African Development Bank Group

Annual Development Effectiveness Review 2021

A resilient continent recovering from the pandemic

Annual review

ACKNOWLEDGEMENTS

This eleventh edition of the Annual Development Effectiveness Review of the African Development Bank is the product of strong collaboration on the part of staff from most of the Bank's departments. Charles Mulingi was the task manager of this report. Augustin Kouadio Adom, Honoré Menzan and Joël Sery provided valuable statistical support. We would like to acknowledge Sohir Debbiche, Amira Elmissiry, Rudolphe Petras, Basil Jones, Aissatou Ba-Okotie, Richard Ofori-Mante, Tom Owiyo, Maimuna Nalubega, Samuel Blazyk, Snott Mukukumira, Olukanyinsola Oyewole, Carina Sugden, Folorunso David, Prajesh Bhakta, Adeleke Salami, Lacina Balma, Leontine Kanziemo, Anouar Chaouch, Ann Dao, Belinda Chesire, Densil Magume, Gerald Njume, Davinah Uwella, Goran Lima, Ifeyinwa Emelife, Ihcen Naceur, Alice Nabalamba, Hachem Rajhi, Yanne Sanogoh, Ghada Abuzaid, Bruno Boedts, Eva Joy Ruganzu, Vincent Castel, Motselisi Lebesa, Ashraf Ayad, Helmi Hmaidi, Brian Mugova, Jean-Guy Afrika, Jonas Chianu, Keiko Takei, Emmanuel Mutisya, Tapera Muzira, Alex Owusu-Ansah, Al Hamndou Dorsouma, Riadh Ben Messaoud, El Hadj Bah, Abdallah Abdallah, Martin Fregene, Jessica Kitakule-Mukungu, Hannah Magoola, Penelope Jackson, Armand Nzeyimana, Uche Duru, Susan Mpande, Zodwa Mabuza, Jerome Berndt, and Sabri Ben Meftah for their contributions and insights into the report.

We especially acknowledge the contributions of chief writer Marcus Cox (Agulhas Applied Knowledge), graphic designer Nadim Guelbi (Créon Design), editor Jennifer Petrela, French translators N'guessan Nianduillet and Xaverie Noah, and all consultants.

Swazi Tshabalala
Senior Vice-President
African Development Bank

Simon Mizrahi
Director, Delivery, Performance Management and Results
African Development Bank

Olivier Shingiro
Manager, Corporate Performance and Accountability
African Development Bank

Cover photo: Expanding Africa's pharmaceutical manufacturing industry will help secure supply and boost public health systems. Thanks to Bank's financing, AfricInvest Fund has supported Tunisia's MédiS Laboratories to become a leading pharmaceutical firm that specialises in manufacturing medicines. Photo: AfDB

African Development Bank Group
Annual Development Effectiveness Review 2021

Note: In this report, "$" refers to US dollars.

African Development Bank Group

Avenue Joseph Anoma - 01 B.P. 1387 Abidjan 01, Côte d'Ivoire
Phone: (+225) 27 20 26 39 00

www.afdb.org

Contents

Foreword 1
The 2021 summary scorecard 2
Introduction 5

Chapter 1 Light up and power Africa 9
Progress on energy access slows; Covid-19 is a major factor 9
Energy: One of the Bank's growing priorities 10

Chapter 2 Feed Africa 15
Disruptions in agriculture increased hunger in 2020 15
The Bank's contribution to developing agriculture 17

Chapter 3 Industrialise Africa 21
Industrialisation will fuel Africa's recovery 21
The Bank's support for industrial development 22

Chapter 4 Integrate Africa 27
Despite challenges in 2020, the AfCFTA is progressing 27
The Bank's support for regional integration 28

Chapter 5 Improve the quality of life for the people of Africa 31
Africans' quality of life has been improving, but declined in 2020 31
Transforming people's lives 32

Chapter 6 Cross-cutting and strategic issues 37
Economic growth on the continent 37
Governance and institution-strengthening 37
Addressing fragility and building resilience in Africa 39
Addressing climate change, enhancing climate resilience 39
Promoting gender equality and economic empowerment 40

Chapter 7 Improving our development impact and efficiency 43
Constraints on project approvals in 2020 43
Delivering as One Bank and mobilising talent 47
Conclusion 49

Looking forward 51

Annex – Methodological note 52

Contents

List of figures

Figure 1	Many African countries' electricity regulatory frameworks are at a low level of development	10
Figure 2	High-resolution impact mapping: Assessing living conditions of smallholder households in East Africa	16
Figure 3	Bank supported Covid-19 Response Facility operations	23
Figure 4	The Bank is assessing the impact of its investments on jobs	34
Figure 5	Bold governance measures are necessary amidst rising debt	38
Figure 6	The Bank is improving the quality of its projects while accelerating implementation	43
Figure 7	We are implementing recommendations from independent evaluations	45
Figure 8	The Bank is improving the quality of its projects while accelerating implementation	45
Figure 9	The Bank faces portfolio challenges while improving procurement	46
Figure 10	The Bank is moving closer to its clients to enhance delivery	47
Figure 11	Scaling up climate finance	48
Figure 12	The Bank's efficiency in running its operations achieves greater value for money	48
Figure 13	The Bank is accelerating recruitments to fill vacancies	49

List of boxes

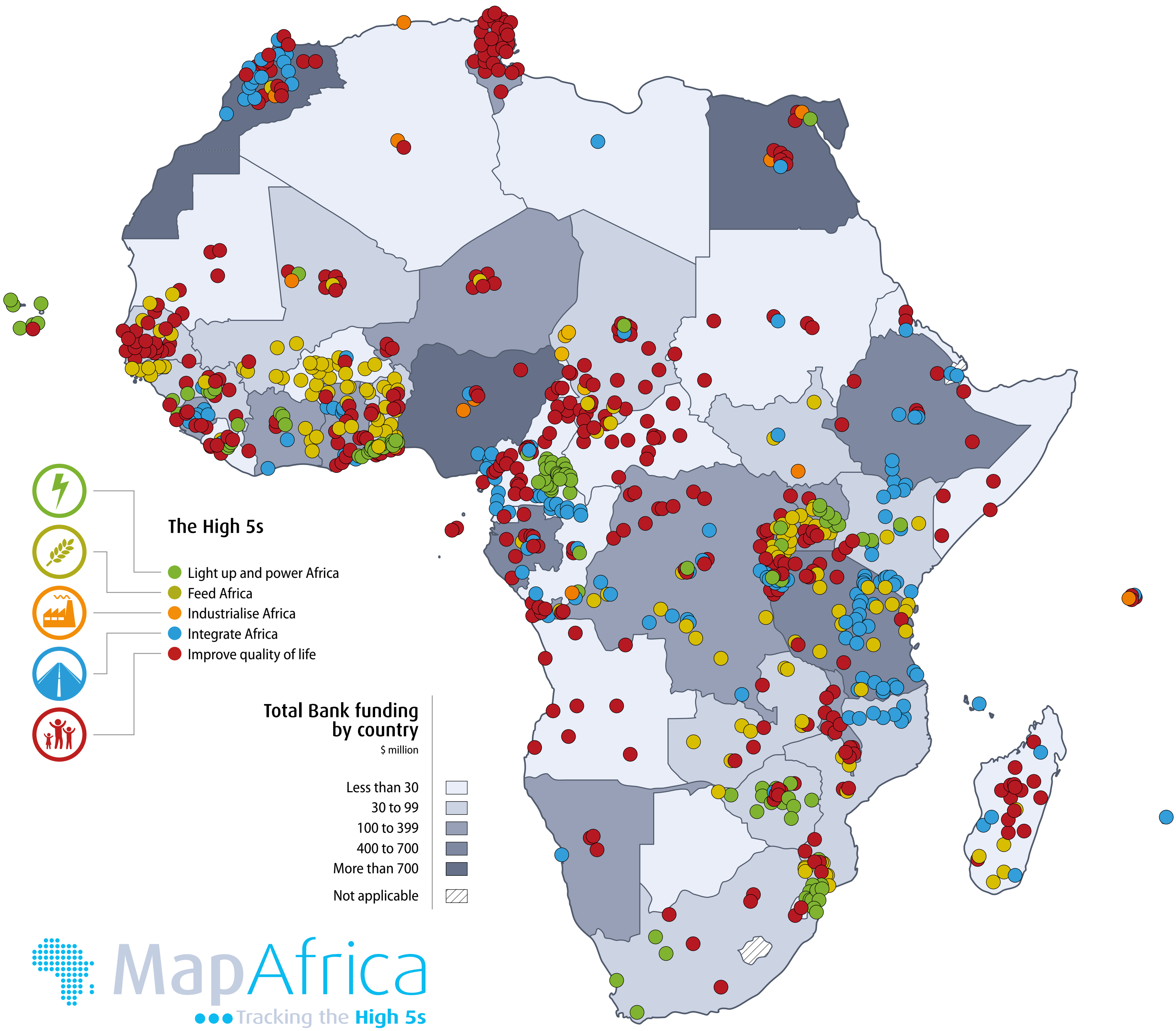
Box 1	Stories from beneficiaries: The CIPREL IV Power Expansion Project, Côte d'Ivoire	11
Box 2	Stories from beneficiaries: Setting Sudan on the path to becoming Africa's top wheat producer	17
Box 3	Maximising the impact of irrigation infrastructure	18
Box 4	Addressing barriers to Africa's pharmaceuticals potential	22
Box 5	Tracking Africa's progress on industrialisation	23
Box 6	Closing Africa's infrastructure gap	28
Box 7	Stories from beneficiaries – Niger's vocational and technical education project	33
Box 8	Strengthening support for Africa's water sector	35
Box 9	The Bank is supporting continental responses to Covid-19	39
Box 10	Supporting women's economic empowerment in Burkina Faso's shea subsector	40
Box 11	The ADF ranks second in quality of official development assistance	45

List of tables

Table 1	Africa needs to accelerate universal access to energy (Level 1)	10
Table 2	Light Up and Power Africa indicators (Level 2)	11
Table 3	Despite strong prospects, Africa's agriculture remains vulnerable to shocks (Level 1)	17
Table 4	Feed Africa indicators (Level 2)	18
Table 5	Accelerating industrialisation is vital for recovery (Level 1)	22
Table 6	Industrialise Africa indicators (Level 2)	24
Table 7	Regional integration in Africa is slow but is expected to grow (Level 1)	28
Table 8	Integrate Africa indicators (Level 2)	29
Table 9	Africans' quality of life has been improving, but reversals are possible (Level 1)	32
Table 10	Indicators on improving the quality of life for the people of Africa (Level 2)	33
Table 11	The pandemic has severely impacted Africa's growth (Level 1)	38
Table 12	Indicators in cross-cutting and strategic areas (Level 2)	41
Table 13	How effectively is the Bank managing its operations? (Level 3)	44
Table 14	How efficiently is the Bank managing itself? (Level 4)	49

Delivering impact in the Bank's five priority areas

This map plots the 1328 geographic locations of the 260 Bank operations that were completed between 2018 and 2020 in each of the High 5s.



The Bank remains committed to increasing the transparency of its operations. MapAfrica, its geocoding tool, focuses on five critical areas of the Ten-Year Strategy: *Light up and power Africa*, *Feed Africa*, *Industrialise Africa*, *Integrate Africa* and *Improve the quality of life for the people of Africa*. Explore our 14 330 project locations through the High 5s by visiting mapafrica.afdb.org.

Responding swiftly to the Covid-19 pandemic

The Bank's Covid-19 Rapid Response Facility supported Africa countries to maintain vital health services, expand social protections and protect jobs and businesses.

Foreword

A resilient continent recovering from the pandemic

Over the past year, our continent has faced its most serious challenge in a generation. The global Covid-19 pandemic has stretched health and social systems to the limit. Lockdowns to control the virus have caused Africa's first recession in decades. Africa's governments took measures to protect their populations, but the social and economic costs have been high.

I am proud to say that the African Development Bank Group reacted rapidly and energetically to the crisis. Our flexible, responsive Covid-19 Response Facility provided 31 African countries with emergency finance that helped regional member countries maintain vital health services, expand social protections, and protect jobs and businesses.

While 2020 was a challenging year for the Bank, this year's Annual Development Effectiveness Review shows that our operations nonetheless delivered important results. In 2020, Bank-supported small and micro enterprises generated revenues of $2 billion, helping them weather the pandemic. Through our Technologies for African Agricultural Transformation programme, our support for food security and agricultural development reached 11 million farmers in 28 countries and avoided $814 million in food imports. We also supported 8.3 million people to gain access to new or improved water and sanitation services.

At the same time, the Bank continued to improve its own efficiency and performance. We increased our income and reduced our administrative expenses, all while retaining our AAA credit rating.

Necessity drove innovation: *GlobalCapital* awarded the Bank top position in 2020 for its $3 billion Covid-19 social bond. In addition, the Bank's African Development Fund ranked the world's second-most effective aid agency on the 2021 quality of official development assistance (QuODA) ratings produced by the Centre for Global Development and the Brookings Institution. We ranked fourth globally for transparency in the Aid Transparency Index. And, we recently won Global Finance Magazine's award for the best multilateral development bank. These are results of which we can be exceptionally proud.

While the pandemic is not yet over, I am optimistic about Africa's speedy return to growth and prosperity. The Bank's resolve to support the continent to realise its full potential is stronger than ever, and we look forward to working hand in hand with African countries to help them realise their goals.

Akinwumi Ayodeji Adesina

President, African Development Bank Group

The 2021 summary scorecard

The 2021 scorecard shows in a glance how effectively the African Development Bank (Bank) contributed to Africa's development in 2020. It indicates whether we advanced or regressed with respect to our targets at each level of the Results Measurement Framework:

Improvement Deterioration No change Data not available

The Bank's performance on each key performance indicator is discussed in each chapter of the ADER (see the methodological note in annex). This year's scorecard shows impressive results in several key areas, despite the disruption caused by the global Covid-19 pandemic on Bank's operations, (for comparison, see 2020 scorecard, below).

The 2021 summary scorecard

LEVEL 1 – WHAT DEVELOPMENT PROGRESS IS AFRICA MAKING?

Feed Africa
- Agricultural exports
- Agricultural value chains
- Malnutrition

Light Up & Power Africa
- Power infrastructure
- Access to energy
- Efficient energy use

Industrialise Africa
- Business climate
- Economic diversification

Integrate Africa
- Trade facilitation
- Regional integration
- Free movement of people

Quality of Life
- Poverty and inequality
- Unemployment
- Building skills
- Access to water

Cross-Cutting Areas
- Gender equality
- Climate solutions
- Economic growth
- Governance
- Fragile situations

LEVEL 2 – WHAT DEVELOPMENT IMPACT ARE BANK-SUPPORTED OPERATIONS MAKING?

Feed Africa
- Downstream markets
- Agricultural productivity

Light Up & Power Africa
- Electricity capacity
- Access to energy
- Efficient energy use

Industrialise Africa
- Development of enterprises
- Infrastructure network

Integrate Africa
- Infrastructure development

Quality of Life
- Access to water
- Skills development
- Employment

Cross-Cutting Areas
- Country governance

LEVEL 3 – IS AfDB MANAGING ITS OPERATIONS EFFECTIVELY?

Development Impact
- Timely completion reports
- Development outcomes
- Sustainable outcomes

Quality and Speed
- Quality of operations
- Time to first disbursement

Gender and Climate
- Environmental/social risk
- Gender
- Climate

Timely Execution of Operations
- Timely procurement
- Use of national procurement
- Average execution time

Proactive Project Management
- Non-performing operations
- Implementation challenges
- Timely portfolio reviews

Knowledge
- Knowledge and advisory services

LEVEL 4 – IS AfDB MANAGING ITSELF EFFICIENTLY?

Decentralisation
- Decentralisation
- Country presence

Climate Finance
- Climate finance

Engaging Staff
- Vacancy rate
- Time to fill vacancies
- Operations professional staff
- Employee engagement
- Managerial effectiveness
- Gender diversity

Value for Money
- Project implementation cost
- Administrative costs
- Project preparation costs

Financial Performance
- Private resource mobilisation
- Public resource mobilisation
- Total Bank income

Last year's summary scorecard

LEVEL 1 – WHAT DEVELOPMENT PROGRESS IS AFRICA MAKING?

Feed Africa	Light Up & Power Africa	Industrialise Africa
Agricultural exports	Power infrastructure	Business climate
Agricultural value chains	Access to energy	Economic diversification
Malnutrition	Efficient energy use	

Integrate Africa	Quality of Life	Cross-Cutting Areas
Trade facilitation	Poverty and inequality	Gender equality
Regional integration	Unemployment	Climate solutions
Free movement of people	Building skills	Economic growth
	Access to water	Governance
		Fragile situations

LEVEL 2 – WHAT DEVELOPMENT IMPACT ARE BANK-SUPPORTED OPERATIONS MAKING?

Feed Africa	Light Up & Power Africa	Industrialise Africa
Downstream markets	Electricity capacity	Development of enterprises
Agricultural productivity	Access to energy	Infrastructure network
	Efficient energy use	

Integrate Africa	Quality of Life	Cross-Cutting Areas
Infrastructure development	Access to water	Country governance
	Skills development	

LEVEL 3 – IS AfDB MANAGING ITS OPERATIONS EFFECTIVELY?

Development Impact	Quality and Speed	Gender and Climate
Development outcomes	Quality of operations	Environmental/social risk
Sustainable outcomes	Time to first disbursement	Gender
Timely completion reports		Climate

Timely Execution of Operations	Proactive Project Management	Knowledge
Timely procurement	Non-performing operations	Knowledge and services
Use of national procurement	Implementation challenges	
Average execution time	Timely portfolio reviews	

LEVEL 4 – IS AfDB MANAGING ITSELF EFFICIENTLY?

Decentralisation	Climate Finance	Engaging Staff
Decentralisation	Climate finance	Vacancy rate
Country presence		Time to fill vacancies

Value for Money	Financial Performance	Engaging Staff (cont.)
Project implementation cost	Private resource mobilisation	Operations professional staff
Project preparation costs	Public resource mobilisation	Employee engagement
Administrative costs	Total Bank income	Managerial effectiveness
		Gender diversity

Strengthening resilience of health systems

In 2020, we repurposed our lending programme to meet regional member countries' changing needs. In Morocco, we supported the upgrading of the health infrastructure allowing for rapid and efficient patient care.

© AfDB

Introduction

This year's Annual Development Effectiveness Review (ADER) tells the story of the performance of the African Development Bank (Bank) in the context of one of most serious crises to affect Africa in the modern era. The global Covid-19 pandemic has had a devastating effect on lives and livelihoods across the continent and threatens to undermine the development gains of the last decade. The ADER analyses the pandemic's impact, both on Africa's development trajectory and on the Bank and its operations.

African governments took active measures to control the virus and its social and economic impacts. From ambitious public health interventions to the expansion of social safety nets, countries also made monetary and fiscal interventions on an unprecedented scale. While many countries enjoyed early success in containing the virus, the social and economic costs were high. Economic growth turned negative for the first time in almost 50 years, pushing an additional 30 million people into extreme poverty and making many others more vulnerable. Education was severely disrupted, and interruptions in programmes such as routine child vaccinations are likely to have long-term consequences. The worst-affected were those with the least education, the fewest assets, and the greatest dependence on the informal economy. This has exacerbated inequality and vulnerability across the continent.

The Bank expects Africa's economies to make a rebound, but the outlook is considerably uncertain. The course of the pandemic is unpredictable, given the slow roll-out of vaccines and the emergence of variants, and global economic conditions remain turbulent. The pandemic has caused fiscal deficits to double and indebtedness to rise sharply, reducing African countries' capacity to invest in their recovery.

The Bank responded swiftly to the Covid-19 crisis by launching the Covid-19 Response Facility, providing $3.6 billion in emergency budget support. The facility helped regional member countries maintain vital health services, expand social protections, and protect jobs and businesses. In Côte d'Ivoire, Ghana, and Senegal, for example, we helped to subsidise water and electricity payments for vulnerable households. In Sierra Leone, we helped to train and protect 11 000 frontline health workers. And in Ethiopia, our support quadrupled daily Covid-19 testing capacity.

Inevitably, a crisis of this magnitude affected the Bank and its operations deeply. The Bank took on the huge task of repurposing its lending programme to meet regional member countries' changing needs. In Togo, for example, we restructured our loans to help meet food security challenges arising from the Covid-19 crisis.

These adjustments were made in the face of challenging conditions for the Bank as an organisation. Staff moved to remote working—a shift that was facilitated by the Bank's past investments in quality communications systems—while travel restrictions led to the suspension of missions for project appraisals and supervision. As a result of these issues, and those faced by our counterparts in regional member countries, a third of our operations experienced implementation challenges and delays.

Despite the circumstances, however, this year's ADER reports many impressive results. For example, our projects provided 8 million people with new or improved water and sanitation services: this is double our target. Around 6.3 million people benefited from improvements in agriculture, and we built or reconstructed 1500 km of feeder roads to help bring agricultural produce to market.

