African Development Bank Group

Annual Development Effectiveness Review 2023

Enhancing Africa's resilience

Annual review

ACKNOWLEDGEMENTS

This thirteenth edition of the Annual Development Effectiveness Review of the African Development Bank is the product of strong collaboration on the part of staff from most of the Bank's departments. Ihcen Naceur and Charles Mulingi were the task managers of this report. Augustin Kouadio, Honoré Menzan and Joël Sery provided valuable statistical support. We would like to acknowledge Sohir Debbiche, Damian Ihedioha, Bashir Gaya, Innocent Musabyimana, Basil Jones, Tapera Muzira, Tom Owiyo, Emmanuel Olet, Snott Mukukumira, Amira Elmissiry, Olukanyinsola Oyewole, Rudolphe Petras, Carina Sugden, Folorunso David, Prajesh Bhakta, Amadou Boly, Fred Kabanda, Anouar Chaouch, Ann Sow Dao, Neema Siwingwa, Gerald Njume, Al-Hamdou Dorsouma, Ifeyinwa Emelife, Alice Nabalamba, David Ashiagbor, Caroline Makenzi, Moeketsi Thobela, Martha Phiri, Jessie Mvula, Ghada Abuzaid, Apolo Kyeyune, Ashraf Ayad, Helmi Hmaidi, Brian Mugova, Maman-Sani Issa, Susan Mpande, Zodwa Mabuza, Linguère Mbaye, Clement Mensah, Riadh Ben Messaoud, Rufael Fassil, Clement Banse, Penelope Jackson, Armand Nzeyimana, Sabri Ben Meftah, and Tahnn Kouakou for their contributions and insights into the report.

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

Swazi Tshabalala
Senior Vice-President
African Development Bank

Armand Nzeyimana
Acting Director, Development Impact and Results
African Development Bank

Olivier Shingiro
Manager, Corporate Performance and Accountability
African Development Bank

Cover photo: The Bank is assisting African countries to boost food and nutrition security. In Madagascar, the Young Rural Enterprises Project financed by the ADF and TSF has helped to improve agricultural yields through deployment of climate resilient irrigation technologies.
Photo: AfDB.

African Development Bank Group
Annual Development Effectiveness Review 2023

Note: In this report, "$" refers to US dollars. Conversion rate as of 31 December 2022: 1 Unit of Account (UA) = 1.33084 US dollars (African Development Bank, 2022 Annual Report)

African Development Bank Group

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

www.afdb.org

Contents

Contents

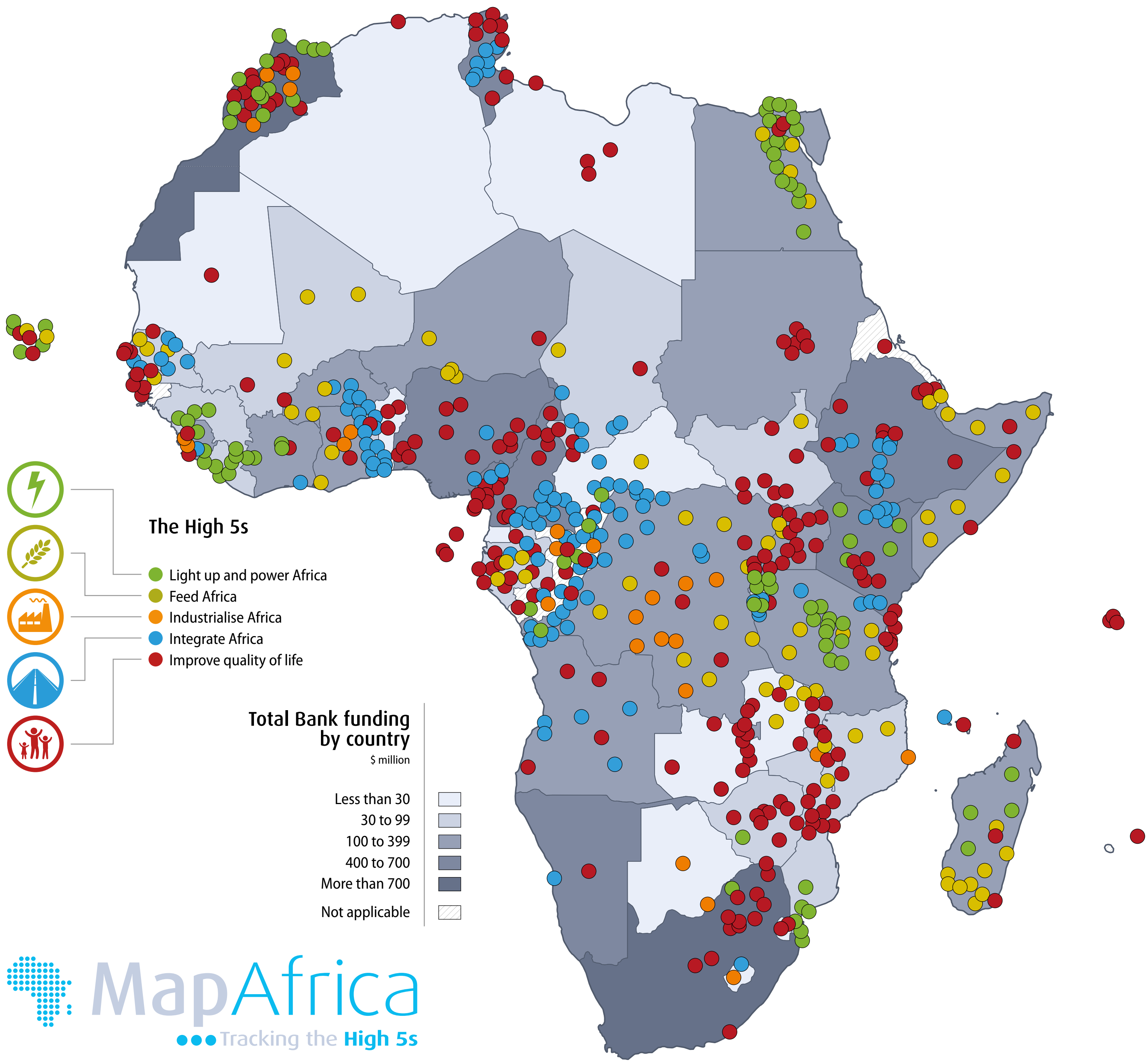
List of figures

List of boxes

List of tables

Delivering impact in the Bank's five priority areas

This map plots the 1000 geographic locations of the 299 Bank operations that were completed between 2020 and 2022 in each of the High 5s.



The Bank remains committed to increasing the transparency of its operations. MapAfrica, its geocoding tool, focuses on five critical areas of the Ten-Year Strategy: *Light up and power Africa*, *Feed Africa*, *Industrialise Africa*, *Integrate Africa* and *Improve the quality of life for the people of Africa*. Explore our 15 480 project locations through the High 5s by visiting mapafrica.afdb.org.

Building resilience

Bank programs are enhancing climate resilience and agricultural productivity. In Mauritania, the West Brakna region's hydro-agricultural development project is contributing to these objectives.

Foreword

Enhancing Africa's resilience

Over the past year, Africa's recovery from the COVID-19 pandemic has been put to the test by a multitude of global shocks. Despite this, African countries have boldly tackled these challenges, working to emerge strong and become more resilient and self-sustaining than ever.

By far the greatest threat facing Africa remains climate change. Rising temperatures and more extreme weather events have had and continue to have, a devastating impact across the continent, threatening livelihoods and food security. Climate change is also contributing to conflict and population displacement. There is therefore an urgent imperative for Africa to urgently scale up its efforts to adapt to a changing climate, or risk being caught in a permanent cycle of crisis response.

In support of these efforts, we launched the Climate Action Window of the African Development Fund (ADF), through which we plan to mobilise up to $13 billion for climate action across 37 ADF countries. We exceeded our climate finance target, allocating 45% of our resources to projects addressing climate change, with 63% going towards adaptation. Together with other multilateral development banks, we are actively exploring options for leveraging more private investment into climate action in Africa.

The 2023 Annual Development Effectiveness Review shows that the Bank continues to make transformative investments across the High 5s. 2022 investments reached $8.2 billion — well on the way back to pre-pandemic levels. Despite a challenging operating environment, our operations delivered well: We supported 1.3 million people gain access to new electricity connections, we improved transport connectivity by constructing or rehabilitating 833 kilometres of roads, enabled 12.3 million people to gain access to new or improved water and sanitation services, and more than 4 million people benefited from our private sector investee operations.

We have also taken important steps to improve the efficiency and effectiveness of our operations. The Bank's efforts to improve transparency and accountability received global recognition: *Publish What You Fund* ranked the Bank the top-most transparent development institution out of 50 other bilateral and multilateral organisations in the 2022 Aid Transparency Index.

However, we need to raise our ambitions even further if Africa is to achieve its development goals. The Bank's new Ten-Year Strategy will guide our efforts to promote and accelerate inclusive, climate-resilient growth and development, as we continue to make the High 5s and the Sustainable Development Goals a reality for Africa.

Akinwumi Ayodeji Adesina

President, African Development Bank Group

About this year's edition

THE 2023 SUMMARY SCORECARD

LEVEL 1 – WHAT DEVELOPMENT PROGRESS IS AFRICA MAKING?

Feed Africa
- Agricultural exports
- Agricultural value chains
- Malnutrition

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

Industrialise Africa
- Business climate
- Economic diversification

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

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

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

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

Feed Africa
- Downstream markets
- Agricultural productivity

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

Industrialise Africa
- Development of enterprises
- Infrastructure network

Integrate Africa
- Infrastructure development

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

Cross-Cutting Areas
- Country governance

LEVEL 3 – IS AfDB MANAGING ITS OPERATIONS EFFECTIVELY?

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

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

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

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

Proactive Project Management
- Non-performing operations
- Timely implementation
- Timely portfolio reviews

Knowledge
- Knowledge and advisory services

LEVEL 4 – IS AfDB MANAGING ITSELF EFFICIENTLY?

Decentralisation
- Decentralisation
- Country presence

Climate Finance
- Climate finance

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

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

Financial Performance
- Private resource mobilisation
- Public resource mobilisation

The Annual Development Effectiveness Review (ADER) assesses contributions the African Development Bank ('the Bank') has made to its five development goals: Light Up and Power Africa (Chapter 1), Feed Africa (Chapter 2), Industrialise Africa (Chapter 3), Integrate Africa (Chapter 4), and Improve the Quality of Life for the People of Africa (Chapter 5). Drawing on data from a wide range of sources, each chapter explores Africa's progress against each High 5 and assesses how the Bank has contributed to achieving it. In doing so, the ADER also looks at how the Bank delivers on its cross-cutting goals, such as better governance and greater gender equality (Chapter 6). Last but not least, the ADER assesses the Bank's efficiency as a development organisation (Chapter 7).[1]

This year's edition of the ADER reflects the impact of recent global crises both on the Bank's clients and on the Bank's operations. Despite the strong average economic growth of 4.8% in 2021 signalling the beginning of a recovery from the adverse effects of COVID-19 in 2020, Africa's real GDP growth slowed to 3.8% in 2022. This slowdown was caused by a combination of factors including the impacts of COVID-19, global financial volatility, and climate change. Russia's invasion of Ukraine[2] also disrupted energy and food imports, raising costs for African countries. These conditions pushed an additional 15 million people into extreme poverty in 2022. The challenging operating environment also continued to negatively impact project implementation and disbursement. For example, a third of our operations experienced implementation challenges and delays, a similar level as reported in 2021.

The 2023 scorecard summarises this year's performance. It shows at a glance, how effectively the Bank contributed to Africa's development in 2022. It indicates whether we advanced or regressed with respect to our targets, at each level of the Results Measurement Framework:

- Green arrow ( ) = improvement
- Red arrow ( ) = deterioration
- Amber arrow ( ) = no change
- Grey circle ( ) = data not available

The green and the red arrows point in a particular direction (up or down), indicating the trend of the data.

The Bank's performance on each key performance indicator is discussed in the respective chapters (see the methodological note in annex).

By comparing our results to measurable, time-bound targets, the ADER gives stakeholders an objective snapshot of where our goals are on track and where we need to work harder or differently. The Bank is committed to transparency, accountability, and development results. The ADER gives our stakeholders the information they need to hold us to our standards.

1 The methodology used to produce the Annual Development Effectiveness Review is explained in the annex.

2 The language agreed in the Communiqué of the 2022 Annual Meetings of the Bank Group in Accra, Ghana was 'Russia's invasion of Ukraine.' Algeria, China, Egypt, Eswatini, Namibia, Nigeria, and South Africa entered a reservation and proposed 'Russia-Ukraine Conflict'. For practical reasons, future references to the same in this report will be referenced to this same footnote 2.

2022 SUMMARY SCORECARD[3]

LEVEL 1 – WHAT DEVELOPMENT PROGRESS IS AFRICA MAKING?

Feed Africa	Light Up & Power Africa	Industrialise Africa
Agricultural exports Agricultural value chains Malnutrition	Power infrastructure Access to energy Efficient energy use	Business climate Economic diversification
Integrate Africa	**Improve the Quality of Life**	**Cross-Cutting Areas**
Trade facilitation Regional integration Free movement of people	Poverty and inequality Unemployment Building skills Access to water	Gender equality Climate solutions Economic growth Governance Fragile situations

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

Feed Africa	Light Up & Power Africa	Industrialise Africa
Downstream markets Agricultural productivity	Electricity capacity Access to energy Efficient energy use	Development of enterprises Infrastructure network
Integrate Africa	**Improve the Quality of Life**	**Cross-Cutting Areas**
Infrastructure development	Access to water Skills development Employment	Country governance

LEVEL 3 – IS AfDB MANAGING ITS OPERATIONS EFFECTIVELY?

Development Impact	Quality and Speed	Gender and Climate
Timely completion reports Development outcomes Sustainable outcomes	Quality of operations Time to first disbursement	Environmental/social risk Gender Climate
Timely Execution of Operations	**Proactive Project Management**	**Knowledge**
Timely procurement Use of national procurement Average execution time	Non-performing operations Timely implementation Timely portfolio reviews	Knowledge and advisory services

LEVEL 4 – IS AfDB MANAGING ITSELF EFFICIENTLY?

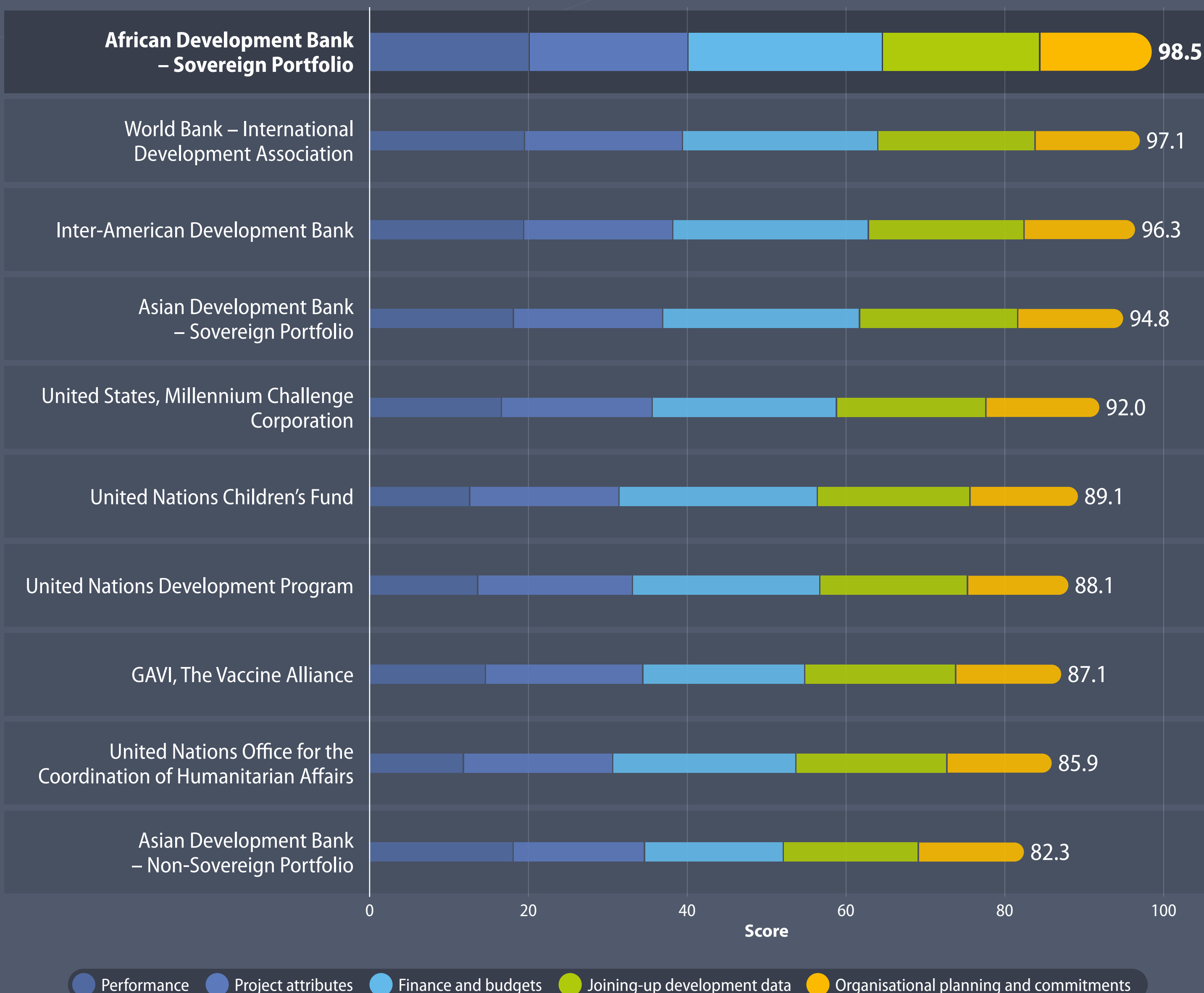
Decentralisation	Climate Finance	Engaging Staff
Decentralisation Country presence	Climate finance	Vacancy rate Time to fill vacancies Operations professional staff Employee engagement Managerial effectiveness Gender diversity
Value for Money	**Financial Performance**	
Project implementation cost Administrative costs Project preparation costs	Private resource mobilisation Public resource mobilisation	

3 Summarises 2021 performance. A summary scorecard of 2020 performance is available here.

The African Development Bank: Most transparent development institution globally

The Bank's Sovereign Portfolio was ranked first out of 50 bilateral and multilateral development institutions in the 2022 Aid Transparency Index produced by *Publish What You Fund*.

