PROGRESS REPORT ON THE IMPLEMENTATION OF ADF-15 OPERATIONAL PRIORITIES

ADF-15 Mid-Term Review Meeting
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AFRICAN DEVELOPMENT FUND
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This Progress Report gives the highlights of the main achievements of ADF-15 since it became effective. A complete analysis of the achievements is contained in the following companion papers prepared for the ADF-15 mid-term review: (i) COVID-19 Impacts and Economic Vulnerabilities in ADF-Eligible Countries; (ii) Progress on Addressing Vulnerability in ADF Countries and a Forward Look on the Fragility Agenda; (iii) Mid-term Performance Review of the Regional Operations Envelope; (iv) Status Update on the Utilization of ADF-15 Resources; (v) Results Achieved in ADF Countries; (v) An Update on Institutional Reforms at the African Development Bank Group; (vi) Update on the Financing Framework; (vii) Information note on the Implementation Status of ADF-15 Policy Commitments at Mid-Term Review; and (viii) Long-Term Financial Sustainability of the ADF. The Progress Report refers Deputies to the complementary analysis in these papers.

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EXECUTIVE SUMMARY

Context A year and a half into ADF-15 implementation, the mid-term review takes place in the middle of a continuing worldwide COVID-19 pandemic and shortly after the 26th United Nations Climate Change Conference of the Parties (COP-26). The global health and climate change crises, together with heighted indebtedness, have created the conditions for a triangle of disaster. These crises are imposing a heavy toll on lives, livelihoods and socio-economic security. ADF countries, which on the whole have weak public health systems and severely constrained fiscal situations, cannot weather these multiple adverse shocks. Consequently, hard-won development gains from the past two decades have been lost. It is estimated that 20 million Africans in ADF countries were pushed into extreme poverty in 2020, and a further 26 million are at risk of falling into poverty in 2021. The pandemic also resulted in a loss of an estimated 15 to 18 million jobs in ADF countries in 2020.

Mitigating COVID-19 To manage macroeconomic conditions amidst Africa's worst economic recession in half a century, most countries undertook major fiscal stimulus measures, causing fiscal deficits to double to a historic high of 8.4 percent of GDP and ADF countries were hit particularly hard. In response, Management reprioritized the ADF-15 agenda as saving lives and livelihoods took precedence and, despite COVID-19-induced challenges, delivered an agile and well-targeted response through the COVID-19 Response Facility (CRF). Effective in June 2020 soon after the global pandemic began, ADF-15 provided RMCs with resources to mitigate the negative socio-economic impacts of the pandemic. The CRF rapid-disbursing financing supported ADF countries' public health systems, debt management and governance-related operations, principally in fulfilment of Pillar II objectives. By way of recall, ADF-15 had two mutually reinforcing pillars of (1) quality and sustainable infrastructure and (2) human, governance and institutional capacity development. In 2021, the ADF regular investment operations, including regional operations and TSF Pillar I, have gathered speed. Sector teams continue to work to deliver Pillar I projects in ADF countries by 2022, the last year of ADF-15.

Policy Commitments ADF 15 became effective in June 2020. To strengthen the Fund's development impact and institutional effectiveness, Management and Deputies agreed on 92 policy commitments over the ADF-15 period (2020-2022), 62 of which are due by MTR. Of the 62, 58 have been achieved. The four that are delayed are: the new Fragility Strategy and the new Private Sector Development Strategy. Both were programmed for Board discussion by end December 2021, but to accommodate Board scheduling constraints they were moved to early 2022. Consultations are ongoing for the Bank Non-Concessional Borrowing policy and a second CODE discussion is scheduled in early January 2022 Finally, regarding the fourth delayed commitment, the Whistleblowing policy, the Board of Governors has initiated an independent external review of the Policy and management awaits further instructions.

While all policy commitments are important and expected to be met by the end of ADF-15, there are nonetheless critical achievements worth highlighting in the following three areas:

- **Climate Change** COP- 26 again sounded the alarm on the existential threat posed by climate change to lives and livelihoods the world over, with Africa being particularly at risk. To mainstream climate change in operations, the Board approved the new Climate Change Policy and Strategy in October 2021. From June 2020 to October 2021, US$ 766 million of ADF funds were tagged as climate finance, approximately 42 percent of approvals to date.

- **Fragility** 22 of the 37 ADF- eligible countries qualify for Transition States Facility[1] financing, making fragility a paramount consideration for the Fund. In 2021, Management successfully completed Sudan's arrears clearance in close coordination with the IMF and the World Bank. Zimbabwe is now the only country in arrears with the Bank Group, and TSF Pillar II resources will not be sufficient to cover its outstanding debt. The new regional operations prioritization framework has translated into 85% of the regional operations envelope being prioritized to the Horn of Africa, the Sahel, Central Africa, and the Mano River Union. The strong momentum for ADF-15 is well summarized by 2021 approvals which are expected to reach 126% of the ADF target for the year.

- **Safeguarding against Sexual Exploitation, Abuse and Harassment** the Bank reinforced its zero tolerance for SEAH by strengthening administrative measures for dealing with such cases. Issued in May 2021, a revised Presidential Directive prohibits sexual exploitation in the workplace as well as in projects funded by the Bank and related staff t raining has been carried out.

Approvals ADF-15 became effective only in June 2020, and a commitment level of 35% has been achieved at the end of October 2021, and this in spite of disruptions due to COVID-19. The direction of travel is very positive as the overall approval rate is expected to reach 54% by end 2021 and 100% by the end of ADF-15 cycle. The approval of regional operations has accelerated towards the end of 2021 with for example the landmark Central African Republic – Congo Republic Road Development and Navigational Improvement Project, the largest ever ADF regional operations project. The project will improve inter-state road and river transport systems and promote intra-regional trade between the Central Africa Republic (CAR), the Republic of Congo (Brazzaville) and beyond. (see box 8)

The Private Sector Facility continues to build on its achievements to support private sector development in ADF countries, in particular fragile ones. A revised Framework has been approved by the Board and the Facility's governance and hosting arrangements have been strengthened through the Investment, Risk and Claims Committee which performs a second line technical review and clears recommendations to the ADF Board of Directors. Under ADF-15, 3 PSF risk participations worth UA 43.7 million were approved, enabling NSO financing of UA 270 million.

Portfolio Performance Despite COVID-19-related disruptions, the quality at entry of new operations remained steady, and 79 percent of operations completed in 2020 achieved their planned development outcomes. The Project Preparation Facility (PPF) continues to play a key role in strengthening the quality at entry of projects in ADF countries, especially in

[1] Djibouti only qualifies for TSF Pillar III.

transition states. Its ability to deliver has been strengthened by the allocation of UA 75 million under the ADF-15 resource allocation framework and updated guidelines completed early in 2021.

Organizational Efficiency the Bank Group delivered on the institutional reforms which were expected by mid-term review (MTR), but also did so within a context that was unexpected at the time commitments were agreed. Once again, the Bank Group has shown its resilience and adaptability. The People Strategy has been approved and internal reforms have helped bring operations closer to clients and respond more effectively to their needs. As of September 2021, approximately 75 percent of projects were managed from regional and country offices. Furthermore, fragility experts have been deployed to all regions. They are supporting the implementation of analytical work streams and the effective mainstreaming of resilience-based considerations in strategies and operations. The physical presence of country managers and fragility experts is enabling the Bank to respond faster to the unique needs of these countries. The ADF's ability to provide development assistance to all its clients, was recognized in 2021 by the Center for Global Development which ranked it second among 49 bilateral and multilateral development agencies for the quality of its development assistance.

Way Forward Despite unprecedented challenges caused by Covid-19, almost all ADF-15 operational and policy commitments due by the MTR have been delivered. After prioritizing Crisis Response Budget Support in 2020, the rest of the ADF-15 period has focused on investment lending and delivery of the remaining ADF-15 policy commitments aligned to the two strategic pillars. With an eye to the ADF-16 replenishment discussions in 2022, Management expects ADF-15 themes to remain critical, timely and relevant, with climate change and debt sustainability coming to the fore given their immediacy. Deputies are invited to note the ADF-15 Mid-Term Progress Report and provide feedback for the remainder of ADF-15.

ACRONYMS AND ABBREVIATIONS

AAAP	African Adaptation Acceleration Programme
AfDB	African Development Bank
ADF	African Development Fund
ADF-15	Fifteenth General Replenishment of the African Development Fund
ADF-15 MTR	ADF-15 Mid-Term Review
ADER	African Development Effectiveness Report
AfCFTA	African Continental Free Trade Area
AfDB	African Development Bank Group
AFAWA	Affirmative Finance Action for Women in Africa
CODE	Committee on Operations and Development Effectiveness
COP26	26th UN Climate Change Conference of the Parties
CPA	Country Performance Assessment
CPIA	Country Policy and Institutional Assessment
CRF	Covid-19 Response Facility
CRFA	Country Resilience and Fragility Assessment
DAP	Multi-dimensional action plan for the management and mitigation of debt distress risks in Africa
DIA	Development Impact Approach
DSA	Debt Sustainability Analysis
DSF	Debt Sustainability Framework
DtP	Desert to Power
ERI	Electricity Regulatory Index
ESIA	Environmental and Social Impact Assessments
ESW	Economic and Sector Work
FAREC	Feed Africa Response to Covid-19
GCI	General Capital Increase
GNI	Gross National Income
HIPC	Heavily Indebted Poor Country
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IMF	International Monetary Fund
MDRI	Multilateral Debt Relief Initiative
MVA	Modified Volume Approach
NCBP	Non-concessional Borrowing Policy
OpsCom	Operations Committee
PBA	Performance-Based Allocation
PBO	Program-Based Operation
PCG	Partial Credit Guarantee
PERSIF	Post Ebola Recovery Social Investment Fund
PGCL	Office of the General Counsel and Legal Services
PPA	Portfolio Performance Assessment
PPF	Project Preparation Facility
PRG	Partial Risk Guarantee
PSF	Private Sector Credit Enhancement Facility
RISP	Regional Integration Strategy Paper
RMC	Regional Member Country

RO	Regional Operation
ROSPF	Regional Operations Selection and Prioritization Framework
RPG	Regional Public Good
SAPZ	Special Agroindustrial Processing Zone
SEGA	Strategy for Economic Governance
SEAH	Sexual Exploitation, Abuse and Harassment
TAAT	Technologies for African Agricultural Transformation
TCF	Total Compensation Framework
TSF	Transition Support Facility
UA	Unit of Account

I. INTRODUCTION

1. During the past 47 years, the African Development Fund (ADF or the Fund) has played a central role in providing concessional resources to low-income African countries while demonstrating clear value for money to both donors and recipients. From its inception to the end of its current cycle, the ADF will have provided about US$47.6 billion to Africa's most vulnerable. The results associated with its operations have changed the lives of millions of Africans, making the ADF a trusted and strategic partner for all its stakeholders. The negotiations for ADF-15concluded in December 2019 with two broad pillars of infrastructure and capacity building and cross cutting themes of gender, climate change, and fragility, builds on these achievements. ADF-15 priorities are anchored in the Bank Group's Ten-Year Strategy and High 5 operational priorities. Deputies' request for selectivity and focus on the Fund's areas of comparative advantage were addressed. The replenishment culminated in commitments and a financing package of UA 6,297.26 million for the three-year ADF-15 cycle (2020-2022).

2. **The ADF-15 Mid-Term Review (MTR) is taking place during an unprecedented global crisis**. Before ADF-15 became effective in June 2020, a global Covid-19 pandemic was declared in March 2020. The virus had a severe impact on the lives and livelihoods of Africans, particularly those in ADF countries (see the companion paper "*Update on Covid-19 Impact and Economic Vulnerabilities in ADF-eligible countries*" for a detailed discussion). Alongside triggering Africa's worst economic recession in half a century, Covid-19 led to the contraction of Africa's GDP by 1.8 percent in 2020. The situation among ADF-eligible countries was even worse, where 25 of the 37 ADF-eligible countries went into deep recession while 12 had significant growth decelerations in 2020. ADF Transition states bore the brunt of the Covid-19 impact on growth, which went from 1.7 percent in 2019 to -3.6 percent in 2020.

