.3 | 1,443.58 | 22.8 | 34.0 |
| **Total** | | | | **5,049.92** | **100.0** | **6,334.69** | **100.0** | **25.4** |

Source: AfDB Statistics Department.
Notes:
* ADB countries.
** Blend countries.
*** In transition to ADB in 3-5 years.
( ) ADF countries.

share of multinational operations was the largest overall at 22.8 percent, and is worthy of specific note as it reflects the significance of projects and programs in the Bank Group's regional integration agenda.

Table 3.4 provides a breakdown of operations in 2014 and 2015 for beneficiary countries in each of the five regions. By comparison with 2014, Northern Africa recorded the highest increase in total Bank Group approvals followed by Eastern Africa and Central Africa. Western Africa recorded a decrease in approved operations in 2015, as explained below.

**Central Africa Region.** Of the eight countries in Central Africa, two (Gabon and Equatorial Guinea) are ADB-eligible countries while Cameroon is a blend country, eligible for both ADB and ADF resources. Congo was in transition towards ADB eligibility up to end-2015 when it became an ADB country. The remaining four countries (CAR, Chad, DRC, and São Tomé & Príncipe) are ADF-eligible, and borrow mainly from the ADF window. The four ADF-eligible countries are also classified as countries in fragile situations, which also makes them eligible for financing from the Transition Support Facility (TSF). For the Central Africa region, total Bank Group approvals amounted to UA 606.2 million in 2015, a 63.3 percent increase over the level in 2014.

In terms of sector distribution of the region's total Bank Group approvals, the largest share of 65.6 percent was allocated to the finance sector, followed by 20.1 percent to support multisector operations, while the remaining 14.3 percent was allocated in smaller shares to operations in communications, energy, social, agriculture, and water and sanitation sectors.

The finance sector support included the partial credit guarantee of UA 397 million provided to Cameroon for currency risk-hedging to cover the country's payment related to cross-currency swaps executed with commercial banks. The partial credit guarantee was to finance Cameroon's development projects, in particular its Three-Year Emergency Plan, and certain long-term investment projects identified in the country's 2015 budget. For the multisector operations, one of the larger approvals, worth UA 38 million, was allocated for an institutional support project in DRC, mainly aimed at enhancing private sector development through skills transfers in beneficiary institutions and businesses, especially the youth and women. Another large operation was the UA 30.9 million allocated for the Central African Backbone Information and Communication Technology (ICT) project, also in Cameroon. This project was one of the two ICT operations that the Bank Group approved in 2015. It is aimed at extending coverage of the national optical fiber network in the neighboring countries—Congo, Nigeria, and CAR.

**Eastern Africa Region.** Among the 13 countries in this region, Seychelles is the only country eligible to access financing from the ADB window. Six other countries—Burundi, Comoros, Eritrea, Somalia, South Sudan, and Sudan—are ADF-eligible and also classified as countries in fragile situations. This means that they are eligible for TSF financing as well. Kenya qualified to become a blend country in September 2015, which makes it eligible for both ADF and ADB financing. Tanzania and Uganda were assessed as eligible for ADB financing under the revised Bank Group Credit Policy, and received some non-concessional ADB resources for financing parts of their infrastructure projects.

Bank Group total approvals for Eastern Africa amounted to UA 1.16 billion, which was 77.7 percent more than the amount approved in 2014 (see Table 3.4). Infrastructure financing in transport, water and sanitation, and energy accounted for the largest share (66.3 percent) of total Bank Group approvals for the region. An additional 24.8 percent was allocated to the social sector to support technical and vocational skills development, employment, drought and other emergency relief operations. The remaining 8.8 percent was allocated to the finance sector in the form of locs to MSMEs, agriculture, and multisector operations.

One of the signature projects for this region was the Arusha Sustainable Urban Water and Sanitation Delivery Project in Tanzania (UA 150.2 million). This project was designed to increase access to safe, reliable and sustainable water and sanitation services in Arusha. This will also lead to reduction of water-borne diseases and associated health-care costs (Box 3.9).

**Box 3.9**

**Arusha Sustainable Urban Water and Sanitation Delivery Project**

The objective of the project is to provide safe, reliable, and sustainable water and sanitation services in Arusha city, Tanzania, and thereby contribute to better health, improved social well-being, and higher living standards for the beneficiaries. The project will improve the existing infrastructure and enhance the operational, commercial, and service delivery efficiency of the public utility company, the Arusha Urban Water Supply and Sanitation Authority (AUWSA).