The Bank attained a record score of 98.5 — the highest score ever in the Aid Transparency Index's 10-year history. The Bank moved into the top spot from its fourth-place rank in 2020. The Index is the only independent measure of aid transparency among the world's major development agencies. The Bank has remained consistently in the 'very good' category since 2014. More information is available via: www.publishwhatyoufund.org/the-index/2022.



Source: Aid Transparency Index 2022, Publish What You Fund

Scaling-up renewable energy

The Bank is scaling-up its support for Africa's just energy transition through renewable energy. Egypt's Benban Solar Park, among the largest in the world, supplies electricity to more than one million homes.

© AfDB

Chapter 1

Light up and power Africa

Access to energy is a key pillar of the sustainable development agenda in Africa. Affordable, reliable, modern, and renewable energy is essential for improving the quality of life for Africans, providing access to improved health and education, and creating jobs, businesses, and trade. In addition, the use of renewable energy sources can help reduce the effects of climate change, making it an important factor in the fight against global warming.

Progress in access to electricity and clean cooking

Africa has achieved impressive progress in ensuring access to energy, with population coverage increasing from 42% to 56% in seven years. However, 600 million Africans still lack access to electricity, representing three-quarters of the world's unserved population. Most reside in rural areas of African countries such as the Democratic Republic of Congo (DRC), Madagascar, Ethiopia, Nigeria, Tanzania, and Uganda. Efforts to expand access to energy stalled in 2022, due to economic fallout from Russia's invasion of Ukraine,[2] slow recovery from the COVID-19 pandemic, and their combined impact on energy and commodity markets and supply chains. The Sustainable Development Goal 7 Progress Report noted increasing difficulties in reaching remote and poor, unserved populations.

> *Recent efforts to introduce clean cooking programmes in Ethiopia, Kenya, Nigeria and Uganda could serve as good models for the adoption of clean-cooking methods*

Africa's power sector indeed faces major constraints, including insufficient capacity, unreliable supply, poor services, high costs, and unsustainable subsidies. In 2022, the continent's total installed electricity capacity was 245 GW, representing an increase of approximately 50% since 2015. However, faster growth is needed to meet the continent's energy needs. To reduce frequent network losses and power outages, the transmission and distribution systems must be further strengthened. Electricity losses currently stand at 17.1%, up from 15% in 2015.

Energy is also needed for clean cooking. Over 900 million Africans lack access to clean cooking, with the majority living in rural areas. Cooking with traditional polluting fuels harms the environment, depletes forests, and negatively impacts human health, leading to an estimated 3.2 million premature deaths each year due to indoor pollution. Unfortunately, the share of Africa's population with access to clean cooking technology is only 30%, a figure which has fallen since 2015, as clean cooking related programmes and investment have not kept pace with population growth. However, recent efforts in countries such as Ethiopia, Kenya, Nigeria, and Uganda to introduce clean cooking programmes and structure electricity tariffs to promote the use of electric cookers, could provide vital support to the adoption of clean-cooking methods.

In Kenya, for example, the power utility Kenya Power and Lighting Company is keen to increase domestic demand to exploit excess renewable power production capacity. Its 'Pika na Power' (Cook with Electricity) campaign aims to educate customers about the range of modern energy-efficient electric cooking appliances now available (in contrast to the traditional hotplates) and tackle common misconceptions, such as the belief that electricity is unsafe or too expensive for cooking. This aligns with Kenya's ongoing efforts to develop a National eCooking Strategy — the first of its kind in Africa.

Unlocking Africa's vast renewable energy potential and clean energy value chains

Africa accounts for only 3% of historical greenhouse gas emissions, yet it suffers most from climate change. Notably, 88% of Africans believe climate change is already impacting their lives, according to the European Investment Bank's 2022 Climate Survey. Most emissions are generated from agriculture, forestry, and land use. Africa's population growth and development have led to a corresponding increase in energy demand, making the continent a potential major contributor of emissions. The Bank is actively engaged with its partners, including in the context of global forums such as the Conference of the Parties (COP), to rapidly unlock Africa's vast potential in renewable energy to bring cheaper, reliable, and low-emission electricity to end users.

Currently, more than 75% of electricity in Africa is generated by fossil fuels mostly from diesel backup or gasoline generators. In 2022, countries such as Nigeria, saw a drastic increase in the prices

Table 1 Light up and Power Africa (progress in Africa)

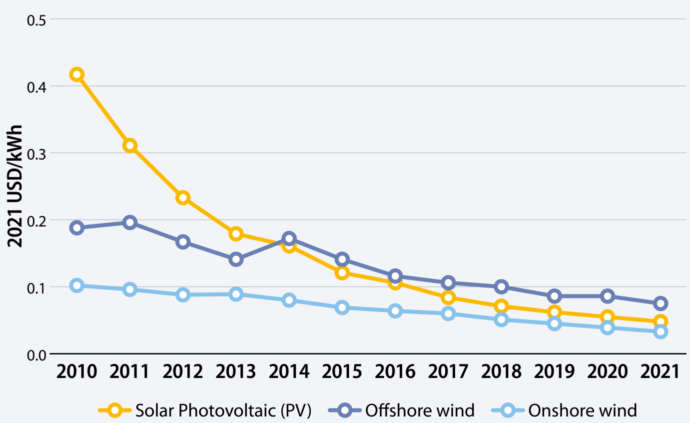
INDICATOR	ALL AFRICAN COUNTRIES		ADF COUNTRIES		TRANSITION STATES	
	Baseline 2015	Latest 2022	Baseline 2015	Latest 2022	Baseline 2015	Latest 2022
Share of population with access to electricity (% population)	42	56	24	44	22	32
Total installed electricity capacity (GW)	168	245	31	45	13	17
Installed renewable capacity (GW)	33	56	20	27	8	10
Share of population with access to clean cooking solutions (% population)	32	30	10	11	9	11
Electricity losses through transmission, distribution, and collection (%)	15.0	17.1	16.8	15.6	15.4	14.7

Improvement over baseline Deterioration

of diesel and liquefied petroleum gas of 50% and more than 60%, respectively. This has added to the already high operating costs of these generators, resulting in high costs for vulnerable households.

However, accelerating Africa's energy transition to net zero is an achievable goal. Africa has enormous potential for renewable energy sources, such as solar, hydropower, wind, and geothermal sources. Encouragingly, the solar energy market is rapidly developing as the cost of solar photovoltaic falls (see Figure 1), with 14 African countries having installed more than 50 megawatts of solar capacity. Notably, Kenya and Morocco generate more than 10% of their energy through solar and wind sources, a higher proportion than China, India, and the United States.

Figure 1 Competitive costs of renewables will accelerate Africa's energy transition to net zero



Source: International Renewable Energy Agency (IRENA)

With over 40% of the world's reserves of cobalt and manganese, as well as platinum, Africa is well positioned to play an important role in clean energy value-chains such as Electric Vehicles (EV), utility-scale battery storage, and green hydrogen. South Africa, the DRC and Mozambique are the main suppliers, but other African countries may hold untapped deposits. The key challenge is to ensure responsible and sustainable extraction without damaging the environment. The Bank is supporting African countries in this area. It has facilitated the development of the Economic Community of West African States (ECOWAS) Strategic Mineral Feedstocks and Inputs Development Strategy that will guide the region's sustainable extraction of mineral resources and the development of mineral value chains to bolster the region's economic growth. The Bank is also supporting Zambia and the DRC with the development of integrated batteries and EV value chains (see Box 1).

Box 1 Leveraging Africa's battery and EV potential

A joint study produced by the Bank and its partners, analysed battery precursor production in Africa, focusing on DRC. It found that the DRC can leverage international partnerships to exploit its abundant cobalt resources and hydroelectric power to become a low-cost and low-emissions producer of lithium-ion battery cathode precursor materials. The study showed that production in the DRC is three times less expensive than in the USA, Poland, or China. This led to a Cooperation Agreement between the DRC and Zambia and a memorandum between the US and the two countries to facilitate the development of an integrated battery and EV value chain. This value chain ranges from raw material extraction to processing, manufacturing and assembly.

The Bank's support for a sustainable and clean energy sector in Africa

The Bank's vision for Africa's energy sector is focused on fostering the development of a sustainable and cleaner energy sector that is able to provide universal access to modern, affordable, and reliable energy services, by 2030. To achieve this goal, the Bank is scaling-up its support for renewable energy generation and power transmission at national and regional levels, power distribution and off-grid systems. This is guided by its partnership-driven Strategy for the New Deal on Energy for Africa, launched in 2016.

The Bank is at the forefront of Africa's just energy transition. An example of the Bank's regional approach to addressing clean energy transition is the flagship Desert to Power G5 Sahel Financing Facility (see Box 2). Through support from the

Table 2 **Light up and Power Africa (the Bank's contribution to development)**

INDICATOR	ALL AFRICAN COUNTRIES			ADF COUNTRIES		TRANSITION STATES	
	Baseline 2015	Latest 2022	Target 2022	Baseline 2015	Latest 2022	Baseline 2015	Latest 2022
Emissions reduction in energy (Thousand tons CO_2)	17	2626	1800	10	2572	1	-
New total power capacity installed (MW)	490	612	880	80	78	4	16
New renewable power capacity installed (MW)	24	113	560	20	78	4	16
People with new electricity connections (Thousands)	73	1300	2400	73	1098	36	6
of whom women	36	613	1200	36	518	16	3
New or improved power transmission lines (km)	69	366	576	69	170	18	4
New or improved power distribution lines (km)	875	408	3520	875	408	381	12

Achieved less than 95% of 2022 target Achieved less than 95% of 2022 target Achieved less than the baseline

Box 2 **Desert to Power G5 Sahel Financing Facility**

The $1 billion Facility is an umbrella programme that aims to develop a climate-resilient, low-emission power generation pathway in the G5 Sahel countries by increasing solar power generation and electricity access.

Approved financing:
$150 M (Green Climate Fund); $380 M (ADF/AfDB)

Countries:
G5 Sahel (Burkina Faso, Chad, Mali, Mauritania and Niger)

Implementation timeline:
2022–2029

Expected co-financing:
$162M (private sector); $275 M (DFIs)

Instruments:
Investments (Sovereign and Non-Sovereign) and technical assistance

Expected results:
500 MW solar capacity, 239 MWh of storage, 14.5 M tCO_2 avoided and 3.5 M people with electricity access

Sustainable Energy Fund for Africa[4], which has been recognised as one of the 'big seven' energy transition financing facilities globally, the Bank has created specialised programmes to reduce risk and improve the economics of renewable energy projects and programmes in Africa, such as the COP 26 Energy Transition Rapid Response Facility and the Africa Hydropower Modernisation Programme (see Box 3, page 12).

Guided by the Strategy for the New Deal on Energy for Africa, the Bank supports vital increases in electricity generation, transmission capacity, and connections. In 2022, the Bank's investments supported an increase of 612 MW[5] in Africa's **installed energy capacity**, although this was still below its targeted 880 MW rate of increase. This includes landmark renewable energy generation projects, such as the 100 MW Xina Concentrated Solar Power plant in South Africa, which is the first of its kind and provides sufficient electricity to power over 200 000 households, reducing reliance on coal-fired power plants. It also has a storage component to meet peak demand. In addition, the 310 MW Lake Turkana Wind project in Kenya, Africa's largest windfarm, is supplying electricity to 300 000 households.

> *The Bank supported on-grid access by facilitating 1.3 million peoples' access to electricity, 408 km of distribution lines and 366 km of transmission lines*

In 2022, the Bank also supported on-grid access by facilitating an additional 1.3 million **peoples' access to electricity**, 408 km of **distribution lines** and 366 km of **transmission lines**. For example, the 667 km Iringa-Shinyanga Transmission Line Project in Tanzania

4 The Sustainable Energy Fund for Africa (SEFA) is the Bank's leading blended finance facility to catalyse private investments in clean energy across the African continent.
5 To assess the Bank's development impact in 2022 while minimising the volatility of the data, the ADER averages data over the last three years (2020–2022). See also the Annex for more details on the methodology.

Figure 2 **High-resolution impact mapping: Assessing impact of energy access on living conditions**

Thanks to support from the ADF, Japan International Cooperation Agency (JICA), and the government, this project contributed to improved access to reliable electricity for domestic, industrial, and commercial use in Cameroon. Approved in September 2010, the project covered eight of the country's ten regions, and at completion in December 2022, the rural electrification rate increased to 24% from 3.5% in 2007. The map illustrates the inclusive impact of energy access on local communities, and particularly vulnerable groups such as women and youth. By comparing data from 2011 and 2022 household surveys, geo-tagged datasets, and satellite imagery, the methodology was able to assess changes in people's living conditions within 20 km of the project sites, such as additional people employed in professional and sales occupations, or with access to the Internet. For instance, an additional 193 000 women completed at least primary education and 76 000 additional women were employed. These changes were not solely attributable to the project, but rather reflected broader improvements in living conditions over time, collectively contributed by development partners.