3. It is estimated that 20 million Africans in ADF countries were pushed into extreme poverty in 2020, and a further 26 million are at risk of falling into poverty in 2021. The pandemic has also resulted in a loss of an estimated 15-18 million jobs in ADF countries in 2020. Women and youth have been affected even more. While the pandemic caused fiscal deficits in ADF countries to double to a historic high of 8.4 percent of GDP, at the same time we saw sharp declines in public revenues and the depreciation of currencies reducing the debt-service capacity of ADF countries. The current economic context is therefore dominated by a rise in additional financing needs for ADF countries, estimated at US$124 billion by 2022.

4. The ADF and its beneficiary countries responded swiftly to the health, economic and developmental challenges as well as the financing gap from the pandemic. To respond to the needs of RMCs, ADF-15 prioritized in a first instance Pillar II through Crisis Response Budget Support for public health systems, debt management and governance-related operations, as well as issues of fragility, climate change and gender. Operational activities are now focusing more on delivering sustainable and

quality infrastructure (Pillar I) that will support longer-term development priorities of ADF beneficiary countries.

5. **The ADF-15 Mid-Term Review Progress Report takes stock of the progress on the implementation of ADF-15** operational priorities, policy commitments, utilization of resources, and results. This main progress report is accompanied by ten companion papers cited above. The ADF-16 Working Group Co-chairs' Final Report completes the documentation. This progress report contains seven sections. Following this introduction, Section II describes the strategic direction of ADF-15, and summarizes delivery of the commitments including use of resources against the backdrop of the Covid-19 pandemic. Section III discusses progress in implementing ADF-15 operational commitments taking into consideration the cross-cutting issues of fragility, climate change and gender. Section IV highlights progress in implementing ADF-15 operational commitments under Pillar I. Progress in implementing ADF-15 operational commitments under Pillar II is the focus of Section V. Section VI provides an update on the Bank Group's institutional reforms as well as a discussion of progress in delivering ADF Results. Section VII concludes. Annex 1 elaborates on results achieved in ADF countries through the Covid Response Facility. Annex 2 provides evidence of support to ADF countries in line with ADF-15 Pillar 1to develop sustainable and quality infrastructure.

II. ADF-15 COMMITMENTS AND USE OF FUNDS IN THE FACE OF COVID-19

6. The theme of ADF-15 is the creation of an enabling environment for inclusive and sustainable growth and transformation, decent jobs and greater resilience. ADF-15 focuses on two strategic pillars: (i) developing quality and sustainable infrastructure that provides impetus for job-creating private sector investments, and which promotes sustainable development; (ii) building human, governance and institutional capacity development to enable people to participate in, and benefit from job creation opportunities for inclusive growth. The two pillars are viewed through the prism of fragility and are anchored in the crosscutting themes of gender, climate change, governance and private sector development to foster inclusive growth and strengthen resilience. ADF-15 priorities are anchored in the Bank Group's Ten-Year Strategy and High 5 operational priorities. Deputies' request for selectivity and focus on the Fund's areas of comparative advantage were addressed. Emphasis was put on the need to strengthen institutional capacity for delivery during ADF-15 by improving operational efficiency, value for money, decentralisation, development effectiveness, cooperation and collaboration with other development partners.

II.1 ADF-15 Policy Commitments

7. **Management and ADF Deputies agreed on 92 commitments to be delivered over ADF-15**. Given the Seventh General Capital Increase (GCI-VII) of the Bank, and the strategic complementarities between the Bank and the Fund, 13 of the 92 ADF-15

commitments are common to those under the GCI-VII. The companion paper *Information Note on the implementation Status of ADF-15 Policy Commitments at Mid-Term Review* summarizes performance at mid-term and contains the updated matrix of policy commitments for the three-year ADF-15 cycle.

8. **Out of the 62 commitments that are due by MTR, 58 have been delivered**. With regards to the 4 delayed commitments, much progress has been done. Two of them have already been cleared by CODE and will be considered by the Board in early 2022. Both the Bank Group Strategy for Addressing Fragility and Building Resilience, and the Private Sector Development Strategy that were originally scheduled for Board consideration in December 2021 have been moved to early 2022 to prioritize operations to be considered by the Board by year end. Consultations are ongoing for the Bank Non-Concessional Borrowing policy and a second CODE discussion is scheduled in early January 2022. Finally, regarding the Whistleblowing policy, the Board of Governors has initiated an independent external review of the Policy. Management will act when it receives instruction from the Board of Governors. In May 2021, the Centre for Global Development ranked the Fund second among 49 international agencies for the quality of its development assistance, behind only IFAD, underscoring its relevance to the continent’s most vulnerable countries. This award also cites the African Development Fund for its ability to ensure that development reaches the intended recipients.

II.2 Resource Allocation and Utilization

9. **The replenishment culminated in commitments and a financing package of UA 6,297.26 million for the three-year ADF-15 cycle**. The ADF-15 replenishment is comprised of donor subscriptions of UA 3,693.38 million which include a grant element of UA 113.35 million from concessional donor loans (CDL); CDLs of UA 509.68 million[2]; Advanced Commitment Capacity (ACC) of UA 1,207.13 million; and a technical gap of UA 887.07 million (19.22%). The total resources excluding the technical gap amount to UA 5,410.19 million. In addition to the ADF-15 replenishment resources, the following were expected to become available during the 2020-2022 period for ADF clients: (i) the unused balance of TSF Pillar I resources that is expected to remain in Pillar I; (ii) the unused balance of TSF Pillar II resources that is expected to remain in Pillar II; and (iii) additional resources from cancellations from previous replenishments.

10. **Utilization of ADF-15 Resources:** As at the end of October 2021, 35% of the three main envelopes had been approved by the Board of Directors. The overall utilization rate is expected to reach approximately 54% by the end of 2021 based on the number of ADF operations planned for Board consideration in November and December. Moreover, the total amount prioritized for regional operations in 2020

[2] Concessional Donor Loans (CDLs) were provided by China (UA 64.35 million), Finland (UA 64.99 million), India (UA 10.81 million) and Japan (UA 482.89 million).

and 2021 stood at UA 860.8 million (or 98% of resources available for the two years). Most of these regional projects are expected to be considered by the Board in early 2022. The utilization of TSF Pillar I country allocations and the regional operations envelope are expected at 52% and 39% by December 2021, respectively. The remaining resources are expected to be fully utilized by the end of the cycle. A separate paper on the Utilization of ADF-15 Resources elaborates further.

II.3 The Covid-19 Rapid Response Facility (CRF) for ADF Countries

11. ADF responded to the crisis via the COVID-19 Rapid Response Facility (CRF), which provided ADF countries resources to mitigate the economic and social impacts of the pandemic. The imperative of repurposing its lending program into CRF operations, combined with the direct effects of the pandemic on the ADF's own operations, required a pivot in the work program in 2020. At the operational level, the ADF was required to adjust to new ways of working, undertaking key operational tasks virtually. The CRF was operationalized with impressive speed in 2020. Specifically, the ADF has approved 13 Crisis Response Budget Support (CRBS) operations for 25 RMCs for a total of UA 869 million/US$1,234 million (Annex 1). Over 61 percent of the ADF resources for CRBS operations are in the form of grants and the balance in loans. Most countries which have benefitted from CRBS operations have used their 2020 PBA in full. Five countries (Ethiopia, Ghana, Rwanda, Mauritania, and Sao Tome and Principe) frontloaded UA 65.9 million/US$94 million of their 2021 PBA. Management decided to split the disbursements of 5 CRBS operations, namely for Niger, Rwanda, DRC, Tanzania, and Comoros between 2020 and 2021.

12. In addition to the CRBS operations, the ADF has approved a total of UA 77.8 million in multinational (MN) operations using ADF- 14 (74%) and ADF-15 (26%) resources. These MN operations involve emergency operations to support and strengthen the Covid response led by regional economic organizations and entities such as the CEMAC, G5 Sahel, SADC, EAC, IGAD and African CDC through their national/regional prevention and response plans to combat the Covid-19 pandemic. Furthermore, four CRF investment operations have been approved for Zimbabwe, South Sudan, Sudan, and Guinea Bissau for UA 39.85 million/US$56.67 million. In addition, efforts are being made to restructure ongoing projects and reallocate funds for addressing the pandemic or economic fallout of the pandemic and to-date, 2 projects have been restructured and have been presented to the Board.

13. **Under the Feed Africa Response to COVID-19 (FAREC), 13 operations have been restructured amounting to UA 36.3 million**. Efforts are being made to utilise potential savings or resources under projects to help deal with COVID-19. For example, in Guinea, the ongoing Post Ebola Recovery Social Investment Fund (PERSIF) has utilised UA 2.5 million for COVID-19 related activities. In Kenya under the TVET Phase II project, UA 1.4 million was reallocated to support establishment of open distance eLearning for training trainers and students.

14. **The Bank Group has also undertaken analytical work in 27 countries to inform economic recovery plans**. The majority of these approvals were to support post-recovery efforts following disbursements under CRBS operations. CRBS operations have been accompanied by policy dialogue, focused in the first instance on the effective and transparent implementation of Covid-19 resource plans, and progressively broadening to include policy options to "build back better" in the post-Covid era. The health impacts and social protection results of ADF rapid response interventions are highlighted Annex 1.

III. ADF-15 AREAS OF FOCUS AND CROSS CUTTING OPERATIONAL PRIORITIES

III.1 Building Resilience by Addressing Fragility and Tackling Vulnerabilities[3]

15. The ADF-15 discussions, alongside the 2020 evaluation by the Independent Development Evaluation Department (BDEV)[4] of the 2014-2019 strategy, helped scale up the Bank's Fragility agenda. They called for a sharper focus of the Fund on tackling structural vulnerabilities, as well as addressing national and regional pockets of conflict and fragility in transition states, and beyond. While the strategic direction agreed for ADF-15 is underpinned by greater selectivity within the High 5s objectives, it assumes the application of the fragility lens in all ADF's strategic and operational engagements. The proposed New Fragility Strategy, scheduled for Board consideration in early 2022, builds on the 2014 Strategy and, scales up a rigorous operationalization of the Fragility Lens. While placing 'prevention', 'selectivity', 'patience', 'do no harm', 'ownership' and partnerships as central principles guiding its implementation, the new strategy sets out differentiated operational approaches along the fragility spectrum.

16. **Management has successfully introduced comprehensive refinements in key operational processes**, such as the revision of the Regional Operations Selection and Prioritization Framework (ROSPF) and the Enhanced Readiness Review. Among others, these allow using fragility assessments including the quantitative findings of the annual Country Resilience and Fragility Assessment (CRFA) exercise and the full-fledged fragility assessments—for increased sensitivity to drivers of fragility and opportunities for building resilience in the Bank's operational engagement in ADF countries and hotspot regions. By way of illustration, the increased fragility sensitivity of the revised ROSPF allowed to prioritize in 2020 and 2021 around 80% of the RO envelope to the Horn of Africa, the Lake Chad Basin, and the Sahel regions.

17. On the financing front, evidence-based eligibility assessments allowed ADF-15 lending activities of the Transition Support Facility in 22 transition states, including

[3] The companion paper "*Addressing Vulnerability in ADF Countries and implementation of the TSF*", provides a detailed presentation of concrete actions implemented by Management over the last two years to mainstream fragility and resilience considerations in ADF programming and operations.

[4] Independent Evaluation of the African Development Bank Group's Strategy for Addressing Fragility and Building Resilience in Africa (2014-2019) — Addendum, Management Response, July 2020 (AFDB/BD/WP/2020/147/Add.1 — ADF/BD/WP/2020/105/Add.1).

in Burkina Faso which is the most recent eligible country. In 2020 and 2021, the Facility played a central role in the Fund's financing architecture, supporting the Bank in tackling structural issues, building long-term socio-economic resilience, and coping with the economic effects of the Covid-19 pandemic in transition states.