We also continued to push ahead with an ambitious set of organisational reforms to strengthen our capacity as a development agency. We were proud that the Center for Global Development ranked the African Development Fund second of 49 development agencies for the quality of its development assistance. We also ranked as the fourth-most transparent development agency in the world.

In the coming year, as African countries begin building back better from the pandemic, the Bank's priority is to help countries identify the right policy measures and investments to ensure a return to inclusive and sustainable growth. ■

Delivering timely and impactful operations

Thanks to support from the African Development Fund, South Sudan's preparedness to respond to Covid-19 was boosted following the installation of the country's first oxygen plant at Juba Teaching Hospital.

© AfDB

ADF ranked 2nd globally on the 2021 Quality of Official Development Assistance

The African Development Fund was ranked second amongst 49 development organisations and OECD member countries for the quality of its development assistance. The 2021 Quality of Official Development Assistance (QuODa) conducted by the Centre for Global Development examines 17 indicators on the themes of prioritisation, ownership, transparency and untying, and evaluation. More information is available via cgdev.org/quoda-2021.

Quality of ODA scores - top ten agencies

QuODA dimensions

- **Prioritisation:** Measures how well allocations are targeted to respond to long-term development challenges
- **Ownership:** Captures how well providers work with and through partner countries to promote domestic ownership and use of national systems
- **Transparency & untying:** Measures the timeliness and comprehensiveness of reporting on ODA activities and whether procurement is tied to domestic contractors
- **Evaluation:** Assesses the quality of providers' learning and evaluation systems

Source: Center for Global Development, 2021

Powering Africa through cleaner energy

The Bank remains committed to help steer Africa's energy sector towards a sustainable, inclusive, and green pathway. In Cabo Verde, the Cabeólica wind energy project will help diversify the country's energy grid and reduce reliance on expensive thermal energy sources.

© AfDB

Chapter 1
Light up and power Africa

Access to reliable, affordable, and sustainable energy is vital for economic growth and all aspects of human development. Africa's increase in access to energy over the last decade has helped businesses to create jobs, hospitals to function, new livelihoods to emerge, and children to study. It has transformed millions of lives, and the Bank is proud to have contributed substantially.

Progress on energy access slows; Covid-19 is a major factor

Despite strong progress in many regions, access to energy across Africa has grown more slowly in recent years. The proportion of Africa's population with access to electricity has increased only marginally since 2017, levelling off in 2020 at 54% even as generation capacity continued to grow—the latest data show Africa reaching 255 GW in installed electricity capacity in 2019, up from 220 GW in 2018. Access to clean cooking solutions has also fallen since 2016 and stood at just 27% in 2020. Progress must accelerate dramatically for Africa to achieve the sustainable development goals for energy.

> *More electricity is being generated, but transmission and distribution have stagnated. And access to energy is levelling off*

In 2020, Covid-19 was a major factor in the disruption of progress. Resources were reprioritised for health and other pressing needs and the public health measures needed to contain the virus suppressed activity and household incomes, rendering electricity connections unaffordable for many. The pandemic also slowed the delivery of energy infrastructure projects, including those of the Bank, because of supply chain disruptions.

Despite the disruptions, the prospects of Africa's energy sector rebounding to its prior trend are good. A recent survey shows that African energy market participants remain confident in the sector, with more than a third reporting that they are very likely to increase their investments on the continent in the next three years. The prospects for Africa's renewable energy market are especially strong, and the economic changes caused by Covid-19 are likely to boost the demand for renewables in the coming years.

Better regulations to reduce network losses and improve affordability

Even as Africa's electricity generation capacity continues to rise, access is not increasing at the same rate. During 2009–2018, the annual growth rate of installed electricity capacity averaged 5.7%, but the electrification rate expanded by only an average of 3.3%. During the same period, Africa's population increased by an average of 2.6% per year.

One reason for the discrepancy is a lack of investment in transmission and distribution capacity, which the Bank seeks to boost through public interventions and public-private partnerships. It appears that the unbundling and liberalisation of the power sector has helped to accelerate investment in generation capacity, but is falling behind in transmission and distribution, leading to an imbalance in investments.

> *Over a third of participants in Africa's energy markets plan to increase their investments in the next three years*

Another factor is inefficiencies in transmission and distribution systems. These are proving difficult to address. The Bank's *Electricity Regulatory Index (ERI) for Africa 2020* noted that 10 of the 36 countries assessed had not developed action plans to reduce technical and commercial network losses. Countries with action plans faced persistent challenges in implementing them. The ERI recommended that regulatory authorities develop comprehensive performance frameworks for monitoring utility companies and publish performance data to promote accountability. Amongst the most improved performers in the 2020 ERI were Angola, which expanded the staffing of its regulator and introduced a regulatory framework for renewable energy, and Ethiopia, which over the prior year had updated and finalised key regulatory instruments, including its quality of service standards (Figure 1).

Covid-19 adds a new challenge, with many African households struggling to afford electricity. The ERI highlights how, in response to rising domestic demand resulting from lockdowns to control Covid-19 during 2020, regulators across Africa worked with governments and utility companies to implement tariff relief

Table 1 **Africa needs to accelerate universal access to energy (Level 1)**

INDICATOR	ALL AFRICAN COUNTRIES		ADF COUNTRIES		TRANSITION STATES	
	Baseline 2015	Latest 2020	Baseline 2015	Latest 2020	Baseline 2015	Latest 2020
Share of population with access to electricity (% population)	42	54	24	42	22	32
Total installed electricity capacity (GW)	168	220	31	41	13	16
Installed renewable capacity (GW)	33	46	20	24	8	9
Share of population with access to clean cooking solutions (% population)	32	27	10	9	9	9
Electricity losses through transmission, distribution and collection (%)	15.0	17.1	16.8	15.6	15.4	14.7

Improvement over baseline Deterioration

schemes to alleviate the hardship on consumers. The ERI therefore recommends that regulatory authorities ensure that when utility companies set prices, they regularly consider any rise in customers' vulnerability.

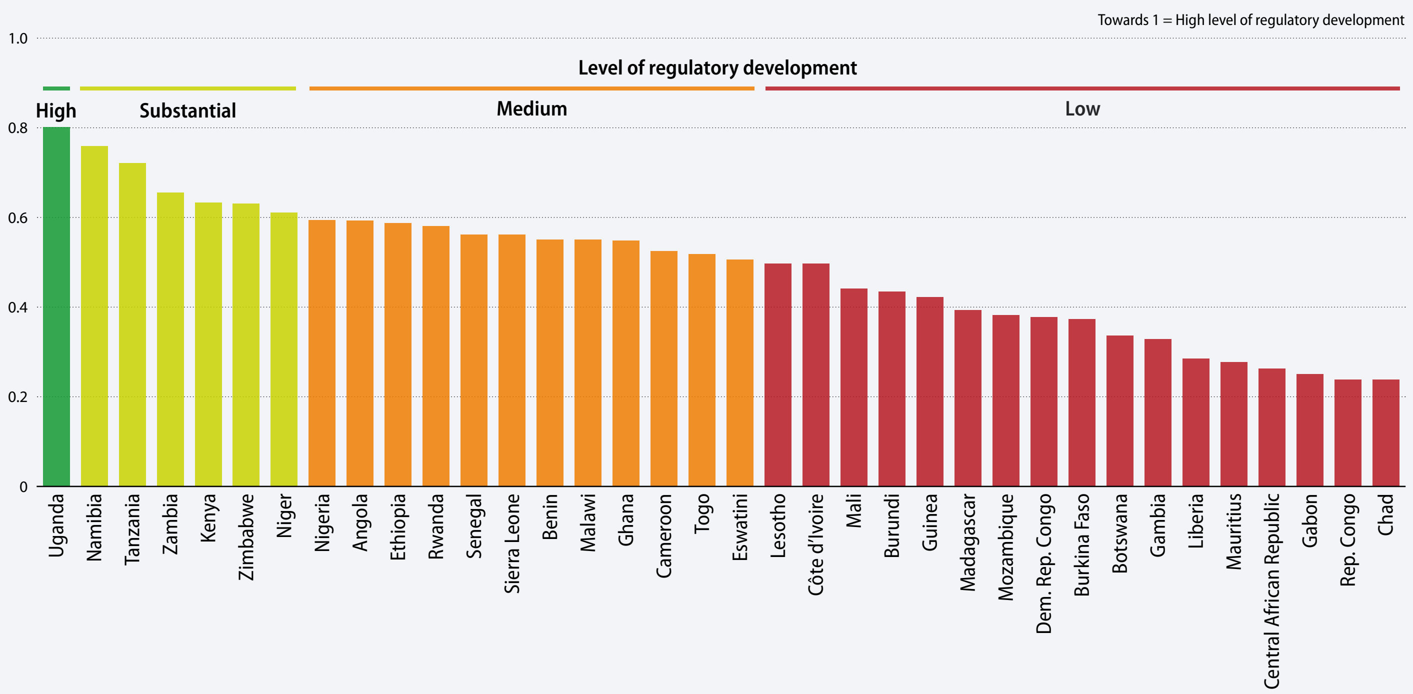
Energy: One of the Bank's growing priorities

Under its New Deal on Energy for Africa, launched in 2016, the Bank made expanding access to energy a central priority. The New Deal aims to unify initiatives to expand energy access and to mobilise more financing for energy infrastructure by stimulating public-private partnerships. Its overarching goal is universal access to energy across Africa by 2025. The Bank has also launched landmark transformative initiatives, such as the Desert to Power initiative, to seize the Sahel's potential to produce solar energy.

In 2020, our projects helped to deliver 175 km of **new or rehabilitated power transmission lines**, compared to 69 km in 2015. We enabled an additional 260 000 **people to be connected to power systems**—almost all of whom lived in low-income ADF countries, and more than half of whom were women—compared to 73 000 in 2015. An example of our work on expanding energy transmission and access is our support for the construction of a high-voltage line between the Inga hydropower stations and

Figure 1 **Many African countries' electricity regulatory frameworks are at a low level of development**

Electricity Regulatory Index, 2020



Source: African Development Bank

Table 2 Light Up and Power Africa indicators (Level 2)[1]

INDICATOR	ALL AFRICAN COUNTRIES			ADF COUNTRIES		TRANSITION STATES	
	Baseline 2015	Actual 2020	Target 2020	Baseline 2015	Actual 2020	Baseline 2015	Actual 2020
New renewable power capacity installed (MW)	24	101	560	20	46	4	16
People with new electricity connections (thousands)	73	260	2400	73	256	36	67
—of whom women	36	131	1200	36	130	16	34
People provided with clean cooking access (thousands)	-	2	3200	-	2	-	-
—of whom women	-	1	1600	-	1	-	-
New or improved power transmission lines (km)	69	175	576	69	84	18	4
Emissions reduction in energy (thousand tons CO_2)	17	1636	1800	10	1531	1	-
New total power capacity installed (MW)	490	202	880	80	51	4	16
New or improved power distribution lines (km)	875	327	3520	875	294	381	294

Achieved less than 95% of 2020 target   Achieved less than the baseline

1 Level 2 indicators capture the Bank's development impact and contribution in African countries, presenting them as average annual outputs and intermediary outcomes from completed operations over a three-year period (2018–2020). The results are prorated to reflect the level of the Bank's financial support as a proportion of total project costs.

Kinshasa (277 km across the lifetime of the project). Over 2009-2018, this transmission line increased the volume of energy reaching the city from Inga eightfold, from 445 GWh to 3533 GWh (see also Box 1).

While we delivered some successful projects in 2020, the year proved exceptionally challenging for the Bank's energy portfolio. On all but one indicator (the indicator on emissions reductions), our 2020 results fell below our 2019 results, and in some cases below the 2015 baseline. For example, although in 2020 our projects produced 202 MW in new **installed power capacity** and 327 km in **new or improved power distribution lines**, these outcomes were lower than those achieved in 2015.

This trend may be attributed to the declining share of energy projects in the Bank's active portfolio: they were 24% in 2019, down from 30% in 2015. This is partly due to the completion of large legacy projects, such as Angola Power Sector Reform Program.

Our Climate Change Action Plan, guides our efforts to mainstream climate change and green growth into our energy operations, enhancing climate resilience and increasing the use of low-carbon technologies. In clean energy, the **new renewable power capacity installed** through our projects totalled 101 MW in 2020.

An example of our work to support renewable energy generation is the NOOR Ouarzazate II and III solar power plants in Morocco, which we are co-financing with other multilateral development banks, donors, and financial institutions. Commissioned in 2018, the two plants have a combined gross capacity of 350 MW and supply power to 1.2 million Moroccans. The entire NOOR Ouarzazate complex targets a capacity of 580 MW and by completion, will be one of the world's largest concentrated solar power plants. With a reported 99% of Morocco's population already having access to electricity, the main impact of this project will not be to increase access but to reduce the country's reliance on fossil fuels and help it move towards meeting its climate change commitments.

Box 1 Stories from beneficiaries: The CIPREL IV Power Expansion Project, Côte d'Ivoire

The Bank provided a €50 million loan to co-finance the CIPREL IV Power Expansion Project. The project aims to help Côte d'Ivoire meet its growing demand for reliable and affordable energy by adding 222 MW in generation capacity. The project promoted private sector participation in the plant's operation and reduced the plant's environmental footprint. The additional energy has helped create new enterprises and jobs, and improved living standards and the delivery of social services.

Kouadio Antoine, a resident of Abidjan's Deux Plateaux district since 2003, noted that supply of electricity is more regular and more accessible. "In this neighbourhood, life used to be difficult. I would not say we had reliable electricity. Reliable electricity allows you to work anytime, use the computer, have a freezer, etc. Now, our district is well lit and we can go out at night and return home at any time, without worrying, without danger."

Supporting the energy sector to respond to challenges in 2020

In 2020, the Bank supported African countries to recover from the disruption of Covid-19 and take advantage of opportunities in the energy sector. So that energy projects could move forward with as little disruption as possible, we put in place liquidity facilities and budget support, and we have been working with other international institutions to mobilise additional finance for Africa's energy sector.

> *Our Covid-19 Response Facility reduced electricity bills for SMEs and vulnerable households*

Several of the budget support operations that we approved in 2020—for example, those of Cameroon, Côte d'Ivoire, Gabon, and Mozambique—supported the deferral of payment or the reduction of electricity bills for small and medium enterprises (SMEs) or vulnerable households. We also supported several countries as they responded to the challenges posed by Covid-19, among other things by setting up the $50 million Covid–19 Off-Grid Recovery Platform, anchored by a $20 million Sustainable Energy Fund for Africa (SEFA) concessional loan. This platform aims to add 200 000 new off-grid connections and reduce emissions by over 40 000 tCO_2eq annually by promoting solar home systems, green mini-grids, and other decentralised renewable energy solutions.

> *We secured $90 million in new donor commitments for the Sustainable Energy Fund for Africa*

In addition, our efforts to expand sustainable energy solutions were boosted by new donor commitments of $90 million for SEFA following SEFA's conversion into a special fund at the end of 2019. This will increase SEFA's focus on green mini-grids and green baseload and energy efficiency, while widening the offer of catalytic finance instruments in Africa's fast-changing energy market. It will also provide critical financing for flagship initiatives, such as the Bank's Desert to Power initiative, designed to seize the Sahel's potential to produce solar energy. SEFA approved a large Desert to Power technical assistance program for the G5 Sahel countries in 2020.

The Bank is more committed than ever to supporting African countries to capitalise on these opportunities, and in 2021 we will work to help the continent get back on track to securing universal access to energy by 2025. ■

Raising Africa’s agricultural productivity

The Technologies for African Agricultural Transformation initiative is increasing agricultural productivity through the deployment of proven agricultural technologies. In Ethiopia, the adoption of new wheat varieties, has increased wheat production, raised farmers’ income, and created job opportunities.

Chapter 2
Feed Africa

African economies and African societies rely highly on agriculture. The continent's estimated 33 million smallholder farms are key not just to food production, but also to the livelihoods of the many Africans whose work is linked to the agricultural sector.

Disruptions in agriculture increased hunger in 2020

African agriculture has shown promising signs of progress in recent years, with agricultural productivity increasing 13% on average every year between 2015 and 2020. This trend coincided with better trade: Africa's agricultural trade deficit fell by 26% between 2015 and 2020, and certain processed agricultural commodities have gained global market share.

Despite these gains, agriculture in most African countries is still characterised by small-scale, low-technology, rainfed farming. This leaves farmers and food production systems highly vulnerable to climate-related, economic, and other shocks. In recent years, droughts, cyclones, and floods reduced crop yields, and parts of Africa are tackling transboundary pest invasions and animal diseases (e.g., desert locusts, fall armyworm, peste des petits ruminants). The disruption inflicted by Covid-19 on input and output markets therefore hit many African farmers all the harder. For example, when surveyed in May/June 2020, 73% of households earning income from agriculture in Malawi reported a reduction in agricultural income.

> *In agriculture, productivity has grown and the trade deficit has fallen. But the pandemic increased hunger by 60%*

The income shocks caused by Covid-19 have also made it harder for millions of African households to afford basic food supplies. In addition, pandemic-related mobility restriction measures disrupted food supply chains (especially between rural and urban areas) and food availability. These and other effects of the pandemic contributed to a 60% rise in the number of people who are hungry or malnourished in Africa—some 397 million Africans—in 2020.

In spite of these challenges, the long-term prospects for African agriculture remain strong. Most African countries are far from realising the potential of their agricultural sub-sectors and could boost agricultural output through measures to improve yields, expand the area of land under cultivation, and reduce post-harvest losses.

Similarly, sustainable land management is increasingly recognised as a viable pathway to accelerate food security, arrest land degradation, and address tenure issues. The Bank is implementing an inclusive and sustainable land governance programme to support African countries as they resolve land concerns and transform agriculture.

The importance of strengthening smallholder production

Covid-19 has drawn attention to the vulnerability of Africa's smallholder farmers. Small-scale agricultural production needs urgent attention and support, to improve food security and increase farmers' incomes. An estimated 33 million smallholder farms populate the continent, providing a major source of food and livelihood to millions of Africans. Agriculture employs more than half of Africa's workforce, and smallholder farmers constitute 60% of the population in low-income African countries. Strengthening smallholder production will therefore play a central role in post-Covid-19 recovery efforts and more food security and resilience in Africa.

> *With better access to inputs, training, and finance, smallholder farmers could transform the sector*

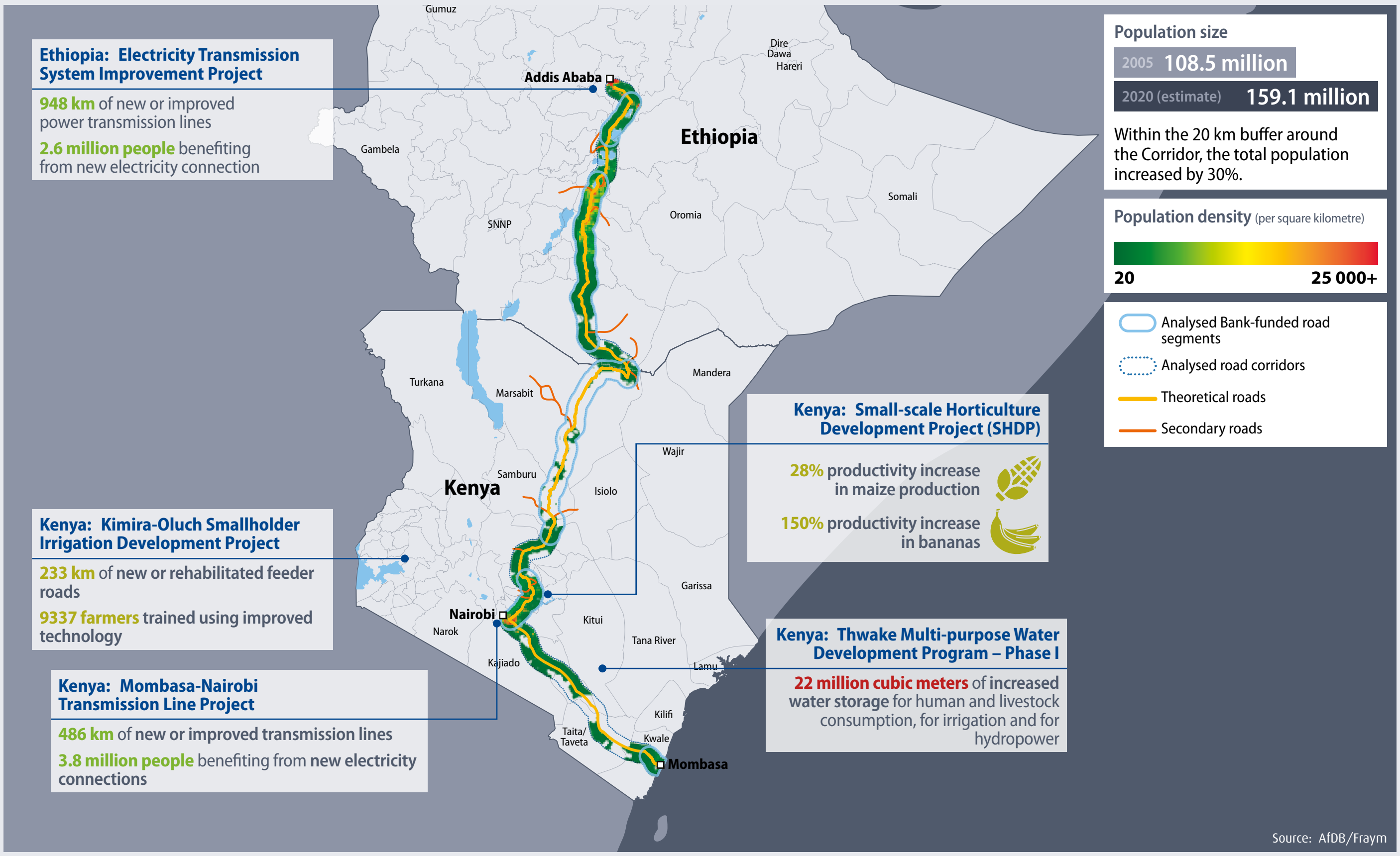
In the immediate term, as the effects of the pandemic continue to be felt, governments will need to monitor food and input markets closely so that they can address blockages in the movement of food products and intervene wherever farm inputs or production shortfalls emerge.