Population assessed

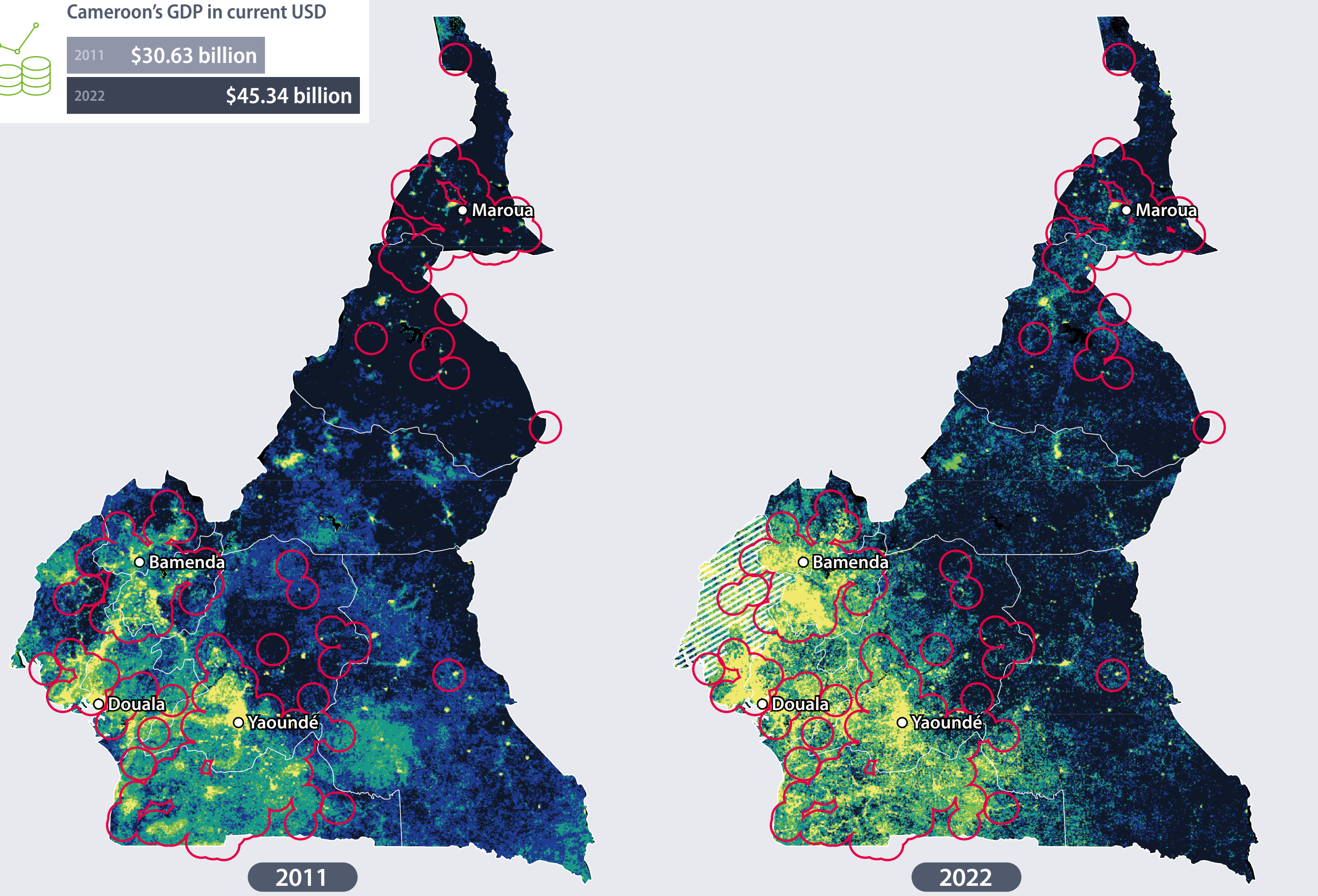
2011	14.55 million
2022	19.58 million

Cameroon's GDP in current USD

2011	$30.63 billion
2022	$45.34 billion

Within the project area, there are:

- **784** schools, **34** kindergartens, and **27** colleges
- **108** hospitals and **81** clinics
- **170** banks
- **67** government offices



Proportion of individuals with access to electricity: 0 – > 60

Project site 20 km buffer area | DHS 2018 not collected*

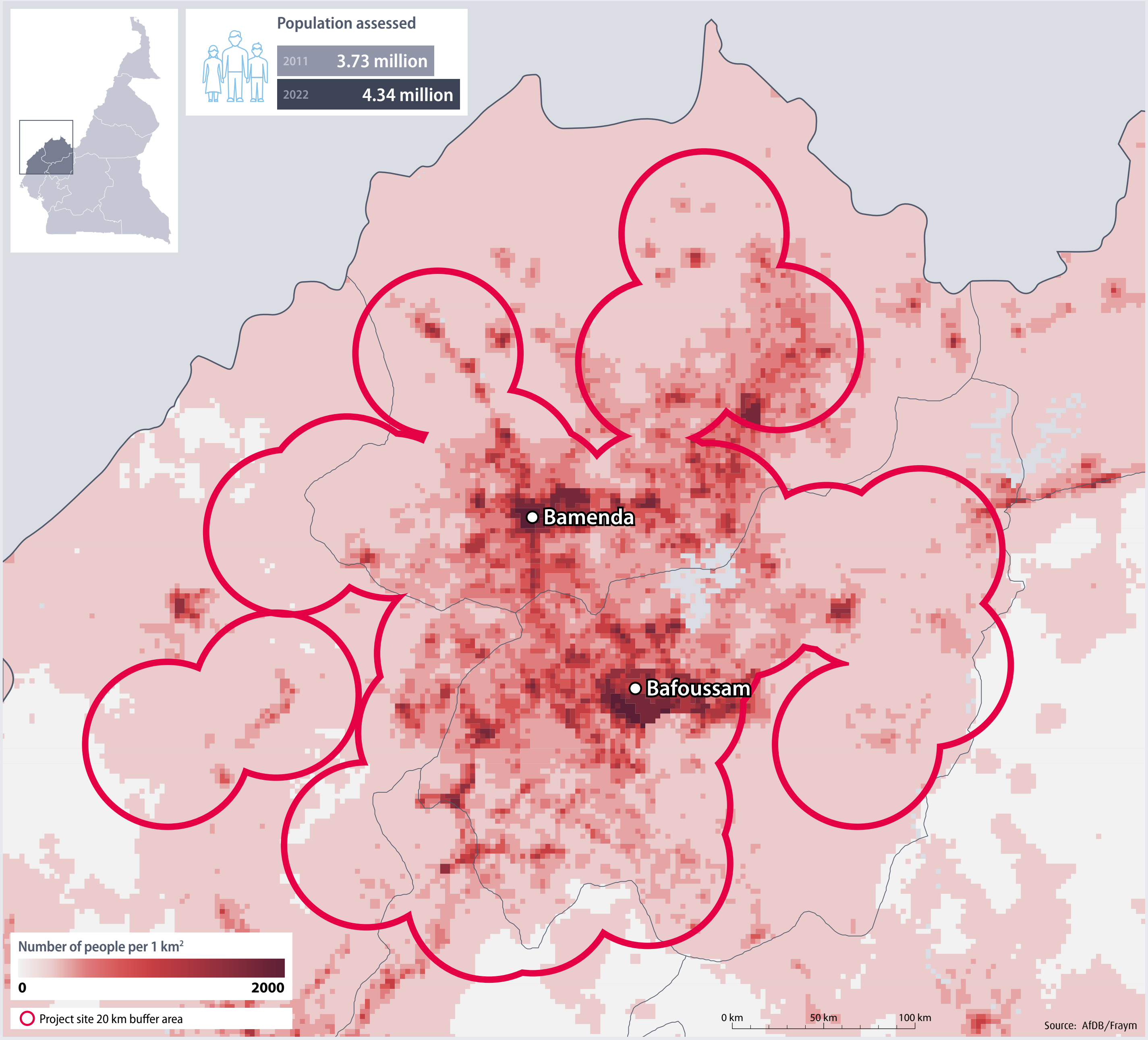
* For security reasons, the 2018 DHS did not collect data in departments in the South West region other than Meme and Fako. Estimates for the region are based on input data from these two departments.

0 km | 100 km | 200 km

Source: AfDB/Fraym

Changes within 20 km of the grid from 2011 to 2022

- **2 741 000** additional households have access to internet
- **2 674 000** additional households own a refrigerator
- **2 945 000** additional households use advanced cooking fuel
- **1 054 000** additional households have piped in drinking water
- **5 014 000** additional households connected to electricity
- **23.7% increase** in monthly household energy consumption



Changes in the assessed population 2011 to 2022 in Bamenda

- **167 000** additional households own a computer
- **235 000** additional households have access to internet
- **725 000** additional households own a television
- **1 131 000** additional households connected to electricity
- **46.1% increase** in monthly household energy consumption
- **133 000** additional adults are employed in professional and sales occupations
- **11% decrease** in adults self-employed in agriculture
- **76 000** additional women are employed
- **193 000** women completed at least primary education
- **43.1% increase** in youth employment rates in professional and sales occupation
- **11.8% decrease** in child stunting rates in the region

Box 3 De-risking and improving the economics of renewable energy projects

COP26 Energy Transition Rapid Response Facility: The Bank, as a member of the COP26 Energy Transition Council (ETC), established the SEFA-funded COP26 ETC Rapid Response Facility to provide short-term, demand-driven advisory support to an initial set of five countries (Egypt, Kenya, Morocco, Nigeria and South Africa) on options for issues related to grid integration of variable renewable energy generation and storage (including electric mobility); gaps in policy and regulatory frameworks; and potential business models and financing mechanisms.

Africa Hydropower Modernisation Programme (AHMP): The Bank is supporting this continent-wide technical assistance programme to modernise existing hydropower plants and expand clean power generation capacity. Currently, 62% of Africa's installed hydropower capacity is over 20 years old, with many facilities underperforming or no longer operational. This presents an opportunity to restore operational performance and modernise existing facilities, allowing for greater flexibility to integrate more variable generation from wind and solar energy sources. Hydropower modernisation circumvents greenfield project disadvantages that include long development timeframes, negative environmental impacts, and high costs. The programme has identified 15 priority projects, which are envisaged for support during a second phase of AHMP.

improved the quality and reliability of electricity supply, increased access in urban and peri-urban regions of Dodoma and Singida,[6] and enabled the transfer of adequate power to load centres in the north and northwest of Tanzania. It will also facilitate regional integration and power trade with the Eastern Africa Power Pool and Southern Africa Power Pool upon completion of the Kenya-Tanzania and Tanzania-Zambia transmission lines.

To demonstrate its impact, the Bank partnered with Fraym, a high-tech start up, to map the difference the Bank made to the lives of thousands of people in Cameroon. By using high-resolution impact, we can show how the Bank's Electricity Transmission and Distribution Networks project in Cameroon contributed to the country's overall energy access, economic and social development over time (see Figure 2, pages 10–11). ■

6 In tandem with the construction of the Iringa-Shinyanga Backbone Transmission Line, TANESCO implemented a Rural Electrification Project that connected 35 000 customers in the regions of Iringa, Dodoma, Singida, Tabora and Shinyanga.

Enhancing food security

Building food system resilience is crucial for Africa’s food security. Rwanda’s Bugesera Agricultural Development Support Project reduced drought impacts by harnessing water that increased agricultural production.

© AfDB

Chapter 2

Feed Africa

Africa has an abundance of uncultivated land, accounting for over 65 per cent of the world's total. However, it is a net food importer and faces food insecurity. This makes the continent highly vulnerable to global food supply crises. Strengthening sustainable and resilient food systems in Africa will accelerate the region's economic transformation and improve living standards for all people across the continent.

Accelerating agricultural production in Africa

Africa's food production has faced challenges in keeping up with population growth. This has led to a reliance on food imports to satisfy local consumption needs. In 2022, the continent's net agricultural trade deficit was $38.7 billion, up from $36.3 billion in 2021 and similar to 2015 ($38.9 billion).

Low agricultural productivity in many African countries is hindering the growth of food production, increasing food imports, and diminishing food security. Across Africa, cereal yields averaged 1.65 tons per hectare in 2022, a slight increase from 1.61 tons per hectare in 2015; this is far below the world average of 4 tons per hectare. Additionally, the effects of climate change, such as increased temperatures, extreme weather events, and water scarcity, hamper agricultural productivity. To address this issue, it is essential to make farming inputs such as fertiliser, improved seeds, irrigation, and farming technology more accessible and affordable.

> *It is essential to modernise African agriculture by expanding the processing of agricultural products and creating improved job opportunities in the sector*

Although the use of fertiliser by Africa's farmers has expanded from an average of 25 to 29 kilograms per hectare of arable land between 2015 and 2022, this is still not sufficient to maximise farming yields. Russia's invasion of Ukraine[2] has caused shortages and price increases of nitrogen, potassic and phosphorous fertilisers. This, combined with the rising costs of other farming inputs and high interest rates, has created a challenging environment for African agriculture.

In this context it is essential to modernise African agriculture by expanding the processing of agricultural products and creating improved job opportunities in the sector. The majority of jobs in African agriculture are concentrated in informal downstream trading activities, which offer modest and insecure incomes. However, agro-processing has the potential to create large numbers of better paid and more secure jobs. Additionally, improved agro-processing can help smallholder farmers add value, attract investment, and gain access to higher value markets, both domestically and globally.

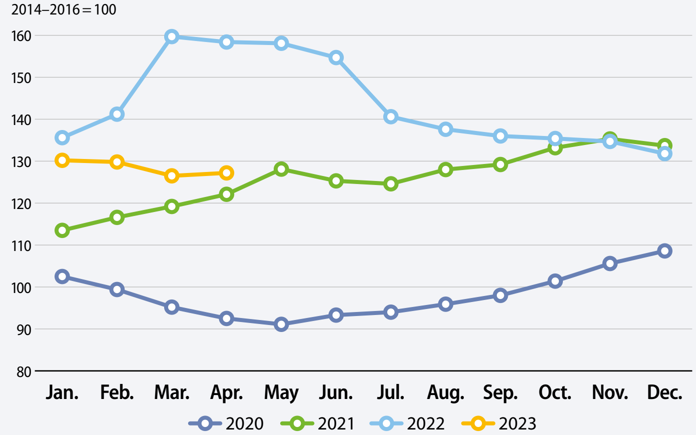
Given the energy demands for expanding agro-processing, it is encouraging to see that climate-friendly technologies are already being adopted across the continent. For instance, in Uganda, the use of solar power for refrigeration, milling and other processing activity is growing, thus helping to expand connectivity for agricultural enterprise in off-grid areas.

The impact of global crises on food security in Africa

Recent years have seen major global crises contribute significantly to reduced food security in Africa and globally. The COVID-19 pandemic and the resulting economic crisis disrupted food production and trade, diverting resources from agricultural development. Though the pandemic's main effects have passed, food prices have risen due to a rapid rebound in demand for staple food commodities, worsening food security in many African countries.

Furthermore, the Russian invasion of Ukraine[2] has had a major impact on global food prices. Wheat prices rose 50% and fertiliser became

Figure 3 **FAO Food Price Index**



Source: Food and Agriculture Organization (FAO)

Annual Development Effectiveness Review 2023

Table 3 **Feed Africa (progress in Africa)**

INDICATOR	ALL AFRICAN COUNTRIES		ADF COUNTRIES		TRANSITION STATES	
	Baseline 2015	Latest 2022	Baseline 2015	Latest 2022	Baseline 2015	Latest 2022
Agricultural productivity (constant 2010 US$ per worker)	1544	1773	689	990	797	839
Cereal yield (ton/hectare)	1.61	1.65	1.30	1.46	0.84	0.96
Africa's net agricultural trade balance ($ billion/year)	-38.9	-38.7	-0.7	-4.6	-7.2	-10.2
Africa's share of market value for key processed commodities (%)	10.3	11	9.3	11	2.0	1.8
Fertiliser consumption (kilograms per hectare of arable land)	25	29	14	19	6	8
Prevalence of stunting among children under 5 (%)	25.2	30.6	25.8	32.6	38.9	35.6
of whom girls	32.4	27.5	35.3	29.7	37.9	32.7
Number of people hungry/malnourished (millions)	240	256	173	158	80	80

Improvement over baseline   Deterioration

3–4 times more expensive between 2020 and 2022. This is due to the disruption in the production and supply chain of commodities such as wheat, maize, barely, and sunflower oil, which are key Ukrainian and Russian exports. The energy costs also rose, affecting prices as fossil fuels are a key input to fertilisers and mechanised farming and agro-processing. The Food and Agriculture Organization (FAO) Food Price Index reached an all-time peak in March 2022 (see Figure 3), and although prices began to fall shortly thereafter — partly due to an agreement signed in July to release Ukraine's grain exports, they remain high, causing hardship for many households across Africa.

Box 4 **The African Emergency Food Production Facility: Responding to the food crisis**

The Bank's $1.5 billion African Emergency Food Production Facility aims to increase the production of wheat, maize, rice, and soybeans in response to the disruption in supplies of these foods caused by Russia's invasion of Ukraine.[2] By providing short-term emergency funding, the facility will support 20 million farmers' access to climate resilient technologies and produce approximately 38 million tons of staple food crops, representing an increase of approximately 30% in local production. The facility focuses on four key areas:

- Delivering certified seeds, fertiliser, and extension services to 20 million farmers, using innovation, Internet and communications technology platforms.
- Supporting post-harvest management and market development.
- Providing financing and credit guarantees for the large-scale supply of fertiliser to wholesalers and aggregators.
- Facilitating policy reform to ensure modern inputs reach farmers, including strengthening national institutions overseeing input markets.

The Bank is collaborating with the AU, regional economic commissions, multilateral development banks, United Nations (UN) agencies, private foundations, and other stakeholders to implement this initiative.

Across the continent, low-income and food-deficit countries such as Cameroon, Uganda, and Sudan, are most affected by global food price increases due to their reliance on staple food imports. To assist African countries to boost food and nutrition security, the Bank launched an emergency food facility in 2022, the African Emergency Food Production Facility. This facility aimed to address the disruption in food production and supply chain of food commodities caused by Russia's invasion of Ukraine[2] (see Box 4).

Bank's role in unlocking Africa's economic potential through agricultural development

The Bank is committed to improving the growth and resilience of the agricultural sector, recognising it as the key to unlocking Africa's economic potential and the quality of life of its population. Across its portfolio of activities, the **Bank's support for agriculture benefited 2.9 million people** in 2022, **of which 1.4 million were women**, including through **building or rehabilitating 1682 km of feeder roads**. One of the initiatives supported by the Bank is the Technologies for African Agricultural Transformation (TAAT), a continental initiative to raise agricultural productivity by delivering proven climate-resilient technologies (see Box 5).