18. In compliance with the selectivity principle, the resources of the Facility are no longer utilized as a top-up to regular ADF allocations. Guided by the fragility lens application and the Enhanced Readiness Reviews, the Facility is increasingly creating synergies with other financing instruments, generating value addition, and promoting resilience-based considerations in the Fund's interventions. It has been effective, through its support to the historical debt relief for Somalia and Sudan. It has also proven to be relevant in addressing root causes of fragility, bridging institutional capacity gaps, and enabling action-driven partnerships with humanitarian and peacebuilding actors on the ground.

19. In relation to working in partnership, the Bank completed joint operations with the ICRC in the Sahel, the UNDP in the Lake Chad Basin, and collaborated with the UNCHR as part of the CRF in the Sahel. Furthermore, the joint fragility assessments of Burkina Faso conducted with the World Bank, the EU and the UN fed into the country's new National Development Plan. Joint Resilience and Fragility Assessments with the Islamic Development Bank have been launched in Q4 2020 in 4 countries (Niger, Guinea, Senegal and The Gambia). Another joint resilience and fragility assessment with the UN, the UK, and the EU was conducted in Mozambique. While leading the analytics MDBs working group on Fragility, Conflict and Violence (FCV) since November 2020, the Bank (through RDTS) is actively exploring options with other multilateral and bilateral partners to conduct four (4) additional joint operations and/or assessments through 2022.

20. **Effective operationalization of the Fragility Lens requires scaling-up the Bank's staff capacity and skills**. As informed by its Strategic Staffing Review, on top of the ongoing recruitment drive for ten additional Fragility Specialists in the Transition States Coordination Office (RDTS), the Bank has made significant progress to expand its delivery capacity and increase its presence in transition states and regions. Management recognizes the challenges to attract highly skilled and experienced staff in fragile situations, especially in the context of conflict-affected and insecure settings. In this regard, the 2021-2025 People Strategy has already taken steps by proposing a staff rotation system and strengthening the link between the work experience of those in fragile situations and career development. These will be reinforced through complementary incentives, in recognition of the different classifications of hardship and non-family duty stations, under the Total Compensation Framework.

III.2 Better integrating Climate Change issues in operations

21. The ADF has been able to better integrate climate change in operations, supported by a stronger policy and strategy framework, greater alignment with the work of other MDBs, and the use of climate informed design in projects.

22. **A new climate and green growth strategy**. Under ADF-15 Management committed to scaling up support for ADF countries' transition to low-carbon, climate-resilient development. To this end, a new strategic framework on climate change and green growth which consists of a new policy, and a new strategy, has been developed while an associated action plan (2021-2025) is being finalized as part of a package of measures to support the ADF's alignment with the Paris Agreement and the mainstreaming of climate action across ADF's operations. This will be the first Bank Group, and indeed the first Multilateral Development Bank (MDB), framework combining climate change and green growth, and which will comprise of three key components: (i) the High-Level Climate Change and Green Growth Policy; (ii) the Climate Change and Green Growth Strategy; and (iii) the Climate Change and Green Growth Action Plan. The Policy and the Strategy were approved by the Boards on October 27th, 2021, with the action plan to be endorsed by the President by end 2021.

23. The new strategy will complement efforts by MDBs to align their investments and activities with the Paris Agreement. The joint effort is based around six building blocks, namely: Alignment with mitigation goals; Adaptation to climate change and resilient operations; Scaling up contribution to climate finance, Engagement and Policy Development support; Reporting; and Aligning internal activities. The Bank Group's climate change and green growth framework will in turn have four pillars:

i. Boosting climate resilience and adaptation to climate change, and reducing fragility, by building resilience into all Bank investments and ensuring that the Bank's investments reduce Africa's vulnerability to climate change.

ii. Promoting low-carbon development and mitigation, by helping African countries to transition to a low-carbon development trajectory while contributing to global efforts to reduce emissions.

iii. Leveraging climate finance and mobilizing resources for climate action and green growth, including by prioritising adaptation finance, which is Africa's core need; and

iv. Creating enabling environments for climate action and green investments, through knowledge work, bridging capacity gaps, strengthening dialogue and partnerships, and engaging at the continental and global levels.

24. Management agreed to screening 100% of ADF projects for climate-informed design, allocating 40% of ADF funding to climate finance and allocating 50% of

climate finance to adaptation actions. By end of December 2020, 92% of all approved ADF projects were based on climate-informed design. In 2021, 95% of ADF projects were screened for climate informed design (as of October 2021). The goal is to screen all ADF projects for climate risks and opportunities and achieve 100% climate mainstreaming by 2022. With regards to the climate finance commitment, for the period between June 2020 and October 2021, about US$ 1,834 million ADF resources were approved out of which US$ 766 million is climate finance, representing 42% of the total approvals for the period. Moreover, 63% of overall climate finance was tagged to adaptation finance while mitigation finance amounted to 27%. The 2021 progress to date stands above the 40% initial target. Sector breakdown shows that ADF climate finance over the period June 2020-October 2021, is distributed among the following main sectors: Energy-Power (39%); Multi-Sector operations (35%); Agriculture (13%); Transport sector (7%); Social sector (5%); and Water and Sanitation (1%).

Climate Finance for Mitigation and Adaptation

25. Cognisant that Africa only receives only 3% of global climate finance, the Bank committed to scaling up climate finance and supporting countries suffering from the extreme impacts of climate change, issues which are of course of existential importance as reiterated recently at COP-26. Hence, in September 2020, the Bank announced a partnership with the Global Commission on Adaptation and the hosting of the Africa Regional Centre at the Bank's Headquarters in Abidjan. Further, in January 2021 the Bank's President announced a new target of mobilizing a total of US$ 25 billion, including the Bank's US$ 12.5 billion contribution, for adaptation action by 2025 under the African Adaptation Acceleration Programme (AAAP). AAAP is Africa wide and will benefit ADF countries.

Box 1: The African Development Bank Group at COP26

The Bank's participation in COP26 was aimed at amplifying Africa's voice and priorities on climate change; and showcased the Bank Group's leading role in driving transformative climate action in Africa: This included

- Enhancing strategic partnerships for significant mobilization of new financial resources for effective implementation of climate action.

- Shaping the global COP 26 narrative on Energy Transition to reflect Africa's realities and distinguishes the Bank as a leader in renewable energy and in Africa's Just Energy Transition.

- Highlighting Bank's significant commitments toward enhanced climate actions, through announcing the Bank's Climate Goals under the New Climate Change and Green Growth Policy and Strategy approved by the Board on 27 October 2021.

- Showcasing Bank's climate solutions at COP 26, including the African Adaptation Acceleration Programme, Africa Disaster Risk Financing Initiative (ADRIFI), Adaptation Benefits Mechanism, Desert to Power, and Sustainable Energy Fund

Box 2: The World Leaders' Summit

At the World Leader's Summit, over 120 Heads of State and Government called for greater ambition and made new financial pledges. US$ 800 million was pledged for adaptation over COP 26 including the first-ever US contribution to the Adaptation Fund, and additional financial pledges from Japan, Germany and Spain. The Africa Adaptation Acceleration Summit was convened by the African Union Chairperson, to raise the profile of adaptation. Over 25 African leaders who spoke in Glasgow called for a step change in the pace and scale of climate actions globally and across the continent. Despite the adoption of the Glasgow Climate Pact, several issues of importance for Africa remained unresolved including enhanced financing for climate adaptation, an issue of particular relevance for ADF countries.

26. There are a certain number of commitments relating to targeting ADF resources toward measures that adapt and mitigate damage from climate change. All ADF projects in the Sahel, Horn of Africa and Congo Basin have been screened for climate risks and climate change mainstreaming including identification of climate risks and opportunities undertaken. Specific targets have already been met as follows:

27. **The commitments relate to providing resources for measures that adapt and mitigate damage from climate change**. All ADF projects in the Sahel, Horn of Africa and Congo Basin have been screened for climate risks and climate change mainstreaming including identification of climate risks and opportunities undertaken. Specific targets have already been met as follows:

- 6 CRF operations – Sudan, Comoros, Tanzania, Liberia, Sierra Leone and Gambia - were screened for climate risks and climate change mainstreaming including identification of climate risks and opportunities undertaken.

- Cameroon, DRC and CAR CRF operations integrated actions to improve country climate resilience amid health crises.

- Climate-resilience projects in health, water and sanitation, aquaculture and agriculture sectors were supported in Benin, Cape Verde and Guinea Bissau.

- Efforts are being undertaken under the Alliance Sahel initiative to support G5 Sahel countries (Mali, Niger, Burkina Faso, Mauritania and Chad) to build resilience and address the impacts of climate change.

- Development of two regional climate resilience programs for a total of US$ 500 million, one for the Sahel and one for the Horn of Africa. This will cover more than 15 ADF countries.

- A partnership has been developed with UNCCD on green jobs projects in G5 Sahel countries with focus on land restoration, natural resources management and agro-sylvo-pastoral activities.

28. The Bank is already providing NDC support for Cameroon, Sao Tome and Principe and Uganda as well as an update on same in Niger, Guinea and Guinea Bissau. To date, all country strategy documents have been reviewed for climate change and green growth considerations: 15 Country Diagnostic Notes and 9 CSP - MTR conducted, including the East Africa Regional Integration Strategy Paper. For more specifics on climate-related commitments see companion paper *Information note on the implementation status of ADF-15 policy commitments at Mid-Term-Review*.

Box 3: The Africa Disaster Risks Financing Programme (ADRiFi)

The Africa Disaster Risks Financing Programme (ADRiFi) supports RMCs in managing the risks of climate disasters through risk profiling, ex-ante contingency planning, and disaster risk financing. The risk is transfered to the Pan-African risk pool promoted by the African Risk Capacity (ARC). In 2019, ADRiFi started in two ADF countries that committed ADF resources for ADRiFi: namely, the Gambia and Madagascar. In 2021, ADRiFi is being implemented in 5 additional ADF countries, i.e. Mauritania, Niger, Zimbabwe, Sudan and Mozambique.

A good example of proof of concept was the payout to Madagascar in 2020, their first year of participation in ADRiFi. ARC disbursed US$ 2.1 million to Madagascar to cover anticipated livelihood losses for 600,000 vulnerable Malagasy people due to drought and crop failures in the farming season. ADRiFi provided 100% of Madagascar’s 2019/2020 insurance premium for sovereign drought risk transfer. With ADF resources and co-financing by ARC and donors, including Switzerland, U.K., Germany, and more recently commitments from the U.S., the Bank Group can work with countries to enhance the resilience of countries in the face of disaster risk.

III.3 Mainstreaming Gender as a Cross-Cutting issue in Operations

29. **The Gender Strategy.** ADF has a longstanding commitment to gender equality and women’s empowerment and ADF-15 views achieving greater gender equality as both a development goal and a means for promoting inclusive economic growth. To this end, gender mainstreaming is prioritized in all Bank policy, programmes and operations, and ADF mandated that gender be mainstreamed in its operations and invested in staff capacity and knowledge products. The Bank Group has championed special initiatives such as Affirmative Finance Action for Women in Africa (AFAWA) to unlock financing for women led entrepreneurs. The Gender Equality Trust Fund was also established to narrow the gender gaps and disparities on the continent. In addition, the Bank Group has acted to address sexual exploitation, abuse, and harassment in its organization and its operations.

Box 4: The Affirmative Finance Action for Women in Africa (AFAWA) Initiative

The African Development Bank established The Affirmative Finance Action for Women in Africa (AFAWA), a flagship to increase access to financial services for women businesses on the continent. AFAWA's primary objective is to bridge the existing USD 42 billion financing gap for women entrepreneurs (WSMEs) in Africa and to unlock their entrepreneurial capacity and full potential. Through its traditional financing instruments **(lines of credit, trade finance, and equity funds)** and through the **AFAWA Guarantee for Growth (G4G),** an innovative mechanism to de-risk women entrepreneurs while enhancing Financial Institutions' (FIs) appetite in lending to WSMEs, the Bank group aims to **unlock up to US$5 billion** of financing for women businesses by 2026.