About one million people will benefit over the project's lifespan. Improved access to water and sanitation services will complement other social services and boost socio-economic activities in the city while providing an environment that is conducive to business. The project will also provide climate adaptation benefits in relation to water sources management and should lead to the reduction of water-borne diseases and associated health-care costs. Furthermore, the construction phase will offer job opportunities. The project will provide capacity building to AUWSA and will support the public utility in adopting the National Gender Policy and in the provisions addressing the needs of vulnerable groups.

**Northern Africa Region.** Home to six countries, the Northern Africa is one of Africa's most developed region. However, it still faces numerous socio-economic challenges since the upheavals that began in Tunisia in December 2010. These events reverberated in other countries in the region in the ensuing "Arab Spring". Although five of the six countries are ADB-eligible (only Mauritania is an ADF-only country), neither Libya nor Algeria has borrowed from the Bank in recent years. To help with the new social problems in the region, Bank Group total approvals increased by 186.5 percent to UA 1.12 billion from UA 391.4 million in 2014. Multisector operations for public finance management and governance-related operations had the largest share (40.6 percent) of the regional Bank Group total approvals, followed by infrastructure (34.2 percent), mainly transport and energy, while social sector operations in regional development and job creation interventions accounted for 12.9 percent. Bank Group approvals to agriculture took a 12.1 percent share while the remaining small share (0.2 percent) went to the finance and industry sectors.

Two large operations were the key highlights of interventions in Northern Africa. As mentioned above, the operations include the Regional Development and Job Creation Support Programme (PADRCE) in Tunisia (UA 144.3 million), and Phase 2 of the Green Morocco Plan Programme (UA 94 million). The PADRCE programme is expected to bridge regional disparities as well as reduce the rate of unemployment. The Green Morocco Plan Support Programme will contribute to the strengthening of agricultural sector competitiveness for inclusive and green growth in the country as noted above. A third project, the Tunisia Natural Gas Transmission and Distribution Network Development Project, was financed at UA 38.5 million. This project will enhance climate-change mitigation and adaptation, especially among the SMEs, the tertiary sector and households in the project area through increased access to more-affordable and less-polluting fuel (Box 3.10).

**Southern Africa Region.** Of the 12 countries in the region, half are ADB-eligible; five are ADF-only countries, and the other, Zambia, was classified in 2014 as a blend, eligible for both ADB and ADF financing. The 12 countries are members of the regional economic bloc, the Southern African Development Community (SADC). In 2015, total Bank Group approvals for the region increased by 8 percent to UA 1.32 billion from the UA 1.22 billion approvals made in 2014. The largest share of 47.6 percent of total Bank Group approvals for the region was for the financing of infrastructure operations (energy, transport, and water and sanitation). This was followed by the finance sector, with a share of 37.6 percent for operations covering mainly LOCs and trade finance for the benefit of MSMEs. The remaining 14.8 percent was allocated to the social, agriculture, industry, and multisector interventions.

### Box 3.10
Natural Gas Transmission and Distribution Network Development Project in Tunisia

This project aims to connect 19 municipalities in Tunisia to the natural gas supply system (STEG) through the construction of 260 km of transmission network and 404 km of distribution network. The main beneficiaries of the project will be small- and medium-sized industries, small businesses and 13,450 households in the project area. They will substitute natural gas for the currently used heavy fuel, diesel, and Liquefied Petroleum Gas (LPG). Consumption of natural gas instead of these fuels would help the project beneficiaries to cut expenditure on fossil fuels and reduce air pollution by limiting the emission of the equivalent of 47,000 metric tons of $CO_2$ per year. In the construction phase, about 1,900 direct temporary jobs will be created and in the operational phase, 900 jobs will be created, 200 of which will be direct permanent jobs.

The highlights were the two large LOCs, of which UA 262.3 million was offered to the Development Bank of Namibia (DBN), and UA 231.5 million was made to Banco de Poupança e Crédito (PBC) of Angola, profiled above. The purpose of the LOC to the DBN was to finance projects in key priority sectors, including infrastructure, manufacturing, logistics and tourism. The financing approved to PBC was aimed at targeting mainly medium-sized enterprises that often face financing constraints. Some large corporations involved in the country's priority sectors, including water, agriculture, and industry, are also expected to benefit from this financing. The approval of UA 172.8 million for Zambia's Chinsali–Nakonde Road Rehabilitation Project has already been mentioned above. This road is a segment of the Trans-Africa Highway and the North–South Corridor (NSC)—a priority transport route servicing eight countries, and important for promoting trade in the region.