> *The Bank's support for agriculture benefited 2.9 million people, of whom 1.4 million were women, including through building or rehabilitating 1682 km of feeder roads*

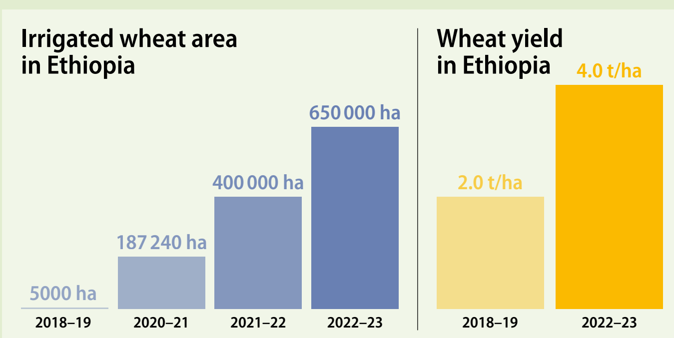
The Bank's operations also helped smallholder farmers and rural entrepreneurs increase their income. The Smallholder Agricultural Productivity Enhancement and Commercialisation (SAPEC) project in Liberia contributed to increasing the income of smallholder

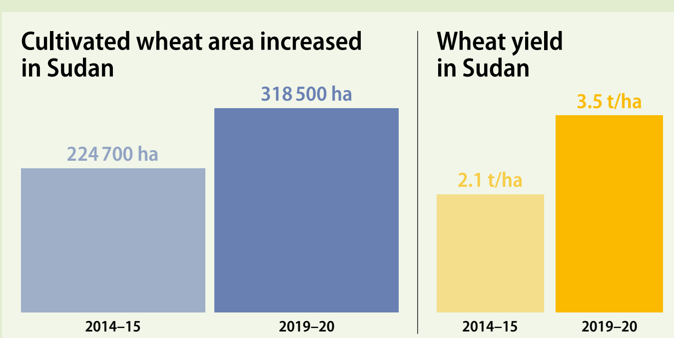
Table 4 **Feed Africa (the Bank's contribution to development)**

INDICATOR	ALL AFRICAN COUNTRIES			ADF COUNTRIES		TRANSITION STATES	
	Baseline 2015	Latest 2022	Target 2022	Baseline 2015	Latest 2022	Baseline 2015	Latest 2022
Agricultural inputs provided: fertiliser, seeds, etc. (thousand tons)	0.6	2.6	1.7	0.6	2.6	-	2.6
Feeder roads built or rehabilitated (km)	800	1682	1500	800	1282	254	938
People benefiting from improvements in agriculture (millions)	6.0	2.9	6.3	5.3	2.7	0.5	1.2
of whom women	2.9	1.4	3.1	2.6	1.3	0.2	0.6
Land with improved water management (thousand hectares)	45.5	11.1	47.8	20.3	9.8	0.4	8.5
Rural populations using improved farming technology (millions)	0.60	0.08	0.63	0.60	0.07	0.02	0.03
of whom women	0.30	0.04	0.31	0.30	0.04	0.01	0.02

Achieved less than 95% of 2022 target Achieved less than the baseline

Box 5 **Increasing agricultural productivity with climate-resilient technologies**





TAAT is a Bank-supported continental initiative to raise the agricultural productivity of nine priority commodities by delivering high-impact, climate-resilient technologies to millions of farmers in Africa. The initiative is co-financed by the Bill and Melinda Gates Foundation, Alliance for the Green Revolution in Africa, regional member countries and other partners.

In Ethiopia, the irrigated-wheat area rapidly expanded from less than 5000 ha in 2018–19 to over 650 000 ha in 2022–23, resulting in a national irrigated wheat yield increase from 2.0 t/ha to 4 t/ha. In 2022–23 wheat production both from irrigated and rain-fed systems reached 10.1 million MT that led to Ethiopia becoming 100% self-sufficient and the export of surplus wheat to Kenya and Djibouti for the first time.

In Sudan, the average wheat yield increased by 67%, up from 2.1 t/ha in 2014–15 to 3.5 t/ha in 2019–20, and the cultivated wheat area increased by 40%, from 224 700 ha in 2014–15 to 318 500 ha in 2019–20. As a result, wheat production increased by 136%, from 472 000 MT to 1,15 million MT, and wheat self-sufficiency rose from less than 20% to 50%. The Bank is supporting other on-going TAAT initiatives in Angola, Zambia, Gabon, and Niger.

Box 6 **From poverty to prosperity: A beneficiary story of SAPEC Project in Liberia**

Destiny Women Association is a women-led group that benefited from SAPEC through entrepreneurship training, and the provision of complete processing line. The women-led group now operates a 150-acre cassava farm and purchases raw cassava from more than 1000 smallholder registered out-growers. Every week, they process over 4 metric tons of secondary products such as *fufu* and *depah*, and ready to eat fortified gari with sugar, coconuts, and milk. This has had a transformative effect on the community.

Comfort, President, Destiny Women Association said: '*When you enter this community prior to 2017, poverty welcomed you everywhere. Now all that has changed through SAPEC intervention. The widows in the group have seen improved incomes and are keeping their children in school, we supply water from the factory to the community through boreholes constructed by the business and we supply the Government of Liberia School Feeding programmes. The project has delivered and we are going ahead to grow and expand.*' The project was co-financed by the Bank and the Global Agriculture and Food Security Program.

farmers and rural entrepreneurs, reducing rural poverty and household food insecurity and addressing the acute skills shortage in the agricultural sector (see Box 6). The SAPEC project also rehabilitated 172 km of farm-to-market roads, of which 27.7% were designed to withstand climate change. Additionally, it trained 55 producer-based organizations, 1816 smallholder farmers, and 80 extension workers in agribusiness and value addition.

The Bank's operations also helped to **improve water management systems** for 11.1 thousand hectares of land and **provided 2.6 tons of fertiliser, seeds, and other inputs to farmers**. For instance, the Smallholder Irrigation and Value Addition Project (SVAP) in Malawi helped to rehabilitate a small-scale irrigation system and constructed 12 new ones, bringing approximately 2210 hectares of land under irrigation. These interventions have benefited an estimated 10 390 famers, including 4174 women, who have been able to expand their cultivation of rice, maize, soybean, pigeon peas, cassava, sweet potatoes, and vegetables.

In 2022, to assess its impact on increasing food security through improved water management, the Bank conducted an innovative analysis of the Water Mobilisation Project to Enhance Food Security (PMERSA) in Niger (see Box 7).

The Bank is also committed to supporting the development of agro-industrial parks and Special Agro-industrial Processing Zones (SAPZs) across Africa, which can help to promote value addition and improved

Box 7 **Unlocking water resources for food security in Niger**

With support from the African Development Fund, the Global Agriculture and Food Security Program and the Spanish Agency for International Development Cooperation, the PMERSA project successfully utilised surface and groundwater resources to increase local agricultural production, productivity, and food security in three regions. This project supported the development of 18 800 hectares of farmland, 10 000 wells and drillings, and the construction of 273 km of feeder roads.

To actively engage the public, especially the youth, to measure the project's impact on Niger's vulnerable rural communities, the Bank and its partners organised a game-based data collection, to which thousands of people contributed using their mobile devices and PCs. This led to the confirmation of changes observed on satellite images, which revealed significant improvements in infrastructure and the landscape over eight years.

Satellite images in 2014 and in 2022 that reflect landscape improvements in Maradi Town area

For this impact analysis, the Bank partnered with Akvo — a non-profit organisation specialising in innovative data and technologies — and Blackshore —an expert in crowd-generated maps.

On-site interviews recorded beneficiaries' satisfaction and highlighted improvements in living conditions, including the increased availability of agricultural and livestock products, reduced rural-urban migration, and an increase in the income of target households, allowing better access to health and education services.

Souley M. from Baramaka village said, '*Before there were no trees on this site. You see, all the neighbours around here use this well to grow vegetables, to water the tree*". He added "*I used to go into exodus, but now with the support of the project I don't go into exodus anymore, I'm always in the garden*'.

Box 8 **Supporting Special Agro-industrial Processing Zones in Africa**

The Bank's approach to implementing the SAPZ model is to work with governments and the private sector to create agro-industrial zones that can turn the rural landscape into economic zones of prosperity. This integrated hub will include production, processing, logistics, and marketing supported by a network of agricultural transformation and aggregation centres. The Banks' SAPZ with the CAAPs, aims to increase the supply of locally produced agricultural goods, creating jobs from agro-industry as well as promoting regional and international trade.

Since the SAPZ initiative was launched, the Bank has been involved in agro-industrialisation activities across several African countries, including Ethiopia, Togo, Guinea, Mali, Senegal, Cote d'Ivoire, DRC, Liberia, Madagascar, Mozambique, and Nigeria. The Bank is also supporting other countries with project preparatory activities including South Africa, Mauritius, Tanzania, Ghana, Kenya, Uganda, Egypt, and Zambia. In total, the Bank is supporting 19 African countries.

productivity for all types of farmers. To this end, the Bank launched the Common African Agro-Parks Programme (CAAPs), a mega-initiative to create five regional agro-industrial hubs, with one in each of Africa's main regions. This programme has the potential to transform the rural landscape into economic zones of prosperity (see Box 8).

Finally, the Bank recognises that climate change is already having a profound impact on the lives of many Africans. It is acting to both adapt and mitigate its effects through dedicated projects, programmes, and initiatives. For example, the Forests Participatory Management Project in Burkina Faso has supported the installation of 10 platforms for the development of non-timber products, organisation and training of 90 women's groups, training of 1000 women in wood product development and management techniques, and the distribution of 2700 improved stoves. This project has resulted in the sequestration of 1.5 million tons equivalent of CO_2 and the creation of more than 5400 temporary jobs during implementation. ■

Supporting Africa's industrialisation

Expanding transport infrastructure and services contributes to industrial development. The Bank's support to South Africa's SA Taxi, boosts industrialisation by improving urban mobility for South Africans.

Chapter 3
Industrialise Africa

Africa holds immense potential for industrial growth and development. Accelerating Africa's industrialisation will bring structural economic change, inclusive growth, and more secure, better paid jobs.

Africa's uneven progress towards industrialisation

The past few years have been particularly challenging for Africa's nascent industry. The COVID-19 pandemic has caused immense disruption to global markets, resulting in both supply- and demand-side challenges for industry and enterprise. More recently, Russia's invasion of Ukraine[2] has negatively impacted imports of primary products, leading to an increase in prices for a range of inputs, including energy. Furthermore, climate change is having a devastating effect on Africa, with rising temperatures, extreme weather events, and water scarcity impacting the continent's industrial sector. To address these challenges, African countries must invest in green technologies and renewable energy sources and create regional value chains to ensure their industries remain competitive and resilient.

> *The COVID-19 pandemic caused immense disruption to global markets, resulting in both supply- and demand-side challenges for industry and enterprise*

Despite the small number of African countries with sophisticated manufacturing capabilities, many have made solid progress towards establishing industrial sectors. Cameroon and Senegal for instance, have achieved notable successes in expanding industrial employment, with increased production in industrial sectors such as food and beverages, textiles and apparel, wood, paper, and metal products. Ethiopia, Kenya, Malawi, Senegal, and South Africa have also expanded employment in knowledge-intensive industries such as electrical goods, machinery, and transport equipment. In North Africa, Egypt, Morocco, and Tunisia have well developed industrial sectors producing automobiles, textiles and apparel, chemicals, and construction materials.

Lessons for expanding African industry

Several lessons have emerged from Africa's frontrunners on how to optimally boost industrial capacity on the continent.

First, there is a growing consensus that African countries need more proactive industrial policies in order to stimulate industrial development. Countries such as Ghana, Ethiopia, and Mauritius, have begun working with the private sector to identify and support young industries with potential for growth. These countries are developing new policy instruments that enable them to make targeted investments in infrastructure and skills, facilitate firms' access to capital, technology, and export markets and broker linkages between manufacturers, investors, and customers. Although these initiatives are still in their early stages, they can stimulate industrial development.

Second, addressing infrastructure gaps is critical for Africa's industrial development. Research has shown that the long and costly process of transporting goods across the continent's fragile land transport routes has limited Africa's participation in Global Value Chains for electronics and agricultural products, for example. To ensure timely delivery of goods, African countries must increase their investment in infrastructure, including for border administration, transport, and communications to enhance Africa's industrial competitiveness. For example, the Bank funded Senegal-Gambia bridge project, completed in 2019, including a one-stop border, commissioned in 2022, connects the two countries and facilitates travel along the Trans-West African Highway Corridor. It offers a safer, quicker, and more efficient alternative to the ferry crossing or 400 km-long land detour. The bridge has had a huge impact, providing reliable and affordable transport services to 900 000 rural people and freight-related companies.

Third, recent research has highlighted the interdependent relationship between the financial sector and industrial development. As firms gain greater access to financial services, they are able to increase the share of manufactured goods in their exports. Unfortunately, unmet financing needs for African enterprises reached an estimated $416 billion in 2017, with Nigeria alone, representing 38%. In 2022 for example, the Bank operationalised its Transaction Guarantee Product, an unfunded instrument that provides up to 100% non-payment risk cover to Confirming Banks for trade finance transactions of eligible Africa-based Issuing Banks. By covering up to 100% non-payment risk, the Transaction Guarantee will enable the Bank to support local African banks operating in Africa. In 2022, four Transaction Guarantees were approved for a total of $42.5 million in four countries: Zimbabwe, Nigeria, Angola, and Mauritius.

Table 5 Industrialise Africa (progress in Africa)

INDICATOR	ALL AFRICAN COUNTRIES		ADF COUNTRIES		TRANSITION STATES	
	Baseline 2015	Latest 2022	Baseline 2015	Latest 2022	Baseline 2015	Latest 2022
Gross fixed capital formation (constant 2010 $ billion)	504	622	138	198	44	50
Industrial gross domestic product (constant 2010 $ billion)	619	783	113	201	34	65
Value added of manufacturing (constant 2010 $ billion)	222	351	46	79	16	26
Access to finance (% population)	21	29	14	18	6	8
Logistics performance index (Index, 1 low–5 high)	2.5	2.5	2.4	2.4	2.3	2.3
Economic diversification (Index, 1 low–0 high)	0.62	0.64	0.64	0.66	0.66	0.68
Global competitiveness (Index, 1 low–7 high)	3.64	3.41	3.48	3.17	3.23	2.95

Improvement over baseline   Stability   Deterioration

Finally, expanding trade and economic ties across Africa, facilitated by the Africa Continental Free Trade Area (AfCFTA) and regional economic communities, are providing a boost to industrialisation efforts. Although intra-African trade remains low, manufactured goods represent twice the share of total exports to intra-regional markets compared to extra-regional markets, with a more diversified range of manufactured products exported to regional rather than global markets. To ensure the continued success of these efforts, African countries should continue to implement AfCFTA commitments while concurrently prioritising the development of regional industrial value chains.

The Bank's promotion of African Industry

The Bank's Industrialisation Strategy for Africa 2016–2025 is designed to support the continent's industrialisation efforts. The strategy comprises six flagship programmes, which are intended to: foster successful industrial policies, attract and channel funding into infrastructural and industrial projects, develop more liquid and effective capital markets, promote and drive enterprise development, promote strategic partnerships, and develop efficient industry clusters. Through this strategy, the Bank is committed to helping to double African industrial GDP over the 2016–2025 period. In recent years, the Bank implemented strategic operations across all six of its flagship programmes.

> *The Africa Industrialisation Index (AII) was developed by the Bank to support industrial policy design and implementation*

The Africa Industrialisation Index (AII) was developed by the Bank to support industrial policy design and implementation. Launched at the AU Extraordinary Summit on Industrialisation and Economic Diversification in Niamey, Niger (20–25 November 2022), the AII is the first-ever of its kind to cover the entire continent. The AII is part of a broader initiative jointly implemented by the Bank, the AU and the United Nations Industrial Development Organization (UNIDO), to build an African industrialisation knowledge platform that will also include the development of an Africa Industry Observatory to complement the AII.

The AII provides a comprehensive overview of Africa's industrial development, identifies key trends, opportunities, and constraints, and helps inform the development of effective and sustainable industrial policies. It also enables African countries to benchmark their level of industrial development with neighbours and peers, stimulating competition, cooperation, knowledge sharing, and a commitment to continuous improvement. For instance, the AII ranks South Africa, Morocco, Tunisia, Egypt, and Mauritius in the top quintile for industrialisation, while Djibouti, Benin, Mozambique, Senegal, Ethiopia, Guinea, Rwanda, Tanzania, Ghana, and Uganda have all made significant progress in industrial development, rising five or more places in the AII ranking from 2010 to 2021. Improvements in Benin have been driven by strengthened capital investment and sound policies that have contributed to an environment conducive to strengthened industrialisation, considering the effects of climate change.

Infrastructure development

The advancement of infrastructure development, which is captured by the AII, is important to facilitate industrial development. For instance, inadequate or poorly maintained transport infrastructure makes it more expensive for firms to access raw materials and deliver their goods to consumers and can also contribute to climate change if it is not designed sustainably. Investing in green infrastructure can reduce emissions and combat climate change.