By the end of 2021 the Bank Group through AFAWA will have approved close to US$424 million in transactions between its two mechanisms to be lent to 1,852 women entrepreneurs. An additional US$12.7 million to enhance the businesses and financial management skills of 17,000 business owners and farmers have been approved. Of the US$424 million, US$126 million to be on-lent to 788 women entrepreneurs comes from the Bank's Guarantee mechanism supported by the Group of Seven, the Netherlands and Sweden. Société General du Benin recently joined the list of financial institutions who will utilize the guarantee mechanism. A total of 14 financial institutions in 11 African countries participate in the Guarantee Program.

30. **The Gender Strategy 2021- 2025 was prepared during 2020 and was approved by the Board in December 2020**. Based on broad consultations with stakeholders, the strategy identifies three priorities: first, empowering women through access to finance and markets, by providing finance and technical assistance to women's small and medium enterprises and by working with RMCs to establish a business environment conducive to women entrepreneurs. Second, accelerating employability and job creation by increasing women's access to skills and education in science, technology, engineering, and mathematics (STEM). Third, increasing women's access to social services by developing good-quality, gender responsive infrastructure.

31. **The Gender Strategy also includes measures to mainstream gender more deeply across the Bank Group's portfolio**. Building on an independent evaluation of gender mainstreaming completed in January 2020, the Gender Strategy sets out a number of initiatives to take mainstreaming further: formalizing gender-linked processes in the Bank Group's operations manual, investing in the capacity of the private sector and civil society to lead on gender equality issues, using funding from the Gender Equality Trust Fund to catalyse gender equality measures in Bank operations, and building up gender-related knowledge products and knowledge-sharing initiatives.

32. The strategy commits the Bank to categorising all new Bank operations under the gender marker system and ensuring that at least 50% of new operations are rated "satisfactory" on their gender measures by 2025. Following the Board's approval,

the Bank has disseminated the Gender Strategy internally and externally with the aim of encouraging buy-in and ownership by relevant stakeholders and identifying opportunities for better collaboration. 100% of public sector operations approved in 2020 have been categorized according to the GMS. 4 country gender profiles have been approved and 7 country gender profiles are moving through various approval processes. These will be delivered by 2022.

IV. SUSTAINABLE & QUALITY INFRASTRUCTURE - PILLAR I

IV.1 Investing in Quality and Sustainable Infrastructure

33. 2020 was a uniquely challenging year for infrastructure projects because of the disruption caused by the global Covid-19 pandemic. As a result, the delivery of infrastructure projects including those of the ADF, was slow compared to previous years. Despite these circumstances, ADF projects helped to deliver sound results in key areas of the High 5 as elaborated in Annex 2 and summarized below.

34. Under *Light up and Power Africa* High 5 for instance, as per the African Development Effectiveness Review (ADER) 2020, our operations produced 51MW in new installed power capacity, more than doubling levels reported in 2019 (21MW) and enabling 256,000 people to be connected to electricity in ADF countries. The Bank supported African countries to recover from the disruption of Covid-19 and take advantage of opportunities in the energy sector. Several of the budget support operations approved in 2020—for example, those of blend and ADF only countries Cameroon, Côte d'Ivoire, and Mozambique—supported the deferral of payment or the reduction of electricity bills for small and medium enterprises (SMEs) or vulnerable households. The expected results from the approved ADF-15 interventions are outlined in Annex 2.

35. Through the *Feed Africa Strategy*, the ADF's projects to promote agricultural development increased productivity and production, and developed enabling infrastructure and environment for agribusiness. In 2020, ADF projects benefited 16.4 million Africans, 8 million of whom were women. ADF also built or rehabilitated over 3,000 km of feeder roads, linking rural and remote communities to national road networks and markets. More of TAAT's achievements are outlined in Box 6 and box 7 below.

Box 5: High-5 in Action: Desert to Power Initiative

The Desert to Power Initiative (DtP) seeks to turn the 11 Sahel countries into a solar powerhouse, harnessing its high solar potential and creating the world's largest solar zone. The DtP initiative is focused on five key priorities: (1) increase on-grid solar generation; (2) strengthen transmission and distribution networks; (3) deploy decentralized energy access solutions at scale; (4) improve the viability of the utilities; and (5) improve the enabling environment to facilitate more private sector investments. The initiative's initial focus is on the G5 Sahel countries (Burkina Faso, Chad, Mali, Mauritania, and Niger).

Since 2019, several DtP projects have been approved in the G5 Sahel. In **Burkina Faso**, the Yeleen on-grid and off-grid projects are expected to generate 72MW for over 300,000 beneficiaries, and the Electrification and Power Connection Development Project will construct 3000 km of distribution infrastructure to absorb generation from Yeleen. In **Chad**, the Djermaya Solar project's 32 MW installed capacity will provide 10% of the country's generation. On November 25, 2021, Djermaya marked the milestone of the first solar IPP to be signed in Chad. Through the DtP West Africa Regional Energy Program approved in July 2021 under the ADF-15 RPG window, the **West African Power Pool (WAPP)** is undertaking pre-feasibility studies for a Sahel Backbone transmission project. Other projects outside the G5 Sahel include the **Sudan Irrigation project**, which will help farmers reduce their dependency on imported fossil fuels through the adoption of renewable energy solutions for water supply for irrigation.

Desert to Power is being supported by a growing number of partners and so far, DtP has mobilized resources from the GCF (US$ 150 million) towards a US$ 1 billion Desert to Power Financing Facility, from the Government of Sweden (US$ 20 million eq.), from the Rockefeller Foundation (US$ 35 million initially), as well as co-financing from various other partners.

Box 6: Technologies for African Agricultural Transformation (TAAT)

TAAT seeks to double the productivity of nine priority African agricultural commodities in the face of climate change and invasive pests. TAAT's objective is to deliver food production technologies to 40 million small holder farmers working through a Regional Technology Delivery Infrastructure (RTDI), a partnership of International and national agricultural R&D organizations, governments, private sector seed companies, farmer organizations, etc. TAAT is aligned to both ADF- 15 strategic pillars and contributes to policy commitments which relate to Technologies for agriculture (F2), Climate smart agriculture (F3), and Value chain development (F4).

Since its inception, TAAT has recorded major achievements. For example, TAAT in the last three seasons helped Sudan produce 65,000MT of certified seeds of five heat tolerant wheat varieties planted on 317,000Ha and aided Ethiopia produce 45,000MT of certified seeds of four wheat varieties planted on 184,000Ha in Ethiopia. Yields of wheat increased on average from 2MT/Ha to 3.5MT/Ha in these countries. These climate-adapted wheat varieties helped to more than double Sudan's wheat production from 450,000MT in the 2016/2017 wheat season to 1.1 million tons in the 2019/2020 wheat season and added an additional million MT of wheat production in Ethiopia cutting by almost half Ethiopia's wheat imports. Overall TAAT has facilitated the production and dissemination of 191,947 MT of certified seeds of wheat, maize, rice, sorghum and common beans delivered to 10.6 million smallholder farmers, or 25% of the target 40 million.

TAAT has improved the livelihoods of small holder farmers. The impact of TAAT on the income of beneficiary smallholder farmers include a 50-70% rise in cereal yields and an increase from US$459 to US$604 on average in household income of 10.6 million farmers adopting these new varieties and good agricultural practices.

36. Deepening ***integration in Africa*** is vital to not only achieving the High 5s but also promoting innovation, enabling distribution of power more equitably and affordably, and facilitating trade within the continent. To achieve this, regional infrastructure - whether for roads, rail, water, or energy – is a prerequisite. The ADF has prioritised the development of regional infrastructure by financing cross-border transport and energy systems. Out of the total commitments of UA 840.42 million from the RO envelope, nearly UA 540 million, equivalent to 64.25 percent, has been allocated to supporting both upstream activities as well as down streaming financing of regional infrastructure projects.

Box 7: Horn of Africa Regional Operation - Program to Build Resilience for Food and Nutrition Security (BREFONS)

The Program to Build Resilience for Food and Nutrition Security (BREFONS) is a regional project of the Bank that combines adaptation of agriculture to climate change, fragility, digital advisory services and agribusiness to directly benefit 3 million pastoralists and indirectly improve the livelihoods of over 25 million people in Djibouti, Kenya, Somalia and South Sudan. The full program is funded by an ADF grant of UA 97.60, an ADF loan of UA30 million, a TSF grant of UA 10.55 million and beneficiary/government contributions of UA21.19 million. This makes a total package of UA 158.94 million. Amongst the 3 million beneficiaries, the project is expected to see a 30% increase in crops and livestock production with a 30% increase in annual income per capita. 180,000 pastoralists and farmers will have access to TAAT climate smart technologies and practices, while about 45,000 of them will benefit from climate digital advisory services for improved decision making. Finally, 35,000 additional jobs will be created for youth and women.

37. In 2020, ADF projects enabled 773 km of roads and 356 km of cross-border roads to be constructed or rehabilitated. As a result, 3.2 million people were provided with access to transport across ADF countries. An example of ADF 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, 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. Another example is the landmark Central African Republic – Congo Republic Road Development and Navigational Improvement Project, the largest ever ADF regional operations project (see box 8).

Box 8. Congo Republic Road Development and Navigational Improvement Project

The largest operation in the history of the ADF regional envelope, the Congo Republic Road Development and Navigational Improvement Project focuses on inter-state road and river transport systems and promotes intra-regional trade between the Central Africa Republic (CAR) and the Republic of Congo (Brazzaville). ADF provides UA 209.42 million for activities in the CAR while BDEAC provides UA 125 million for actions in the Congo. Congo contributes additional resources in the form of counterpart funding (UA 53 million). The project area is an important trade and river corridor, linking the Port of Brazzaville via the Congo River to the Port of Pointe Noire (Congo) on the Atlantic Ocean via rail. In Congo, activities include the improvement and asphalting of the Ouesso-Pokola road section (412 km) and the construction of a 616-metre-long bridge over the Sangha River. The rehabilitation and upgrading of the transport and navigational systems of the two countries is expected to expand trade significantly. The project will strengthen resilience by supplying landlocked CAR with alternative trade routes. Goods from CAR are expected to rise from 237,050 to 276,140 tons; total traffic is expected to double from 630 to 1,300 vehicles per day whilst at the same time cutting road travel time in half from 8 to 4 hours. Vehicle operating costs for large goods vehicles is also expected to halve to 800 FCFA/km.

38. Under the High 5 to Improve the Quality of Life of the Africans, the Bank is providing Africans with safe and dependable access to water and sanitation. ADF projects supported 6.5 million people to gain access to new or improved water and sanitation services in 2020, setting the Bank on track to achieve and exceed the 2022 targets. In 2020 in Ethiopia, the 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%.

39. The Bank is also promoting human development in Africa by supporting education and skills development, entrepreneurship and the creation of decent jobs including for young Africans. By October 2021, more than half (58.6%) of Bank-approved operations in ADF countries have integrated skills and decent jobs for youth, well above the target of an average of 20% by the Mid-Term Review. In June 2020, the Bank developed and adopted the Joint Impact Model — a tool developed together with five other development finance institutions (FMO, CDC, Proparco, BIO, and Findev Canada). This has enabled the Bank to capture the indirect and induced effects of its operations with the first results on indirect jobs and induced effects published in the Annual Development Effectiveness Report (ADER) 2020. Additional institutional capacity building support has been provided to more than 10 ADF regional member countries to increase their employment levels by 2022; these countries include Sao Tome, Ethiopia, Zimbabwe, Sudan, South Sudan, Ghana, Mali and Guinea as well as to the G5 Sahel countries (Burkina Faso, Chad, Mali, Niger and Mauritania). One of our flagship pan-African programmes to promote youth entrepreneurship and employment is Coding for Employment, that has trained over

132,000 youth, 47 percent of whom are female, in information communication technologies. Over 1,600 of the graduates have been linked to job opportunities through online platforms, career fairs, freelancing platforms, and private sector partnerships with Microsoft, Facebook, LinkedIn and HP.