Over the longer term, measures are needed to improve productivity. Africa's smallholder farmers need better access to inputs, such as fertiliser and hybrid seeds. They also need more advisory services and finance that makes it possible for them to purchase inputs and invest in production. Governments, development partners, and private investors need to better understand the distinct needs of different types of farmers so that they can better tailor their support to farmers' needs.

Given that Africa is the most rapidly urbanising continent in the world, the demands of urban populations for more and better food

Figure 2 **High-resolution impact mapping: Assessing living conditions of smallholder households[1] in East Africa**

The Bank is using high-resolution impact mapping to assess the changes in well-being before and after the rehabilitation of the Mombasa-Nairobi-Addis Ababa Road Corridor, with a focus on individuals that own at least two hectares of land suitable for agricultural use. Focusing on an unprecedented geographic scale, the map provides details on the roads' economic footprint, improvements in human development and how they promote integration throughout the entire corridor. By comparing data from household surveys in 2005 (before) and 2020 (during or after) and applying geotagged datasets, and satellite imagery, the methodology can assess with a high degree of reliability the changes in people's living conditions — for example, additional people with access to energy — within 20 km of the roads. Not all changes are directly attributable to the project: they reflect broader improvements in living conditions over time.



Changes along the Mombasa-Nairobi-Addis Ababa from 2005 to 2020

Access to essential services

- **5 million additional individuals** with access to **electricity**
- **1.6 million additional individuals** with access to **piped-in** drinking water

Economic significance

- **3.3 million additional individuals** with access to a **bank account**
- **Trade between Kenya and Ethiopia** increased from $35 million to **$175 million**

Improved health conditions

- **Child stunting** rates decreased by **3%** in Kenya
- **Child wasting** rates decreased by **3%** in Kenya

Mobility to market

- **20 hours reduction in total travel time** on concerned sections
- **75% reduction in average time** spent on border

Household assets

- **487 000 additional individuals** with access to a **scooter**
- **708 000 additional individuals** live in a household with **goats**
- **658 000 additional individuals** live in a household with **cattle**

Better access to education and jobs

Women

- **287 000 additional women** completed up to **primary school**
- **276 000 additional women** completed **secondary education or higher**
- **1.2 million additional women employed**
- **437 000 additional women employed in agriculture**

Youth

- **479 000 additional youth** completed up to **primary school**
- **425 000 additional youth** completed **secondary school or higher**
- **1.3 million additional youth employed** in Ethiopia
- **432 000 additional youth** are **employed in agriculture**

1 Smallholder households are defined as households that have at least 2 hectares of land suitable for agricultural use. In Kenya, smallholder households make up 11 million out of 12.7 million people living within a 20 km radius from the Corridor in 2020. In Ethiopia, this number is 8.4 million out of 10.5 million.

Table 3 **Despite strong prospects, Africa's agriculture remains vulnerable to shocks (Level 1)**

INDICATOR	ALL AFRICAN COUNTRIES		ADF COUNTRIES		TRANSITION STATES	
	Baseline 2015	Latest 2020	Baseline 2015	Latest 2020	Baseline 2015	Latest 2020
Agricultural productivity (constant 2010 $ per worker)	1544	1740	689	907	797	799
Africa's net agricultural trade balance ($ billion/year)	-38.9	-28.5	-0.7	2.5	-7.2	-5.8
Africa's share of market value for key processed commodities (%)	10.3	12	9.3	10	2.0	1
Fertiliser consumption (kilograms per hectare of arable land)	25	28	14	19	6	9
Cereal yield (ton/hectare)	1.6	1.6	1.3	1.4	0.8	0.9
Prevalence of stunting amongst children under 5 (%)	25.2	32.4	25.8	33.9	38.9	38.5
–of whom girls	32.4	30.2	35.3	31.7	37.9	35.6
Number of people hungry/malnourished (millions)	240	397	173	352	80	39

Improvement over baseline Stability Deterioration

present African smallholder farmers with important opportunities to expand their production for market and by extension, to increase their income. Exploiting these opportunities requires investing in distribution systems, warehousing, cold storage, processing and packaging facilities, transport, energy, and water services (Figure 2).

But for agricultural production to become economically viable for smallholder farmers, factor and produce markets alike must become efficient. Well-functioning produce markets will ensure that smallholder farmers obtain just returns for their produce. For farming to be a viable economic activity, farmers also need to be able to acquire inputs (improved seeds, fertilisers, herbicides, etc.) at the right market price.

The Bank's contribution to developing agriculture

The Bank's work to promote agricultural development is guided by its Feed Africa strategy, which sets out the Bank's priorities and goals for supporting the sector. The strategy identifies key actions that will make it possible for African agriculture to reach its full potential: increasing productivity and production (Box 2), developing enabling infrastructure, developing the agribusiness environment, catalysing investment in the sector, promoting inclusive and sustainable progress, and enhancing coordination and partnerships in sector interventions.

> *The Bank plans to deliver high-impact agricultural technologies to 40 million farmers by 2025. With over 11 million farmers so far, we are on track*

Since we launched the Feed Africa strategy, the Bank's agricultural programmes have reached increasing numbers of people. In 2020, 16.4 million Africans—8.0 million of whom were women—**benefited from improved agriculture** through our projects, up from 5.6 million people in 2016 and far surpassing our target of 6.3 million.

Box 2 **Stories from beneficiaries: Setting Sudan on the path to becoming Africa's top wheat producer**

In 2020, Sudan harvested 1.1 million tons of wheat from 315 500 hectares of farmland. This was a major improvement from just five years before, when Sudan's wheat farmers harvested 0.5 million tons of wheat on 250 000 hectares of land. The Bank's Technologies for African Agricultural Transformation (TAAT) programme contributed to this outcome by providing Sudanese farmers with access to heat-tolerant wheat varieties and other productivity-enhancing technologies, as well as training in production techniques. While ordinary wheat typically produces high yields at temperatures between 20°C and 26°C, heat-tolerant wheat seeds thrive in areas where field temperatures exceed 30°C.

"Now, we consistently have good-quality wheat in record quantities," said Daf'Allah Mohamed Ahmed, a Sudanese farmer taking part in the TAAT programme. "My wheat yield increased from 2.5 tons to 5 tons," he added, with a broad smile.

Table 4 **Feed Africa indicators (Level 2)**

INDICATOR	ALL AFRICAN COUNTRIES			ADF COUNTRIES		TRANSITION STATES	
	Baseline 2015	Actual 2020	Target 2020	Baseline 2015	Actual 2020	Baseline 2015	Actual 2020
People benefiting from improvements in agriculture (millions)	6.0	16.4	6.3	5.3	16.4	0.5	0.9
—of whom women	2.9	8.0	3.1	2.6	8.0	0.2	0.4
Feeder roads built or rehabilitated (km)	800	3099	1500	800	3051	254	933
Land with improved water management (thousand ha)	45.5	16.5	47.8	20.3	12.1	0.4	6.7
Rural population using improved farming technology (millions)	0.60	0.07	0.63	0.60	0.07	0.02	0.02
—of whom women	0.30	0.03	0.31	0.30	0.03	0.01	0.01

Achieved 95% of 2019 target Achieved less than the baseline

Box 3 **Maximising the impact of irrigation infrastructure**

The Bank's Independent Development Evaluation department evaluated two irrigation infrastructure projects completed in 2014 and 2017 in Malawi. Its analysis provides several lessons and recommendations:

- **Ensuring adequate capacity and adequate governance systems** in local institutions helps irrigation projects produce sustainable outcomes.
- **Building market infrastructure** should be complemented by actions to enhance access to agricultural markets.
- For projects to be effective, the **technical design of irrigation schemes** must be sound.
- **Empowering women** to participate in irrigated farming can improve ultimate development outcomes, i.e., poverty reduction and household welfare.

An example of our work to raise agricultural productivity is the Technologies for African Agricultural Transformation (TAAT) programme, a central pillar of the Bank's Feed Africa strategy. TAAT seeks to double the productivity of nine priority commodities on the continent by delivering high-impact, proven technologies to 40 million farmers by 2025. At the core of TAAT is the Commodity Compacts, which comprise research institutes (national, regional, and international), governments, farmers' organisations, and seed companies in 30 African countries. TAAT's approach is to overcome the market failures associated with smallholders' poor access to modern inputs by buying down risks for seed companies and smallholder farmers. It does this by producing early generation seeds, conducting demonstration trials (this creates demand), and training seed producers. As of November 2020, 10.6 million farmers—25% of the expected 40 million farmers—had adopted TAAT technologies for nine priority commodities. The Bank is on track to meet its target.

Another example of the Bank's work to improve agricultural production is the Malawi Smallholder Irrigation and Value Addition Project, which aims to increase agricultural production and productivity by intensifying irrigation, diversifying crops, adding value, and building capacity. Completed in 2019, the project has directly benefited an estimated 109 000 households. By supporting the irrigation of 2210 hectares of land, improving production on more than 20 000 hectares of rain-fed agricultural land, and establishing seven value-addition centres for agricultural products, the project increased farmers' household income, boosted production, and added value for various crops, including rice, cassava, soybeans, peanuts, beans, and peas.

> *Feeder roads, irrigation infrastructure, better governance, and women's empowerment are all part of the solution*

The Bank has found it more difficult to achieve its objectives for improved water management. In 2020, Bank projects **improved water management** on 16 500 hectares of land, down from 45 500 in 2015 and well below the target. To inform the design of future irrigation infrastructure projects and increase our impact in this area, we are paying special attention to lessons and recommendations from evaluations (Box 3).

The Bank has been increasing its support for the expansion of feeder roads linking rural and remote communities to national road networks. In 2020, our projects **built or rehabilitated 3099 km of feeder roads**. This trebled our results over the 2015 baseline and surpassed our target for 2020. This encouraging performance puts us clearly on track to reach our goal of building or rehabilitating about 15 000 km of feeder roads in the decade to 2025.

In the southern part of Democratic Republic of Congo, our Rural Infrastructure Development Support Project strengthened rural infrastructure so that more agricultural products could be marketed. This project rehabilitated and built more than 1300 km of feeder roads, giving more farmers access to road networks and markets. The project also supported 10 vocational training centres and trained 6000 young people, 60% of whom were young women, thereby empowering the region's future agricultural workforce.

The Bank also supports livestock, fisheries, and aquaculture in a range of countries, to promote nutrition-sensitive diets and make livelihood more secure. In East Africa and North Africa, our research on agricultural policy is promoting public-private partnerships in green aquaculture diversification and value chains. We are also supporting the livestock sub-sector in Central Africa and West Africa.

In 2020, the Bank helped African farmers deal with the challenges posed by the Covid-19 pandemic. In June 2020, we launched Feed Africa Response to Covid-19, a strategic roadmap of support for African countries in tackling the crisis's food and nutrition security impacts through a wide range of immediate, short-term, and medium-term options. The Bank's response has involved working with governments and partners to prioritise measures aimed at increasing access to food for the poor and vulnerable, strengthening national food reserve systems, enhancing access to agro-inputs, supporting production (including post-harvest processing) for smallholders and large producers, establishing national food security taskforces, and strengthening the capacity of regional organisations to monitor multi-country initiatives. ■

Supporting infrastructure and industry

Mobilising investments into infrastructure and industry is a key priority of the Bank's Industrialisation strategy. The Bank supported Gabal El-Asfar wastewater treatment plant in Egypt is developing economic activities by generating gas and electricity, producing organic fertilisers and supporting irrigated agriculture.

© AfDB

Chapter 3
Industrialise Africa

ndustrial development is the key to economic and social progress in Africa. Industry can create more secure and better paid jobs at scale. It can develop vital value chains and linkages with other sectors, and stimulate the emergence of a modern, diversified, dynamic economy.

Industrialisation will fuel Africa's recovery

Over the last two decades, Africa's industrial capacity has expanded significantly, reversing a pattern of decline during the economically turbulent 1970s and 1980s. This growth has deepened of late, with **industrial gross domestic product and gross fixed capital formation** expanding by around a quarter across Africa from 2015 to 2020. Manufacturing, a key driver of industrial growth, increased by an average of 5.3% per year during 2000–2017, outperforming the global growth rate. In addition, **value added in manufacturing** increased by 45% over 2015–2020, suggesting that Africa's manufacturing is modernising and concentrating more on sectors that add more value.

Despite this progress, Africa's manufacturing value added remains less than a tenth of that of East Asia and the Pacific. Manufacturing's share of employment in Africa grew only marginally from 2010 to 2018 (from 7.2% to 8.3%), and is significantly below that in Asian developing countries (just below 14%). And manufacturing capacity remains concentrated in a small number of countries, with Egypt, Morocco, Nigeria, and South Africa accounting for about 70% of Africa's manufacturing value added.

> *"The growth rate of African manufacturing is outstripping the world average, and more value is being added*

Industrial development slowed in the first half of 2020 as a result of the Covid-19 pandemic. Manufacturing was severely affected by lockdown measures (in manufacturing, social distancing and working from home are rarely possible). The uncertainty caused by the pandemic also led to an 18% reduction in foreign direct investment to Africa in 2020, part of which hit the industrial sector, even though economic activity is reported to have rebounded in the second half of the year. Women industrial workers were hit especially hard, given that their work is largely informal and precarious.

Government actions focussed on mitigating the immediate impact of the pandemic. For a swift and sustainable economic recovery, however, long-term investment and industrialisation strategies will be needed. These could include scaling up active labour market policies to retrain and reskill workers and prepare for automation, and accelerating structural transformation by promoting digitalisation, industrialisation, and diversification.

Expanding Africa's role in global value chains

Participating in global value chains is a promising route to industrial development and employment creation in Africa. To date, only a small number of African countries have succeeded in carving out a niche in global value chains, mainly in agriculture and services. This is a key area for future development.

> *"Participating in global value chains will be a game-changer. We know what policies we need*

Industry analyses suggest that a range of policy measures are needed to help firms break into global value chains. These include more openness to foreign direct investment; greater trade liberalisation, to allow inputs to enter more cheaply; the streamlining of customs and border procedures; the reinforcement of transport infrastructure and logistics; and improvements to the legal environment, so that firms are able to conclude binding agreements. It is also important for countries to identify the products that they are best equipped to integrate into global value chains. The African Continental Free Trade Agreement (AfCFTA) gives African countries a structure for developing effective value chains both regionally and globally.

One sector with new opportunities for promoting African firms is pharmaceuticals. The vast majority of the pharmaceuticals consumed in Africa are imported from outside the continent (Box 4). Some African countries are considering developing a local pharmaceutical sector, mostly to secure supply but also with the hope of making medicines more affordable to patients, releasing pressure on the balance of payments, and creating wealth more broadly. The market is attractive for investments in pharmaceutical manufacturing and there is a real opportunity

Table 5 **Accelerating industrialisation is vital for recovery (Level 1)**

INDICATOR	ALL AFRICAN COUNTRIES		ADF COUNTRIES		TRANSITION STATES	
	Baseline 2015	Latest 2020	Baseline 2015	Latest 2020	Baseline 2015	Latest 2020
Gross fixed capital formation (constant 2010 $ billion)	504	632	138	179	44	44
Industrial gross domestic product (constant 2010 $ billion)	619	764	113	162	34	42
Value added of manufacturing (constant 2010 $ billion)	222	321	46	68	16	20
Access to finance (% population)	37	46	24	20	9	11
Logistics performance (Index: 1 low–5 high)	2.5	2.5	2.4	2.4	2.3	2.3
Economic diversification (Index: 1 low–0 high)	0.62	0.64	0.64	0.65	0.66	0.67
Global competitiveness (Index: 1 low–7 high)	3.64	3.44	3.48	3.20	3.23	2.98

Improvement over baseline   Stability   Deterioration

Box 4 **Addressing barriers to Africa's pharmaceuticals potential**

Africa has limited pharmaceutical manufacturing capacity: only 30–40% of demand is met by local production and 80% of all production is concentrated in eight countries. The pharmaceutical industry is also less competitive in Africa than elsewhere (the cost per unit is 60% higher in Africa than in China and India) and companies have a low level of integration along the value chain (90% of pharma companies focus on manufacturing and packaging activities). Less than 2% of the world's research and development into pharmaceuticals happens in the continent, which manufactures fewer than 20 active pharmaceutical ingredients compared to more than 400 in India and China.

Acquisitions and greenfield activities in Africa's pharmaceutical market have accelerated in the past seven years, reflecting the attractiveness of the market. If stakeholders address barriers[1] that hinder the competitiveness of local manufacturers and slow the development of new actors, local production could grow sustainably.

1 These barriers include weak regional logistics and infrastructure, difficult access to markets, inadequate governance, and an unpropitious regulatory environment.

to grow and upscale Africa's local pharmaceutical manufacturing industry to benefit public health and meet strategic and economic imperatives.

The Bank's support for industrial development

The Bank's work on industrial development is guided by its Industrialisation Strategy for Africa. The strategy identifies six priority areas for the Bank's support: developing industrial strategies, expanding finance for infrastructure and industry, growing capital markets, developing enterprise, making strategic partnerships in Africa, and developing efficient industry clusters across the continent. To boost the implementation of the strategy, the Bank has identified two priorities that best capitalise on its comparative advantage.

The first priority is building industry value chains. The impact of supporting single industrial enterprises will be limited unless linkages with other enterprises and sectors are developed in tandem. A value chain approach can improve productivity and competitiveness across a range of enterprises, maximising job creation and growth. With this in mind, the Bank prioritises four industrial sub-sectors: agroprocessing (various value chains; special agricultural processing zones), gas beneficiation (using gas to manufacture petrochemicals, fertilisers, and other products); textiles (cotton, textiles, and garments); and information and communications technology (enabling Fourth Industrial Revolution technologies and financial inclusion).

> *We are working with regional champions—the fastest way to industrialise and create jobs*

The second priority is supporting enterprise development. A key element of the Bank's Industrialisation Strategy is to identify and support regional champions: that is, African companies with existing or planned operations in at least ten African countries in various sectors. We have established that working with firms of this size is the fastest way to promote industrialisation and create jobs. In recent years, the Bank has supported a number of such champions, including the Dangote Group, OCP Phosphates Group, and OAM. We have identified more than 75 regional champions as possible candidates for support.

To better track Africa's progress on industrialisation, the Bank is launching the Africa Industrialisation Index (Box 5).

Trade is an important driver of Africa's socioeconomic development and the development of enterprise, but access to trade finance continues to be a major impediment. According to the Bank's 2020 Africa Trade Finance Survey, the continent's trade finance gap increased from $70 billion in 2016 to $81 billion in 2019. A key focus of our support for enterprise development is therefore facilitating access to finance for micro, small, and medium enterprises (MSMEs) to make it possible for them to expand their working capital and operations.

Box 5 **Tracking Africa's progress on industrialisation**

The Bank's Africa Industrialisation Index will use a comprehensive set of standardised industrial data to track the evolution of industrialisation in Africa. The index will mirror the components of successful industrialisation and rank African countries on three sub-indices:

1. Performance: African countries' capacity to produce and export manufactured goods
2. Direct determinants: Progress on development investments and skilled labour, two essential inputs for industrial development
3. Indirect determinants: Progress in establishing other preconditions for industrialisation, including infrastructure, macroeconomic stability, and a favourable business environment

Over the last five years, our programmes have provided a significant **number of owner-operators and MSMEs with financial services**. The figure grew from 56 000 in 2015 to 210 000 during 2017 before falling to 154 000 in 2018 and 53 300 in 2019. In 2020, programmes supported just 7700 owner-operators and MSMEs in this regard. This number was significantly below our target.