To help address transport infrastructure bottlenecks in 2022, Bank operations **constructed, rehabilitated, or maintained 833 km**[7] **of road** and supported 2.9 million **people's improved access to transport**. A cluster evaluation of transport projects between 2012 and 2019 noted that while construction work is managed effectively overall, transport operations were delayed by capacity

7 See the annex for more details on the methodology used. Section on Level 2: Measuring the impact of Bank-funded operations

Table 6 **Industrialise Africa (the Bank's contribution to development)**

INDICATOR	ALL AFRICAN COUNTRIES			ADF COUNTRIES		TRANSITION STATES	
	Baseline 2015	Actual 2022	Target 2022	Baseline 2015	Actual 2022	Baseline 2015	Actual 2022
People benefiting from investee projects (millions)	1.90	4.08	2.09	0.60	2.69	0.55	0.04
of whom women	0.96	1.59	1.05	0.30	1.04	0.27	0.01
Government revenue from investee projects and sub-projects ($ millions)	331	1922	597	81	257	32	26
MSMEs effect (turnover from investments) ($ millions)	68	2701	306	65	797	-	97
Owner-operators and MSMEs provided with financial services (thousands)	56.6	396.5	57.0	55.1	163.2	52.7	59.8
People with improved access to transport (millions)	8.6	2.9	10.0	8.6	2.0	0.6	0.5
of whom women	4.4	1.5	5.0	4.4	1.0	0.3	0.2
Transport-roads constructed, rehabilitated, or maintained (km)	2100	833	2900	2000	244	142	90

Achieved 95% of 2022 target — Achieved less than the baseline

and administrative constraints within executing agencies, lengthy resettlement and compensation procedures, and difficulties with procurement and counterpart funding. The Bank is assisting African countries to address these challenges proactively and is drawing on evaluations of its projects to minimise future delays. For example, the Comoros road project rehabilitated 38 km of roads on the islands of Grande Comore and Anjouan, significantly increasing the volume of trade transiting these roads.

In terms of its support to railway infrastructure, the Bank facilitated the upgrade of the Casablanca to Marrakesh railway line in Morocco, increasing the frequency of passenger trains, reducing travel time and improving passenger hosting capacity. This upgrade has helped reduce the country's carbon footprint, decreasing the number of cars on the road, and promoting public transportation, which is essential for fighting climate change.

The Bank is also engaged in efforts to bridge Africa's digital divide, actively supporting the continent's digital transformation. For example, the Bank's support for the Seychelles East Africa System project, the country's flagship Public-Private Partnership (PPP), entailed the construction of a 1917 km long direct submarine optical cable system linking Victoria on Mahé Island in Seychelles to Dar es Salaam in Tanzania. The project increased internet connectivity and access for schools, local business, and households, helping to reduce the impact of climate change by providing access to information and resources that can help communities become more resilient. It can also reduce emissions in other sectors through videoconferencing, tele-working, e-commerce, and intelligent transport systems.

Enterprise development

Reflecting the critical role that access to finance plays in enterprise development across the continent, the Bank's operations provided 396 400 **owner-operators and Micro, Small and Medium Enterprises (MSMEs) with financial services**, in 2022. For instance, the Bank provided a $50 million line of credit to the Fidelity Bank of Nigeria, for on-lending to Small and Medium Enterprises (SMEs) and Women-owned Enterprises (WOEs). This has resulted in 510 loans granted to 305 beneficiary firms, including 135 WOEs. A survey of 22 beneficiary companies found that the number of people employed increased by 1077, with 430 jobs created for women. In addition, the amount of tax paid by Fidelity Bank as a result of this financing, was approximately $8.5 million, with an estimated $110 000 of tax paid by beneficiary companies in 2021.

The Bank also supports Africa's nascent pharmaceutical industry through enterprise development, new strategic partnerships, and the establishment of industry clusters. This sector has the potential to create jobs and promote greater self-sufficiency in vaccines and medicines. The Bank's support focuses on the development of the African Pharmaceutical Vision and Action Plan (2030) to create a

Box 9 **The African Pharmaceutical Technology Foundation**

The African Pharmaceutical Technology Foundation (APTF) will be a not-for-profit organisation that promotes access to technology for Africa's pharmaceutical sector. It will have four units: (i) **A Technology Search and Matching Mechanism for Pharmaceutical Production** to strengthen technology transfer initiatives and projects, with a specific focus on leveraging South-South licensing through the Developing Countries Vaccine Manufacturers Network (DCVMN) and other pharmaceutical companies based in the Global South; (ii) **A Pan-African Regional Ecosystem Development Platform** to help companies leverage knowledge linkages with local public research institutes and centres of excellence; (iii) **An Impact-Driven Technology Management Unit** to bring actors together to promote pharmaceutical research and production in priority areas for the African region; and (iv) **Technology Strategic Services and Advice**, to advance a technology agenda for local production that is responsive to regional epidemiological needs, strategic entry points for local companies, and market access.

pipeline of viable sponsors and investors. The Bank also set up the African Pharmaceutical Technology Foundation (APTF) in 2022, to enhance Africa's access to technologies required for the manufacture of medicines, vaccines, and other pharmaceutical products (see Box 9).

The Bank's support across all areas of enterprise development had a significant impact on the financial stability and economic contribution of African enterprises. In 2022, the Bank's assistance resulted in $2.7 billion in **turnover generated by supported MSMEs**, while the level of **government revenue generated by investee projects** reached $1.9 billion. Overall, the **Bank's investee projects in Africa benefited** 4 million people.

Finally, the Bank has actively supported African countries' improvement of policy environments for the financial sector, increased financial inclusion and expanded capital markets. For example, the African Exchanges Linkage project facilitated the launch of the AELP Trading Link, an e-platform that facilitates seamless cross-border securities trading among seven African stock exchanges representing 2000 companies with a total market capitalisation of approximately $1.5 trillion. ■

Facilitating faster flow of people, goods and services

Improving cross-border transport connectivity is a core Bank priority. The Nacala Road Corridor, linking Zambia, Malawi and Mozambique improved road transportation, facilitating regional trade.

© AfDB

Chapter 4

Integrate Africa

African countries recognise the need to deepen economic integration to achieve full growth potential while also strengthening resilience and self-sufficiency to prepare for global shocks. COVID-19 pandemic disruptions have increased the momentum for integrating the continent's economies and societies to create a more prosperous and secure future for all Africans, including those affected by the impacts of climate change.

Africa's regional integration agenda and building back from the COVID-19 pandemic

During the years leading up to the COVID-19 pandemic, African nations made great strides towards integration. In 2013, the AU adopted Agenda 2063 and in 2018, the Africa Continental Free Trade Area (AfCFTA) was established. However, the COVID-19 pandemic caused delays in AfCFTA implementation, a reduction in intra-African trade (from 14.3% to 13.1% of the total goods trade between 2020 in 2022), and a decline in the number of countries with liberal visa policies (from 10 to 9 between 2020 and 2022). Nevertheless, there are encouraging signs that the momentum of Africa's regional integration agenda is increasing, as illustrated by recent AfCFTA progress and the liberalisation of air travel and movement of people across the continent. The start of trade under the AfCFTA on 1 January 2021—following a six-month delay—provided a potent symbol of Africa's deepening commitment to integrate. The AfCFTA also provides an opportunity to promote sustainable development and combat climate change.

Despite the challenging environment, a number of important steps were taken to implement the new trade regime. Negotiations on the rules of origin progressed significantly, 29 countries submitted fully compliant schedules of tariff concessions, and 44 countries submitted their schedules of specific commitments on trade in services in five priority sectors: business, communications, financial, tourism and travel, and transport services. A mechanism for reporting non-tariff barriers also began operating and will help to address the numerous obstacles and impediments to trade.

Progress towards operationalising the Africa Continental Free Trade Area (AfCFTA)

As of February 2023, all African countries except one, have signed the AfCFTA Agreement, and 46 countries have ratified the instruments establishing the Free Trade Area, becoming state parties to the Agreement. Signatories committed to removing tariffs on 90% of goods by 2030 and an additional 7%, by 2035. This will create a single continental market for goods and services, with the free movement of people and capital, thus paving the way for accelerating the establishment of the Continental Customs Union and the African Customs Union.

Initially planned for 2021, the formal start of trade under the AfCFTA protocols has been delayed due to prolonged negotiations, administrative issues, and overlaps with existing customs unions. To address these obstacles, the AfCFTA Secretariat launched the Guided Trade Initiative on 7 October 2022, which facilitated trade under the AfCFTA's protocols amongst eight countries—Cameroon, Egypt, Ghana, Kenya, Mauritius, Rwanda, Tanzania, and Tunisia—that have ratified the agreement and submitted their schedules of tariff concessions. This initiative tested the operational, institutional, legal, and trade policy environment under the AfCFTA, demonstrating that the Free Trade Area is functional. An additional Guided Trade Initiative is planned for 2023.

> *The start of trade under the AfCFTA on 1 January 2021—following a six-month delay—provided a potent symbol of Africa's deepening commitment to integrate*

Significant progress towards operationalising the AfCFTA Adjustment Fund has also been achieved with the agreement that this will be based in Rwanda and administered by Afreximbank. The Fund is designed to help Member States address the adjustment costs of implementing the AfCFTA and will comprise three sub-funds supporting (i) tariff revenue losses and implementation costs (Base Fund); (ii) trade-enabling infrastructure and industrialisation initiatives (General Fund); and (iii) the public and private ability to capitalise on opportunities created by the AfCFTA (Credit Fund). It is estimated that the Fund will require capital of $10 billion to effectively address adjustment needs related to the AfCFTA over the next 6–10 years.

A number of other important challenges remain to be addressed in order to fully operationalise and secure the benefits of the AfCFTA. Negotiations have been ongoing to determine the rules of origin to be applied within the Free Trade Area, and while rules of origin for 87.7% of goods covered by the AfCFTA have been agreed in

Table 7 Integrate Africa (progress in Africa)

INDICATOR	ALL AFRICAN COUNTRIES		ADF COUNTRIES		TRANSITION STATES	
	Baseline 2015	Latest 2022	Baseline 2015	Latest 2022	Baseline 2015	Latest 2022
Deeply and broadly integrated countries (number)	19	20	15	15	5	7
Intra-African trade as a proportion of total trade in goods (%)	14.6	13.1	22.6	18.4	32.7	18.8
Regional economic communities' average score (scale, 0 low–1 high)	0.47	0.43	-	-	-	-
Countries with liberal visa policies (number)	13	9	11	6	7	2

Improvement over baseline   Deterioration

2022, there is still work to be done. Raising awareness about the AfCFTA and its benefits among African businesses is also an issue, as reflected in a recent survey revealing that 60% of Nigeria's entrepreneurs were unaware of the AfCFTA. There has also been slow progress around the development of the customs infrastructure required for implementation.

Harmonising African air travel for regional integration and growth

The further development of air travel across Africa is vital for regional integration and growth. Air travel can open and connect markets, facilitate trade, and enable African firms to become more fully integrated into global supply chains. It is critically important for the development of just-in-time manufacturing, trade in fresh produce, and tourism. Recognising the importance of this sector, the Bank has collaborated with the AU and other regional partners to advance a number of initiatives to open up and improve the efficiency of Africa's air travel sector.

The Single African Air Transport Market (SAATM) is an initiative of the AU's Agenda 2063, which seeks to create a unified air transport market that will facilitate easier and more efficient travel across the continent. Launched in 2018, 35 countries representing 80% of the current aviation market, have already joined the SAATM. To test the SAATM, 17 signatories have agreed to open up their air markets without conditions. Since 2020, the Bank has been implementing a UA 5 million project to support the AU Commission and the African Civil Aviation Commission with the implementation of the SAATM.

The ratification and implementation of the Protocol on the Free Movement of Persons is also essential for improving the flow of people across Africa, facilitating intra-African trade and investment, promoting labour mobility, and generating jobs. To date, about 33 AU member states have signed the Protocol and only 4 have ratified it, pointing to a need for greater commitment from political leaders. The Bank is utilising the Africa Visa Openness Index as a key tool to engage with policy makers. According to the 2022 Index, 10 countries have improved their visa openness scores over the past year, with visa openness across Africa now surpassing the pre-pandemic level and reaching the peak score achieved in 2020.

The Bank's support for regional integration

Support to regional integration is among the Bank's core priorities, in line with the growing emphasis Africa's leaders are placing on strengthening economic ties and its critical role in achieving the Bank's High 5s.

The Bank's Regional Integration Strategy Papers (RISPs) are tailored to address the unique challenges and opportunities of each of the five African sub-regions comprising North Africa, East Africa, Central Africa, West Africa and Southern Africa. In 2022, a mid-term review of the RISPs confirmed the relevance of the main pillars of infrastructure connectivity, trade and investment, and financial integration. Moving forward, the Bank's regional integration focus will include restoring growth, building resilience, and developing innovative financing mechanisms to support integration, with a particular focus on climate change adaptation and mitigation.

> *In 2022, the Bank, constructed or rehabilitated 146 km of cross-border transmission lines*

In relation to transport and energy, the Bank supports the development of cross-border roads and electricity transmission lines. In 2022, the Bank, **constructed or rehabilitated 33 km of cross-border roads** and **146 km of cross-border transmission lines**. However, these figures remain below the targeted levels, as most of regional operations are still under implementation.

The Bank's regional transport operations, such as the Burundi-Rwanda Road Development and Transport Facilitation Project (Phase 3), are helping to improve people's lives. This project is part of Burundi's 'Vision 2025' and is a priority initiative for the Economic Community of Great Lakes Countries and the East African Community. To date, the project has rehabilitated the Lake Nyanza-Mabanda Road (25 km), constructed the Mabanda-Mugina road (20 km), developed rural roads (25 km) and constructed a rural market and health centre in Musenyi. An assessment of the project's socioeconomic impact found increased traffic volumes,

Table 8 **Integrate Africa (the Bank's contribution to development)**

INDICATOR	ALL AFRICAN COUNTRIES			ADF COUNTRIES		TRANSITION STATES	
	Baseline 2015	Actual 2022	Target 2022	Baseline 2015	Actual 2022	Baseline 2015	Actual 2022
Energy: Cross-border transmission lines constructed or rehabilitated (km)	-	146	360	-	116	-	-
Transport: Cross-border roads constructed or rehabilitated (km)	380	33	983	380	33	-	-

Achieved less than 95% of 2022 target   Achieved less than the baseline

reduced border crossing time, lower vehicle operating costs, and improved access to basic local infrastructure (e.g., health centres, markets, and drinking water). In addition, people in the project area were sensitised on two issues important to men, women and youth: HIV and road safety.

The Bank has also supported the development of the Nacala Road Corridor between Mozambique and Malawi, which has benefited over 2 million people (see Box 10).

Regarding the integration of the African power sector, a good example of the Bank's regional interventions is the Ghana-Togo-Benin Power Interconnection Project, which entails the construction of 338 km of 330 kV transmission lines linking the three countries, 45 km of 161 kV lines in Togo and four substations (two in Togo, one in Benin, and one in Ghana). The project has significantly increased regional power trade between Nigeria, Benin, Togo, and Ghana, particularly the volume of electricity exports from Nigeria and Ghana to Togo and Benin. In Togo and Benin, the operation has helped to improve the reliability of electricity supply (especially during dry seasons when hydrology is low), reduce the cost of electricity, and increase electricity access.

In the area of ICT infrastructure, the Bank supported the Central Africa Fibre-Optic Backbone Project, which seeks to reduce the digital isolation of the Central African Republic and the wider central African region. The project aims to lay down 900 km of fibre-optic cables, connecting the Central African Republic to Cameroon and Congo, and establish a local urban loop in Bangui, including a national data centre. It is estimated that this project will create 4000 jobs and provide Internet connectivity to businesses and households, thus improving the quality of life for many African citizens.

Box 10 **Facilitating connectivity and faster flow of goods: Beneficiary story of Nacala Road Corridor**

The development of the Nacala Road Corridor—the shortest route to the Nacala seaport in Mozambique from Malawi—has reduced transport costs for the more than 2 million people who rely on it for travel, tourism, and economic activities. It is also used by firms in Malawi, Mozambique, and Zambia. The corridor forms part of the Trans-Africa Highway System, a core transport link under the Programme for Infrastructure Development in Africa (PIDA). The project's total cost is $140.63 million, with $66.91 million from the African Development Fund (ADF) and $73.72 million from other partners. The project is expected to be completed in June 2024. Mangani P., an artisanal fisherman from Mangochi in Malawi, attests to the benefits as follows: *'With the good road, we have a wider choice of transportation, because a lot of small buses and light lorries are now coming to Mangochi, and we are able to transport fish at a lower cost and to quickly reach the markets to sell our fish'*. Communities in the region now also benefit from improved access to health centres, markets, schools, and other amenities.