IV.2 Private Sector for Infrastructure Development and Industrialization

40. **Africa's private sector accounts for 90 percent of jobs and 70 percent of GDP and investment**. The Bank 2021-2025 Private Sector Development Strategy (PSDS) , which will be considered by the Board of Directors 1Q22, is to support private sector-led growth as a means of creating jobs, augmenting socioeconomic inclusion, building long-term resilience and sustainability, and helping to achieve the sustainable development goals and Agenda 2063. The new PSDS will have three pillars: Pillar 1: Improving Business Environment; Pillar 2: Industrializing Africa; and Pillar 3: Infrastructure Development.

41. **Private Sector, Governance and Business Environment**: Pillar 1 is designed to help RMCs improve the Business Environment which is key to the success of both pillars 2and 3. Pillar 1 will heavily rely on and draw from the Strategy for Economic Governance in Africa (SEGA) in such areas as policy reforms to address competitiveness and investment promotions, improving the business climate, promoting transparency, effectiveness and efficiency and overall good governance in the delivery of government services, and encouraging entrepreneurship in micro, small, and medium enterprises (MSMEs).

42. **Private Sector for Industrializing Africa:** Consistent with three of the Bank's High 5s (Light Up and Power Africa, Industrialise Africa, and Integrate Africa) and associated sector strategies, the PSDS will support structural economic transformations of RMCs economies through industrialization. The industrialization agenda include activities focusing on: industrial policy diagnostics and design support; industrial policy implementation support; catalyse funding into ICT infrastructure and industry projects; catalyse concessions and PPPs in e-government service; and develop competitive entrepreneurship and talents and capabilities.

43. **Private Sector for Infrastructure Development**: The PSDS will support the development of sectors like transport, power, and broadband infrastructure, whose inputs enable the private sector by facilitating access to markets, reducing transaction costs, boosting productivity, and ushering in innovation related to the 4IR. Activities in this area will be primarily carried out by the Bank's energy and infrastructure departments, which are responsible for implementing the Bank's PPP framework. They will be leveraged as part of infrastructure development with a view to attracting private operators and investors through PPPs. The PSDS will support the development of cross-border transport infrastructure corridors to facilitate cross-border trade and accelerate the implementation of the AfCFTA. Transport corridors will be developed as part of an approach that integrates other

infrastructure such as power and special economic zones to attract anchor investors in related projects and create market opportunities for MSMEs.

44. The disruptions of COVID-19 severely limited the number of non-sovereign operations (NSO) in 2020 and 2021. The prioritization of PBOs in 2020, which led to no NSOs being processed within the Bank after March 2020 when COVID pandemic hit hard, combined with the RCUR uncertainty throughout last year, led to a true slowdown of NSO activities from business development to processing. In 2021, there has been a resumption of NSO, but origination is still hampered by various factors related to the pandemic. As of end November, 4 transactions amounting to UA 144.66 million have been approved in ADF eligible countries. This volume will increase by the end of the year and is expected to significantly increase in 2022.

45. **Private Sector in Fragility Situations**: The PSDS will place special focus on developing the private sector in Transition states. In countries experiencing very severe fragility, the PSDS will focus on upstream activities (institutional capacity building and reforms). In countries experiencing severe fragility, the PSDS will focus on midstream activities (building the capacity of intermediaries and enablers and preparing projects). And in countries experiencing moderate fragility, the PSDS will concentrate on downstream activities (pipeline development and investment). The entry points for designing, developing, and implementing private sector development activities are the Bank's country diagnostic notes and CSPs.

46. Lastly, the Bank will proactively build strategic relationships with African Champions in the real sectors and will encourage and support their market entry into Transition states. In all these approaches, the Bank will work strategically and proactively with the PSF to increase NSO financings in Transition states given the complementarities, whilst respecting the independence of the PSF. Having discussed the progress made with respect to Pillar I of ADF-15, we now turn now to the progress made with respect to Pillar II of ADF-15. These relate to building governance capacity for debt sustainability.

47. This focus on transition states has already started with the design of solutions to support MSMEs. MSME linkage programs are currently being implemented in Madagascar and Mozambique, and is expected to be implemented in the G5 Sahel, thanks to TSF Pillar III resources. These programs identify the key bottlenecks facing SMEs and build partnerships to address those bottlenecks.

V. GOVERNANCE AND DEBT SUSTAINABILITY - PILLAR II

V.1 Building Governance Capacity for Debt Sustainability

48. **Addressing governance issues on the continent remains a core priority for ADF countries**. In line with the ADF-15 commitments, the Bank continues to support efforts to strengthen public financial management, domestic resource mobilization, debt management and transparency, as well as combatting illicit financial flows.

Under the CRF, particular attention has been devoted to ensuring the transparency and accountability of Covid-19 expenditures, with concrete policy measures contained within CRBS operations. In 2020, ADF support raised the quality of budgetary and financial management in seven countries, improved transparency and accountability in the public sector in five, improved procurement systems in three, and improved the competitive environment in three.

49. **In 2021, the Strategy for Economic Governance in Africa (SEGA) was approved by the Board**. SEGA defines the Bank's objectives and priority areas of intervention in economic governance over the next five years, covering both operational and non-operational responses. SEGA structures the Bank Group's governance work around three areas of focus: 1. The Bank Group will promote public-sector effectiveness at the national and subnational levels in such areas as domestic resource mobilization, public expenditure management, debt management and transparency, and state-owned enterprises. 2., the Bank will help RMCs build their governance capacity as a means of effecting structural economic change, among other things by reforming the business climate, improving governance related to infrastructure, and better management of natural resources. 3. the Bank will promote inclusive governance and accountability by combatting corruption, promoting transparency and e-governance, and building demand-side governance and accountability. SEGA also aims to enhance Debt Management and Transparency through inter alia: i) data collection to inform regular debt sustainability analysis; ii) design and adoption of legislation and regulations on implicit guarantees and contingent liabilities of SOEs; and iv) creation of medium-term debt strategies and publication of annual debt reports.

V.2 Debt management

50. **Africa faces a growing debt challenge that has been significantly exacerbated by the Covid-19 pandemic**. The impact of the pandemic has squeezed fiscal space, leaving many governments without the financial capacity to ramp up spending through monetary and fiscal stimulus packages that would cushion the economic and social consequences of the pandemic. The average size of fiscal intervention packages on the continent so far has been only 3 percent of GDP, considerably less than that of advanced economies. Nevertheless, governments' additional spending is expected to raise the average debt-to-GDP ratios by 10 to 15 percentage points, to 75 percent in 2021 from an average of 63 percent over 2017-2019.

51. **Transition states are projected to fare even worse, with a debt-to-GDP ratio of 114 percent in 2021**. In December 2020, 14 countries were rated at high risk of debt distress and five countries in debt distress situation. The safety margin of many other countries has been eroded. As at October 2021, 14 countries were still rated at high risk of debt distress while those in debt distress situations increased from five to six. Debt service payments now consume about 18 percent of all government revenue in ADF countries, drawing resources away from investments in education,

infrastructure, and technology, which are essential for sustainable economic growth. If these rising debt vulnerabilities are not addressed quickly, the situation could degenerate into a widespread and far-reaching sovereign debt crisis for the continent. The G20 Debt Service Suspension Initiative has certainly helped by deferring the debt service payments of participating countries through the end of December 2021. Unless total debt is reduced, however, it is likely that more relief will be required.

52. **The Bank Group is instituting an organization-wide approach to mitigating the risk of debt distress**. Addressing rising debt vulnerabilities will be key to implementing ADF successfully. The Bank Group therefore needs to pay close attention to ensuring that its investments are growth-enhancing and do not add to countries' debt burden. More urgent, however, is to help RMCs acquire the knowledge and tools to manage their debt. Amongst other measures, this calls for more accurate and timely debt information, to facilitate analysis and make it easier to mitigate risk.

53. **In 2019, the Bank worked with other MDBs to develop a common set of debt sustainability principles**. It launched the preparation of its the multi-dimensional action plan for the management and mitigation of debt distress risks in Africa (DAP) (2021-2023), including its non-concessional debt accumulation policy, and adapted the ADF resource allocation system to focus more on sustainability, with concrete measures and incentives aimed at preventing debt sustainability from deteriorating further. The revised allocation system was implemented for the 2020 allocation process under ADF-15, and a debt management plan was drafted during 2020 and shared with the Board in October 2020.

54. These actions are contained in the multi-dimensional action plan for the management and mitigation of debt distress risks in Africa (DAP) (2021-2023), which was approved by CODE in July 2021. The DAP has five strategic objectives to "make debt work for Africa," with sub-actions proposed under each: 1) Engage in high-level policy dialogue on debt sustainability at the national, regional, continental, and global levels; 2) Increase the level of low-cost and low-risk development financing available to RMCs; 3) Strengthen countries' capability to manage their public debt productively and transparently; 4). Strengthen the Bank's institutional framework to incentivize sustainable debt accumulation by RMCs; and 5) Assist RMCs in debt crisis resolution.

55. The Bank Group has continued to strengthen its partnerships and coordination with key stakeholders involved in debt management issues. In alignment with the Core Principles of Sustainable Financing, the Bank Group will partner with all ADF creditors along the lines of the Common Framework for Debt Treatments beyond the Debt Service Suspension Initiative towards the promotion of transparency regarding macroeconomic indicators and debt sustainability assessments. In addition, a high priority will be placed on tapping technical resources and skills of development partners through collaboration, technical assistance, cost-sharing, and

pooling of expertise toward common objectives. The Bank Group continues to leverage its assets as a trusted partner and its convening power to advocate and rally political and international support for deep-rooted governance reforms at all levels to improve debt management in Africa. Reforms supported by the ADF seek to reduce leakages in public finance, improve the transparency of debt management, curtail illicit financial flows, and boost the efficiency of public investments.

56. **The Bank's increased focus on debt is reflected in its current pipeline**. It includes support to three ADF countries in 2021 (Djibouti, South Sudan and Togo) and four in 2022. Including the support provided to Sao Tome and Principe (in 2020), the total will reach eight. Four additional countries will be supported by Q4 2021 and eight by Q4 2022. In public finance management (PFM), three ADF countries were supported in 2020 Guinea, Sao Tome and Principe, and Somalia. In 2021, at least seven ADF countries will receive support in PFM with five additional in 2022. To support fighting against illicit financial flows, three RMCs (Guinea, Sao Tome and Principe, and Somalia) were supported in 2020 and the 2021 lending program includes support to seven RMCs: DRC, Lesotho, Mali, Mauritania, South Sudan, Togo and Zimbabwe, with three more countries to be supported in 2022.

V.3 Policy Dialogue on debt management

57. **The Bank is also strengthening its capacity to engage in policy dialogue on debt management**. In line with the first objective of the DAP, the Bank's senior leadership will carry the African voice on debt matters, on the continent and globally. Engagement will focus on promoting a more development-oriented international debt architecture. The Bank will strive to be a thought leader on debt-related issues and public financial management in Africa, through research, analytical work, knowledge brokerage, and policy dialogue. It has already started this process with the latest edition of the Bank's flagship economic publication, the 2021 African Economic Outlook '*From Debt Resolution to Growth: The Road Ahead for Africa*'. Policy dialogue will be supported by program-based operations and institutional support projects as appropriate and will draw on a range of new knowledge products on debt-related issues. The Statistics Department is leading an initiative to raise the quality and timeliness of data on debt, through technical assistance to national statistics offices, with a focus on boosting transparency.