**Western Africa Region.** As the largest region, with 30 percent of Africa's population, the Western Africa region comprises 15 countries and also has the highest number of countries classified as States in fragile situations, with access to both ADF and TSF resources. Of the 15 RMCs in this region, 13 are ADF-eligible; the remaining two—Cabo Verde and Nigeria—were in the transition phase of becoming ADB-eligible countries up to end-2015 when Cabo Verde became an ADB country, but Nigeria remains in transition until end-2018, when it will also become an ADB country. The seven countries in fragile situations are Côte d'Ivoire, Guinea, Guinea-Bissau, Liberia, Mali, Sierra Leone, and Togo.

In 2015, total Bank Group approvals for the Western Africa region amounted to UA 686.6 million, 48.6 percent lower than in 2014. The year 2014 was exceptional as the approvals included some large private sector-financed projects (UA 503 million) for Nigeria. In 2015, infrastructure operations took up 45.6 percent of the regional Bank Group approvals channeled to transport, energy, and ICT projects. Agriculture was allocated 28.9 percent of the approvals while 15.9 percent went to multisector operations. Lines of credit to the finance sector for MSME, and support to the social sector, accounted for 7.4 percent and 2.3 percent, respectively.

In infrastructure financing, a total of UA 85.5 million was approved for the Ghana Airports Company Project to improve the country's aviation industry and enhance regional integration, while UA 48.7 million was allocated to the Digital Technology Park Project in Senegal. This project aims to promote Senegal as a call-center destination (see Box 3.11). The Budget Support Program for the energy (infrastructure) sector in Burkina Faso attracted UA 20 million financing and seeks to make the supply of electricity and petroleum products more efficient in the country.

**Box 3.11**
Senegal Digital Technology Park

This Digital Technology Park allocation of UA 48.7 million is the larger of only two ICT project approvals in 2015. The other is the Central Africa Optical Fiber Backbone Project—Cameroon Component (UA 30.9 million).

The Digital Technology Park, to be set up in the rapidly urbanizing Diamniadio Commune of Senegal, will include a data center, business process outsourcing facilities, an ICT enterprise incubator, training, research, and audio-visual and content-production centers. The project is expected to produce 35,000 direct jobs and a further 105,000 indirect jobs by 2025, modernize government ICT services, diversify the economy into tech-enabled businesses, support academic technology-based research, and simplify provision of ICT services for the people in Senegal. It will also attract inward investment, providing a focal point for the development of an ICT cluster in Francophone West Africa.

## 3.4 Leveraging Resources and Partnerships

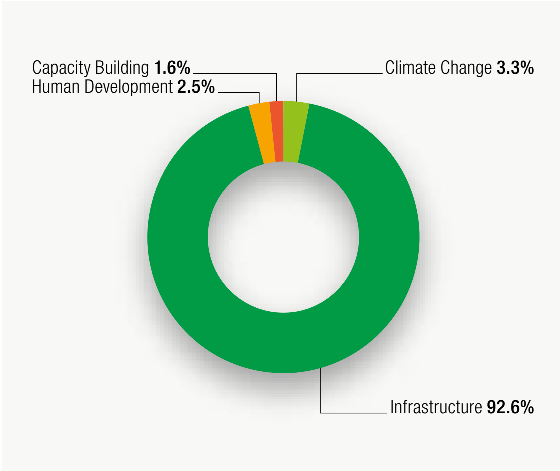
*This section reviews the resources mobilized through Thematic and Bilateral Trust Funds which represent other sources for financing, particularly for pre-investment feasibility studies, project cycle work, and capacity-building activities. While the largest share of Thematic Trust Fund approvals was allocated to infrastructure operations, in 2015 the largest share of Bilateral Trust Fund approvals went into financing capacity-building activities.*

The bulk of Bank Group financing for low-income RMCs is largely through the ADF replenishment. For the three-year ADF-13 cycle (2014-2016), available resources from the replenishment for allocation to the 40 ADF-eligible RMCs amount to UA 5.11 billion, with a third (UA 1.7 billion) estimated to be available in 2015 for financing projects and programs in ADF-eligible RMCs. In addition, the Bank Group has continued to leverage other sources of financing, mainly through Special Funds and Technical Cooperation Trust Funds. These resources are used mainly for financing pre-investment feasibility studies, enhanced project cycle work, and capacity-building activities.