The Bank is also dedicated to supporting African institutions that are driving economic integration and has consequently provided a grant of $11.5 million to help the AU Commission achieve the Agenda 2063 objectives. This grant will also support the improvement of its environmental and social safeguards with an increased emphasis on gender. The Bank has a dedicated regional envelope under the ADF that could support AfCFTA-related regional integration projects in low-income countries, with the aim of also mitigating the effects of climate change. ■

Creating opportunities for quality jobs
The Bank equips African youth with the skills needed to secure decent work. In Malawi, the Higher Education, Science and Technology Project is improving skills quality and relevance to increase graduates' employability and job creation.

Chapter 5

Improve the quality of life for the people of Africa

The COVID-19 pandemic and subsequent economic crises have disrupted a long period of sustained progress in improving the quality of life in Africa, thus increasing the urgency of efforts to create jobs, improve skills, and scale-up access to health, water, and sanitation services, while also building climate change resilience.

Global crises threaten gains on quality of life

For more than two decades preceding the COVID-19 pandemic, Africa had made significant progress in improving the quality of life of its population. Extreme poverty had dropped from 50% in 1990 to 42% in 2015, and then to 33% in 2019. However, since 2020, the effects of successive global crises have pushed millions into poverty, and the prevailing uncertain economic climate has resulted in a slow recovery. As a result, extreme poverty remained at 30% in 2022. At this reduced rate of poverty reduction, it would take longer for Africa to achieve the SDG Goal 1 of eradicating extreme poverty.

> *Africa experienced disruptions in the global supply of and increases in prices for food, energy, and other vital commodities, due to Russia's invasion of Ukraine*

Although the immediate health and economic effects of the pandemic have receded, they have left an imprint on the economic and social conditions of Africa's population that will take some time to reverse. Furthermore, Africa has also been affected by disruptions in the global supply of and increases in prices for food, energy, and other vital commodities, caused by Russia's invasion of Ukraine.[2] It is estimated that these effects have led to an additional 15 million people falling into extreme poverty across Africa in 2022.

These global crises have also left African countries with drastically reduced public resources needed to return the continent to a path of accelerated growth. Fiscal deficits have narrowed from an average of 5.2% to 4.4% during 2022 yet remain above pre-pandemic levels. Youth unemployment also remains higher than the rate of general unemployment, even though it reduced from 16% in 2021 to 13.7% in 2022. This is still higher than before the pandemic at 12% in 2019.

In 2022, at least 3 in 10 Africans lacked access to basic drinking water services and 6 in 10 had no access to basic sanitation facilities. Approximately 30% of Africans live more than two hours from essential health services. To address these issues, access to affordable development finance is needed to augment efficiency of spending on public service delivery and job creation, and to better target it towards those most in need.

Bolstering Africa's healthcare infrastructure and pharmaceutical industry

The COVID-19 pandemic has exposed the vulnerabilities of Africa's healthcare system, emphasising the need to improve healthcare infrastructure and foster the development of an African pharmaceutical industry to safeguard against potential health crises in the future.

Poor health and lack of access to quality healthcare can have a devastating impact on human capital, economic productivity, and society as a whole. To reduce inequality and better prepare for future pandemics, improving access to healthcare is essential. The COVID-19 pandemic has demonstrated that countries with the most advanced universal healthcare were best equipped to respond to the crisis. In response, the Bank has adopted a Strategy for Quality Health Infrastructure in Africa 2022–2030, which aims to address the $21 billion in health infrastructure financing gap across the continent.

A key priority is ensuring that healthcare investments and expenditure benefit the poorest households. According to estimates by the World Health Organization (WHO), per capita health spending on COVID-19 in 2020, from government and compulsory health insurance averaged $212 in 16 high-income countries, compared to $14 in 20 low- and lower-middle-income countries. In low- and lower-middle-income countries, poorer households receive a smaller share of overall health spending than richer households, in part due to the limited availability of healthcare infrastructure in poorer and rural areas.

Table 9 **Improve the Quality of Life (progress in Africa)**

INDICATOR	ALL AFRICAN COUNTRIES		ADF COUNTRIES		TRANSITION STATES	
	Baseline 2015	Latest 2022	Baseline 2015	Latest 2022	Baseline 2015	Latest 2022
Population living below the poverty line (%)	42	30	45	38	57	48
Unemployment rate (%)	8.9	7.4	6.3	5.4	12.1	6.6
of whom women	9.8	9.3	7.9	6.5	5.1	8.0
Enrolment in education (%)	62.0	62.3	58.8	58.7	57.5	56.8
of whom women	59.2	59.8	55.9	56.0	53.3	52.4
Access to at least basic sanitation facilities (% population)	39	42	25	26	23	25
Youth unemployment rate (%)	14.0	13.7	10.3	9.5	8.6	11.7
of whom girls	16.5	16.6	12.2	10.4	8.0	12.5
Enrolment in technical/vocational training (%)	11	10	8	7	9	10
of whom women	9	9	7	8	8	8
Access to at least basic drinking water services (% population)	72	69	64	59	51	56

Improvement over baseline   Stability   Deterioration

Another priority is strengthening the capacity of Africa's pharmaceutical sector. Africa is highly dependent on drug imports, with 70% to 90% of all drugs used across the continent imported. Additionally, only 1% of vaccines are manufactured on the continent. To address this issue, the Bank developed the 2030 Continental Pharmaceutical and Vaccine Manufacturing Vision and Action Plan and launched a new initiative with the AU, the African Pharmaceutical Technology Foundation, to boost Africa's capacity to produce drugs, vaccines, diagnostics, and therapeutics all along the value chain, to help build its pharmaceutical sector (see Box 9 in Chapter 3 – Industrialise Africa). Furthermore, the Bank and the Islamic Development Bank (IsDB) have partnered to promote the development of the pharmaceutical sector.

The Bank's impact on transforming Africans' quality of life

Under its High 5 *Improve the Quality of Life*, the Bank promotes human development in Africa in several areas: health, social protections, water, sanitation and hygiene, and education and skills. The Bank is devoted to equipping young Africans with the skills they need to secure meaningful employment by investing in the development of their skills, entrepreneurial abilities, and technical and vocational training. To ensure this work is effective, the Bank recently launched a Skills for Employability and Productivity in Africa (SEPA) Action Plan. This Plan is designed to help bridge the skills gap and mismatch seen across Africa's labour market, while equipping Africans with the skills they need to address climate change, support the green-economy agenda, and participate in the digital transformation of African economies.

Improving skills and creating jobs for Africans

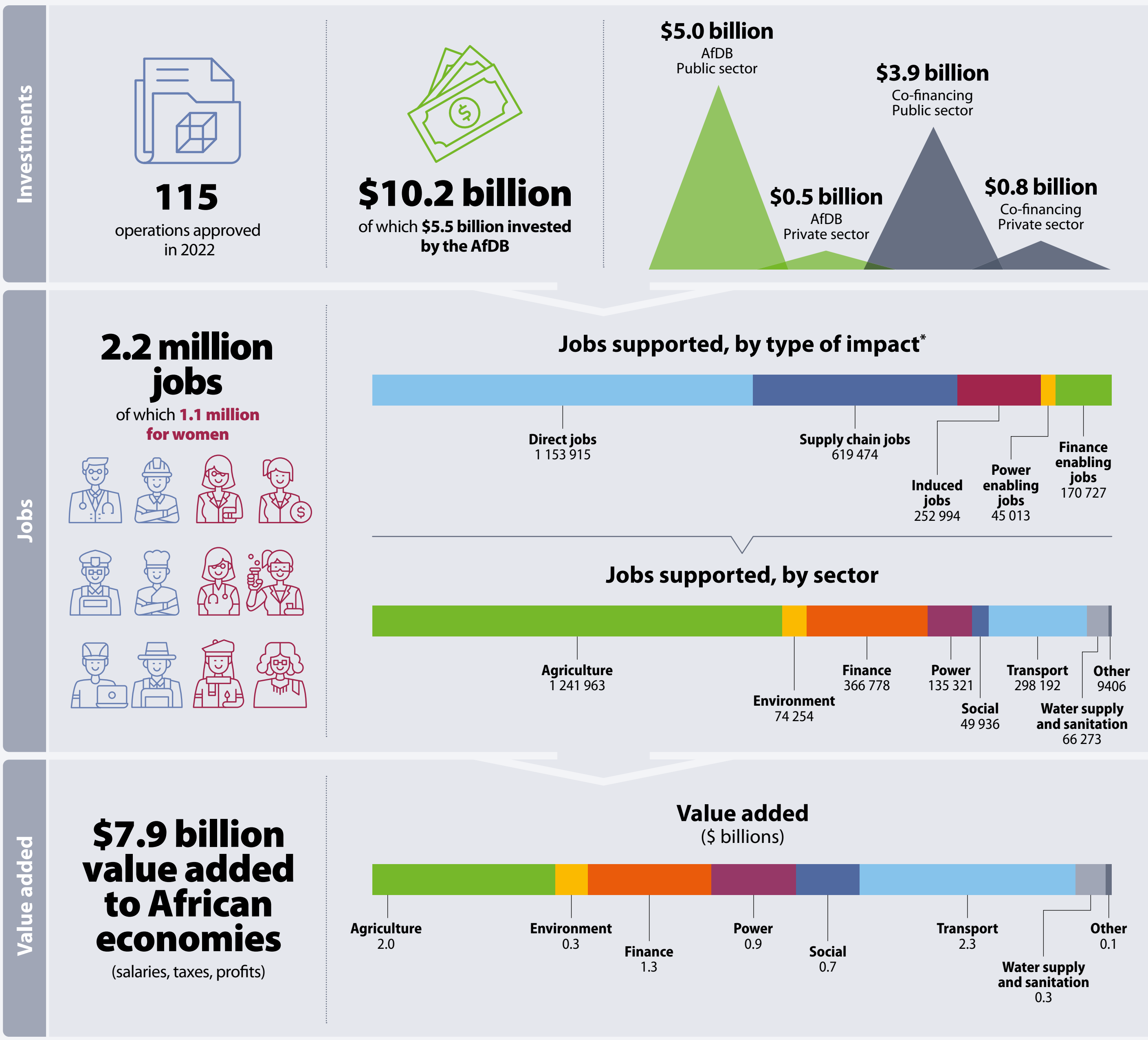
During 2022, **Bank operations trained 340 000 people, of which 226 000 (70%) were women**. For example, our support for technical and vocational training included the Ghana Development for Industry Project, which aimed to develop the high-quality, mid-level technical and vocational skills needed in the Ghanaian economy. The project expanded access to Technical and Vocational Education and Training (TVET) services by 13%, creating 980 jobs in the process. Similarly, in Zambia, the Education for Sustainable Development in Africa project supported the Zambian government in building capacity, knowledge, and skills in the mining sector, contributing to youth employment and inclusive economic growth. See another example in Box 11.

Box 11 **Breaking gender barriers to unlock Ghana's mining sector potential**

Amina B. is a Ghanian geoscientist who graduated with a Bachelor's degree in Earth Science and a Master's degree in Mineral Exploitation from the Pan African University Institute of Life and Earth Sciences, supported by the African Development Fund. Amina B. faced a range of gender-related barriers, but she never allowed herself to be discouraged. She was steadfast in her conviction that there was a place for women in Ghana's mining sector. '*I loved my studies and that encouraged me to go even further to achieve a Master's degree*', she said. After completing her Master's programme in Nigeria, Amina B. returned to Ghana, where she is conducting research on the potential of rare minerals to contribute to the country's development. Looking to the future, she plans to further develop her expertise by enrolling in a Ph.D. programme in mineral geology.

Figure 4 **Joint Impact Model: 2022 Bank investments are expected to create 2.2 million jobs**

Based on Bank projections using the JIM model, 115 Bank-approved operations in 2022 are expected to foster the creation of 2.2 million jobs, representing a substantial increase from the 1.7 million jobs supported by Bank operations approved in 2021. The number of direct jobs expected from the operations approved in 2022 is 1.15 million, the highest recorded since 2016. Most of these jobs will come from agricultural operations supporting smallholder productivity and competitiveness, and investments in agro-industrial value chains. Moreover, the indirect jobs expected from 2022 operations are estimated at 1.1 million, which is significantly higher than in 2020 and 2021, when the Bank approved fewer operations due to the COVID-19 pandemic.



* For more details on JIM and definition of different types of jobs supported, see the methodological annex under the section: New approaches to measuring development impact

Africa's growing youth population requires increased access to jobs to realise its demographic dividend. Each year, more than 12 million young people enter the labour market, but only 3 million jobs are created, meaning that African economies are not generating enough jobs. The Bank's Jobs for Youth in Africa Strategy aims to drive inclusive growth across the continent through integration, innovation, and investments. To this end, a number of Bank-funded operations focused on skills for jobs. For instance, the Senegal Virtual University Support Project is providing training in digital, multimedia, and graphic art. This project has established six courses, which now enrols approximately 10 000 students, with more than half of them being female.

Table 10 **Improving the Quality of Life (the Bank's contribution to development)**

INDICATOR	ALL AFRICAN COUNTRIES			ADF COUNTRIES		TRANSITION STATES	
	Baseline 2015	Actual 2022	Target 2022	Baseline 2015	Actual 2022	Baseline 2015	Actual 2022
People with new or improved access to water and sanitation (millions)	2.0	12.3	3.6	1.2	8.5	0.3	2.8
of whom women	1.0	6.0	1.8	0.6	4.1	0.1	1.4
People trained through Bank operations (thousands)	290	340	900	290	320	34	64
of whom women	119	226	450	80	213	15	39
People benefiting from better access to education (millions)	0.38	0.06	0.38	0.38	0.06	0.27	0.010
of whom women	0.24	0.03	0.19	0.24	0.03	0.17	0.004

Achieved 95% of 2022 target   Achieved less than 95% of 2022 target   Achieved less than the baseline

Another prominent example is the Jobs for Youth project in Malawi, which has successfully created jobs for 14 933 young people, 43.3% of whom were women. It has achieved this by providing training programmes in the manufacturing, information, communication technology, agriculture, and small-scale mining sectors, as well as a business incubation programme which enrolled 3043 young people and a youth internship programme which reached 1723 youth. The Bank is also implementing other flagship programmes to support job creation for young Africans: ENABLE Youth program promoting business and job creation in agricultural value chains, Coding for Employment empowering young people with fit-for-purpose skills in the digital economy, and is planning to establish Youth Entrepreneurship Investment Banks to provide financial services to youth-led/owned businesses.

> *The Bank equips young Africans with the skills to secure meaningful employment by investing in their skills development, entrepreneurial abilities and technical and vocational training*

In 2022, the Bank continued to make progress on the Joint Impact Model (JIM), an econometric tool that estimates the number of jobs generated by an institution's investments. Currently, 15 International Financial Institutions (IFIs) use this model. Apart from the direct jobs created by Bank-financed projects, the model also evaluates the number of indirect jobs made possible by these investments. This includes supply chain jobs, induced jobs, and jobs created by the enabling effects of better access to finance or energy (see Figure 4).

Expanding access to water and sanitation

The Bank had made significant investments to support African countries in developing resilient and sustainable water and sanitation systems, with the aim of expanding access to water and sanitation across the continent. In 2022, the Bank's operations provided 12.3 million **people with new or improved access to water and sanitation services**.

An example of this support is the Kigali Bulk Water Supply Project in Rwanda, which involves a Public-Private Partnership (PPP) that helped to establish the country's first independent water producer – Kigali Water Limited. The 40 000 cubic metres of water produced by the water treatment plant each day, has helped reduce the water deficit in Kigali and the surrounding urban areas by just over a quarter, thereby providing much-needed relief to industrial, commercial, and residential areas.

Another example is Somalia's Water Infrastructure Development for Resilience in Somaliland Project, which aims to strengthen the resilience of the water and sanitation sector in managing challenges related to fragility and climate change, and to expand access to water and sanitation services. The project has provided an additional 10 000 people in rural communities with access to basic water services, and an additional 8000 people with access to basic sanitation. Similarly, Sierra Leone's rural water supply and sanitation project has benefited 720 000 people with rural water supply interventions, while 25 371 households were provided access to basic sanitation. The project also supported the development of the National Rural Water Supply and Sanitation Programme, a framework for investment in rural water, sanitation, and hygiene.

Finally, the Bank continued to generate knowledge to support its work in improving the quality of life for Africans. To this end, the Bank produced the 'Technical and Vocational Education and Training and its Linkage to Productive Sectors in Africa' report, which profiles the status of TVET and aims to generate new investment pipelines of TVET projects on the continent. ■

Creating economic opportunities

To drive sustainable economic growth, the Bank is supporting African countries' establishment of enabling business environments, improved public sector management and open and accountable institutions.

© AfDB

Chapter 6

Cross-cutting and strategic areas

To maximise its development impact, the Bank integrates a set of cross-cutting and strategic objectives across its operations, knowledge work, and policy dialogue. These objectives concern governance and institution-building, climate change and green growth, fragility and resilience, and gender equality.