58. The Bank is also in the process of producing its Sustainable Borrowing Policy (SBP) which is a successor version of the Non-Concessional Debt Accumulation Policy (NCDA). The first version of the draft Policy has been discussed at CODE in September 2021, following the completion of the evaluation of the NCDA policy by the Independent Evaluation Department. Recommendations from the evaluation report included placing increased focus on data and transparency, as well as ensuring strong ownership of the policy and ensuring coherence with IDA's Sustainable Development Finance Policy (SDFP). In preparing the new policy,

Management surveyed RMCs, other MDBs, and members of civil society on policy options.

59. In addition, the Policy Reform Dialogue Matrix (PRDM), approved by CODE in August 2020, is a key tool for developing this systematic approach to policy dialogue. The PRDM is an innovative instrument that allows the Bank to systematically plan, budget for, implement dialogue on key policy reforms in each RMC, and monitor results. The PRDM will produce a consolidated, continental-scale overview of all Bank Group operations and activities that support key reforms. It will enable the Bank and other stakeholders to view the current results of Bank-supported policy reforms—whether that support is part of lending or non-lending activities —in all 54 countries of the continent. The PRDM also provides a basis for focusing economic and sector work on informing policy reforms. It is a living document that will be updated regularly to allow the Bank not only to closely monitor progress in the implementation of reforms, but also to respond swiftly to RMCs' emerging needs for Bank support. The draft policy is proposing two pillars. The fist pillar is on Debt Management and Transparency, and the second pillar is on Coordination and Partnerships. The Policy document will be considered by CODE and the Board during Q1, 2022.

60. **The African Legal Support Facility and its support to Pillar II of the ADF-15.** The ADF-15 Replenishment allocated UA 16 million to the ALSF under Pillar III of the Transition Support Facility. These funds are strategically aimed at providing advisory services and capacity building initiatives considered to have the greatest impact and fall squarely within Pillar II (capacity building) of the ADF-15. The objective of the ALSF is to ensure equitable, bankable and sustainable agreements between African countries and investors that deliver maximum economic value to the countries while protecting their sovereign rights. Guided by its current Medium-Term Strategy 2018-2022 (MTS), ALSF operations strengthen member countries' legal expertise and negotiating capacities in matters pertaining to the following: (i) Debt management and vulture fund litigation; (ii) Natural resource and extractive industries management and contracting; (iii) Infrastructure and Public-Private Partnerships, including power; (iv) Investment agreements; and (v) Related commercial and business transactions. Between 2010 when the ALSF commenced operations and 2019, the ALSF has cumulatively approved US$ 90.4 million for 256 operations in more than 45 African countries. 60 percent of this amount was approved for transition states. Further, by end of 2019, the ALSF had cumulatively approved over 100 operations amounting to nearly US$ 53 million to transition states.

VI. INSTITUTIONAL REFORMS

VI.1 Strengthen the Bank's capacity to deliver

61. **The Bank made some policy commitments under GCI-VII, which are also institutionally relevant to the ADF.** Indeed 13 of the 92 ADF-15 commitments are

shared by the Bank under GCI-VII and ADF. See companion paper *Information note on the implementation status of ADF-15 policy commitments at Mid-Term-Review.* These commitments will be discussed in turn.

62. The **ADF-15/GCI-VII commitments** to strengthen the Bank's capacity to deliver on its mandate consists of four reform areas: human resources, the employee value proposition, performance culture, oversight, compliance, and accountability. To achieve these policy commitments, a new People Strategy was approved on schedule in November 2020 for the 2021-2025 period which sets out the approach to maximizing the employee value proposition (EVP) to make the Bank the employer of choice for skilled professionals seeking to support Africa's development. It also outlines policies and approaches for building a high-performance culture and creating a diverse and respectful working environment. The People Strategy provides a solid foundation for a People Vision that is geared towards:

- Building a talented, resilient and diverse workforce with the right skills, attitudes and orientation to deliver the best development solutions for our clients.
- Creating the workplace of the future where staff are energized, motivated, passionate, and engaged, equipped with the right tools and technology.
- Promoting a culture of strong performance and accountability for results.
- Enhancing collaboration among all our stakeholders to deploy the Bank's products and services to achieve the best results for Africa.
- Making the Bank the best place to work for development in Africa.

63. **The new Staff Regulations have also been approved by the Board of Governors**, disseminated to the Bank community in June 2021 and were signed off by the President in November 2021. The Bank has committed to reinforcing zero tolerance for Sexual Exploitation, Abuse and Harassment (SEAH), by strengthening its administrative measures for dealing with sexual exploitation, abuse and harassment. A revised Presidential Directive to include prohibiting sexual exploitation in the workplace as well as in projects funded by the Bank was published in May 2021, with clear guidelines for dealing with proven breaches of the zero-tolerance policy.

VI.2 Improving organizational efficiency

64. **Internal reforms have helped bring ADF operations closer to its clients, so that it can respond more effectively to their needs**. As at October 2021, 75% of the projects are managed from regions and country offices. This is a slight decline from 2020, when the proportion of projects managed from regions and country offices was 77%. In addition, the proportion of our operations staff based in country offices and regional hubs also fell slightly to 50 percent, from 51 percent in 2019.

Management is also working on a short-term assignment mechanism which will be used to relocate staff on a temporary basis in response to emerging work program demands which might not warrant a full decentralization. Finally, with the new People Strategy, the Bank is exploring measures incentivise high-calibre staff to take up positions in country offices, particularly in countries affected by fragility.

65. In terms of staff diversity, the share of women among the Bank's professional and managerial staff increased albeit slightly in 2020, pointing to the need for the Bank to do more to promote gender equality. The share of women in professional staff reached 31 percent, from 30 percent in 2019; and the share of management staff who are women increased to 27 percent, from 26 percent in 2019. Key women appointments in 2021 include the Senior Vice President, AHVP, Acting FIVP and PIAC Director, adding to the ranks of three women Directors General.

66. **With a view to enhancing its business processes, work is ongoing on the WAKANDA business reengineering process**. This process covers project preparation, project implementation, record management, archiving, and the completion of an integrated workflow system. Further information on progress related to institutional reforms at mid-term can be found in the companion paper *Progress report on the African Development Bank Group's institutional reform*s.

67. **Enhancing institutional integrity and safeguards:** The Bank's Integrated Safeguards System is fundamental to ensuring that Bank operations promote growth that is both inclusive and environmentally sustainable. The system was first adopted in 2013 and is based on best practices across MDBs. The safeguards are challenging to implement, requiring a concerted effort to build staff capacity and ensure that they are applied consistently through the project cycle. ADF-15 therefore included a commitment to developing an action plan to update the system and strengthen compliance. This plan was presented to CODE in February 2020, and an updated version of the system went live in June 2020.

68. **Since then, safeguard specialists have been decentralised to the field and assigned to all existing projects**. The readiness review process has been strengthened, and all safeguard documentation, including information on the mobilization of resettlement costs, is now required to be completed prior to project appraisal. It is now mandatory to include a safeguards compliance check in all projects presented to the Board, and non-operational activities and processes, such as the preparation of country strategy papers, now give more consideration to safeguard-related issues. The Bank is also increasing technical support and training for clients and the staff of project implementation units (much of it remotely or through consultants because of Covid-19 travel restrictions).

69. **Delivering a high-performing portfolio:** ADF continued to improve its portfolio and organizational performance. In recognition of our achievements, in 2020, the Aid Transparency Index ranked the Bank the fourth-most transparent development

institution in the world. And in 2021, the Center for Global Development ranked the African Development Fund second out of 49 bilateral and multilateral development agencies for the quality of its development assistance. This reflects a high share of the ADF's official development assistance reaching partner countries, its strong focus on poverty, its 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. Despite Covid-19-induced disruptions, the quality at entry of new operations remained steady, and 79 percent of operations completed in 2020 achieved their planned development outcomes.

VII. CONCLUSION

70. The operating environment in which ADF-15 is being delivered is unprecedented for the Bank, with the implementation of ADF-15 impacted by Covid-19 pandemic. The extent and duration of the pandemic remains uncertain, with the health, social and economic impacts of additional waves of infections still key concerns. This resulted in ADF-15 first emphasizing rapid-disbursing policy-based lending to bolster the response of ADF countries to the pandemic and to save lives and livelihoods in those countries. Since then, investment operations are being actively processed in line with ADF-15 strategic priorities

71. The operating environment is also unprecedented for Africa. The coronavirus triggered Africa's worst economic recession in half a century, shrinking Africa's GDP and hitting tourism-dependent and resource-intensive economies the hardest. In relation to debt, which is a key concern, governments' additional spending is expected to raise the average debt-to-GDP ratios by 10 to 15 percentage points**,** from an average of 63 percent over 2017-2019 to 75 percent in 2021. Transition states are projected to fare even worse, with a debt-to-GDP ratio of 114 percent in 2021. In December 2020, 14 countries were considered at high risk of debt distress and 5 countries in debt distress situation. The safety margin of many other countries has been eroded. As of October 2021, 14 countries were still rated at high risk of debt distress while those in debt distress situations increased from 5 to 6.

72. In spite of the challenges, the Fund was able to remain agile and relevant through the CRF, as well as remain on track with the majority of its commitments. At the time of the mid-term review, 58 of the 62 commitments have been met and four delayed. The Private Sector Development strategy and the Fragility Strategy have been cleared by CODE and will be considered by the Board in early 2022. The Sustainable Borrowing Policy will be discussed for a second time at CODE in early 2022. The Board of Governors has initiated an independent external review of the Whistleblowing Policy. While the implementation of the pillars was adjusted for the Bank Group's Covid-19 response, ADF-15 strategic directions and priorities remain sound and relevant. Management expects to meet the rest of the ADF-15 policy commitments by end 2022.

73. With reference to ADF-16 replenishment discussions next year, Management expects most ADF-15 themes to stay pertinent. However, given the scale of the impact of climate change on Africa, this cross-cutting issue should take on greater urgency. In addition, Management continues to track the evolution of countries' indebtedness and expect this issue to remain at the centre of discussions. Deputies are invited to note the ADF-15 Mid-Term Progress Report and provide feedback on the delivery of ADF-15.

Annex 1: CRF Results from Crisis Response Budget Support for ADF Countries

The Annex provides information on the Bank Group's efforts towards supporting Regional Member Countries (RMCs) through the African Development Fund in their drive to protect households and private sector enterprises from the economic and social impact of the Covid-19 pandemic. Covid-19 pandemic has revealed the structural weaknesses of the RMCs' health systems and economies, particularly the limited human and financial resources allocated to the health sector. The pandemic has also brought into focus the deficiencies in public financial management systems, service delivery and the vulnerabilities of African economies to external shocks.

Containment measures implemented by RMCs to limit the spread of Covid-19 have negatively impacted economic activity through reduced trade, business, tourism income, and remittances. It also sent many workers, particularly those in insecure and informal sectors into unemployment, and thus, placing already financially weak national social protection systems under great pressure. Many commodity-dependent African countries were facing fiscal and current account deficits as prices of oil, gas and other commodities declined. This situation constrained the ability of countries to respond to the Covid-19 crisis and manage its wider economic and social impacts, particularly for those already dealing with higher debt vulnerabilities. The African Development Bank Group reacted swiftly and established the Covid-19 Rapid Response Facility (CRF) in April 2020, under which a total volume of UA 2.868 million/ US$ 4.072 million, was approved.

The CRF provided fast, flexible and effective responses to support Regional Member Countries (RMCs) and private sector clients in their efforts to address the impact of the Covid-19 pandemic. The main instrument used to assure a rapid response was "crisis response budget supports" (CRBS). CRBS has inherent counter-cyclical characteristics. It is not just an instrument for policy reform, but also, an instrument designed to help mitigate the impacts of crisis by maintaining core public expenditures and/or allowing for additional poverty safety net spending in order to mitigate impact of a shock.

Following the approval of the CRF, 26 RMCs benefitted from 14 CRBS-PBOs financed under ADF for a total amount of US$ 1.244 million[5]. By July 2021 all of the CRBS operations provided to ADF countries had fully disbursed. Most countries which have benefitted from CRBS operations have used their 2020 PBA in full. Five countries (Ethiopia, Ghana, Rwanda, Mauritania, and Sao Tome and Principe) front loaded UA 65.9 million/US$ 94 million of their 2021 PBA.