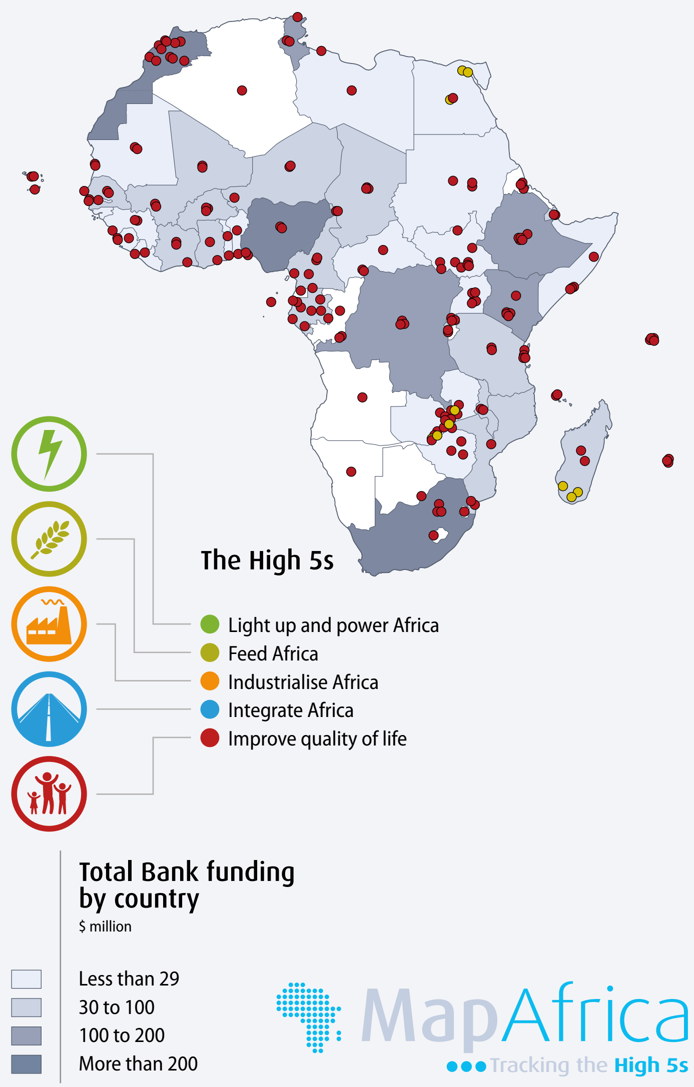
An example of our work to facilitate access to finance for enterprises is the $300 million package of trade finance we provided to the First Bank of Nigeria (FBN). This package enabled the FBN to provide finance to 165 SMEs operating in health, hospitality, manufacturing, agribusiness, construction, and food processing. The FBN worked to make investments gender-inclusive, with over 5000 female entrepreneurs receiving funding or capacity-building support.

Our enterprise support has helped our investees grow their businesses. Their **overall turnover** has increased consistently since 2015, when it was $68 million, to reach $208 million in 2017, $1041 million in 2019, and nearly $2 billion in 2020, far outperforming our target. The **number of people benefiting from our investee projects** grew from 1.9 million in 2015 to 2.6 million in 2017. It dropped to 1.0 million in 2019 before recovering to 1.4 million in 2020.

> *Our trade finance helped investees increase turnover to $2 billion. And tax revenues are climbing*

In addition to promoting economic growth and creating jobs, our enterprise support helps to grow tax revenues. After falling from $331 million in 2015 to $118 million in 2017, the **level of government revenue generated from investee projects and subprojects** increased to $394 million in 2018, $428 million in 2019, and $467 million in 2020.

Figure 3 **Bank supported Covid-19 Response Facility operations**



Recognising the challenges to Africa's firms posed by the pandemic, the Bank has provided significant support for SMEs and other businesses. Our Covid-19 Response Facility's budget support to African countries emphasised SME and business safeguard measures at the national level (Figure 3). We have also scaled up our trade finance in Africa—provided largely through partnerships with banks and other financial institutions—in order to ensure that Africa's firms are able to continue to pursue opportunities to trade. In addition, the Bank has been keen on supporting pharmaceutical companies since before Covid-19, with an active portfolio of financing in private equity funds that are investing nearly $30 million in 16 pharmaceutical companies in all regions of the continent.

Table 6 **Industrialise Africa indicators (Level 2)**

INDICATOR	ALL AFRICAN COUNTRIES			ADF COUNTRIES		TRANSITION STATES	
	Baseline 2015	Actual 2020	Target 2020	Baseline 2015	Actual 2020	Baseline 2015	Actual 2020
MSMEs effect (turnover from investments) ($ million)	68	1998	306	65	126	-	15
Government revenue from investee projects and sub-projects ($ million)	331	467	597	81	39	32	1
People with improved access to transport (millions)	8.6	9.2	10.0	8.6	3.2	0.6	1.0
—of whom women	4.4	4.6	5.0	4.4	1.6	0.3	0.5
People benefiting from investee projects (millions)	1.9	1.4	2.1	0.6	0.5	0.6	0.06
—of whom women	0.96	1.01	1.05	0.30	0.33	0.27	0.03
Owner-operators and MSMEs provided with financial services (thousands)	56.6	7.7	57.0	55.1	4.1	52.7	2.3
Transport-roads constructed, rehabilitated or maintained (km)	2100	926	2900	2000	773	142	117

Achieved 95% of 2020 target · Achieved less than 95% of 2020 target · Achieved less than the baseline

Improving competitiveness with better transport infrastructure

The Bank's investments in road and other transport infrastructure are vital for addressing the logistical constraints faced by industrial firms so that they can become more competitive. The **total length of roads constructed, rehabilitated or maintained** by Bank-financed projects increased from 2100 km in 2015 to 2500 km in 2017 before falling to 1417 km in 2019 and 926 km in 2020.

Not unlike the situation reported in the 2020 edition of the Annual Development Effectiveness Review (ADER), although transport accounts for a quarter of the value of the Bank's portfolio—more than any other sector—challenges in project execution and planning persisted last year, resulting in 96% of transport projects requiring extensions that average 2.6 years. The Bank is assisting regional member countries to address these challenges proactively.

An example of our work to expand transport infrastructure is the Batshamba-Tshikapa Road Improvement Project in the Democratic Republic of Congo. This project built and paved over 70 km of road to connect the port of Banana on the Atlantic Ocean to Sakania on the Zambian border with Zambia, via Kinshasa. This road is the only route to transport imported products arriving by sea and is vital for the inter-urban transport of agri-food products. The project also rehabilitated 80 km of rural roads, five schools, and five health centres, improving the well-being of local populations.

An impact evaluation of the Bank-financed Ghana's Fulfuso-Sawla road project found that integrating community development interventions into road transport projects amplifies development impact, generating wider societal effects such as higher household incomes, better health and education, poverty reduction, and benefits for women and girls.

Our projects are also expanding people's access to transport, so as to improve their quality of life and their livelihood opportunities. The **number of people with improved access to transport** through Bank-financed projects grew from 7.0 million in 2016 to 17.7 million in 2019. In 2020, the number fell to 9.2 million, below our target of 10.0 million.

Deepening regional connectivity and integration

Addressing Africa's infrastructure gaps is a prerequisite for improving regional connectivity and integration. In Nigeria, the upgrading and tolling of Lekki Expressway is facilitating efficient movement of people, goods and services and connecting businesses to regional markets.

© AfDB

Chapter 4

Integrate Africa

Deepening integration in Africa is vital to achieving the High 5s. Linking energy, transport, and ICT infrastructure across African countries will promote innovation, distribute power more equitably and affordably, and facilitate trade within the continent.

Africa has deepened regional integration noticeably over the last two decades. In 2020, 20 African countries were considered deeply and broadly integrated and intra-African trade constituted 14.3% of the continent's total trade in goods. Implementation of the AfCFTA Agreement, which came into force in May 2019, will deepen integration in a range of policy areas.

But Africa still has some way to go before realising the full value of regional integration. The Covid-19 pandemic set back progress in 2020 with new border restrictions and delays to the start of trading under the AfCFTA's new tariff regime. This said, recognition is growing that the AfCFTA will provide an opportunity to build back better from the pandemic. To deliver on the AfCFTA's ambitions and deepen integration, actors must address significant political and technical challenges, including regional infrastructure gaps, the costs of adjustment, and non-tariff barriers.

Despite challenges in 2020, the AfCFTA is progressing

The start of trade under the AfCFTA in January 2021 was a major milestone in Africa's trading landscape. As of June 2021, all regional member countries had signed the agreement, except one and 36 countries had ratified it. The speed of the ratification process is unprecedented in the African Union's history. In the 36 countries that have ratified the agreement, the rights, provisions, and obligations of the agreement now apply.

> *The pace of ratification of the AfCFTA Agreement is the fastest in the African Union's history*

To fully benefit from the AfCFTA, African governments still need to accelerate the pace of ratification, complete remaining negotiations, modernise customs systems, design AfCFTA trade implementation strategies, boost investments and industrialisation, and eliminate non-tariff barriers to trade. Non-tariff barriers—such as roadblocks, cumbersome customs procedures, divergent sanitary and phytosanitary standards, and technical barriers to trade—raise business costs by an estimated 14.3%. If non-tariff barriers are not addressed, they could cancel the gains of tariff liberalisation under the AfCFTA.

But these measures, while important, have a prerequisite if they are to succeed. That prerequisite is infrastructure. Turning Africa into a real single market—a market where goods, services, and people move freely from Cairo to Cape Town, or from Lagos to Nairobi—requires us to close Africa's regional infrastructure gaps. Whether for roads, for rail, for water, or for energy, Africa's gaps in infrastructure coverage are among the largest in the world.

On access to electricity, for example, entire communities across large swathes of Africa lack any connection to the grid. Only seven African countries have an electricity access rate over 50%, and access in the other countries averages just 20%. Many enterprises seek a solution by using diesel generators to power their operations. This adds to costs, decreases productivity, and undermines efforts to boost intra-regional trade. Companies find similar workarounds for transport and communications. But these are workarounds, not permanent solutions.

> *Non-tariff barriers raise business costs by 14.3%, and unreliable energy undermines productivity*

Closing the infrastructure gap is probably the single most important step that governments can take to boost economic development, grow businesses, and help Africa capitalise on the massive opportunities of the AfCFTA. This is why the Bank established the NEPAD Infrastructure Project Preparation Facility. Since inception, NEPAD-IPPF has mobilised resources for project preparation that catalysed infrastructure investments worth more than $24 billion.

Another substantial challenge is that African countries will lose an estimated $4.1 billion in fiscal revenues by reducing tariffs. This will be difficult for many countries, particularly following the economic disruption caused by the pandemic. In order to address this issue, the African Export Import Bank (Afreximbank)—a key partner of the Bank—is working with the African Union and the AfCFTA Secretariat

Table 7 **Regional integration in Africa is slow but is expected to grow (Level 1)**

INDICATOR	ALL AFRICAN COUNTRIES		ADF COUNTRIES		TRANSITION STATES	
	Baseline 2015	Latest 2020	Baseline 2015	Latest 2020	Baseline 2015	Latest 2020
Deeply and broadly integrated countries (number)	19	20	15	15	5	7
Intra-African trade as a proportion of total trade in goods (%)	14.6	14.3	22.6	20.3	32.7	20.7
Regional economic communities' average score (0 low–1 high)	0.47	0.43	-	-	-	-
Countries with liberal visa policies (number)	13	11	11	10	7	5

Improvement over baseline Deterioration

to initiate an AfCFTA Adjustment Facility to help member countries to effectively participate and take advantage of the opportunities arising from the AfCFTA.

Box 6 **Closing Africa's infrastructure gap**

Investments in Africa's infrastructure averaged $77 billion annually between 2013 and 2017, double the amounts invested in early 2000s. Yet to close infrastructure gaps, Africa will have to double annual investments in infrastructure again, to $150 billion by 2025. Three actions can help Africa get there:

First, governments should gradually reallocate financing to crowd in private-sector financing. Governments may consider concentrating public financing in infrastructure that is slightly less commercially viable but more socially enriching, like water, sanitation, and transport. This would leave commercially attractive opportunities, like energy infrastructure, to the private sector.

Second, governments should mitigate political, currency, and regulatory risks around commercially viable opportunities, to make them more attractive to private investors. Less than 10% of infrastructure projects in Africa reach financial close. Most projects fail at the feasibility and business-plan stage. By reducing risks and better preparing projects, governments would increase the flow of bankable deals.

Third, imbedding stronger capacity within countries and regional economic communities in planning, negotiating, and allocating risk will help governments and intergovernmental organisations make smarter choices from the pipeline of infrastructure projects.

The Bank's support for regional integration

The Bank's efforts to support integration across Africa are aligned with the African Union's Agenda 2063 and guided by our Regional Integration Strategic Framework (RISF). The RISF has three pillars: regional infrastructure connectivity, the promotion of trade and investment, and integration of the financial sector.

We have been prioritising the development of regional infrastructure by financing cross-border transport and energy systems. In 2020, our projects enabled 356 km of **cross-border roads to be constructed or rehabilitated**, below the 436 km enabled in 2019.

In 2020, the Bank supported transport integration by funding the completion of feasibility studies for roads linking Tanzania and Rwanda (161 km) and Tanzania and Burundi (328 km). Once completed, these roads will ease the movement of goods and people between countries in central and eastern Africa, growing the economy and creating jobs.

"To deepen regional integration, we need transport infrastructure, cross-border energy, trade finance

In 2020, we began to reap significant results from our efforts to improve cross-border power infrastructure as our projects **constructed or rehabilitated 65 km of cross-border electricity transmission lines**, up from 12 km in 2019 and 7 km in 2018.

The Bank supported several regional interconnection projects in 2020, including the 225 kV Côte d'Ivoire-Liberia-Sierra Leone-Guinea electricity interconnection project; the 330 kV West African Power Pool Coastal Transmission Backbone project, which stretches from Aboadze in Ghana through Sakete in Benin to Ikeja in Nigeria; and the Gambia River Basin Development Organisation interconnection project linking Gambia, Guinea, Guinea-Bissau, and Senegal. In Eastern Africa, the Bank supported projects like the 500 kV Ethiopia-Kenya HVDC interconnector, the 400 kV Kenya-Tanzania interconnector, and the Regional Rusumo Falls and Ruzizi III hydropower schemes. These projects will increase the quantum of physical power infrastructure available for regional power trade and hence regional integration.

The Bank's support for regional integration is underpinned by trade finance. The Bank has introduced a programme that seeks to reduce the trade finance gap in Africa by crowding in global banks and strengthening local African financial institutions that are critical to promoting trade on the continent. An example of our work in this area is our $310 million trade finance line of credit to Ecobank Transnational Incorporated—the leading independent regional banking

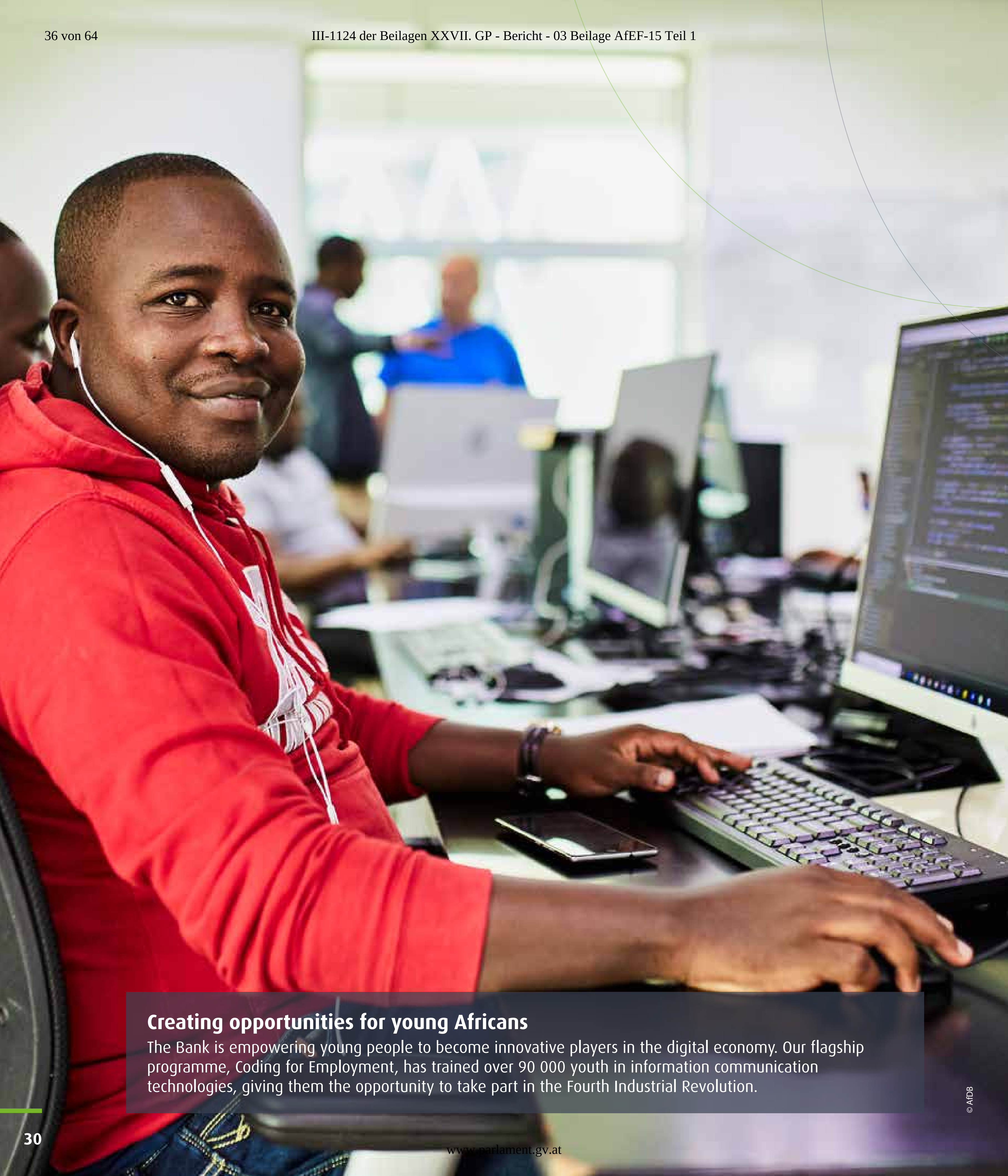
Table 8 **Integrate Africa indicators (Level 2)**

INDICATOR	ALL AFRICAN COUNTRIES			ADF COUNTRIES		TRANSITION STATES	
	Baseline 2015	Actual 2020	Target 2020	Baseline 2015	Actual 2020	Baseline 2015	Actual 2020
Energy: Cross-border transmission lines constructed or rehabilitated (km)	-	65	360	-	10	-	-
Transport: Cross-border roads constructed or rehabilitated (km)	380	356	983	380	356	-	-

Achieved less than 95% of 2020 target   Achieved less than the baseline

group in West Africa and Central Africa—which has disbursed funds to over 155 local companies in a range of sectors, including energy production, agribusiness, local manufacturing, telecommunications, education, petroleum products, and pharmaceuticals. The financing has contributed directly to sustaining at least 304 860 permanent jobs.

To date, the Bank has supported more than 1900 trade transactions involving 113 financial institutions in at least 32 African countries, producing a cumulative trade value in excess of $7 billion. Of this amount, intra-African trade accounted for more than $1.2 billion, representing 17% of all trade supported. ■



Creating opportunities for young Africans

The Bank is empowering young people to become innovative players in the digital economy. Our flagship programme, Coding for Employment, has trained over 90 000 youth in information communication technologies, giving them the opportunity to take part in the Fourth Industrial Revolution.

Chapter 5

Improve the quality of life for the people of Africa

Over the last two decades, prior to the Covid-19 pandemic, Africans' quality of life improved significantly. Sustained economic growth and better governance have raised the quality of education, healthcare, and other basic services, while creating more and better jobs and livelihood opportunities. All of this has reduced the proportion of Africa's population living in poverty.

Africans' quality of life has been improving, but declined in 2020

Although encouraging, recent gains in poverty reduction and inclusive growth risk being reversed by the Covid-19 pandemic. Living standards worsened in 2020 as shutdowns placed significant pressure on jobs and livelihoods, losing an estimated 15.6% of working hours across Africa. The pressures were especially felt by women, for whom unemployment rose from 7.6% in 2019 to 9.3% in 2020, as well as by young people, at least of whom 80% work in the informal sector. As a result of these impacts, the proportion of Africans living on less than $1.90 a day increased by 2.3 percentage points to 34% in 2020, equivalent to an additional 30.4 million Africans forced into extreme poverty. These include people with lower levels of education, people with fewer assets, people who work in low-skill and informal sectors, and vulnerable households, particularly those headed by women. The Bank estimates about 39 million more people could slide into extreme poverty in 2021.