In March 2015, the Board of Directors approved the establishment of the Bill and Melinda Gates Trust Fund to be hosted by the Bank. This is the first bilateral fund with a non-sovereign entity, and is aimed at providing a formal structure to the long-standing collaboration between the two institutions in order to increase activities in agriculture, water and sanitation, and health-related areas.

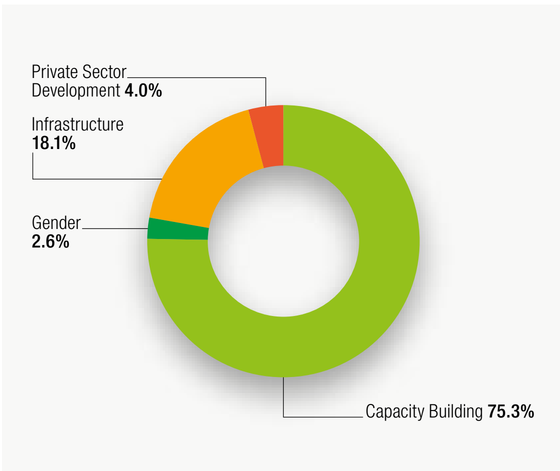
In 2015, the Bank Group managed 40 Trust Funds (TFs) in different currencies for a cumulative total value of UA 865

**Figure 3.10**
Sectoral Distribution of Thematic Trust Fund Approvals in 2015




Source: AfDB Statistics Department.

**Figure 3.11**
Sectoral Distribution of Bilateral Trust Fund Approvals in 2015




Source: AfDB Statistics Department.

million. Thematic Trust Funds (TTFs), which are linked to themes aligned with the TYS operational priorities, represented 87 percent of total TF resources, and Bilateral Trust Funds (BTFs) accounted for the remaining 13 percent.

As at end-December 2015, Thematic Trust Fund (TTF) approvals amounted to UA 17.7 million. Similar to 2014, TTF approvals in 2015 for infrastructure operations made up the largest share (92.6 percent). This included the single largest approval (UA 11.5 million) by ZimFund for the Zimbabwe Urgent Water Supply and Sanitation Rehabilitation Project, Phase 2. The remaining smaller share (7.4 percent) was for operations in support of climate change, human development, and capacity building (Figure 3.10).

Approvals by Bilateral Trust Funds stood at UA 11.8 million as at end-December 2015. The largest share (75.3 percent) supported capacity-building operations, including UA 3.8 million for a strategic partnership to address fragility in the RMCs; and UA 1.7 million support to the ADF Policy Innovation Lab during the ADF-13 Mid-Term Review and the preparations for the ADF-14 consultation processes. Figure 3.11 shows that smaller Bilateral Trust Fund shares were allocated to support infrastructure (18.1 percent), private sector development (4 percent), and gender (2.6 percent).

## 3.5 The Bank Group and the Heavily Indebted Poor Countries Initiative

*The status of the Bank Group's participation in implementing the Heavily Indebted Poor Countries (HIPC) initiative and Multilateral Debt Relief Initiative (MDRI) is examined in this section. The highlight of activities in this domain during the year was the Bank Group's approval that Chad had reached the HIPC completion point. This qualified the country for irrevocable HIPC debt relief and MDRI debt relief simultaneously.*

The Bank Group is a key participant among multilateral development banks in debt-relief programs within the framework of the Enhanced HIPC Initiative, and the MDRI. The objective of these initiatives is to reduce the external debt burden of eligible countries to a sustainable level in order to free up resources for poverty reduction and development projects and programs. Under the Enhanced HIPC Initiative, eligible countries are relieved of up to 80 percent of their annual debt servicing obligations to the Bank Group until the debt relief committed is fully delivered in the final year of the debt relief schedule. Under the MDRI, however, countries that have reached their HIPC completion points receive 100 percent cancelation of their ADF loans disbursed as at end-2004 and the debt still outstanding is canceled when the RMCs reach their respective HIPC completion points.