Economic growth in Africa

Despite the strong average economic growth of 4.8% in 2021 signalling the beginning of a recovery from the adverse effects of COVID-19 in 2020, Africa's real GDP growth slowed to 3.8% in 2022. This slowdown was caused by a combination of factors, including the disruption caused by Russia's invasion of Ukraine[2] and consequent food crisis, global financial volatility, the persistent impacts of COVID-19 pandemic, and growing impacts of climate change and adverse weather events. As a result of slower growth, Africa's average real GDP per capita in 2022 ($1841) fell below $2026 recorded in 2019.

> *As a result of multiple economic and climate-driven shocks, the Bank estimates that 15 million people were driven into extreme poverty in 2022*

Russia's invasion of Ukraine[2] has had a significant impact on African countries, disrupting the supply and raising the cost of energy and food imports, which many African countries rely on. Combined with tighter global financial conditions and the US dollar's appreciation, this has resulted in increased debt servicing costs for African countries, creating a risk of debt distress and limiting their fiscal space. Moreover, these conditions have made it hard for African countries to access international capital markets for new financing, and have caused foreign exchange market instability, making price stability unattainable for most central banks, further worsening the economic situation. As a result of these multiple shocks, the Bank estimates that 15 million people were driven into extreme poverty in 2022. This is especially concerning as African countries were already struggling to finance the public health measures and support for vulnerable populations that is needed to respond to the COVID-19 pandemic. The Bank in consultation with regional member countries and partners, is exploring the possibility of establishing an African Financial Stabilisation Mechanism, an initiative to promote macro-financial stability in Africa to help countries cope with effects of future external shocks.

The Bank's Crisis Response Budget Support Operations, launched during the peak of the pandemic to support regional member countries' response to the health, social protection, and business impacts of the crisis, provided much-needed relief to those affected by the crisis.

Strengthening governance

State of governance in Africa

Even prior to the COVID-19 pandemic, African countries were facing significant challenges in scaling-up their domestic revenues, with average tax revenues falling by approximately two percentage points from 16.6% of GDP in 2010 to 14.7% of GDP in 2019. The economic shocks caused by the pandemic further undermined their revenue-raising efforts, while recent economic uncertainty has held back recovery. As a result, in 2022, tax and non-tax fiscal revenues declined to 14.5% of GDP.

Efforts to raise revenues are also constrained by a narrow tax base in many countries, which reduces access to development finance. Renewed efforts are needed to improve compliance with tax laws, strengthen tax administration, and improve the efficiency of revenue collection, including through investments in digitalisation and e-governance. Countries must also apply the right mix of direct and indirect taxes, to ensure that their tax systems reduce inequality while increasing revenues.

Overall governance in Africa as measured by the Mo Ibrahim Index on African Governance flatlined over the decade leading to 2022, with the average score across the continent increasing by 1.1 points between 2012 and 2021. However, an examination of the sub-areas reveals mixed results. While there was increased improvement in public administration, this was accompanied by a deterioration in participation, rights, and inclusion. Accountability and transparency regressed over the decade, but there has been a net positive improvement in anti-corruption.

Bank operations improve governance

In 2022, Bank operations helped 13 countries **create a more competitive business environment**, 8 **improve budgetary and financial management system**, 6 **strengthen procurement systems**

Table 11 **Cross-cutting and strategic areas (progress in Africa)**

INDICATOR	ALL AFRICAN COUNTRIES		ADF COUNTRIES		TRANSITION STATES	
	Baseline 2015	Latest 2022	Baseline 2015	Latest 2022	Baseline 2015	Latest 2022
Real GDP growth (%)	3.6	3.8	5.1	4.5	5.4	3.4
Gender Inequality Index (0 low–1 high)	0.53	0.52	0.59	0.57	0.61	0.59
Production efficiency (kg CO_2 emissions per constant 2010 $ of GDP)	0.55	0.49	0.28	0.24	0.28	0.27
GDP per capita (constant 2010 $)	1941	1841	791	788	733	797
Mo Ibrahim Index of African Governance (0 low—100 high)	50	49	47	46	40	40
Tax and non-tax fiscal revenues (% GDP)	16.1	14.5	13.1	12.3	10.6	11.1
Resilience to water shocks (index from 0 (low) upwards)	3.5	4.2	2.2	2.4	2.0	2.1
Number of refugees and internally displaced people (millions)	17.5	35.8	16.1	31.7	6.6	23.4

Improvement over baseline Deterioration

and 5 **increase public-sector transparency and accountability**. Public financial management remains the core of the Bank's interventions on transforming the economic governance of African countries. According to the 2022 Global Report on Public Financial Management prepared by the Public Expenditure and Financial Accountability (PEFA) Program, while improvements are noted in the budget preparation process, predictability of in-year resource allocation, internal controls, and debt management, persistent areas of weakness include accounting, financial reporting, external scrutiny, and audit.

Central governments' 2022 PEFA reports provide further insight into the state of public financial management. In Tanzania, for example, compared to 2017 PEFA findings, there were marked improvements, in the categories of fiscal strategy, legislative scrutiny of budgets, revenue administration, accounting for revenue, procurement management, and external audit. To support these reforms, the Bank funded the Good Governance and Private Sector Development Programme, a two-phased budget support operation that was completed in 2022. This operation helped to improve budget credibility, strengthened governance oversight functions, and led to the adoption of a central budgeting management system and the operationalisation of an e-procurement system.

The Bank is also supporting regional efforts to strengthen the capacity of public sector accounting and auditing institutions in Africa, thus enhancing transparency and accountability in public sector management. Through the African Organisation of English-speaking Supreme Audit Institutions and the African Organisation of French-speaking Supreme Audit Institutions, the Bank is implementing a regional program aimed at improving the professionalism and capacity of supreme audit institutions for improved audit impact and quality. Countries initially covered by this initiative include Eritrea, Zimbabwe, Sierra Leone, the Gambia, Mali, Central African Republic, Chad, Togo, and Niger.

The Bank's work on governance in the private sector has been vital for promoting a business-enabling environment, generating employment, and stimulating the structural transformation of African economies. In Burkina Faso, the Economic Transformation and Job Creation Support Project (PATECE) connected businesses with institutions that support capacity building of private sector firms. Through PATECE's support, over 15 000 new businesses were registered and formalised and exports of goods and services as a percentage of GDP, rose from 21% to 30%, and the number of processing units established each year in high-value sectors increased by 80%, reaching 203.

Value addition to African natural resources is fundamental for structural transformation. Governance projects in this area seek to improve policy, regulatory, and legal frameworks of natural resource management. The Economic Diversification Support Program in Angola contributed to the adoption of an export diversification strategy and approval of the amended Petroleum Law and the petroleum products regime in the country. As a result of these interventions, non-oil tax revenue as a percentage of GDP, improved from 6.5% to 8.2% in 2021, and is projected to reach 9.4% of GDP by 2025.

Bank operations are also supporting African countries' capacity strengthening for domestic resource mobilisation. In Sierra Leone, the Public Financial Management Improvement and Consolidation Project developed an automated system for customs data (ASYCUDA World), including the roll-out of a Single Window System. The system aims to improve revenue collection, facilitate trade, and reduce illicit financial flows. It has shortened customs clearance times, enhanced transparency, and improved data collection, resulting in a 46% increase in revenue collection during its first year of operation.

Finally, the Bank contributed to the fight against corruption. For example, through the Strengthening Capacity of the Administrative Control Agency to Combat Corruption in Egypt, significant progress was made towards enhancing anti-corruption through the establishment and implementation of an integrated complaints system. In addition, 366 staff of the Administrative Authority of

Control were trained and a hotline was established to allow the public to report allegations of corruption.

Scaling-up climate action

Africa's growing vulnerability to climate change and the Bank's Response

Africa is the second most climate vulnerable region of the world after South Asia, and the least climate resilient region, with a low level of readiness to address climate change impacts (Figure 5). According to the latest Climate Vulnerability Index, 9 of the world's top 10 most vulnerable countries are in Africa. In particular, West, East, and Central Africa are global hotspots of human vulnerability to climate change, as highlighted in the latest report from the Intergovernmental Panel on Climate Change.

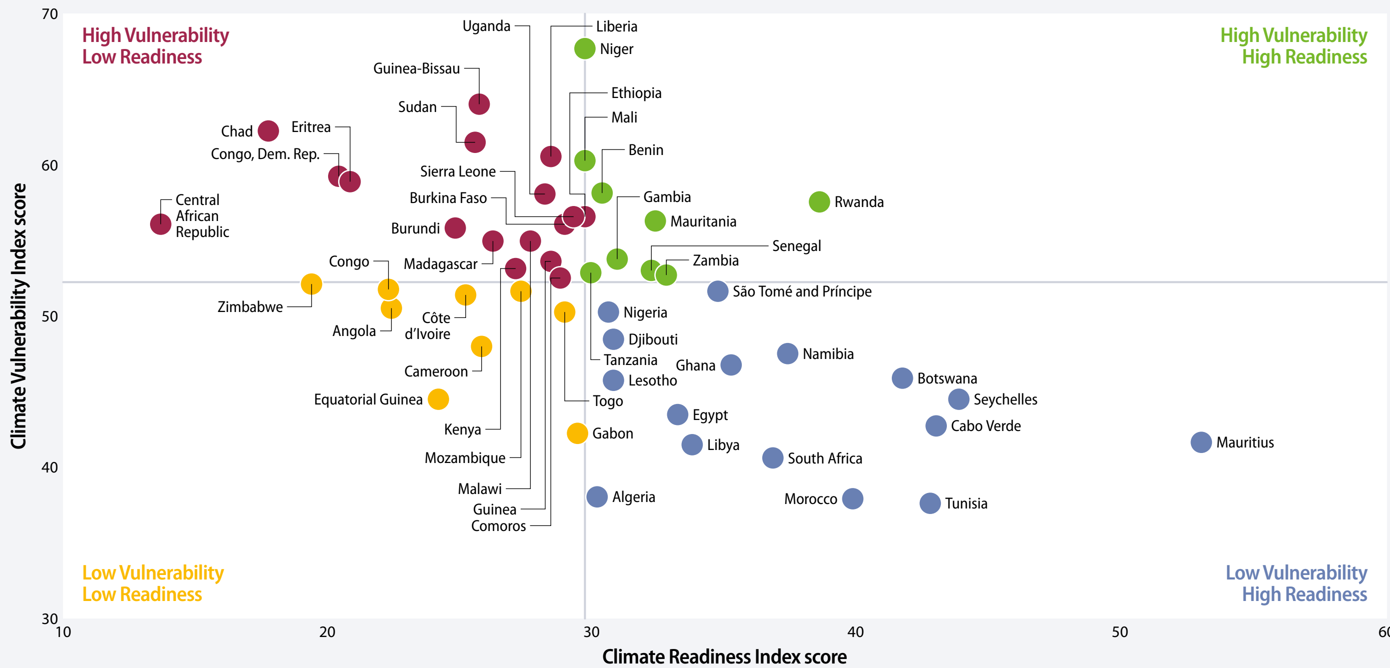
The Bank has long recognised the importance of supporting climate adaptation and mitigation efforts across African countries and has subsequently scaled-up its support to this critical challenge. In 2022, the Bank exceeded its climate finance target by allocating 45% of project approvals volume to climate finance, with 63% of these supporting adaptation efforts and 37% allocated to mitigation. Moreover, 94% of all approved projects were assessed as having a climate-informed design. Towards the goal of screening all projects for climate risks and opportunities, the Bank is striving to achieve 100% climate mainstreaming by 2023. In addition, the Africa Disaster Risk Financing Program, a partnership between the Bank and African Risk Capacity Group (ARC), helps African governments respond to severe food insecurity caused by extreme weather events by facilitating access to disaster risk products such as drought or flooding insurance.

> *In 2022, the Bank allocated 45% of project approvals volume to climate finance, with 63% of these supporting adaptation efforts and 37% allocated to mitigation*

At COP 27 in Sharm El-Sheikh, Egypt, the Bank, in collaboration with the AU and the UN Economic Commission for Africa (UNECA), successfully hosted the African Pavilion. This provided African countries with a platform to defend their shared positions, form strategic partnerships, and shape the global COP 27 narrative on important topics such as just energy transition, nature-based solutions, adaptation finance, and loss and damage. More specifically, COP 27 delivered key outcomes including: (i) The historical agreement on establishing a Fund for Loss and Damage; (ii) Recognition of the fact that the world is closer to reaching the 1.5°C target; (iii) Importance of delivering on the $100 billion climate finance promise by developed countries; (iv) Need for more progress towards closing the climate adaptation finance gap through doubling

Figure 5 **Africa has high vulnerability yet low readiness to climate change**

Climate vulnerability and readiness characteristics, average 2010–2019



Note: The four quadrants are delineated by the median score of vulnerability and readiness indices across all the countries over 2010–2019.

Source: Staff calculations based on Notre Dame Global Adaptation Initiative database adaptation finance by 2025; (v) Recognition of the stronger role of multilateral development banks on accelerating climate action.

The Bank's Paris Alignment Plan

In 2022, President Adesina approved the Climate Change Action Plan (2021–2025), a key component of the Climate Change and Green Growth Strategic Framework, which comprises a Policy, Strategy and Action Plan. This Framework, launched at COP 26, makes climate mainstreaming mandatory, ensuring all Bank operations are based on climate-informed designs and Paris-aligned. It also outlines how the Bank will help African countries transition to climate-resilient, low-carbon development, green, inclusive, sustainable, and climate-compatible growth. The Framework also presents the Bank's Paris Alignment Plan in accordance with the joint Multilateral Development Bank (MDB) methodologies with six Building Blocks (BBs): full alignment of all new Bank's operations and sector strategies with mitigation (BB1), adaptation (BB2) and climate finance (BB3) by December 2023; and full country-level alignment (BB4), joint reporting (BB5) and alignment of internal activities (BB6) such as procurement by December 2025. To take the Plan forward, the Bank is actively involved in the work of MDBs under their Paris Alignment Working Group (PAWG) to deliver a joint approach to Paris alignment, which entails the development of common principles, methodologies, and guidelines which will be published in 2023.

Bank efforts to scale-up climate financing

In December 2022, ADF development partners agreed on an \$8.9 billion replenishment package for the 2023–2025 period, including an initial seed contribution of \$429 million for a newly created Climate Action Window (CAW). The CAW's long-term goal is to mobilise additional, high quality, and efficient climate financing of between \$4 billion to \$13 billion to scale-up and accelerate climate action across the 37 ADF countries by supporting transformative projects and initiatives.

Another example of Bank's effort to accelerate climate adaptation in the continent is the Africa Adaptation Acceleration program (AAAP), a joint initiative between the Bank and the Global Centre on Adaptation (GCA). The AAAP, through its YouthADAPT pillar, has thus far supported 35 youth-led enterprises in 14 African countries with \$3.5 million to drive climate actions in sectors such as agriculture, waste management, renewable energy, and water and sanitation. For example, a youth-led company in Kenya has used this funding to provide drought resistant seedlings to boost food production and food security, expanding its customer base from 8000 to 16 000 farmers. Additionally, the Bank in partnership with the AU and Africa50 launched the Alliance for Green Infrastructure in Africa (AGIA), an initiative to help scale-up and accelerate financing for green infrastructure projects in Africa.

Box 12 **Enhancing peace and security with Security-Indexed Investment Bonds (SIIB)**

Recognising the critical nexus between security, investment, and development, African governments endorsed the Bank's SIIB initiative at the AU Heads of State Summit in February 2022. At the AU Policy Conference on 'Promoting the Peace, Security, and Development Nexus: The Promise of Regional Integration' held in Tangiers, Morocco in October 2022, discussions highlighted the need to expedite the conceptualisation and effective operationalisation of the SIIB. The SIIB aims to mobilise resources to address the underlying causes of insecurity, strengthen the capacity to protect investments and livelihoods, and rehabilitate communities and infrastructure that have been adversely impacted by insecurity. Leveraging its cutting-edge expertise, the Bank conducted a diagnostic study to inform the preparation of the financial structuring and modelling of the SIIB's implementation. The SIIB will shift Africa's peace and security funding paradigm, promote peace and security on the continent and provide resources at scale to ensure additional support at the peace-development-security nexus.

Building resilience and addressing fragility

Strengthening resilience in Africa: The Bank's Strategy

In 2022, the Bank launched its Strategy for Addressing Fragility and Building Resilience in Africa. This Strategy reflects the Bank's renewed commitment to increasing resilience across African regions, countries, and communities, by shifting resources from crisis response to prevention. The Strategy will guide Bank investments to build resilience and reduce fragility, by strengthening institutional capacity, providing targeted support for infrastructure and public services, and catalysing private investment.

In addition, to promote lasting peace and security on the continent, the Bank made progress with the proposal to use the Security-Indexed Investment Bonds (SIIB) to help African countries mobilise resources to address the root causes of insecurity (see Box 12).