> *Despite two decades of gains, the pandemic could push 39 million people into extreme poverty in 2021*

It is also the case that Covid-19 has had a major impact on public finances. Africa's fiscal deficit nearly doubled from 4.6% in 2019 to 8.4% in 2020 and is expected to remain above the 2019 level in 2021 and 2022. This will make it difficult to continue expanding and improving the quality of basic services in the coming years.

Although the economic and social impacts of the pandemic in Africa have been significant, Africa's robust and collaborative approach to containing the virus succeeded in protecting many human lives. The Bank has made an important contribution to these efforts, supporting 31 regional member countries to mitigate the harmful effects of the pandemic through emergency and budget support operations funded under the Covid-19 Response Facility.[1]

Meanwhile, the rapid growth of Africa's population poses both challenges and opportunities for raising the quality of life. To prevent Covid-19 from depriving young people of opportunities in the long term, a key priority for the coming period must be to ensure access to quality education, health care, and skills development, to help youth compete in the labour market. Actors much also think in terms of post-training support, such as access to finance, so that young people can succeed as entrepreneurs.

Developing quality skills and creating opportunities to meet young Africans' needs and expectations for employment

Each year, Africa needs around 18 million new jobs just to absorb new entrants to the labour market. Currently, it only creates three million per year. As a result, a growing number of young Africans—especially young women—are experiencing unemployment and underemployment.

Even where Africa's youth can find jobs, people's education and skills often fall short of the private sector's needs. The Bank's research has found that 18% of employed youth are over-skilled, 29% are under-skilled, 8% are overeducated, and 57% are undereducated relative to the needs of the market. At the macro level, this leaves Africa with a vast resource of underutilised talent and labour. At the same time, individuals who are over-qualified or overeducated experience wage penalties and job dissatisfaction. Matching education and training to labour market demands and entrepreneurship opportunities would reduce youth unemployment and improve the quality of life.

1 In 2020, the Bank launched its Covid-19 Response Facility to help African countries—both governments and the private sector—to respond to the pandemic.

Table 9 **Africans' quality of life has been improving, but reversals are possible (Level 1)**

INDICATOR	ALL AFRICAN COUNTRIES		ADF COUNTRIES		TRANSITION STATES	
	Baseline 2015	Latest 2020	Baseline 2015	Latest 2020	Baseline 2015	Latest 2020
Population living below the poverty line (%)	42	34	45	42	57	52
Unemployment rate (%)	8.9	7.6	6.3	4.4	12.1	6.0
—of whom women	9.8	9.3	7.9	6.1	5.1	7.6
Enrolment in education (%)	62	63	59	60	58	57
—of whom women	59	60	56	57	53	52
Access to safely-managed sanitation facilities (% population)	39	40	25	24	23	25
Income inequality (Gini index)	41	41	41	41	41	41
Youth unemployment rate (%)	14	14	10	8	9	11
—of whom young girls	16	17	12	9	8	12
Enrolment in technical/vocational training (%)	11	11	8	7	9	10
—of whom women	9	9	7	9	8	8
Access to safely managed drinking water services (% population)	72	66	64	56	51	54

Improvement over baseline Stability Deterioration

The pandemic has exposed two needs among others: the need to build inclusive, responsive, and resilient education systems that leave no learner behind, and the need to develop homegrown solutions to African challenges. During the 2020 academic year, Africa's schools were closed for more than 100 days, the equivalent of a full semester's worth of education. Recent evidence shows that 196 million students (13% globally) have not been able to go back to school. School closures are leading to learning losses and inequalities and about 6.8 million students dropping out of school. Most of these students live in low-income countries, and most are in Africa.

> *Automation need not be a threat. Africa's education systems can be recalibrated for the Fourth Industrial Revolution*

Recalibrating education systems in Africa to take advantage of opportunities arising from the Fourth Industrial Revolution is crucial to creating more jobs for youth. This is because Africans aged 18–35 are likelier than older Africans to be enthusiastic adopters of new technologies, which could give them the opportunity to take advantage of the Fourth Industrial Revolution and find relevant jobs. Young Africans also face threats from automation in some sectors. It is therefore vital that Africa's youth be able to access modern, more adaptable forms of technical and vocational training and higher education.

At present, Africa's employment challenge cannot be solved solely on the supply side, by upskilling young people. Other areas of human capital development (particularly entrepreneurship, private sector development and industrialisation, health and nutrition, and social protections) are also key to boosting productivity in Africa. Most important, economic transformation is needed to create jobs at scale.

Transforming people's lives

Under its High 5 *Improve the Quality of Life*, the Bank promotes human development in Africa in several ways. The Bank encourages education and skills development, particularly technical and vocational education and training and higher education. It supports entrepreneurship and the creation of decent jobs. It strengthens health services by investing in key health infrastructure, and it expands access to water and sanitation and other social services. Through all of its activities, the Bank makes gender equality and women's empowerment central to its work.

During 2020, our Covid-19 Response Facility placed significant emphasis on supporting vital health services and mitigating the social and economic impacts of Covid-19. Our support for health helped quadruple daily testing capacity in Ethiopia, and in South Sudan equipped 3900 workers with personal protective equipment. Our budgetary assistance to support countries' Covid-19 response plans benefitted 12.3 million vulnerable households. Our economic assistance for small and medium enterprises protected jobs by supporting measures such as the deferral of taxes and reductions in public utility costs for energy and water.

At the same time, the Bank continued to implement its programmes for skills development and entrepreneurship, including support for technical and vocational training centres and other training institutions across Africa (Box 7). The number of **people trained through Bank operations** was 118 000 in 2020, down from 140 000 in 2019 and below our target.

Table 10 **Indicators on improving the quality of life for the people of Africa (Level 2)**

INDICATOR	ALL AFRICAN COUNTRIES			ADF COUNTRIES		TRANSITION STATES	
	Baseline 2015	Actual 2020	Target 2020	Baseline 2015	Actual 2020	Baseline 2015	Actual 2020
People with new or improved access to water and sanitation (millions)	2.0	8.3	3.6	1.2	6.5	0.3	2.4
— of whom women	1.0	4.2	1.8	0.6	3.3	0.1	1.2
People trained through Bank operations (thousands)	290	118	900	290	109	34	35
— of whom women	119	61	450	80	56	15	18
People benefiting from better access to education (millions)	0.38	0.17	0.38	0.38	0.05	0.27	0.00
— of whom women	0.24	0.08	0.19	0.24	0.02	0.17	0.00

Achieved 95% of 2020 target Achieved less than the baseline

Box 7 **Stories from beneficiaries – Niger's vocational and technical education project**

This Bank-financed project aims to support Niger's ambition to improve skills development programmes and youth employability by increasing the access to quality vocational and technical education and training from 25% in 2016 to 40% in 2021. One of the beneficiary learning institutions is the Kalmaharo technical centre in Niamey. In 2010, the centre counted only 300 learners. The project began in 2012 and the number of learners increased to 1031 in 2019. The centre has been completely reorganised, all equipment has been renewed, and learners are using cutting-edge technology. The centre now enjoys national renown.

"The new equipment allowed us to increase our working groups. In addition, some courses that only taught theory, now include practical learning. This is an opportunity for learners because they can learn about the technology used by big companies in the area," said Souleymane Bahari, a teacher/head of the mechanical engineering workshop.

Companies in Niger's industrial sector stand to benefit from a more qualified and competent workforce, as the ongoing project continues to produce industry-relevant skills and boost graduate employment.

An example of our work on education and training is the Uganda Higher Education Science and Technology programme, which supports investments in ICT network connectivity in six public universities. Following this investment, enrolments in science, technology, and industry courses at these universities almost doubled between 2012 and 2018, and 45% of those enrolled were women. The programme clearly stepped up the scale, quality, and equity of ICT training in Uganda.

An important aspect of our work on human capital development is our support for Africa's youth, which has been guided by the Bank's Jobs for Youth in Africa Strategy. This strategy aims to help create 25 million jobs and positively impact 50 million youth by 2025 by (i) ensuring that Bank projects and the policies of regional member countries include a focus on youth; (ii) pursuing innovative youth entrepreneurship and employment initiatives; and (iii) catalysing private sector investments that fuel job creation and employment for youth. One of our flagship pan-African programmes to promote youth entrepreneurship and employment is Coding for Employment. Coding for Employment has trained over 90 000 youth, 47% of whom are female, in information communication technologies. Its online footprint covers 45 African countries.

In 2020, the Bank continued its work on the Joint Impact Model, a project that has grown to include 10 international financial institutions. The model measures the number of jobs made possible by the Bank's investments: direct jobs, indirect jobs, induced jobs, and jobs created by the enabling effects of better access to finance or energy. The model estimates that through operations approved in 2019, the Bank will support the creation of three million jobs (0.8 million direct jobs and more than 2.1 million other jobs). As a result of Covid-19, the Bank approved fewer investments in 2020, but its projects are expected to produce 558,000 jobs nonetheless (Figure 4).

> *Empowering women is central to advancing health, education, and the development of enterprise*

The decrease in the number of large infrastructure operations has sharply decreased expectations for the creation of indirect jobs, induced jobs, and jobs created by the enabling effect of better access to energy. By mitigating the significant social and economic impacts of the pandemic, however, our Covid-19 Response Facility helped to save many jobs. A return to more normal levels of investment in the coming years will generate employment at levels similar to those in the period prior to pandemic.

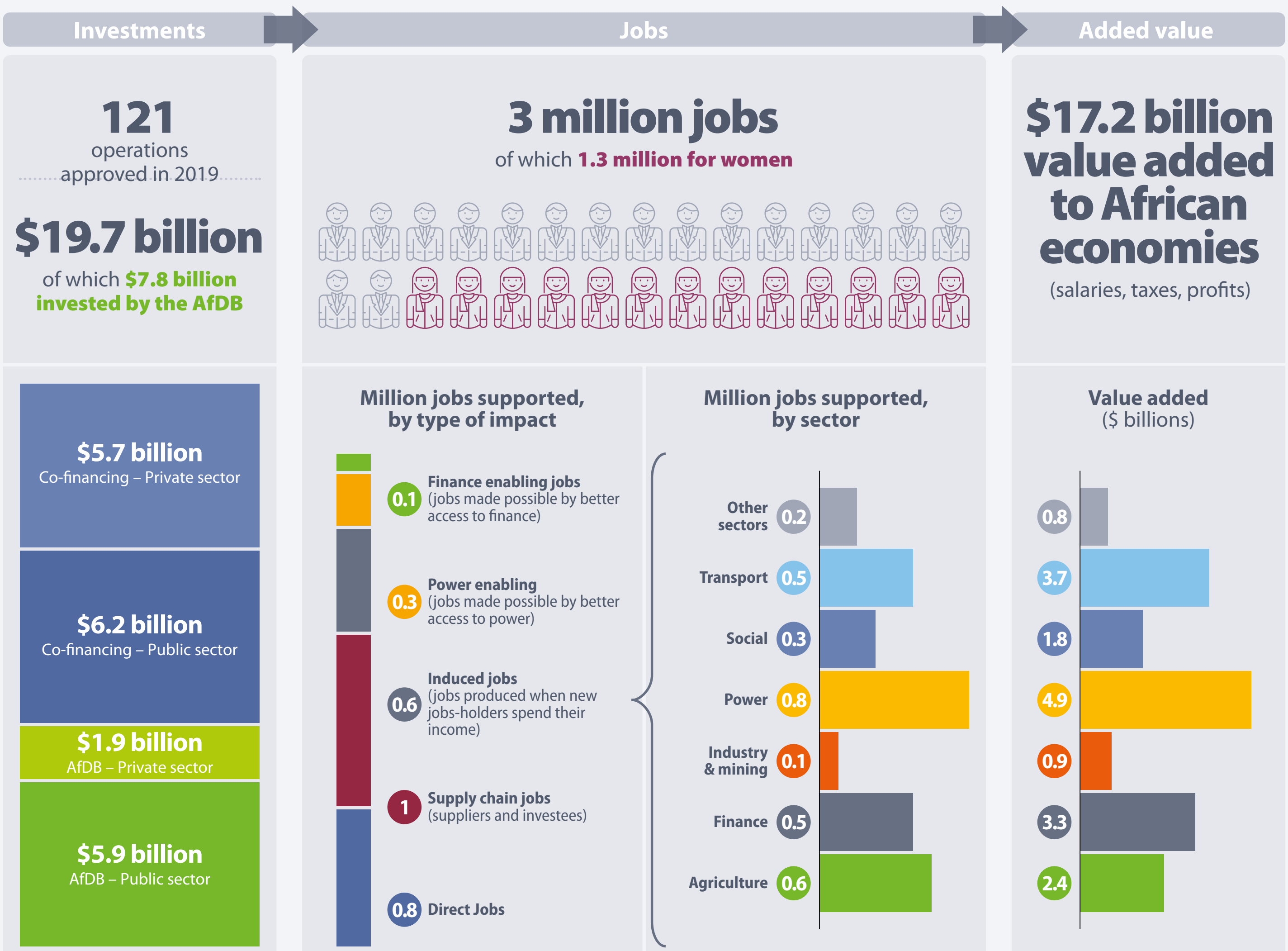
Another example of our work in this area is our Development of Skills for Industry Project in Ghana. This project facilitated reforms to the technical and vocational education and training sub-sector and helped establish entrepreneurship units in ten technical institutes. The project also included a bursary scheme that benefited 2010 students, 41% of whom were female. We continue to support projects that enable women to harness their skills and gain employment.

> *To maximise the return on investment, projects and training must be mindful of youth*

Water and sanitation continue to be a key priority for the Bank, and we have been working with partners and governments to provide Africans with safe and dependable access to these services (Box 8).

Figure 4 **The Bank is assessing the impact of its investments on jobs**

Produced in collaboration with 10 development finance institutions, the **Joint Impact Model** is a tool that measures the number of jobs created with the support of the Bank's operations: direct jobs, jobs in the supply chain, induced jobs, and jobs created by the operations' enabling effects. The JIM estimates that 121 public and private sector operations approved by the Bank in 2019 will support the creation of 0.8 million direct jobs and 2.1 million jobs in the supply chain, induced jobs, and enabling-effect jobs. Of the three million jobs created, 1.3 million jobs will be held by women. Altogether, the jobs will add US$ 17.2 billion to African economies.



Box 8 **Strengthening support for Africa's water sector**

The Bank's Independent Development Evaluation department evaluated the Bank-managed African Water Facility and produced useful lessons and recommendations for a water-secure Africa. Covering 118 interventions in 52 countries, the evaluation found the African Water Facility to be a highly relevant instrument and one of the few water-related actors to support project preparation at the continental scale. The African Water Facility's support makes it possible to increase the co-production and co-financing of projects with a range of partners. The evaluation also found that the African Water Facility was effective in enabling African countries to introduce innovative models for managing national water resources, and recommended that African Water Facility be more flexible, nimble, and efficient, to maintain its comparative advantage and fulfil its mandate in collaboration with the Bank. Finally, the evaluation recommended more stakeholder engagement, better results reporting, and more efficient operations.

In Ethiopia, our One WASH National Program, co-funded with the Government of Ethiopia, operated in 382 districts (woredas) and 144 small and medium-sized towns. This investment increased the proportion of people with access to safe water in target communities from 50% to 97% over the life of the programme. Through projects such as this, we supported 8.3 million people to gain **access to new or improved water and sanitation** services in 2020, up from 2.0 million in 2015 and above our target of 3.6 million.

During 2020, we also continued to develop our strategies to support the High 5 *Improve the Quality of Life of the People of Africa*. We drafted a new Water Strategy to support the operationalisation of our new Policy on Water, and we introduced a new Gender Strategy. ■

Improving economic governance

To improve economic governance, African governments need to improve the business climate, attract investment, and establish strong institutions underpinned by greater accountability, transparency and the rule of law. Our new Strategy for Economic Governance in Africa prioritises these areas.

© AfDB

Chapter 6
Cross-cutting and strategic issues

The Bank is integrating a set of cross-cutting and strategic objectives across its portfolio. These concern governance and institution-building, fragility and resilience, climate change and green growth, and gender equality. Addressing these issues is critical to achieving the High 5s, promoting inclusive and green growth, and realising the sustainable development goals and the African Union's Agenda 2063. In the aftermath of a turbulent year, ensuring debt sustainability will be an additional, essential part of the Bank's work to build a more prosperous future for Africa.

Economic growth on the continent

In the past year, the Covid-19 pandemic severely impacted economic growth in Africa and around the world. According to the Bank's *2021 African Economic Outlook*, the continent experienced its first recession in half a century in 2020, with GDP contracting by 2.1%, 6.1 percentage points below the growth expected before Covid-19. This has negatively affected the livelihoods of hundreds of millions of people. Tourism-dependent, oil-exporting, and other resource-intensive economies are the most affected. The Bank estimates that the pandemic caused a cumulative loss in GDP of up to $146 billion in 2020. Africa's economy is, however, expected to rebound in 2021 and grow by 3.4%, subject to equitable access to Covid-19 therapeutics and vaccines, a resumption of tourism, a rebound in the price of export commodities, the systematic and timely resolution of Africa's growing debt vulnerability, and the rollback of pandemic-induced restrictions.

> *The risk of debt distress is increasing. Inclusive, green growth is more important than ever*

Nevertheless, there is a great deal of uncertainty about the future economic context, and several challenges will remain as a result of the disruption. First, the pandemic's longer-term economic impacts could push an additional 30 to 39 million people into extreme poverty. Recovery efforts must therefore prioritise pro-poor and equitable growth that leaves no-one behind. Second, Africa's average debt-to-GDP ratio is expected to climb by 10 to 15 percentage points to 75% in the short-to-medium term, constraining public spending and increasing the risk of debt distress. Other factors that could derail the recovery include a resurgence of Covid-19 infections, the tightening of external financing conditions and capital outflows, low commodity prices, low tourism and remittances, extreme weather events, and social tensions.

Given the continued economic uncertainty, our work to implement the Bank's Ten-Year Strategy, with its emphasis on promoting inclusive and green growth, is more important than ever. A key element of our efforts will be to ensure that the cross-cutting issues of governance and institution-building, fragility, climate change, and gender equality are addressed across our activities.

Governance and institution-strengthening

The Bank defines governance as a set of institutions, processes, policies, laws, and behaviours that affect the manner in which public, private, and non-state sectors exercise power when managing a country's economic, financial, and social resources. The Bank focuses on improving economic governance, which promotes inclusive growth by giving states the capacity to raise revenues, manage income effectively, and direct funds to inclusive public investments and services. This helps enhance stability, social cohesion, and resilience.

> *Improving economic governance—tax collection, budget management, financial transparency—is an area of Bank expertise*

Over the last decade, many African nations have made important progress in improving governance. Exactly 36 countries—home to 61% of the continent's population—have risen on the Mo Ibrahim Index on African Governance. At the continental level, however, Africa's aggregate score has not improved over the past five years, and indeed declined slightly in 2020. Progress was most pronounced in economic governance and human development but in many parts of Africa, security, the rule of law, participation, rights and inclusion declined. These deteriorations, combined with an increasingly challenging business environment, are limiting people's opportunities to prosper and take advantage of sustained economic growth.

Table 11 The pandemic has severely impacted Africa's growth (Level 1)

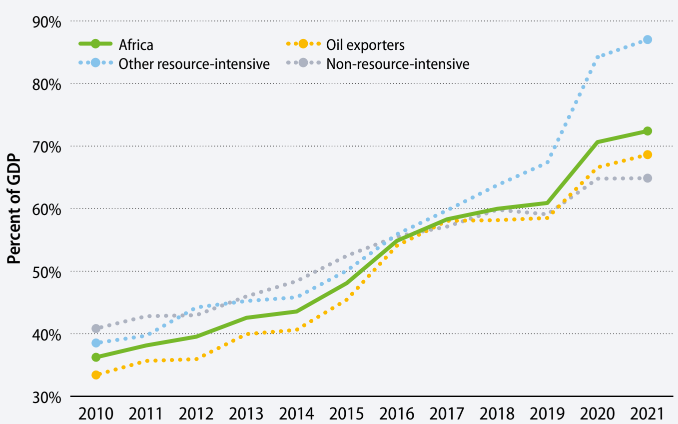
INDICATOR	ALL AFRICAN COUNTRIES		ADF COUNTRIES		TRANSITION STATES	
	Baseline 2015	Latest 2020	Baseline 2015	Latest 2020	Baseline 2015	Latest 2020
Tax and non-tax fiscal revenues (percentage of GDP)	16.1	17.3	13.1	15.6	10.6	14.3
Gender Inequality Index (0 low–1 high)	0.53	0.52	0.59	0.57	0.61	0.60
Production efficiency (kg CO_2 emissions per constant 2010 $ of GDP)	0.55	0.52	0.28	0.26	0.28	0.27
Real GDP growth (%)	3.6	-2.1	5.1	0.0	5.4	0.1
GDP per capita (constant 2010 $)	1941	1791	791	788	733	712
Mo Ibrahim Index of African Governance (0 low–100 high)	50	49	47	46	40	40
Resilience to water shocks (index from 0 (low) upwards)	3.5	3.9	2.2	2.3	2.0	2.0
Number of refugees and internally displaced people (million)	17.5	29.0	16.1	25.2	6.6	20.8

Improvement over baseline Deterioration

Covid-19 has heightened growing concerns with debt sustainability and the importance of mobilising domestic revenues. Even though African countries increased their tax and non-tax fiscal revenues from 16% of GDP in 2019 to 17% of GDP in 2020, the high levels of public expenditure required to tackle Covid-19 and the recovery efforts have led to large increases in borrowing. As a result, average debt-to-GDP ratios swelled from 60% in 2019 to over 70% in 2020 and are expected to increase further in the coming years. Debt levels have risen most rapidly in countries whose economies depend on tourism and natural resources (Figure 5).