The CRBS operations in 2020 targeted three dimensions – health, social and economic aspects of the Covid-19 crisis. The CRBS operations aimed to reinforce socio-economic resilience and recovery, while ensuring transparency and accountability. Examples of policy measures included: increasing budget allocations to health and social sectors; strengthening health system capacities; expanding social protection, such as cash transfer programs; subsidization of public services (such as water, electricity, and sanitation); safeguarding jobs and businesses, through tax reductions; wage subsidies and access to affordable finance;

[5] ADF-eligible countries that got no support through CRBS operations or national investment operations include Burundi, Eritrea and Lesotho

enhanced public expenditure management, including transparency and accountability of Covid expenditures.

Preliminary results from the CRBS operations indicate that they have very successfully contributed towards the health response. The capacity of RMCs to test for Covid-19 has increased eight-fold – from 13,271 tests daily to 105,520 tests across the RMCs supported in the given period. Just over 100,000 health care workers have been trained as part of the response. The number of Intensive Care Units available for Covid patients in selected countries has increased from an average of 50 units to 314. For example, Malawi has increased its testing capacity from an initial 14 laboratories to 164 laboratories, 15 PCR laboratories and 149 laboratories which are providing antigen testing services across the country. In Ethiopia, the national testing capacity increased to 12,432 tests/day by August 2020 from 3,000 in May 2020. In Sierra Leone, a life insurance policy was provided for 11,039 health care workers engaged in the fight against Covid-19.

The second dimension of the Bank’s support has been on mitigating the negative social impacts, targeting the most vulnerable. Through policy measures adopted as part of RMCs Covid-19 response plans, and the additional budgetary resources, the number of vulnerable households benefiting from support has increased from approximately 3.5 million households to 20.9 million households. For example, in Niger, the Government significantly increased its budget allocation for social protection and has managed to expand its support to cover approximately 4.8 million people/1 million households; In Togo, the establishment of a cash transfer program for the most vulnerable had by end August 2020 benefitted a total of 572,852 beneficiaries, of which 373,858 were women.

The third important and critical dimension has been support aimed at safeguarding Small and Medium Enterprises (SMEs) and the private sector. The vast majority of the approved crises response budget support operations included policy measures such the deferral of taxes and reductions in the costs of public utilities- energy and water supply. The various business support schemes targeted through these operations have benefitted at least 240,000 SMEs. In Ghana: more than 280,000 Micro, Small and Medium Enterprises (MSMEs) benefited from the soft loan scheme set up to assist businesses through the pandemic.

Ensuring that the funds provided for the Covid-19 response are effectively used and not diverted through leakages or corrupt practices is a primary concern of the Bank. All the CRBS operations contain policy measures and commitments towards ensuring transparency and accountability in Covid-19 related expenditures, as well as general measures to reinforce Public Financial Management systems and mitigate against leakages.

The majority of CRBS operations have reached completion or will reach completion by the end of 2021, the Bank is preparing project completion reports and following up with Governments to ensure that the financial audits are undertaken in line with the provisions of the grant agreements.

Overall, the Bank is closely monitoring the results of all the CRF operations while ensuring that resources in 2021 and subsequent years will focus on rebuilding the economies and strengthening the resilience through investments in infrastructure and macro-economic management.

Annex 2: ADF-15 Pillar 1 and the High 5s

Light up and Power Africa. Africa is not on track to achieve the SDG 7 targets for affordable and clean energy as indicated by the *2021 Tracking SDG 7 Energy Progress Report*. Many ADF countries such as Benin, Burkina Faso, Burundi, Central African Republic, Chad, Democratic Republic of Congo, Liberia Malawi, Niger and South Sudan, all figure in the list of the World's 20 least electrified countries. The energy access deficit remains a significant constraint to economic development in ADF countries. Disruptions related to the Covid-19 pandemic have slowed down and, in some cases, reversed progress in electrification. The economic fallout from the Covid-19 crisis has also lowered the incomes of many vulnerable people in ADF countries. According to the International Energy Agency (IEA), between 5 and 10 percent of the connected population in the Democratic Republic of Congo and Niger for example may already have lost the ability to afford an essential bundle of electricity services.

Considerable efforts are therefore needed to mitigate and recover from the pandemic, notably to reverse the growing vulnerability trends of those furthest behind. ADF-15 plays a crucial role in this regard. As of 30 September 2021, 12 ADF-15 energy operations have been approved amounting to UA 266 million. The approved ADF interventions are expected to lead to additional 420 MW additional renewable energy generation capacity, close to 400,000 new electricity connections corresponding to about 2million people, 734 km of new transmission lines of which 292 km regional interconnections, and 8,164 km of new or improved distribution lines. The Bank will mobilize over UA 300 million co-financing resources for these ADF operations alone.

Policy Dialogue on energy reforms. The Bank has intensified its policy dialogue with ADF countries to foster energy sector reforms and to create a conducive enabling environment for private sector investments capitalising inter alia on the Africa Energy Market Place (AEMP) platform and the Electricity Regulatory Index (ERI) launched in 2018. The 4th edition of AEMP, a platform for policy dialogue involving Governments, the Private Sector, and Development Partners, was held in 2020 and on-boarded the Sahel G5 countries (Burkina Faso, Chad, Mali and Niger) in the context of the Bank's Desert to Power initiative. It provided a platform for engagement with partners on the mobilization of resources for the implementation of the National Desert to Power Roadmaps that were developed with the support of the Bank and validated by the countries in 2020 and supported the advancement of the Desert to Power Regional Roadmap which was validated in September 2021. An additional four ADF countries (Cameroun, Guinea, Kenya and Mozambique) were on-boarded during the 2021 AEMP held from 26 to 29 October 2021.

The Bank increased the country coverage of the ERI, a comparative, country-by-country, assessment of African nations' energy sector regulatory and a diagnostic and monitoring tool for regulatory design, to 31 out of 33 ADF countries with established regulatory authorities. The two remaining ADF countries with established regulators will be covered in 2022. The Bank has also increased its support to ADF countries to address shortcoming identified in the ERI. For example, with financing from the ADF-15 Regional Public Goods (RPG) window the Bank will support regional regulators and countries in COMESA and SADC regions to develop regulatory tools and frameworks to spur the construction of regional infrastructure. In ECCAS region, the Bank is providing a technical assistance that includes establishing the Regional Regulator, update of the regional Energy Policy and support to the Regional Power Pool to develop a grid code and an energy information system.

Preparation of energy projects: The Bank increased the mobilization of resources for project preparation using the ADF and various trust funds. For example, the Bank approved the ADF-15 RPG on the Desert to Power West Africa Regional Energy Program implemented through the West African Power Pool and the ECOWAS Centre for Renewable Energy and Energy Efficiency, which *inter alia* entails the preparation of the Sahel transmission backbone that will be critical to anchor electricity generated from the various regional solar parks under development.

Energy Access: The Bank made further strides in supporting energy access projects both in the centralized on-grid and the decentralized renewable energy solutions space. Examples in increasing **on-grid electricity access** include the Rwanda Transmission System Reinforcement and Last Mile Connectivity Project that will connect 77,470 households to the grid, the support to the Mozambique Energy for All project, which includes support to the construction of a National Control Centre and the provision of nearly 49,000 new connections, the Electrification and Power Connection Development Project in Burkina Faso under the Desert to Power Initiative, which will allow the connection of 218,400 new households to the grid, or the Energy Access Programme in Burundi that will provide electricity access to about 40,000 additional customers.

Much of the **decentralized energy access** work is being supported by special funds/facilities, e.g. the Bank's Sustainable Energy Fund for Africa (SEFA) and climate finance facilities, availing both technical assistance grants but also concessional capital for blending with various Bank instruments. Key achievements by MTR include the launch of the Covid-19 Off-Grid Recovery Platform (CRP), a US 50 million partnership with energy access lenders to provide relief and recovery to off-grid businesses affected by the pandemic; the approval by the Green Climate Fund of US$ 170 million for the Leveraging Energy Access Finance Framework (LEAF), a credit enhancement programme to mobilize local currency financing solutions for DRE businesses in six countries, including four ADF countries (Ethiopia, Guinea, Ghana and Kenya); and the approval of the US$ 7 million SEFA financed Africa Mini-Grid Acceleration Programme (AMAP), a pan-African technical assistance initiative to support the scale-up of mini-grid investments in low-income countries. Pioneering blended finance transactions in the mini-grid space in DRC and Togo are under development and will provide a blueprint for larger programmes in ADF countries, where ADF-15 contributions can anchor the mobilization of more climate finance resources.

Energy efficiency & clean cooking: The Bank is increasingly integrating energy efficiency components in power sector projects. For instance, the ADF-15 financed Electricity Network Reinforcement Project (Phase 2) in Madagascar includes an energy efficiency component that provides for amongst others, the installation of efficient public lighting units, light bulbs, smart meters as well as energy efficiency awareness campaigns. Similarly, the Energy for All Project in Mozambique entails a study of household energy consumption and the supply constraints for high-efficiency appliances (e.g. lighting, cooling, solar water heating). In the context of the support for the ADF-15 RPG financed Development of the Electricity Institutional and Regulatory Framework in Central Africa approved by the Board in September 2021, a component focuses on the establishment of the Centre for Renewable Energy and Energy Efficiency for Central Africa. Clean cooking related efforts have been focused on establishing the Spark+ Fund, which will provide debt, quasi-equity and equity finance to companies across the clean cooking ecosystem, with a focus on East and West Africa. Over a 4-year investment period, which is expected to start in Q4 2021, the Fund intends to provide clean cooking solutions to around 2 million households.

Private sector engagement: The Bank is continuing its efforts to support private sector-led electricity generation projects in ADF countries including through the deployment of risk mitigation instruments, notably partial risk guarantees. The Bank's active PRG portfolio comprises three projects: the 35 MW Quantum Geothermal Menengai Geothermal project in Kenya, the 28 MW Djermaya Solar PV in Chad account and the 205 MW Sahofika hydro project in Madagascar. There are several PRGs under consideration in the current ADF-15 cycle, including a PRG for the 310 MW Lake Turkana wind project in Kenya. In the context of Desert to Power, in October 2021, the Bank obtained GCF Board approval for a US$ 150 million G5 Sahel Financing Facility which will deploy financing instruments such as Concessional Loans, Grants and PRGs to increase solar power generation in the G5 Sahel countries.

Partnerships*:* Energy partnerships are central to the Bank Group's New Deal on Energy for Africa. The Bank deepened its cooperation with partners, including with Power Africa, the European Commission, AFD, the UN-system and others. The Bank also increased its efforts to mobilize additional resources for deployment in ADF countries, for example, the Bank concluded in June 2021 the US$ 600 million Korea-Africa Energy Investment Framework, a co-financing agreement aimed at supporting energy sector investment projects. The Bank enhanced collaboration with partners on knowledge work, for example with the World Bank and African Power Utilities Association (APUA), the Bank is working on an initiative called Utility Performance and Behavior in Africa Today (UPBEAT), which aims to maintain and update a continental utility data platform to support improvements in utilities' performance. The Bank also actively engaged in global processes related to SDG7 and is playing an active role in the COP26 Energy Transition Council. Finally, the AfDB and the Rockefeller Foundation agreed on a Letter of Intent (LoI) outlining the intentions of both institutions to collaborate on the delivery of the Global Energy Alliance for People and Planet (GEAPP). The overall investment amount of RF under the LoI would amount to $100 million, of which $35 million will be a direct contribution to the Bank's Sustainable Energy Fund for Africa (SEFA) Special Fund and $65 million will be deployed as parallel co-financing on priority projects in the areas of Distributed Renewable Energy (DRE) and Grid-Based Energy Transitions (GBET).