In April 2015, Chad became the 30th RMC to reach the HIPC completion point, and this was the major development within the HIPC/MDRI debt-relief initiatives. Of the total amount of HIPC debt relief provided to Chad, the Bank Group's assistance amounted to UA 47 million. This amount will provide Chad with the much-needed resources and leverage to address the numerous socio-economic challenges facing the country. In reaching the completion point, Chad had also fulfilled the requirements for additional debt relief under the MDRI from the African Development Fund, the International Development Association (IDA) of the World Bank, and the European Union.

Three pre-decision point countries—Eritrea, Somalia, and Sudan—are yet to start the process of qualifying for debt relief under the HIPC Initiative. Progress towards HIPC decision points by these countries has been slow. Zimbabwe, on the other hand, has made some progress, and intensified its efforts during the year to reach the HIPC decision point. This was through the assistance of the Bank Group under its Transition Support Facility to achieve full re-engagement with the Bank and the broader international financial community.

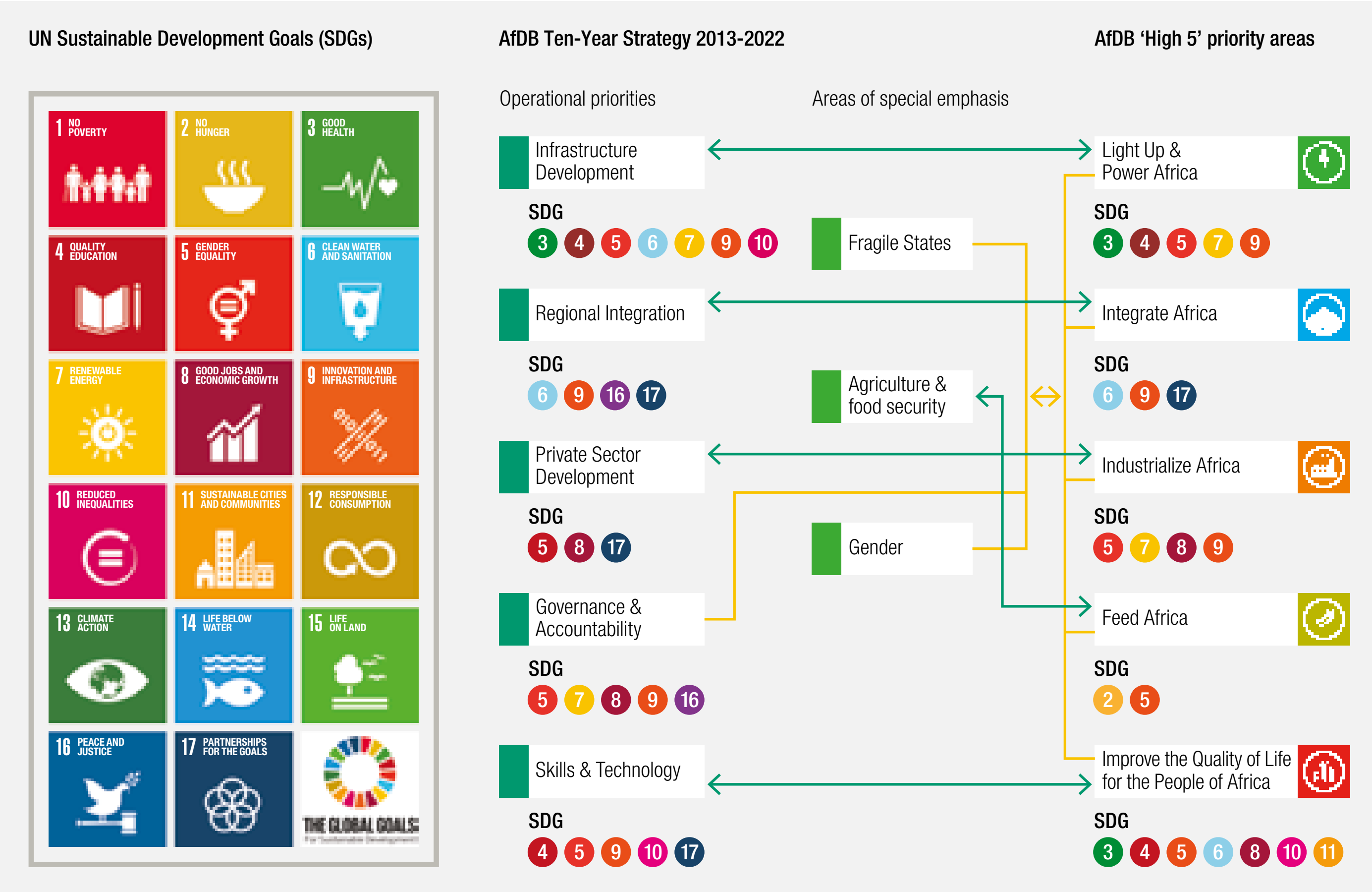
## 3.6 Looking Ahead: The Bank's New Strategic Operational Orientation