Figure 5 Bold governance measures are necessary amidst rising debt

Gross government debt as a percentage of GDP



Source: African Development Bank (staff calculations based on IMF WEO database)

Although the pandemic and government responses have increased indebtedness, debt challenges have been growing for some time, in part because of poor governance and weak institutional capacity. In some countries, the true scale of public debt is not transparent in public accounting. In others, economic mismanagement has led to inefficient and wasteful spending that has added to the debt burden. It is therefore vital that our efforts to address debt issues strengthen the capacity, effectiveness, and transparency of institutions involved in resource management.

The Bank is therefore working intensively to improve public sector management and institutional capacity. In 2020, our support raised the **quality of budgetary and financial management** in eight countries, improved transparency and accountability in the public sector in six countries, **improved procurement systems** in three countries, and **improved the competitive environment** in three countries.

For instance, in the Democratic Republic of Congo, our institutional support project led to the timelier production of annual financial statements and annual statistics and the production of gender-disaggregated statistics bulletins. This strengthened the country's statistical capacity and public financial management. Similarly, in Togo, our institutional capacity support helped Togo be recognised by the Extractive Industries Transparency Initiative as having made meaningful progress towards meeting the initiative's standards, especially as concerns the governance of the extractives sector.

Although revenue-to-GDP ratios have been rising slowly, African countries still have a lot of room to increase revenues through taxation. The Bank is helping regional member countries build their capacity for tax collection and enforcement and adopt tax reforms that support inclusive growth and tackle corruption and illicit financial flows. In Chad, for example, the Bank's Economic Recovery Support Programme supported an increase in non-oil tax revenues and a reduction in the public sector wage bill, which helped the government augment public investments financed by domestic sources from $65 million to $215 million.

The Bank has developed a new strategy — the Strategy for Economic Governance in Africa — that prioritises strengthening public financial management, promoting transparency and accountability in public service delivery, stimulating government effectiveness, building business-enabling environments, fighting corruption, and enhancing the institutional frameworks required to manage the economy efficiently at the national and sub-national levels.

Addressing fragility and building resilience in Africa

Fragility remains a critical challenge across much of Africa and affects communities, countries, regions, and the world. The political, economic, social, environmental/climate-related, and regional drivers of fragility are complex, multi-dimensional, and dynamic. They are often interlinked. Conflict, violence, and natural disasters make it difficult to harness the continent's tremendous opportunities, including its natural resources and its human capital, and vulnerable populations are affected the most harshly. New pressures created by climate change and compounded by Covid-19's health, socioeconomic, and fiscal effects have made building resilience across Africa one of the continent's most pressing priorities.

> *The drivers of fragility are complex and interlinked. A whole-of-society approach fosters resilience*

To support its regional member countries, the Bank is pursuing a holistic, whole-of-society approach towards fostering resilience that reflects on its institutional mandate and comparative advantages. The approach includes a focus on knowledge generation, policy dialogue, advocacy, and catalytic investments, for example via the Bank's Transition Support Facility, that reinforce actors' capacity to prevent and mitigate the root causes and drivers of fragility. The Bank uses a fragility lens to produce research, analytics, and tools that inform projects/programmes strategically and help build peace (e.g., by including the most vulnerable people, such as displaced people and their hosting communities; by preventing grievances and marginalisation; and by empowering women and youth). The Bank's work also favours stability, resilience and prosperity in fragile settings.

This enables the Bank to stay engaged across the spectrum of fragile situations and adapt its approach to different contexts while staying selective and catalytic. The Bank places special emphasis on capacity development and strategic partnerships, among other things by enhancing its collaboration along the humanitarian-development-peace nexus, by developing the private sector in fragile contexts, and by engaging civil society. Moreover, the Bank is constantly ameliorating its operational approaches and instruments to remain flexible, relevant, and responsive to emergencies and crises.

Accordingly, the Bank directed additional support in 2020 to address fragility risks. For example, in 2020, the Transition Support Facility supported regional economic communities and individual countries in mitigating the negative impacts of Covid-19, strengthening capacities to consolidate peace, building community and household resilience, and supporting key national and transboundary infrastructure as well as investments in human capital.

At the continental level, the Bank provided $29 million to the Africa Centres for Disease Control and Prevention's Covid-19 Response Project, which has helped low-income ADF countries implement their Covid-19 response plans (Box 9). In another regional Bank response to the crisis, the Bank provided an ADF grant of $22 million to the G5 Sahel Secretariat and the UNHCR to fund an exceptional, emergency regional operation to combat Covid-19 in Burkina Faso, Chad, Mali, Mauritania, and Niger.

Addressing climate change, enhancing climate resilience

Climate change is already posing significant challenges for Africa. It is worsening food insecurity, stressing water resources, and displacing populations. Of all the continents, Africa is the most vulnerable to the adverse effects of climatic change, and seven out of the ten of the world's most climate-vulnerable countries are in Africa. The economic cost of climate change in Africa is very high, ranging from $7–$15 billion per year in 2020 to $30 billion in 2030 and $50 billion by 2040.

The Bank's work to address climate change in 2020 was severely hampered by the Covid-19 pandemic. The Bank's efforts to

Box 9 **The Bank is supporting continental responses to Covid-19**

The Africa Centres for Disease Control and Prevention (Africa CDC), the African Union's public health agency, is responsible for strengthening continental, regional, and national capacities to detect, respond to, and mitigate the health and economic impacts of epidemics and pandemics while building long-term capacity to manage future outbreaks. The Bank is helping Africa CDC to prevent, address, and mitigate the complex, multidimensional, and dynamic effects of Covid-19. Grant resources are ring-fenced to support ADF-eligible countries, including transition states, to implement their Covid-19 response plans. The project supports the African Union's Covid-19 Response Fund and the Africa CDC's Pandemic Preparedness and Response Plan in four areas: (i) strengthening surveillance at points of entry (air, sea, and land) while easing the free flow of goods; (ii) building essential subregional and national capacity for Covid-19 epidemiological surveillance and case management; (iii) ensuring the availability of stocks of products and equipment to prevent, control, and treat cases; and (iv) ensuring communication and coordination at the regional level. The expected outcome is a stronger Africa CDC that can coordinate the Covid-19 response and future epidemics across member countries, working in collaboration with the World Health Organization and other partners.

mobilise climate finance were also impacted by travel restrictions and the fact that donor countries refocused their budgets on domestic and international Covid-19 measures. The urgency of releasing emergency support also complicated the Bank's efforts to mainstream climate change into its projects—tighter timelines made it more difficult to review projects for climate-related risks and opportunities.

Despite these circumstances, the Bank continued its efforts to mainstream climate change into its work. By end of December 2020, 88% of the 126 projects approved in 2020 addressed climate change and green growth in their design, as had 100% of approved policy documents. These documents included country strategy papers for Eswatini, Lesotho, Namibia, Nigeria, and Sierra Leone, as well as regional integration strategy papers for West Africa and North Africa. About 34% of projects approved in 2020 are dedicated to climate finance and will contribute to climate-related mitigation and adaptation in regional member countries (Figure 11).

> *The pandemic derailed many climate change-related operations. Still, 88% of projects approved in 2020 address climate change and green growth, and 34% are dedicated to climate finance*

In line with its commitments, the Bank was selected to host the regional Africa office of the Global Center on Adaptation. This resulted in the development of the joint Africa Adaptation Acceleration Program, which aims to mobilise $25 billion for adaptation actions by 2025, half of which amount will be provided by the Bank. With this new partnership, the Bank is leading Africa's efforts to accelerate the delivery of adaptation action across the continent while helping mobilise funds and bridge the financing gap for climate adaptation in Africa.

Box 10 **Supporting women's economic empowerment in Burkina Faso's shea subsector**

Financed by the Bank's Fund for African Private Sector Assistance, the Project for the Economic Empowerment of Women in the Shea Butter Subsector has supported the establishment and formalisation of cooperatives and the improvement of shea products in Burkina Faso. The project has increased employment opportunities in the shea industry, from collection to marketing, including the processing and valorisation of shea products. From 2016 to 2019, the sector's export revenues increased from $53 million to $62 million. The project increased the incomes of thousands of women, directly empowering them economically. In total, 150,000 members of cooperatives benefited from the project, 90% of them women.

The Bank also remains committed to aligning its financial flows and investments with the objectives of the Paris Agreement, and to working with other multilateral development banks to achieve them. The Bank is actively involved in creating a dedicated framework that will help multilateral development banks to operationalise their commitments to the Paris Agreement. This work will feed into the development of the Bank's inaugural Paris alignment action plan.

Promoting gender equality and economic empowerment

During 2020, the Bank worked actively to mitigate the pandemic's disproportionate impacts on women. Women are more likely than men to have suffered a reduction in their socioeconomic status and to have taken on additional unpaid care work. The Bank therefore approved a range of interventions, including innovative financial instruments, to sustain women-owned businesses (Box 10); give disease prevention information and supplies to women caring for sick household members; and develop tech solutions to ensure that education would continue and to reduce the risk of girls dropping out.

In 2020, gender grew in prominence across the Bank's operations. Some 96% of sovereign operations were categorised using the gender marker system, up from 60% in 2019. The Bank's Board also approved the Gender Strategy. Guided by the principle "Investing in Africa's women to accelerate inclusive growth," the strategy aims to reduce gender inequality and empower women to participate in their own right across the High 5s. It plans to do this by enhancing women's access to finance, markets, skills, and infrastructure, and by supporting the design and implementation of gender-responsive policies.

> *Approved in 2020, the Bank's Gender Equality Trust Fund is the largest trust fund for gender in Africa*

To mobilise more financing for operations that promote gender equality, the Bank approved two important new initiatives in 2020. The first is the Gender Equality Trust Fund, the largest trust fund for gender in Africa. The second is the Guarantee for Growth programme, an innovative guarantee mechanism that aims to de-risk investments in woman-led SMEs.

In addition, in 2020 the Bank approved a number of milestone projects focused on women's economic empowerment, including a $14 million project in Sudan to accelerate women's entrepreneurship by strengthening women's capacity, their access to financial services, and their knowledge of ecosystems; and a $20 million project in partnership with the Green Climate Fund to increase access to financing for woman-led/woman-owned MSMEs in agriculture in Ghana.

Table 12 **Indicators in cross-cutting and strategic areas (Level 2)**

INDICATOR	ALL AFRICAN COUNTRIES			ADF COUNTRIES		TRANSITION STATES	
	Baseline 2015	Actual 2020	Target 2020	Baseline 2015	Actual 2020	Baseline 2015	Actual 2020
Countries with improved quality of budgetary and financial management	6	8	3	5	7	4	4
Countries with improved transparency, accountability in public sector	5	6	1	4	5	2	4
Countries with improved procurement systems	2	3	3	1	3	1	1
Countries with an improved competitive environment	3	3	1	2	3	1	2

Achieved 95% of 2019 target

Finally, the Bank continued its work to promote gender knowledge and awareness during 2020. It published 11 country gender profiles and 10 reports on gender-responsive, climate-resilient solutions in countries including Burkina Faso, Chad, Egypt, Malawi, and South Sudan. In partnership with the Climate Investment Funds and Energia, we also published four gender and energy country briefs covering Kenya, Rwanda, Tanzania, and Uganda. These briefs and our other knowledge work present readers with gender and energy statistics, and suggest insights to inform gender-responsive policies and programmes in sustainable energy access in Africa.

Supporting enterprises to recover from the pandemic

Small and medium enterprises need regular and affordable power supply to remain competitive. In 2020, our Covid-19 budgetary assistance projects supported SMEs to recover from the pandemic through deferral of payment or reduction of electricity bills.

Chapter 7

Improving our development impact and efficiency

The Bank is continually improving its portfolio and its organisational performance. In 2020, our internal reforms increased the proportion of projects managed from our country offices. We augmented the proportion of women in our professional staff, and we reduced staff vacancy levels. We pursued our commitment to accountability, and observers took note: we were ranked the world's fourth-most transparent development institution, and the African Development Fund scored second for the quality of its development assistance. But the Covid-19 pandemic challenges us to be more efficient and effective still.

Constraints on project approvals in 2020

In recent years, the Bank increased its volume of lending in response to strong demand for development finance from African countries. This trend was expected to continue in 2020: in October 2019, shareholders agreed to the largest-ever general capital increase, committing $115 billion. In December 2019, they also approved a 32% increase in resources for the ADF over 2020–2022.

“The pandemic upended project schedules. But project outcomes remained high

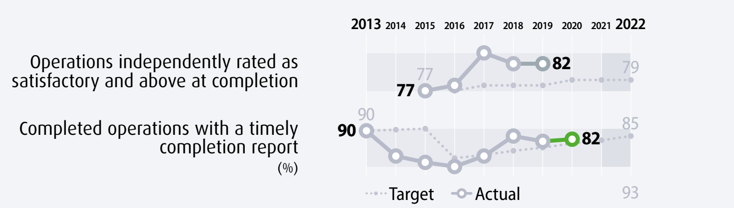
In 2020, however, Bank Group approvals dropped by 46% compared to 2019, reaching $4.9 billion.[1] Approvals for African Development Bank (ADB) operations (both sovereign and non-sovereign) fell the most sharply, and approvals under the ADF[2] dropped 24% against 2019. This outcome was driven by several factors. First, prudential constraints resulting from the challenging economic environment in 2020 required the Bank to scale back ADB lending volumes. Second, the Bank postponed over 75 operations with a total value of $4.5 billion in order to prioritise Covid-19 relief efforts, which were delivered primarily through the Covid-19 Response Facility. Third, several projects were delayed due to restrictions on our ability to travel and engage in country dialogue and project preparation and appraisal. Other conditions also played a part, including the difficulty of implementing safeguarding processes during the pandemic, changing priorities among regional member countries priorities, and the need to reassess debt sustainability.

In 2020, around 63% of project finance was absorbed by crisis response budget support operations[3] prepared under the Covid-19 Response Facility, and 77% of approvals addressed the High 5 *Improving the Quality of Life for the People of Africa*. Approvals through the Bank's Transition Support Facility—which supports countries transitioning out of fragility—more than doubled in 2020, to $681 million.

Project performance remains strong

The Bank uses project completion reports (PCRs) to capture results and lessons learnt from our operations, to inform the design of new programmes, and to drive improvement year-on-year. Since 2015, we have been working to improve the timeliness of PCRs and instal real-time monitoring and learning. As a result, the proportion of **completed operations with a timely completion report** increased from 60% in

Figure 6 **The Bank is improving the quality of its projects while accelerating implementation**



1 This figure excludes the Transition Support Facility and other special funds.
2 The ADB is the Bank Group's non-concessional financing entity. The ADF provides concessional loans and grants to low-income regional member countries.
3 These operations provide regional member countries with budget assistance for their Covid-19 response plans.

Table 13 How effectively is the Bank managing its operations? (Level 3)

INDICATOR	AFRICA			ADF COUNTRIES		TRANSITION STATES	
	Baseline 2015	Actual 2020	Target 2020	Baseline 2015	Actual 2020	Baseline 2015	Actual 2020
ACHIEVE DEVELOPMENT IMPACT							
Operations that achieved planned development outcomes[1] (%)	71	80	-	73	79	50	76
Operations independently rated as satisfactory and above at completion	77	82[2]	79	63	-	-	-
Completed operations delivering sustainable outcomes[1] (%)	74	86	-	76	82	50	71
Completed operations with a timely completion report (%)	60	82	78	64	92	89	89
ENHANCE THE QUALITY AND SPEED OF OPERATIONS							
Quality of new operations (1–4)	3.3	3.3	3.5	3.3	3.3	3.4	3.3
New operations with gender-informed design (%)	75	95	85	84	95	86	92
New operations with climate-informed design (%)	75	88	85	90	92	-	71
Operations with satisfactory environmental and social safeguards mitigation measures (%)	87	80	91	92	86	-	90
Quality of country strategy papers (scale. 1–4)	3.0	2.8	3.4	3.0	2.9	3.0	3.0
Time from concept note to first disbursement (months)	21.9	20.8	16	23.9	18.3	17.5	13.9
IMPROVE PORTFOLIO PERFORMANCE							
Time for procurement of goods and works (months)	8.5	7.2	7.3	8.5	6.7	-	7.3
Procurement contracts using national system (% value)	0	23	10	0	18	-	3.5
Non-performing operations – operations at risk (%)	15	7	12	18	6	8	10
Timely coverage of Country Portfolio Performance Reports (%)	57	63	66	65	65	-	67
Disbursement ratio of ongoing portfolio (%)	21	17	23	18	14	14	12
Non-performing operations – operations eligible for cancellation (%)	25	30	19	31	32	29	31
Projects facing implementation challenges and delays (%)	29	33	22	29	36	24	34
KNOWLEDGE AND ADVISORY SERVICES							
New ESW and related papers (number)	122	250	170	110	220	-	197

Achieved or are within 90% of achieving the 2020 target · Achieved from 80% to 90% of the 2020 target · Achieved less than 80% of the 2020 target

Data not available

1 Past figures have been revised, now that data from independently validated project completion reports is available. A new methodology for reporting will be applied from 2022.
2 Latest data, 2018. The methodology for this indicator is under revision. After revision, updated figures will be posted.

2015 to 80% in 2019. This proportion rose moderately to 82% in 2020, despite travel restrictions hampering obligatory project completion missions.

> *The Bank is implementing an ever-greater share of recommendations: from 64% to 89% in four years*

Each year, the Bank's Independent Development Evaluation Department (IDEV) produces a candid, independent analysis of the performance and effectiveness of projects closing that year. Newly validated data indicate that project outcomes remain high and well above baseline levels. In 2020, 80% of **completed operations achieved their planned development outcomes**, up from 58% in 2016, 61% in 2018, and 69% in 2019. Similarly, IDEV rated **completed operations that achieved sustainable outcomes** at 86% in 2020, up from 74% in 2017 and 78% in 2019. While updated data for **independently rated completed operations** is not yet available, IDEV rated 84% of 2017 projects and 82% of 2018 projects as satisfactory or above-satisfactory at completion. The Bank is committed to improving this performance further.

The methodology for project completion reporting and validation is currently being revised in a joint exercise by IDEV and Management. A new approach to completion reports for public and private sector operations will be applied from 2022 onwards.

During the seventh general capital increase (GCI-VII) process in 2019, the Bank agreed to an ambitious programme of reforms to continually improve the effectiveness of our operations. Despite the challenging operational context, we delivered 14 of the 25 GCI-VII commitments

Box 11 **The ADF ranks second in quality of official development assistance**

The African Development Fund (ADF) ranked 2nd in the 2021 Quality of Official Development Assistance (QuODA) rankings. QuODA examines 17 indicators of prioritisation, ownership, aid transparency and untying, and evaluation. It assesses the bilateral programmes of 29 countries and the world's 20 largest multilateral agencies that provide official development assistance.

The ADF performed best on the dimensions of prioritisation and ownership, where it ranked second. This reflects a high share of the ADF's official development assistance reaching partner countries, the ADF's strong focus on poverty, the ADF's contributions to under-aided countries, and the ADF's alignment with partner countries' objectives. The ADF ranked in the top 10 on transparency and untying.

The 2021 QuODA suggested that the ADF could improve its evaluation functions by strengthening its results-based management and institutional learning systems. The Bank is working on these issues to deliver better sustainable development outcomes.

targeted for the end of 2020. In 2021, we will double our efforts to deliver on our reform commitments and meet our targets.

In line with our commitment to strengthen accountability, we continue to use evaluations to improve the quality and impact of our operations, and every six months, our Management Action Record System tracks the implementation of recommendations and actions to which we agreed. As of December 2020, the share of recommendations completed or being implemented had reached 89%, compared to 64% in 2017 (Figure 7). The Bank will continue to implement actions in a timely manner, so that by 2021 all agreed audit and evaluation recommendations close within the agreed timeframe.