Health, Water and Sanitation infrastructure

The African Development Bank Group Water Strategy 2021 – 2025: towards a water secure Africa was discussed at CODE in April 2021. The Board approved the Bank Policy on Water on 14 May 2021. For MTR 7 Country Water Security Profiles (CWSPs) developed for the Horn of Africa (Kenya, Ethiopia, Somalia, Uganda, Sudan, South Sudan, Eritrea); and 7 CWSPs developed for the Western Sahel (Nigeria, Niger, Chad, Burkina Faso, Mauritania, the Gambia, Senegal). The Regional Water Security Sector Note was prepared for the Horn of Africa; and Regional Water Security note for the Western Sahel was drafted. · The objective to co-finance 15 projects in 13 countries to increase sanitation and water supply facilities to improve agricultural productivity, health, education, reduce women's travel time and allow them time for other productive activities, and mitigate internal displacements and migration is on track as per the pipeline for 2021 and 2022. Achievements for 2020 were affected by the Bank's reprioritizations in response to Covid-19, and there were also no ADF-financed WASH approvals in 2020. However, the objective of 100 Gender-segregated WASH facilities is achievable as per the 2021 and 2022 pipeline.

Infrastructure and the Feed Africa Agenda

The African agricultural sector still experiences multiple challenges that include low productivity in major stapple crops, livestock and fisheries and lack of value addition that constraints the continent from moving up the global agricultural commodity value chains. Consequently, Feed Africa Africa's strategic interventions include deployment of modern production technologies across key agricultural commodities, supporting value chain development that includes agro-processing and agri-business development and supporting the creation of an enabling policy and institutional environment for agribusiness development and private investment in the sector.

Covid-19 and Food Security: According to country reports, data collected from the Regional Member Countries (RMCs) and our partners, the impact of Covid-19 pandemic on food and nutrition security is considerable and requires concerted and coordinated action. Since the onset of the pandemic, food inflation has been on the rise, increasing more than 5 percentage points in Liberia, Sierra Leone, Ghana, Niger, Togo, Burkina Faso. The start of Q3 has seen a new hike in global rice prices of greater than 30%, an ominous sign for the many rice importing countries, particularly in West Africa. Meanwhile, wheat prices are up 4.5% and maize prices 8%. On current trends FAO / IFPRI have projected loss of 451 million jobs in food systems of poor countries, or 35% of formal employment and with current trajectories, Africa's export potential by 2024 is projected to decrease by 5.3% (less than global average of 5.7%).

Feed Africa Response to Covid-19 (FAREC), The Bank in addressing the challenges, deriving from its Feed Africa Strategy prepared the Feed Africa Response to Covid-19 (FAREC), a framework that built on the broader Covid-19 Rapid Response Facility (CRF) of the Bank. The FAREC identified options for immediate, short, and medium-term responses, that cover a period of between six (6) and twelve (12) months in the first instance. The FAREC will provide guidance on the use of a range of support instruments created under the Bank's CRF to mobilise resources for RMCs. These instruments include: (i) budget support; (ii) restructured projects; (iii) use of loan balances; (iv) fast tracking the processing of new projects; and (v) provision of grants.

To date, FAREC has delivered the following achievements:

- Through project restructuring and revision of project list of goods and services, 39 Feed Africa projects with a total amount of US$367.6 million in 21 countries have thus far been supported directly in ensuring food and nutrition security during the Covid-19 pandemic using the existing Feed Africa portfolio.

- Feed Africa lending program for 2020 has 12 new projects with a total amount of US$ 433.72 million aligned to FAREC. 5 of these projects have been approved - Egypt, Tunisia, Mauritania, Burundi, and Cote d'Ivoire (Global Agriculture and Food Security Programme - GAFSP).

- GAFSP approved additional funds for projects in Senegal and Zambia, for US$ 4.4million and US$ 1.4 million respectively.

Agro-industrial processing zones: ADF-15 committed to deliver SAPZs in at least 3 countries by 2022. Delivery of this commitment is on track. Under ADF-15 only one SAPZ (Madagascar) out of 10 that were committed has been approved. Seven SAPZ projects are at Appraisal for the Year 2021 in Cote D'Ivoire, Democratic Republic of Congo, Ethiopia, Liberia, Mozambique, Nigeria, and Tanzania. As of October 2021, ADF-15 invested in 3 SAPZ and already scheduled additional 5 approvals by end-of the year. The Bank is finalizing Economic Sector Work (ESW) in Kenya and Uganda. More on Agro-Industrial processing zones can be found in the Box 9 below.

Box 9. Agro-Industrial Pole Project in the North (2PAI-Nord)

The Agro-Industrial Pole Project in the North (2PAI-Nord) is a project based in Cote d'Ivoire which aims to increase the country's food and nutrition security, reduce its dependence on food imports and increase exports of agricultural products that have a competitive advantage. The project has effectively leveraged ADF and AfDB resources to attract over four times the Bank's direct investments. The total funding is about euro 240 million including an ADF-loan of EUR 12 million and an AfDB-loan of EUR 42 million. The 2PAI-Nord project will directly benefit about 400,000 people (51% of women and 50% of young people) by increasing incomes (including through productivity increase and market access), reducing unemployment and underemployment, and improving food and nutrition security. The population indirectly affected is estimated at 1.2 million people (51% women and 50% youth). The project will increase and diversify agricultural products; create 25,000 direct jobs and 45,000 indirect jobs in its area of intervention and increase the availability of processed agricultural products.

Climate Smart Agriculture: To support RMCs to address the impact of climate change, the Bank is supporting the development of climate smart value chain projects in several countries. Under the ADF-15, it committed to deliver 5 operations by MTR and 10 by year 2022. The Bank is on track to delivering on this commitment. A regional project is under preparation in the Horn of Africa and is expected to be approved on November 24, 2021, for facilitating adoption of climate smart technologies by small farmers of 6 countries. Two other regional projects are under preparation for CSA adoption in 13 countries of the Sahel region and 8 countries of the Zambezi basin and will presented for Board consideration in 2022.

Infrastructure to Integrate Africa

The support by the ADF RO envelope aims to scale up connectivity of African markets, sustain the improvement of cross-border connectivity and trade. Further, these projects and programs will contribute towards readiness of African countries for AfCFTA in terms of trade infrastructure network (rail, road, ports and air) to agricultural industrial and commercial clusters. These projects and programmes cover countries-in-transition, landlocked states among other low-income ADF countries. Projects and programs include the following:

1. "*Multinational - PIDA Capacity Building Project II (PIDA CAP II)*," (UA 5 million), to strengthen the capacities of the AUC, AUDA and RECs in terms of planning, facilitation and coordination of implementation of regional infrastructure programs and projects necessary for enhancing Africa's physical and economic integration and socio-economic development. The PIDA CAP II is aligned to the ADF-15 policy commitment (I1) which aims to increase the stock of bankable PIDA projects by working upstream.

2. *"Multinational: Ethiopia-Djibouti Second Power Interconnection Project" (UA 38.35 million)* aims to improve power trade between Ethiopia and Djibouti by enhancing the regional interconnection. The project will improve electricity access in Djibouti, reduce emissions, and increase Ethiopia's foreign exchange earnings by building a 230 kV double circuit transmission line from Semera in Ethiopia to Nagad in Djibouti. The project will also provide technical assistance and build the capacity to negotiate agreements to trade power; these soft infrastructure aspects are expected to promote cross-border power trade, strengthen the capacities of relevant institutions, and improve coordination between the countries as well as the Horn of Africa.

3. *Upstream Programme for Single Digital Market in Africa (UP4SDMA) UA 7 million* to support the creation of a resilient, sustainable, and integrated digital economy in Africa. The project will help harmonize Africa's regulatory and policy frameworks for digital trade and e-commerce with a view to creating a single digital market in Africa. The project is expected to support the operationalization of the Africa Continental Free Trade Area, (AfCFTA).

4. The Desert-to-Power Initiative (Phases I & II) UA 8.20 million to address regional energy deficits by accelerating the development of solar projects. The initiative targets producing up to 10 GW of solar energy by 2025 and supplying 250 million people with green electricity. Phase I of the project focuses on West Africa (G5 Sahel) and Phase II targets the Horn of Africa region specifically Djibouti, Eritrea, Ethiopia, and The Sudan.

5. *Regional Harmonization of Regulatory Frameworks and Tools for Improved Electricity Regulation* in the COMESA (UA 1.10 million), ECOWAS (UA 1.50 million), ECCAS (UA 4.90 million), and SADC (UA 0.70 million) regions. The program aims to focus on power transmission and implementation of power tariff revision program, as a mechanism

to strengthen power trading at affordable tariffs and foster Africa's industrialization agenda.

The Bank launched the Trade and Transport Facilitation Due Diligence Tool in Q1 of 2020. Its objective is to mainstream trade and regional integration into Bank operations. A training held in March 2020 included 40 Road Transport Experts from Eastern, Southern, Central and Western Africa but also Regional Economic Communities Experts, as well as representatives of TradeMark East Africa. Since 2020, trade and regional integration were mainstreamed including in a number of transport and agriculture operations that are scheduled for approval in 2021. Trade was also mainstreamed in more than 8 Country Strategy Papers (CSPs) and Country Diagnostic Notes (CDNs). The Tool is also already being used to mainstream soft infrastructure issues.

The Bank intensified partnerships to support implementation of the AfCFTA. Plans are underway to provide technical and advisory support to Transition states , including Eritrea, Somalia, Sudan, Guinea-Bissau and Madagascar. The Bank has availed UA 3.5 million / US$ 4.8 million to strengthen the AfCFTA Secretariat

Developing Human Capacity Through Vocational and Technical Skills:

Between 30th June 2020 and October 2021, more than half (58.6%) of Bank-approved operations in ADF countries have integrated skills and decent jobs for youth, keeping the Bank on track towards achieving an average of 20% by the Mid-Term Review. The capacities of Task Managers and Investment Officers to integrate skills/jobs into Bank operations could be further strengthened. To this end the Bank is developing capacity building training courses and tools to be delivered through the Bank's Operations Academy. Also, US$ 1 million has been secured in funding to develop the Bank's Jobs Marker with technical assistance from the ILO. The first draft marker is expected to be operational by November 2022.

In June 2020, the Bank adopted the Joint Impact Model — a tool developed together with five other development finance institutions (FMO, CDC, Proparco, BIO, AfDB and Findev Canada). This has enabled the Bank to capture the indirect and induced effects of its operations with the first results on indirect jobs and induced effects published in the Annual Development Effectiveness Report (ADER) 2020. Institutional capacity building support has been provided to ADF regional member countries to increase their employment levels by 2022; these countries include Sao Tome, Ethiopia, Zimbabwe, Sudan, South Sudan, Ghana, Mali and Guinea as well as to the G5 Sahel countries (Burkina Faso, Chad, Mali, Niger and Mauritania).

Covid- 19 restrictions affected the design, appraisal and implementation of planned ADF operations in a number of countries. However, the Bank fine-tuned its work processes to work from home and ensured the use of local consultants in the design and implementation of its operations and flagship programs, for example the Bank's **Coding for Employment (CfE) program.** This program has benefitted 132,000 young people with a training course with 80% completion rates. Over 1,600 of the graduates have been linked to job opportunities through online platforms career fairs, freelancing platforms, and private sector partnerships., Partnerships with Microsoft, Facebook, LinkedIn and HP.

Coding for Employment-branded Centers of Excellence have been established and upgraded in Nigeria, Kenya and Rwanda, and three sites identified for Senegal and Côte d'Ivoire. Currently a portfolio of 26 projects and 5 projects to be approved in 2021 will boost decent job creation and skills development in ADF countries. These operations are mainly focusing on STEM (Science, Technology, Engineering and Mathematics), TVET in higher education (Technical Vocational Education and Training).

	Unterzeichner	Parlamentsdirektion
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REPUBLIK ÖSTERREICH Parlamentsdirektion SIEGEL	**Prüfinformation**	Informationen zur Prüfung des elektronischen Siegels und des Ausdrucks finden Sie unter: https://www.parlament.gv.at/siegel
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