*In looking ahead, the new President, Dr. Akinwumi Ayodeji Adesina, laid out his agenda for the Bank Group and Africa as a whole in what is expressed as the High 5s: Light Up and Power Africa; Feed Africa; Integrate Africa; Industrialize Africa; and Improve the Quality of Life for the People of Africa. These strategic operational priorities provide a sharp focus on the Bank Group's work as it implements the TYS. The objectives are also consistent with the United Nations Sustainable Development Goals (SDGs), thereby creating a platform for transforming the lives of the people of Africa through rapid, sustainable, and inclusive growth.*

Africa has made significant progress in the last decade and a half, during which per capita incomes increased by nearly 50 percent in many countries. It has now reached a point for

## Figure 3.12

Alignment of the High 5s with the Ten-Year Strategy and the Sustainable Development Goals




Source: AfDB Strategy and Operational Policies and External Relations and Communications Departments.

bold actions and determination to harness the full potential of the continent to end hunger, extreme poverty and malnutrition. Increasing investment in infrastructure, especially in the power sector. Leveraging on Africa's agriculture potential to foster an agro-industry-led industrialization, and accelerating regional integration are part of the critical areas that need renewed commitment and bold visions. In this connection, the High 5 priority areas underpin the TYS and the SDGs.

Figure 3.12 is a schematic illustration representing the linkages between the High 5s, the TYS and the SDGs. A brief review is presented below on each of the High 5s.

**Light Up and Power Africa.** Energy is a strategic sector, indispensable for modernizing and transforming economies. Africa is the lowest energy producing and utilizing region in the world. Yet, it has vast untapped energy potential, which, if fully exploited, can address its energy needs as well as generate foreign exchange through exports to other regions of the world. By increasing investment and know-how in the energy sector, the Bank Group will contribute to unlocking the continent's energy potential, both conventional and renewable sources, in order to drive the much-needed industrialization. The Bank Group will work with various partners to develop a framework that takes into account the different energy sources, geographic conditions, regulation and pricing, technologies, distribution mechanisms, and beneficiary characteristics in line with its Energy Policy and future Energy Strategy. In this regard, a number of initiatives were lined up and announced in 2015. These include the New Deal on Energy for Africa, the Transformative Partnership on Energy for Africa, and the Africa Renewable Energy Initiative. All of these initiatives entail a change in the Bank Group's approach to the development of the energy sector, and will be critical for achieving the ambitious target of providing universal access to energy by 2025.