The Bank is fully committed to operating transparently and accountably and to providing shareholders and regional member countries with information about its effectiveness. In fact, in 2020, the Aid Transparency Index ranked the Bank the fourth-most transparent development institution in the world. Building on our commitments under the International Aid Transparency Initiative, the Bank maintains the Projects Data Portal, a web platform that monitors the Bank's resource flows for development at the country level. This enables policymakers and other stakeholders to better understand the Bank's prioritisation of development resources; it informs decisions and enhances transparency further. More than 4,800 projects are on the portal, which applies a special tag to projects approved through our Covid-19 Response Facility. We also maintain MapAfrica, an interactive platform that maps our investments and allows users to navigate through the Bank's operations, seeing their development impact across African countries. So far, MapAfrica has published results briefs for more than 200 projects.

Our sustained commitment to transparency and accountability has attracted attention. Among other things, the Center for Global Development ranked the ADF second in the world on the 2021 Quality of Official Development Assistance dashboard (Box 11). In addition, the Bank won *Global Finance Magazine*'s award for best multilateral development bank.

Enhancing project design and increasing the speed of operations

The Bank's development impact rests on the quality of its operations. High-quality design is also essential to implementing projects successfully. That is why the Bank applies demanding standards for quality-at-entry. Assessments using our readiness review tool found that in 2020, the **quality at entry of new operations** remained steady at 3.3, slightly below our target of 3.5.

A key element in our efforts to improve project quality is ensuring that our projects address cross-cutting challenges, such as gender, climate change, and environmental and social issues. In 2020, 95%

Figure 7 **We are implementing recommendations from independent evaluations**

Share of recommendations that have been implemented

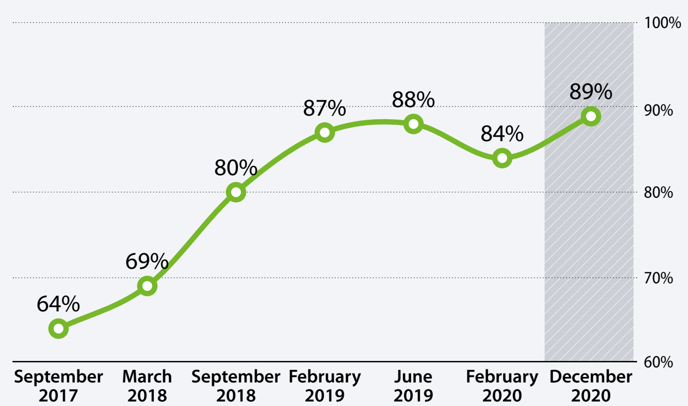
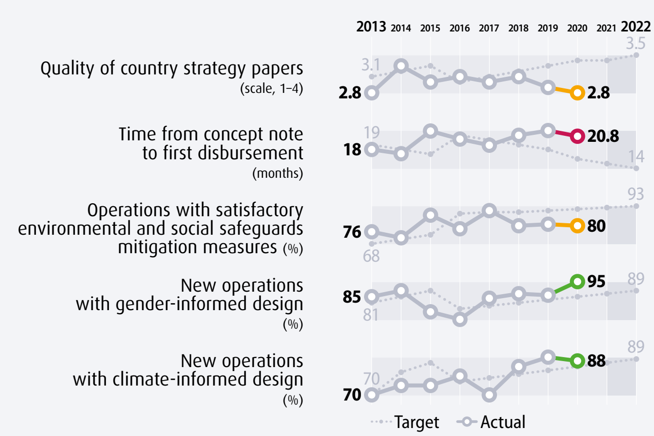


Figure 8 **The Bank is improving the quality of its projects while accelerating implementation**



of **new operations had a gender-informed design**, an increase from 86% in 2019 and 75% in 2015 and comfortably above our target. Our gender marker system, which measures the extent to which gender equality is mainstreamed across our operations, shows that an increasing proportion of our projects supporting gender equality effectively. We will continue to ensure that a gender analysis is fully integrated into project design and project appraisal reports.

> *To earn high marks on quality at entry, our projects must support gender equality*

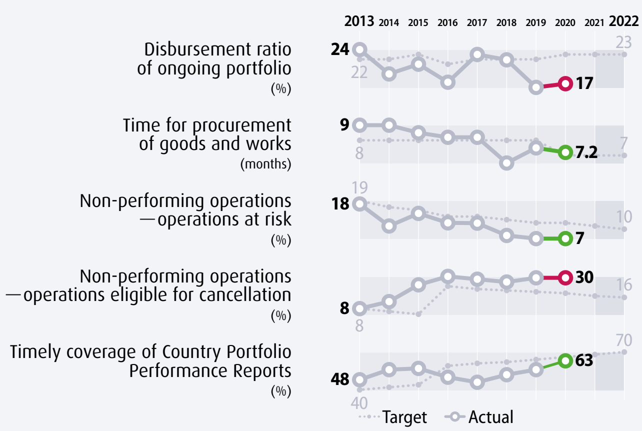
In 2021 the Bank also introduced a new approach to results planning and monitoring to all its operations, updating the approach used for project results frameworks, theories of change, risk assessments, and monitoring plans. These improvements at the project design stage lay the foundation for better results measurement throughout the project cycle.

In 2020, 88% of **new operations had a climate-informed design**, up from 75% in 2015 and above targeted levels, although marginally below the levels achieved in 2019. This performance should be viewed in the challenging context of 2020, during which timelines for reviewing projects were shortened in order to respond to the Covid-19 pandemic as quickly as possible.

> *Despite shorter timelines—the result of the Covid-19 crisis—88% of new operations were designed with climate change in mind*

The Bank faces continuing challenges in raising the proportion of its **operations with satisfactory environmental and social safeguard mitigation measures**. This proportion has remained at

Figure 9 **The Bank faces portfolio challenges while improving procurement**



80%, unchanged from 2018, and is below the baseline and targeted levels. An action plan to strengthen compliance with the Integrated Safeguard System with a view to promoting environmentally sustainable growth was approved in 2020. The readiness review process has been strengthened, and all safeguard documentation, including information on the mobilisation of resettlement costs, must now be completed prior to project appraisal.

Our country and regional strategy papers are the foundation for high-quality operations. They ensure that our projects reflect the needs and priorities of regional member countries and are based on sound diagnostic work. Our quality assessment processes, which measure compliance, procedures, and financing, rated the **quality of country strategy papers** in 2020 at 2.8 on a four-point scale. This was down from 3.1 in 2018 and below our target of 3.4. The main reason for the decline in rating is the higher bar now applied to results planning and to monitoring and evaluation, related to a new and improved approach to results frameworks. We have been providing additional support to country offices on these issues.

As well as sustaining good levels of project performance, we have also boosted efficiency, reducing the **time from concept note to first disbursement** in 2020 to 20.8 months, following a rise in this figure during 2017–2019. This improvement was largely driven by the faster approval processes adopted for projects responding to Covid-19. This may not prove sustainable without undermining project quality.

Improving portfolio performance

The Bank has been pursuing a range of reforms to its procurement policy and procedures to ensure that they are more efficient and make greater use of country procurement systems. In 2020, the **time required for the procurement of goods and works** fell from 7.5 months to 7.2 months because of increased efficiency and a faster process for Covid-19 response projects. We have made much more progress in expanding our use of national procurement systems, in an effort to promote local ownership and incentivise the systems' reinforcement. In 2020, the **proportion of procurement contracts using national systems** increased to 23% from 17% in 2019, significantly above targeted levels and representing a major shift in Bank operations since 2015, when 0% of our operations used national procurement systems in full (we began implementing our new procurement framework in January 2016).

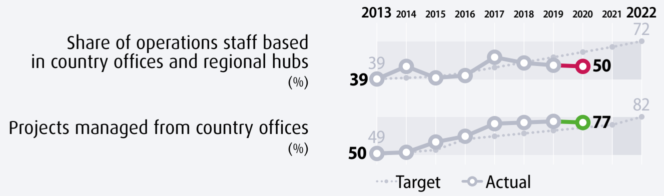
> *Procurement is faster but delays in implementation persist. Fiduciary clinics and country action plans will help*

However, in 2020 as in 2019, Bank projects continued to experience significant delays and challenges in implementation (delays in mobilising counterpart funds, slow procurement, slow execution of project contracts, implementation capacity constraints). This was compounded by Covid-19-induced disruptions to project supervision and implementation. In 2020, 33% of our **projects faced**

implementation challenges and delays, an increase from 27% in 2019 and 23% in 2018. The proportion of **operations eligible for cancellation** also remained high (30%), largely because of stretch targets being applied to timelines for first disbursement.

Across the portfolio, our **disbursement ratio for ongoing operations** remained low, at 17%, compared to 22% in 2018 and against a target of 23%. This underperformance is partly the result of Management's decision to prioritise Covid-19 relief efforts while monitoring the Bank's risk capital utilisation rate.

Figure 10 **The Bank is moving closer to its clients to enhance delivery**



The Bank is responding to implementation challenges with a range of measures, including establishing country action plans, which are monitored during supervision; expanding staffing at the country level; building implementation capacity in project implementation units; and increasing country-level policy dialogue. The Bank also produces its Annual Portfolio Performance Review to monitor its Bank-wide portfolio closely and identify and manage challenges proactively.

At the country level, our country portfolio performance reports help us to monitor the health of our operations in each country. In 2020, 63% of our **country portfolio performance reports** were completed on time, up from 56% in 2019 and just below our target of 66%. An audit of country portfolios from 2015-2019 identified common issues related to timely reporting, the closure of special accounts, and project coordination. The Bank is implementing fiduciary clinics at the country level to address these issues.

Related to this, a recent evaluation of the country portfolio review and restructuring policy noted that the portfolio review process has been useful in identifying portfolio issues and providing a framework for dialogue with countries and stakeholders. Moving forward in 2021, the Bank is revising the portfolio review policy and the project and portfolio restructuring policy. This will help strengthen the portfolio review process and make it more useful for solving problems, improving portfolio performance, and focusing on development results.

Delivering as One Bank and mobilising talent

As part of the Bank's Development and Business Delivery Model (DBDM), we have been working intensively to bring our operations closer to our clients, so that we can respond more effectively to their needs and better manage our operations.

> *The Bank wants to be closer to its clients. We will continue to decentralise*

In 2019, the Bank undertook an independent evaluation of the DBDM. The evaluation found that the Bank was successful in strengthening its country offices, leading to an organisational structure that is better aligned to the High 5s and is improving policy dialogue at the country level. The evaluation also noted the need to clarify roles across the Bank's sectors and complexes. This is being addressed as part of the GCI-VII reforms with a range of measures designed to strengthen our capacity to operate as "One Bank."

Over the last year, the Bank has faced challenges with decentralisation, especially as regards operations staff. In 2020, the proportion of **projects managed from our country offices** fell marginally to 77%, just below our target of 79%. In addition, the proportion of our **operations staff based in country offices and regional hubs** fell for the third year to 50%, below our target of 63%. While Covid-19 pandemic and associated restrictions affected staff movements and planning, the Bank is committed to ensuring its business needs and staffing plans are aligned with the decentralisation agenda. Under our new People Strategy, we are exploring measures to incentivise high-calibre staff to assume positions in country offices and regional hubs, particularly in countries affected by fragility.

Leveraging development resources

To help regional member countries meet their development needs, we actively co-finance projects with other international development agencies and support efforts to mobilise more private investments. By the end of 2020, the Bank Group's active resource mobilisation had reached $1.3 billion, with $1.1 billion mobilised for public sector operations and $194 million for private sector operations. Syndicated loan transactions under negotiation did not reach financial close by the end of 2020, because of the disruption and uncertainty around the impact of the pandemic.

> *In 2020, we mobilised $1.3 billion in co-financing and $160 million for trust funds*

The Bank also mobilises funds through bilateral and multi-donor trust funds. In 2020, we mobilised $160 million, among which figured contributions to the Sustainable Energy Fund for Africa, the Gender Equality Trust Fund, and the African Water Facility. We also approved two policies: the Revised Utilization of Savings Policy, which allows countries to reuse unused resources from completed or nearly completed operations, and the Revised Policy on Guarantees, that will mobilise additional development finance.

Climate finance

We continue to scale up our support for African countries to respond to climate change and pursue green growth. In 2020, we dedicated 34% of our commitments to climate finance, down from 35% in 2019 and below our 2020 target of 40%. This outcome was driven largely by the Bank's need to refocus a significant part of its operations on the Covid-19 response. Some 37% of climate finance supported mitigation efforts and 63% supported adaptation (Figure 11). An example of our work in this area is Rwanda's Muvumba Multipurpose Water Resources Development Program, which harnesses water resources for irrigation, domestic use, livestock, and hydropower while ensuring the sustainability of resources and building resilience against climate change and climate variability.

Promoting value for money

The Bank has set ambitious targets for promoting efficiency, reducing costs, and increasing value for money. During 2020, we made important progress in **reducing the cost of project implementation** ($25 900 or UA 18 000) to below targeted levels. **Administrative costs per UA 1 million disbursed** fell ($93 600 or UA 65 000) and **work environment costs per seat** decreased ($4900 or UA 3400), largely because of travel restrictions, lockdowns, and work-at-home requirements for staff during the Covid-19 pandemic. To sustain the quality of our portfolio during the pandemic, the Bank is using local consultants and virtual solutions to monitor and resolve issues with projects under implementation.

> *Costs are falling without compromising quality*

Similarly, the **costs of preparing a lending project** declined to $121 000 from $128 600 in 2019; this is marginally below baseline levels. This is mostly because of reduced lending volumes as well as cost reductions as a result of the pandemic's impact on the Bank's delivery model. Lessons learnt from these circumstances resulted in the 2021 budget adopting certain cost-savings measures that do not affect quality. Balancing the Bank's development and quality objectives with financial sustainability and value-for-money imperatives will continue to inform a realistic and effective lending programme and shape the Bank's knowledge work and other elements of its non-lending work.

Staff development, diversity, and recruitment

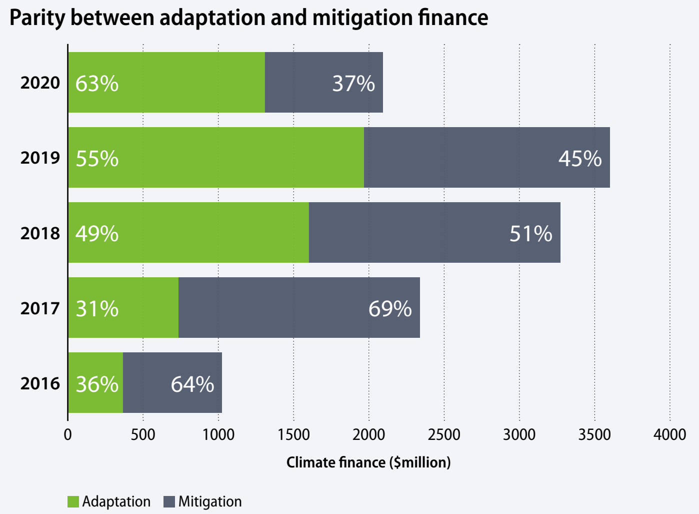
To remain Africa's premier development finance institution, the Bank needs to attract and retain high-calibre staff. Our new People Strategy sets out our approach to maximising our employee value proposition, to make the Bank the employer of choice for skilled professionals seeking to support Africa's development. It also contains policies for building a high-performance culture and creating a diverse and respectful working environment.

> *Vacancies are dropping and employee engagement is good. But the Bank needs more women professionals and managers*

The Bank conducts a staff survey every three years. According to the latest staff survey, which took place in 2019, our employee engagement index was 80, exceeding our target of 74, and our managerial effectiveness index was 50, below our target of 58. To better support staff and develop leadership across the organisation, we are rolling out a comprehensive Operations Academy whose online courses orient key career pathways across our operations. By end of May 2021, 695 staff had graduated from the first phase (the Operations Gateway) and by end of 2021, our target is to reach all staff working in operations and operations support. The second phase includes training in specific operational roles, focusing on country managers and task managers of sovereign and non-sovereign operations.

The Bank made modest improvements in the position of women in its operations in 2020. The share of women in professional staff

Figure 11 **Scaling up climate finance**



Source: African Development Bank

Figure 12 **The Bank's efficiency in running its operations achieves greater value for money**

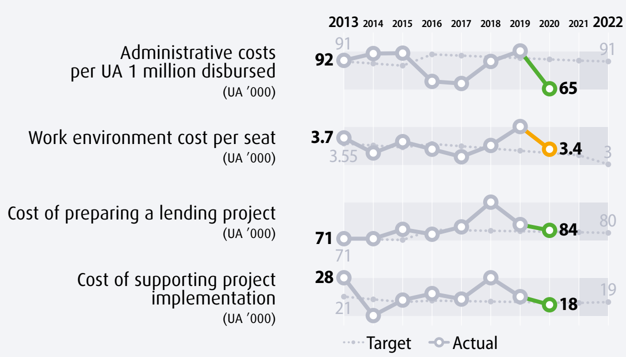


Table 14 How efficiently is the Bank managing itself? (Level 4)

INDICATOR	Baseline 2015	Actual 2020	Target 2020
MOVE CLOSER TO CLIENTS TO ENHANCE DELIVERY			
Projects managed from country offices (%)	60	77	79
Share of operations staff based in country offices and regional hubs (%)	40	50	63
IMPROVE FINANCIAL PERFORMANCE & MOBILISE RESOURCES			
Climate-related Bank commitments (%)	15	34	40
INCREASE VALUE FOR MONEY			
Administrative costs per UA 1 million disbursed (UA '000)	98.9	65.0	93.0
Cost of preparing a lending project (UA '000)	85.6	84.0	82.0
Cost of supporting project implementation (UA '000)	19.7	18.0	19.0
Work environment cost per seat (UA '000)	3.6	3.4	3.0
STAFF ENGAGEMENT, DEVELOPMENT AND PRODUCTIVITY			
Employee engagement index[1]	64	80	74
Share of women in professional staff (%)	27	31	32
Net vacancy rate – professional staff (%)	16	9.8	13
Time to fill vacancies (days)	223	162	157
Operations professional staff (%)	67	71	69
Managerial effectiveness index[2]	48	50	58
Share of management staff who are women (%)	29	27	34

Achieved or are within 90% of achieving the 2020 target; Achieved from 80% to 90% of the 2020 target; Achieved less than 80% of the 2019 target

1,2 A staff survey is conducted every three years. The latest survey was conducted in 2019.

increased marginally to 31%, below our target of 32%, and the share of management staff who are women rose to 27%, some way below our target of 34%. The Bank needs to do more to promote gender equality within the organisation, and we remain committed to ensuring that the share of women in professional staff and management reaches 40% or more by 2025.

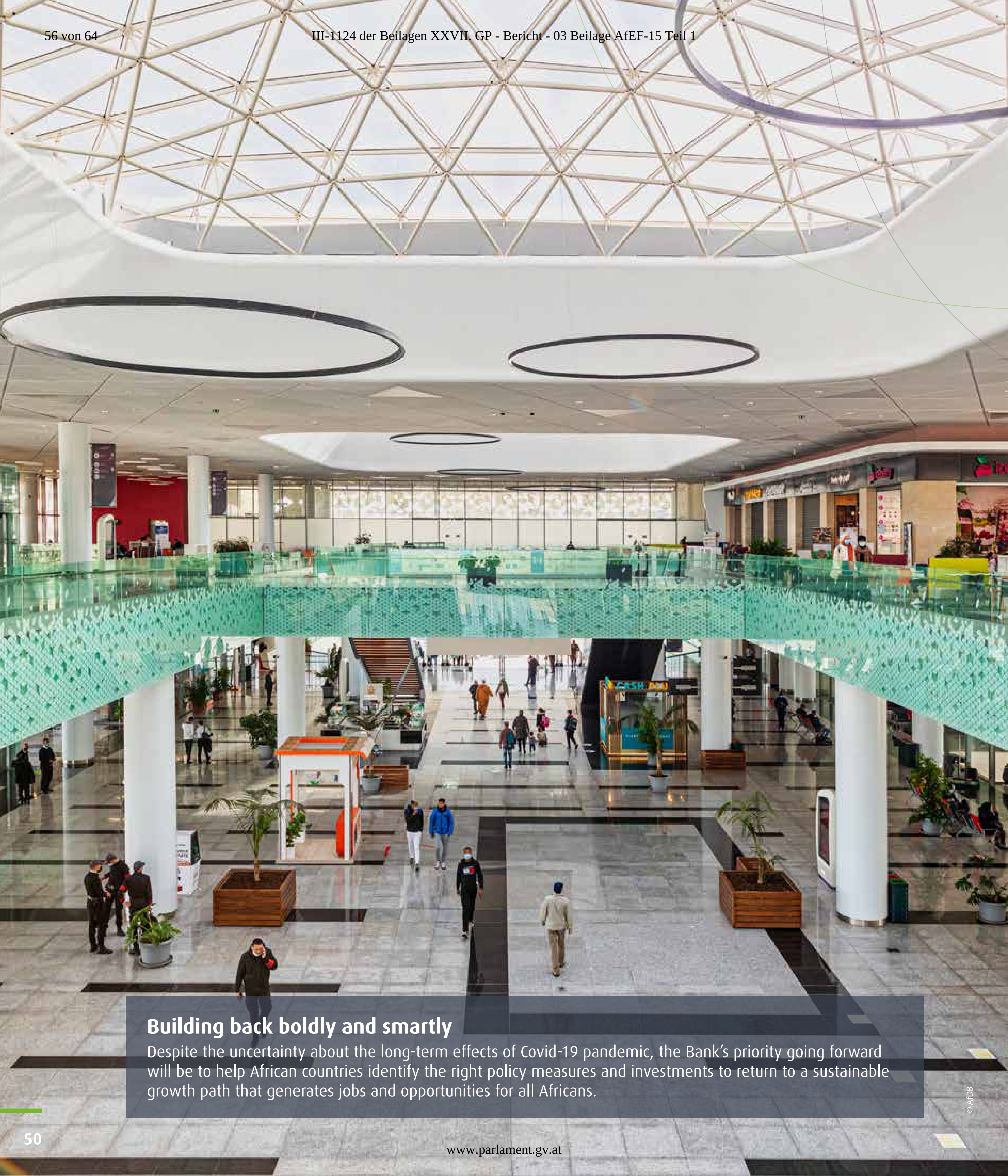
The Bank has been strengthening our recruitment processes. In 2020, the net vacancy rate for professional staff was 10%, a notable progress from 12% in 2018 and better than our target of 13%. We faced challenges in relation to the time required to fill vacancies, which increased to 162 days under pandemic conditions, above our targeted level.