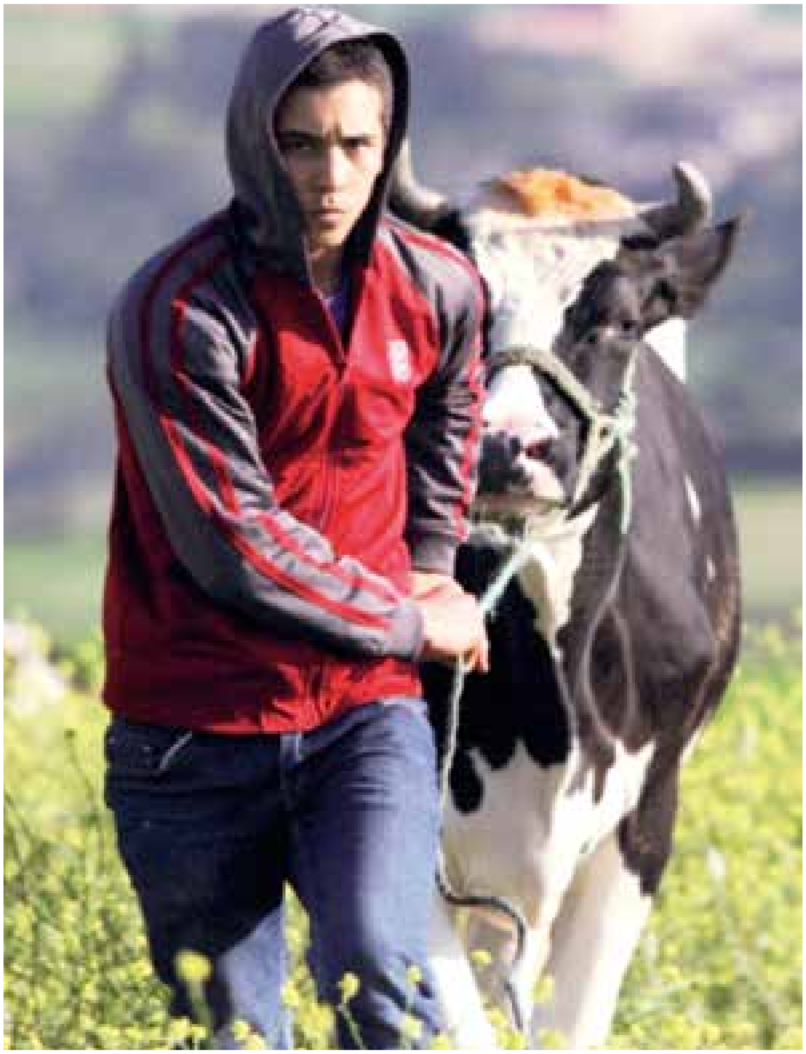
**Feed Africa.** Africa has enormous potential for agricultural production to feed itself and the world, yet it is a region with one of the largest populations of malnourished and hungry people. Africa's food market is projected to increase to USD 1 trillion in 2030 from USD 313 billion in 2010. However, poor infrastructure, inadequate mechanization, limited access to credit, fertilizers, and technologies, as well as insecure land tenure systems and gender disparities in land ownership, undermine the attainment of this potential. The AfDB is uniquely positioned to lead broad-based regional and international partnerships to transform Africa's agriculture and agribusiness. The Bank Group will accelerate support for agricultural transformation across Africa to increase productivity, lower food prices, and thus enhance food security, revive rural areas and, in particular, create productive jobs. All of this is in line with the recently adopted Dakar Action Plan for African Agricultural Transformation (October 2015). In rolling out the Action Plan, the Bank Group's investments in agriculture are envisaged to quadruple from a current annual average of USD 612 million to about USD 2.4 billion.

**Industrialize Africa.** As a primary commodity exporter, Africa remains at the base of the global value chain. This cannot continue if Africa is to be primed as a global growth pole. Harnessing Africa's commodities for industrialization involves adding value to soft and hard commodities and developing forward and backward linkages to the commodity sector. The Bank Group is well positioned to lead other partners in the process of industrializing Africa and developing the African private sector to create wealth from natural assets. In line with the Bank Group's Private Sector Strategy, the AfDB will target improving the capacity of Africa's producers, particularly manufacturers and related industries, to compete with imported products in local markets, linking them to regional and international markets. It will also support the development of small- and medium-sized enterprises, special economic zones, and foster access to social and economic infrastructure as the basis for industrial growth.

**Integrate Africa.** Integrating Africa's economies is key to achieving competitiveness and broadening and strengthening the quality of growth. Yet regional integration continues to face policy, regulatory, institutional, and infrastructure challenges. Overcoming these challenges requires increasing availability of quality regional infrastructure services, particularly in energy, transport, transboundary water and ICT. The Bank Group's Regional Integration Policy and Strategy (RIPoS) 2014-2023, acknowledges the opportunities provided by regional integration in boosting infrastructure to defragment Africa's small markets, increase regional trade, stimulate industrialization, and enhance the movement of people and investment flows. The Bank Group will focus on addressing the barriers separating African countries, creating regional value chains and leveraging complementarities in order to tap into the continent's huge market potential. By working together with the RMCs, the AfDB will build on the lessons learned by investing in high-quality regional infrastructure.

**Improve the Quality of Life for the People of Africa.** Despite sustained positive economic performance in Africa for nearly a decade and half, many countries still face widespread poverty, socio-economic inequality and gender disparities. Lack of economic opportunities for the youth also fuels migration, both internaly and externaly. Across Africa, the high level of youth unemployment has become a key driver of fragility and political instability, thereby pushing Africa's young people to migrate mainly to Europe and United States. Decades of research across developing countries and advanced economies show that employment is the main pathway out of poverty. Creating jobs could improve the quality of life by providing incomes to meet the basic necessities (such as shelter, food, health, and education), and reducing poverty and inequality.

Accordingly, the Bank Group aims to accelerate the creation of jobs, particularly for the youth, across the continent. This will both improve their living conditions and help to stem the perilous journeys made by some of them particularly across the Mediterranean to Europe in an attempt to escape poverty and growing unemployment. The Bank Group proposes to develop innovative flagship programs within the context of the Jobs for Youth in Africa Strategy to open up opportunities for youth employment. Notably, these flagship programs will create jobs for the youth in key job-rich sectors such as agriculture, industry, and ICT. For example, industrialization schemes such as Skills Enhancement Zones will link industrial clusters with talented young graduates to ensure that skills match the needs of the labor market. These initiatives are targeting over 50 million young people over a ten-year period and the creation of 25 million direct jobs, which could inject an additional USD 30 billion into African economies. The Bank Group will also continue to invest in programs for improving access to basic services such as water and sanitation, strengthening health systems, higher education, science and technology, while creating economic opportunities for the extreme poor through effective social-protection mechanisms. The Ebola



A Young Cattle Farmer, Ben Arous, Tunisia.

crisis was a wakeup call for the continent and the Institution. The Ebola crisis required a coordinated international response to be mounted. Other areas that need attention are the public health-care systems and the challenges of rapid urbanization, especially urban housing, to ensure a slum-free Africa.

Once finalized and fully operational, these High 5s will represent a new strategic orientation for the Bank Group in the implementation of the TYS. However, the High 5s and the TYS are not mutually exclusive and their implementation will require building on the foundations of existing sector strategies and policies, particularly the Regional Integration Policy and Strategy, Private Sector Development Strategy, Human Capital Strategy, and Financial Sector Development Policy and Strategy. It will also be anchored on the Energy Policy and the future Energy Strategy, underpinned by the proposed New Deal on Energy for Africa initiative.

## 3.7 Conclusion

This chapter has presented an overview of the performance of the Bank Group during 2015 in its lending operations, highlighting the key achievements, both by sector and within the framework of Africa's five regions. Considerable strides have been made, laying a strong foundation for the ongoing delivery of the TYS, while also addressing actual and potential fragility in Africa. It also outlines the alignment of the High 5s with the TYS.

Among the major achievements of the year is the 25.4 percent increase in Bank Group operations in 2015 over the level in 2014. During 2015, Bank Group operations were aligned with the TYS, which emphasizes infrastructure investments, as nearly half (48.6 percent) of total Bank Group approvals was allocated to infrastructure projects, with transport (27.2 percent) and energy (13.8 percent) accounting for the largest share. Another major achievement was the leadership role played by AfDB in introducing the New Deal on Energy for Africa initiative to achieve universal access to energy by 2025, and announcing the African Renewable Energy Initiative at the Climate Change Conference of Parties (COP21) in Paris, France, in December 2015. The AfDB provided technical assistance to the RMCs and logistical support for delegates during the COP21 negotiation processes. Accordingly, the AfDB played a significant role in contributing to the positive outcome of the COP21 global agreement, which reflects Africa's interests on issues of climate change. The Bank Group also organized a High-Level Ministerial Conference in Dakar, Senegal, which produced an 18-point Action Plan to tackle food insecurity and create an agriculture-led industrialization process in Africa.

The low disbursement rates constitute a major challenge to the Bank Group. While in 2012 the actual disbursement closely matched the target level, from 2012 to 2015 actual disbursements against targets showed a wider margin, with the disbursement rate declining from 98 percent in 2012, to

81.9 percent in 2015. The Bank Group is addressing this challenge by strengthening the monitoring and reporting of disbursement delays, while streamlining its operational business processes through institutional and management capacity building to improve the disbursements rates. Also, among the pre-requisites for rapid industrialization and regional integration, the Bank Group continues to provide support to the RMCs through policy advice and dialogue to promote and encourage diversification into processing and small manufacturing of primary products and away from sole reliance on primary commodity exports.