Figure 13 **The Bank is accelerating recruitments to fill vacancies**

Conclusion

The Bank is making important progress towards delivering better development results and improving the efficiency of its operations. Continuing progress is even more urgent, given the significant challenges African countries are likely to face in the coming year from the Covid-19 virus and its social and economic disruption.

The Bank is therefore maintaining high ambitions for its reforms in 2021. These include fully addressing the recommendations from the Development and Business Delivery Model evaluation, undertaking significant action to deliver the Integrated Quality Assurance Plan, and deepening our functioning as One Bank.



Building back boldly and smartly

Despite the uncertainty about the long-term effects of Covid-19 pandemic, the Bank's priority going forward will be to help African countries identify the right policy measures and investments to return to a sustainable growth path that generates jobs and opportunities for all Africans.

Looking forward

2020 has been an exceptionally challenging year for Africa. The worst recession in a half century has buffeted jobs and livelihoods, pushing 30 million more people into poverty and leaving many more in a precarious condition. Looking forward, the Bank expects a return to economic growth in 2021, but with considerable uncertainty in outlook, both about the course of the pandemic and about its long-term effects on Africa.

The African Development Bank responded swiftly to the pandemic in 2020, repurposing its lending operations to provide emergency finance for crisis response. While continuing emergency support as required, the Bank's priority in the recovery period will be to help African countries identify the policy measures and investments most likely to return the continent to a path of sustainable growth that generates jobs and opportunities for Africans. Our areas of focus will include promoting economic transformation, stimulating the creation of jobs, and ensuring that economic growth works for Africa's young people, to minimise the impact of the pandemic on their long-term prospects.

> *“Our new corporate strategy will help regional member countries build back boldly but smartly. We aim for strong and sustainable growth*

These measures notwithstanding, recovery will take place in an environment of constrained resources and rising debt. The Bank has a key role to play in helping regional member countries access the finance and support they need, while managing debt levels carefully to ensure financial stability. As well as acting as Africa's premier development finance institution, the Bank will focus on economic governance to help African governments better mobilise resources, use public finances effectively, and manage their debt in a transparent and sustainable manner.

To guide its work, the Bank is preparing a new long-term corporate strategy that will set our priorities for the next decade. The goal of the strategy will be to position the Bank to help regional member countries build back boldly but smartly, focusing on the quality of growth. The strategy will centre on leveraging the Bank's comparative advantage in infrastructure while maximising our contribution to industrial development, agriculture, regional integration, green growth, and a better quality of life for Africans.

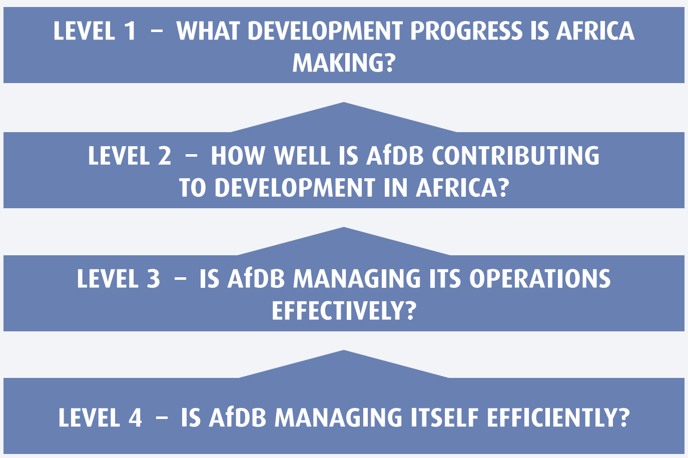
Alongside the new strategy, we will press forward with the ambitious programme of institutional reforms agreed through the GCI-VII and the fifteenth replenishment of the African Development Fund, to ensure that the Bank continues to grow and develop as an agile and effective development partner for African countries. ■

Annex – Methodological note

This note describes how the African Development Bank (Bank) assesses and reports on progress in its Annual Development Effectiveness Review (ADER).

Measuring the Bank's development effectiveness is a complex undertaking. Over the years, our understanding of development has broadened. We recognise that economic growth is an essential part of development—that it supplies households with livelihoods and opportunities and governments with the means to invest in public goods and services. But development is also about empowering people to respond to a range of needs and aspirations, including through education, better health, and membership in secure and supportive communities.

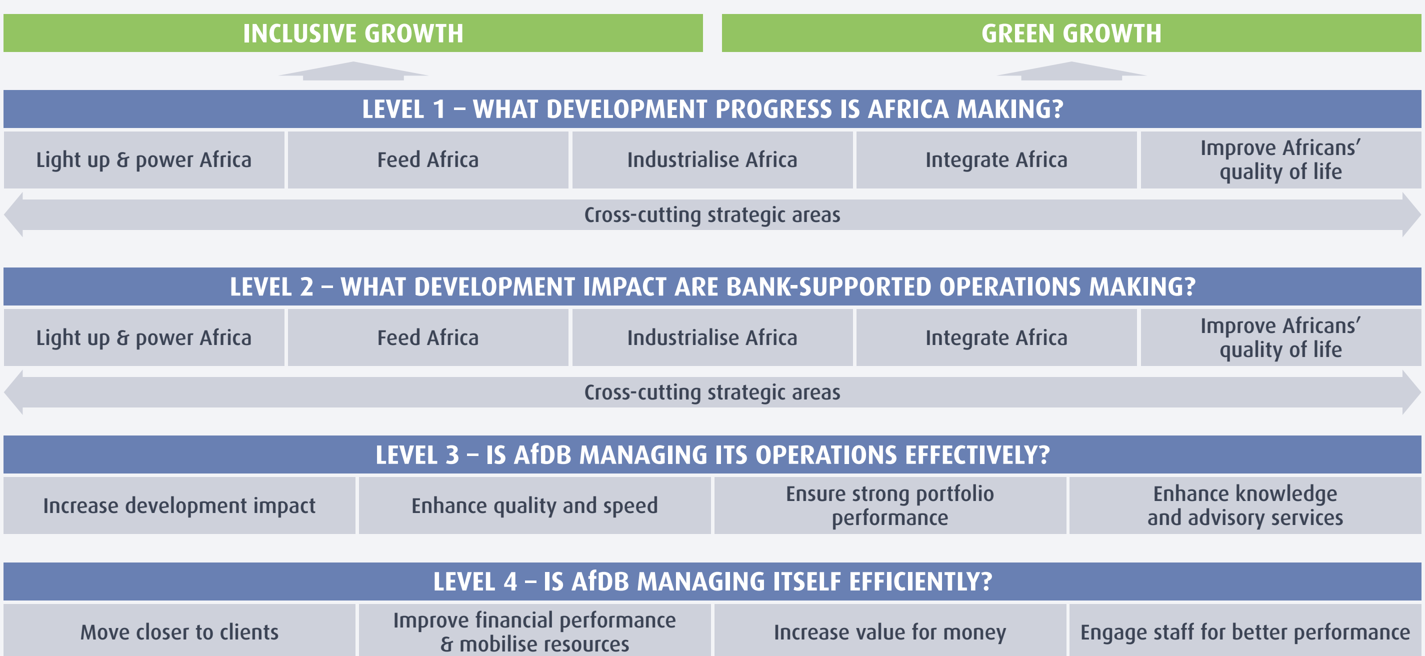
Figure A-1 **The RMF uses four levels to assess the Bank's development effectiveness**



One of the methodological challenges of measuring development impact has to do with attribution: namely, the difficulty of assigning high-level development outcomes to a single institution. Development outcomes do not result from specific interventions but from a combination of interventions, external factors, and decisions made by governments, companies, households, development agencies, and others. It is not possible to isolate how much a single intervention by a single institution contributes to a particular outcome.

To meet these methodological challenges, the Bank uses a four-level results measurement framework (RMF) that tracks its performance in meeting its development objectives. Level 1 tracks development progress across Africa, Level 2 measures the Bank's contributions towards development in its operations, Level 3 assesses the quality of the Bank's operations, and Level 4 monitors the Bank's efficiency as an organisation (Figure A-1).

Figure A-2 **The Bank is increasing its strategic focus on five priority areas of action**



Box A How does the RMF track the Bank's twin goals of inclusive growth and green growth?

The Bank's Results Measurement Framework (RMF) tracks progress towards the Bank's twin goals of inclusive growth and green growth as set out in the 2013–2022 Ten-Year Strategy for Africa's Transformation. Because these are complex areas of development, the RMF tracks them at multiple levels:

Inclusive growth – Progress towards inclusive growth is defined in terms of four key dimensions: economic inclusion, social inclusion, spatial inclusion, and political inclusion.

- *Economic inclusion: Reducing poverty and income inequality.* Africa has some of the highest rates of income inequality in the world. As African economies expand, the benefits of growth tend to accrue to a narrow section of the population. Reducing poverty while distributing wealth more evenly is a way of increasing economic inclusion and sustaining growth. The RMF measures economic inclusion with three indicators: gross domestic product per capita, poverty, and income inequality (the Gini coefficient).
- *Spatial inclusion: Expanding access to basic services.* Spatial inclusion means ensuring that communities benefit from growth wherever they are. One way of achieving this is by making sure that everybody can access the basic services that create economic opportunities—roads, electricity, water, and health services.
- *Social inclusion: Ensuring equal opportunities.* Social inclusion is about ensuring that everyone can contribute to and benefit from growth. Outside agriculture, women in Africa hold only 8.5% of jobs and youth unemployment stands at 14%: social inclusion would change these proportions and many others. The RMF tracks social inclusion by measuring the extent to which a given population benefits from growth (education and health) and contributes to growth by taking part in the labour market.
- *Political inclusion: Securing broad-based representation.* Political inclusion requires robust and accountable institutions that ensure citizens' democratic and broad-based representation. The RMF measures political inclusion with indicators that track governance (the Mo Ibrahim Index), the quality of institutions (country policy and institutional assessment indicators), and institutions' ability to ensure broad-based representation (taxation and the inclusion of women).

Transition towards green growth – Green growth is measured using three important dimensions.

- *Building resilience and adapting to a changing environment.* Africa is experiencing major environmental changes, such as an increase in severe weather, that are caused by a combination of climate variability and human activity. Building countries' resilience and their capacity to deal with these external shocks is fundamental to sustaining growth and development. The RMF measures resilience and adaptation through two proxies: (i) the number of people who are hungry and malnourished, and (ii) resilience to water shocks.
- *Managing natural assets efficiently and sustainably.* Green growth means ensuring that renewable natural resources, such as land, forests, water resources, fisheries, and clean energy sources, are developed and used in a sustainable way. It also means producing non-renewables such as oil and minerals cost-efficiently, to spur innovation and maximise the development return. Using efficient production techniques, especially in manufacturing activities, will add value and make Africa more competitive. The RMF measures the management of natural assets through two proxies: (i) agricultural productivity and (ii) cereal yield.
- *Promoting sustainable infrastructure, reducing waste and pollution.* Green growth also means managing development processes efficiently, so as to reduce pollution and waste. Damage to the natural environment has extensive costs, both to economic sectors like agriculture and fisheries and to the population directly, by polluting air or drinking water. Managing waste products intelligently can help sustain high growth rates and avoid negative impacts on communities. The RMF measures these dimensions through two proxies: (i) CO_2 emissions as a share of gross domestic product, and (ii) renewable energy capacity.

By tracking performance at four levels, the RMF produces a comprehensive picture of the Bank's development effectiveness. It gives Bank management a tool to assess the organisation's strengths and weaknesses, and to implement the Bank's corporate priorities more effectively and efficiently.

The 2021 edition of the ADER tracks progress against the RMF for 2016–2025 that was approved by the Bank's Board of Directors in April 2017.[1] This RMF innovates by vertically aligning Level 1 and Level 2, both of which are organised around the High 5s—the five priority areas of the Bank's Ten-Year Strategy. Designing the RMF in this way strengthens conceptual linkages between Africa's development challenges (Level 1) and the Bank's actions to address them (Level 2). It also makes it easier to analyse each field and report on progress. Thus, the RMF integrates the Bank's five goals and our cross-cutting strategic areas in a comprehensive portrayal of what we aim to achieve. Annex A of the RMF details the RMF's logics and explains the rationale for each indicator.

1 African Development Bank Group. T*he Bank Group Results Measurement Framework 2016–2025, Delivering the High 5s, Increasing the Bank's Impact on Development*, April 2017. Available on the Bank's website.

The RMF helps the Bank track progress in achieving its corporate strategies as they are set in out in our Ten-Year Strategy, our High 5s, and our Development Business and Delivery Model. Figure A-2 maps these corporate priorities to the four levels of the RMF, and Box A explains how the ADER tracks progress towards the Bank's twin goals of inclusive growth and green growth.

Level 1: Tracking Africa's development progress

The RMF's Level 1 indicators monitor the long-term development outcomes that shape the broader context in which our regional member countries function. Progress in Level 1 is not attributed to the Bank; it is the outcome of collective efforts by countries, development partners, and the private sector. Indicators under Level 1 are aligned to the High 5s and cross-cutting and strategic priorities.

Data for the Level 1 indicators is drawn from internationally available statistics (e.g., data produced by the Food and Agriculture Organization, the International Energy Agency, the International Monetary Fund, and the World Bank) and was chosen in coordination with the Bank's Statistics Department. The ADER uses the latest data available and provides disaggregated data for African Development Fund (ADF) countries. Details on the source and computation for each indicator are available in Annex B of the RMF document.

Level 2: Measuring the impact of Bank-funded operations

The Bank assesses the development impact of its operations with individual project completion reports (PCRs) for public sector operations and extended supervision reports (XSRs) for private sector operations. These reports include information and data on the extent to which an operation achieved its intended development objectives. The information covers the project's outputs (e.g., the number of kilometres of road built), its outcomes (e.g., the reduction in travel time) and, typically, its beneficiaries (e.g., the number of people with better access to roads).

To assess the Bank's development impact in 2020 while minimising the volatility of the data, the ADER averages data over the last three years (2018–2020). The 3-year average data may differ significantly from the annual data. Level 2 Tables in Chapters 1 to 6 present the aggregate data from all PCRs and XSRs completed within this timeframe: 260 projects in ADB and ADF countries. Data on ADF and transition countries is presented separately for each table. Similarly, where relevant, indicators are disaggregated by gender, with the data from completion reports showing the proportion of women who benefited from the Bank's operations. If a completion report lacks gender-disaggregated data, half (50%) of the project's beneficiaries are considered to be women. Finally, if reliable gender data is not available from project completion reports, national-level gender data obtained from appraisal reports can also be used to estimate the proportion of women beneficiaries.

The Bank is the first multilateral development bank to report only its own contribution to a project and not the project's aggregate contribution, the latter of which would include that contribution of the Bank's co-financiers. Our interventions are increasingly co-financed with other development partners and reporting the total sum of outputs would not reflect the Bank's financial inputs accurately. It would also lead to double counting. Outputs are prorated to reflect the level of the Bank's financial support as a proportion of total project costs.

An example is the Ain Beni Mathar Solar Thermal Power Plant Project in Morocco, whose PCR was completed in 2016. The project built 165 km of transmission lines and the Bank funded $390 million, or 68% of the total project envelope of $569 million. Using its proportional attribution approach, the Bank reports having contributed 112 km (68% of 165 km).

Levels 3 and 4: Assessing the Bank's effectiveness and efficiency

One of the ADER's main purposes is to be accountable for the Bank's performance. Chapter 7 of the ADER reports progress on Levels 3 and 4 of the RMF.

Level 3 of the RMF tracks the quality of the Bank's portfolio of operations. It emphasises the key drivers of performance identified in the DBDM: increasing operations' development impact, designing high-quality and timely operations, improving portfolio performance, and enhancing knowledge services (Figure A-2).

Level 4 of the RMF tracks the Bank's organisational efficiency by monitoring how well we are moving closer to our clients; improving our financial performance and mobilising resources, increasing our value for money, and engaging staff for better performance (Figure A-2).

The data for Level 3 and Level 4 are drawn from the Bank's management information systems and are cleared by relevant corporate departments. Annex A of the RMF provides a detailed description of the objectives and the rationale for each indicator used to track performance at Levels 3 and 4. The source for each indicator is provided in the RMF's Annex B.

Tracking performance over time

The ADER summarises performance in a scorecard that uses a three-coloured "traffic light" system to indicate whether the Bank reached its targets, fell short, or stayed in place. The scorecard shows results for all four levels of the RMF. The annual targets are derived in a linear manner from the 2025 targets for each indicator.

Each indicator is assigned a colour-coded arrow: green (↗↘), amber (→) or red (↘↗). At Level 1, the green arrow indicates that the indicator improved above baseline, the amber arrow indicates that the indicator remained stable/was the same as at baseline, and the red arrow indicates that the indicator fell below the baseline. At Level 2, a green arrow shows that an indicator reached 95% or more of the 2020 target, an amber arrow shows that an indicator achieved less than 95% of the 2020 target but is above the baseline value, and a red arrow shows that the indicator did not reach the baseline value. For Levels 3 and 4, assessment does not consider the baseline: green means the Bank exceeded 90% of the 2020 target, amber means it achieved 80–90% of the 2020 target, and red means it achieved below 80% of the 2020 target. At any level of measurement, a grey circle indicates that data were not available.

Reviewing the RMF

To ensure that the RMF remains relevant to the Bank's top priorities, the Bank is reviewing the RMF in 2021 (we have committed to this exercise every three years). Coming after the general capital increase and fifteenth replenishment of the ADF concluded in December 2019, this review will allow the Bank to take recent commitments and priorities into account. We will apply three principles to our revision: aligning indicators and definitions with other Bank reporting processes, set by various Complexes; keeping the RMF relevant; and ensuring that our targets are still ambitious and realistic. The revised RMF will also take into consideration lessons and recommendations from the RMF mid-term evaluation conducted by the Bank's Independent Development Evaluation Department in 2021.

New approaches to measuring development impact

In addition to these methods, the Bank is developing new, more innovative, approaches to assessing its impact on development. One is the Jobs Impact Model, which allows the Bank to estimate the social and economic impact of its operations across Africa as they relate to creating jobs. By using social accounting matrices and input-output models, the Jobs Impact Model assesses not only the direct effects that occur at the investment and/or project level (i.e., people employed by the project itself), but also the indirect effects (e.g., supply-chain jobs), the induced effects (i.e., jobs created when the people who are directly or indirectly employed spend their salaries), and the enabling effects (i.e., jobs related to the enabling effect of additional products and/or services produced by the investment). With this approach, the Bank traces how its investments flow through an economy and measures the development impacts that result (see Chapter 5). Unlike the other RMF indicators, the jobs indicators are calculated using the contribution method, i.e. they include co-financing from other development partners and/or recipient governments.

In addition, since JIM is a constantly improving model, the estimated numbers may be revised from one year to another: for example, new enabling effects may be added, the model itself may improve, or the macroeconomic data underlying the model may be revised. ■

www.afdb.org

About this publication

The 2021 Annual Development Effectiveness Review is a comprehensive report on the performance of the African Development Bank. The report reviews development trends across the continent and explores how the Bank's operations have contributed to Africa's development results. This review reflects the Bank's focus on an interlocking set of five critical priorities within the Bank's Ten-Year Strategy: the "High 5s". It also looks at how effectively the Bank manages its operations and its own organisation. The report is supplemented each year by more detailed reviews of particular sectors and thematic areas as well as selected country reviews.

About the African Development Bank Group

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

African Development Bank Group

Avenue Joseph Anoma - 01 B.P. 1387 Abidjan 01, Côte d'Ivoire

www.afdb.org