The Transition Support Facility (TSF): Achieving strategic ambitions on fragility

The TSF is a dedicated financing window under the ADF, that plays an important role in helping the Bank achieve its strategic ambitions on fragility. It provides investments to address the root causes of conflict and fragility, respond to crises, and help countries transition out of fragility. An independent evaluation of the TSF in 2022 recognised its relevance and the need for reforms to enhance its effectiveness. To support the TSF's development, ADF shareholders agreed to a record allocation of \$1.8 billion in funding to the Facility from the ADF's 16th replenishment cycle in December 2022.

The TSF has taken steps to promote financial inclusion and strengthen food systems' resilience. Through the TSF-financed Financial Inclusion for Vulnerable Women Project in Togo, over 10,000 vulnerable women entrepreneurs were trained, and 8500 MSMEs created and provided with financial services, with each enterprise supporting at least one job. In 2022, TSF also allocated \$106 million to the African Emergency

Table 12 **Cross-cutting and strategic areas (the Bank's contribution to development)**

INDICATOR	ALL AFRICAN COUNTRIES			ADF COUNTRIES		TRANSITION STATES	
	Baseline 2015	Actual 2022	Target 2022	Baseline 2015	Actual 2022	Baseline 2015	Actual 2022
Countries with improved quality of budgetary and financial management	6	8	3	5	8	4	4
Countries with improved transparency, accountability in the public sector	5	5	1	4	5	2	4
Countries with improved procurement systems	2	6	3	1	6	1	3
Countries with an improved competitive environment	3	13	1	2	13	1	6

Achieved 95% of 2022 target

Food Production Facility (AEFPF) to expedite funding for agricultural operations in transition states. In Madagascar, a $1.5 million Business Linkage program funded by the TSF is helping SMEs, with a focus on women and youth (who manage 40% of the participating firms).

Promoting gender equality and empowering African women

Closing the gender gap: The Bank's impact in 2022

In 2022, the Bank continued to deepen its approach to gender mainstreaming and scaling-up its results in support of African women. All 121 of the new sovereign operations approved by the Board in 2022, were categorised using the Gender Marker System,[8] with the majority (62%) designated Category 2, 31% Category 3, 6% Category 4, and one project (1%) Category 1.

Bank operations have empowered women entrepreneurs, helping to bridge the gender gap in access to finance. For example, the Ghana Rural Enterprise Project established 66 172 new micro, small and medium enterprises, of which 65% were women-owned. This led to the creation of 78 818 new jobs, of which 64% of were offered to women, resulting in a 265% increase in income for women participants. Another example is the project Empowering Women in Agriculture through access to ICTs in Côte d'Ivoire, which helps women farmers meet the challenges of adapting to climate change by improving online access to finance and markets. The 'BuyfromWomen' digital platform provided 7639 women farmers, processors, and traders with information on climate-smart practices, weather data, and research results, helping them to adjust to a changing climate. Furthermore, training provided in the context of the Agricultural Value Chain Development Project in Cameroon enabled businesses to expand their production (see Box 13).

The Bank is scaling-up its support for addressing the gender dimensions of fragility and climate change, including through the implementation of eight high-impact gender interventions in 16 countries for a total of $11.3 million. For example, the Economic Empowerment of Vulnerable Women in Sahel project, funded by the TSF, supported 1888 women with micro-economic initiatives such as cash transfers and business skills training in remote and hard-to-reach regions. Overall, the project supported more than 11 000 people in 2022, of whom 50% were women.

Box 13 **From training to triumph: A beneficiary story from the Agricultural Value Chain Development Project in Cameroon**

As part of the Agricultural Value Chain Development Project, Miss Françoise B. benefited from training at the Yabic D'Obala incubation centre to learn how to produce natural juice based on natural ingredients. The training included courses on business management and business plan development, which enabled her to launch her own business, 'Nectar'. With the help of local financial institutions, she was able to obtain the necessary financing to improve the quality and quantity of her production, as well as expand her contact base with suppliers. As a result, she is now able to produce 500 to 1000 bottles per week. Furthermore, thanks to the training, she was able to create a new flavour that has become the flagship flavour of her company.

8 Category 1 projects directly address gender equality or women's empowerment as their principal objective and purpose. In Category 2 projects, one or more outcomes focus on gender equality or women's empowerment, but equality or empowerment is not the project's principal objective.

Finally, over the course of 2022, the Bank produced a range of gender knowledge products, including nine Country Gender Profiles, one Regional Gender Profile (G5 Sahel countries) and four sector-specific knowledge products. These included a Guide to Empower Women's Businesses in Transition Processes in Africa, a study on gender mainstreaming in public administration reform in Cabo Verde, a technical paper on gender-responsive climate change actions in Africa, and a granular gender and climate hotspot mapping for Rwanda. In addition, the Bank mainstreamed gender in global events such as COP 27, with three side events[9] focusing on gender equality and women's economic empowerment.

The Canada-African Development Bank Climate Fund: A catalyst for gender equality

In July 2022, the Canada-African Development Bank Climate Fund (CACF) became operational, extending concessional climate financing to climate mitigation and adaptation projects that prioritise gender equality principles, particularly the empowerment of women and girls. The CACF also has a Technical Assistance Facility, which aims to ensure that gender and human rights considerations are fully integrated into CACF projects. Although no projects were approved during 2022, the CACF pipeline is growing, with a number of interventions in climate change adaptation and mitigation that prioritise gender empowerment at the core of its mandate.

Civil society engagement

The Bank ensured that its strategies, policies, and operations mainstreamed civil society engagement to enhance citizen participation towards maximising development impact. It engaged with civil society in policy dialogue, knowledge, and exchange forums on relevant issues. For instance, the Bank engaged with the civil society to review and solicit feedback on the status of its investment portfolios in Malawi and Benin. ■

9 Gender Sensitive and Climate Just Finance Mechanisms; Enabling and Tracking Gender-responsive Green Jobs Recovery; and Accelerating Gender-responsive Climate Investment for a Resilient Sahel.

Driving inclusive growth and sustainable development in Africa

The private sector is an engine for Africa's growth and development. The Bank's private Africinvest fund investment helped Tunisia's Eleonetech become a leader in cable manufacturing and electronic assembly.

Chapter 7

Improving our development impact and efficiency

The Bank continuously improves its portfolio and its organisational performance to generate greater development impact. In 2022, we expanded our climate and gender mainstreaming. A larger share of our operations is managed from country offices and efforts to promote gender diversity improved the proportion of women in professional positions. Our commitment to transparency and accountability translated into global recognition: The Bank was ranked the most-transparent development institution. However, the challenging operating environment continued to impact our operations.

Bank's investment lending regained momentum in 2022

In 2022, the Bank investments continued to be aligned with its strategic priorities with 26% of total approvals for Industrialise Africa, 25% for Improve Quality of Life, and 22% for Feed Africa High 5s. Integrate Africa and Light up and Power Africa High 5s constituted 18% and 9% of total approvals, respectively. The Bank Group financing approvals reached $8.2 billion,[10] a 37% increase over levels recorded in 2021, and an indication of a gradual return to pre-pandemic approval levels. Nearly 60% of Bank financing was dedicated to investment lending in 2022, up from 50% in 2021.

This improvement is attributed to the Bank's efforts to rebuild its projects pipeline, following the re-purposing of the lending programme to provide COVID-19 relief support to regional member countries during 2020 and 2021. In addition, the launching of the African Emergency Food Production Facility (AEFPF), in response to the challenges emanating from the fallout from Russia's invasion of Ukraine[2], has scaled-up financing for Feed Africa, representing 22% of Bank approvals in 2022.

Timely implementation and disbursement remain a challenge

Once projects are approved, the Bank continuously monitors the performance and quality of the active portfolio using a range of performance indicators. These include measures related to efficiency and speed of delivery, implementation progress, likelihood of achieving development objectives, and performance at project completion.

Timely implementation and disbursement of projects remain the most critical challenge faced by active portfolios. The post-COVID operating environment continues to hamper project implementation and disbursement. In 2022, the proportion of Bank **projects experiencing delays and challenges in implementation** remained at 30%, the same level recorded in 2021, while the **share of projects eligible for cancellation** increased to 31% from 29% in 2021. In both cases, our performance did not meet the target. The Bank is also keen to boost efficiency in operations by reducing the time required to develop and implement projects. In 2022, the **time from concept note to first disbursement** declined to 24.5 months, from 27.4 months in 2021, although this was still above the targeted ceiling of 21 months.[11] The unmet targets are mostly due to project processing delays associated with environmental and social safeguards requirements, large operation loan negotiation delays, and procurement bottlenecks.

Figure 6 The Bank is improving the quality of its projects

10 This figure includes ADB resources, ADF resources, and special funds.
11 The 21 months target is broken down as follows: 6 months from Concept Note to Approval and 15 months from Approval to 1st Disbursement.

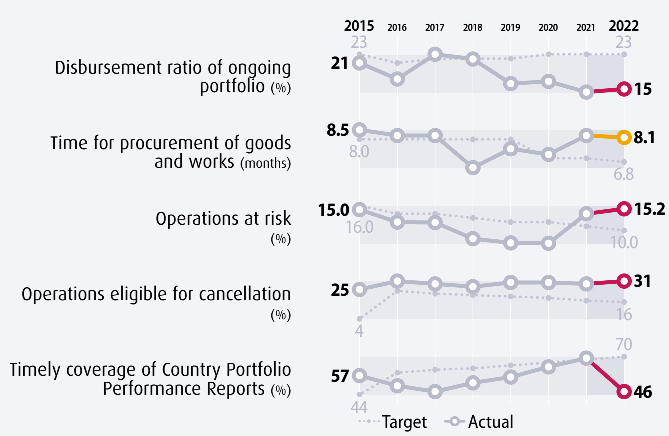
Table 13 **How effectively is the Bank managing its operations? (Level 3)**

INDICATOR	AFRICA			ADF COUNTRIES		TRANSITION STATES	
	Baseline 2015	Actual 2022	Target 2022	Baseline 2015	Actual 2022	Baseline 2018	Actual 2022
ACHIEVE DEVELOPMENT IMPACT							
Operations independently rated as satisfactory and above at completion[1]	77	84	79	63	81	-	84
Completed operations with a timely completion report (%)	60	75	93	64	75	89	66
Operations that achieved planned development outcomes (%)[2]	71	68		73	66	68	77
Completed operations delivering sustainable outcomes (%)[3]	74	92		76	89	68	86
ENHANCE THE QUALITY AND SPEED OF OPERATIONS							
Operations fully appraised for ESS mitigation measures (%)	87	100	93	92	100	-	100
New operations with a gender-informed design (%)	75	99	89	84	100	86	100
New operations with a climate-informed design (%)	75	94	100	90	98	-	97
Quality of country strategy papers (scale, 1–4)	3.0	3.1	3.5	3.0	3	3.0	2.9
Time from concept note to first disbursement (months)	21.9	24.5	21	23.9		17.5	
Quality of new operations (%)		62	90		62		70
IMPROVE PORTFOLIO PERFORMANCE							
Procurement contracts using a national system (% value)	0	29	14	0	16	-	11
Time to procure goods and works (months)	8.5	8.1	6.8	8.5	7.8	-	8.6
Disbursement ratio of ongoing portfolio (%)	21	15	23	18	13	14	11
Operations at risk (%)	15	15.2	10	18	14.6	8	12.7
Operations eligible for cancellation (%)	25	31	16	31	31	29	33
Projects facing implementation challenges and delays (%)	29	30	20	29	30	24	31
Timely coverage of country portfolio performance reports (%)	57	46	70	65	46	-	45
KNOWLEDGE AND ADVISORY SERVICES							
New ESW and related papers (number)	122	204	189	110	164	-	146

Achieved or exceeded 90% of the 2022 target · Achieved 80% to 90% of the 2022 target · Achieved less than 80% of the 2022 target · Data not available

1, 2, 3: Independently validated data by IDEV

Figure 7 **The Bank faces portfolio challenges, while improving its procurement work**



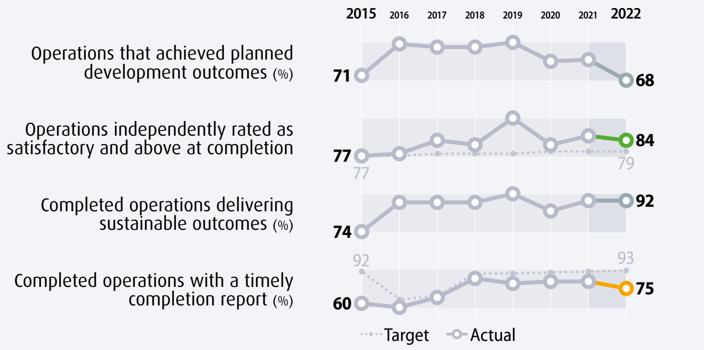
The Bank is taking proactive measures to accelerate implementation to restore it to pre-COVID levels through a renewed focus on disbursement performance. With the easing of COVID-19 restrictions and prudential constraints, disbursement targets are re-introduced at project team level and tracked on a monthly basis to incentivise proactive portfolio implementation support.

Overall, the proportion of **operations at risk**, that is, operations facing implementation issues that have been categorised as problematic or potentially problematic — was 15.2%, higher than the target of 10%, and reflects a poor performance when compared to 14% in 2021.

Project delays are attributed to several factors at various stages during project implementation including when updating design studies, preparing bidding documents, finalising compensation, and resettlement arrangements, time required for parliamentary ratification, and mobilising counterpart funds. Slow disbursement during implementation has been linked mainly to capacity constraints on the part of project implementation units and weak performance among project contractors. The challenging operating environment during 2020–2022 as a result of supply chain disruptions and COVID-19 pandemic-related impacts also exacerbated these challenges.

> *Bank Group financing approvals reached $8.2 billion, a 37% increase over 2021 levels, signalling a gradual return to pre-pandemic approval levels*

Figure 8 **The Bank is achieving development impact**



To speed-up implementation, the Bank remains committed to ensuring that its procurement policy and procedures are more efficient and make greater use of country procurement systems. In 2022, the **time required for the procurement of goods and works** fell marginally to 8.1 months, although this was above our target of 6.8 months. This improvement is attributed to the easing of constraints related to the COVID-19 pandemic which, during 2020–2021, caused delays across multiple stages of the procurement process. We aimed to expand the use of national procurement systems, in an effort to promote local ownership and incentivise regional member countries to reinforce these systems. However, in 2022, the **proportion of procurement contracts using national systems** reduced to 29% from 33% in 2021. Despite this reduction, this performance was significantly above targeted levels set when the Bank began implementing our procurement framework in 2016.

Despite the challenging context, Bank projects delivered sustainable outcomes

Each year, the Bank's Independent Development Evaluation Department (IDEV) produces a candid, independent analysis of the performance and effectiveness of projects closing that year. Newly validated data indicate that project outcomes remain satisfactory. In 2022, IDEV rated **completed operations that achieved sustainable outcomes** at 92% in 2022, the same level as 2021 and up from 86% in 2020. Validated data on overall performance of completed operations rated 84% of 2022 projects as satisfactory or above satisfactory at completion, below 86% in 2021 and 85% in 2020. However, in 2022, 68% of **completed operations achieved their planned development outcomes**, a decline from 81% in 2021 and 80% in 2020. Timely implementation of projects, against original planned timelines, is an area of limited progress identified by IDEV. Regarding NSOs, IDEV data reported a strong performance, with 94% of 2020-2021 completed operations achieving positive development outcomes compared to 74% for NSOs completed over the 2014–2019 period. Similarly, 94% of completed NSOs achieved positive investment outcomes in 2020–2021 compared to 67% for NSOs completed over the 2014–2019 period. The Bank is committed to further improvements in this area.

The Bank compiles results and lessons learnt from operations, to ensure improvements and inform the design of new programmes. This is achieved through the use of Project Completion Reports (PCRs). In 2022, the proportion of our **completed operations with a timely completion report** was 75%, a decline from 82% achieved in 2021. To support the timely delivery of PCRs, the Bank has developed guidance for operational teams and has also created simplified completion reporting templates for small operations and studies. In addition, the Bank continues to enhance the Results Reporting System, launched in 2021, to improve operations management and results tracking in real-time. To ensure lessons from past operations influence the design of new ones, all projects are assessed against lessons learnt criteria, and teams are encouraged to use the Evaluation Results Database collated by IDEV, in addition to other resources.

We also continue to use evaluations to improve the quality and impact of our operations, and every six months, our Management Action Record System tracks the implementation of agreed recommendations and actions. As of December 2022, the share of IDEV recommendations completed or under implementation, reached 89% — up from 64% in 2017, when the system was launched. The Bank will ensure that all agreed audit and evaluation recommendations close within the agreed timeframe. This requires prioritising and resourcing the agreed actions.

In reporting our results and other relevant operational information, we remain fully committed to operating transparently and accountably, and to providing our shareholders and regional member countries with information about our operations. In 2022, the Bank continued to enhance transparency and disclosure and as a result, years of investment in strengthening data reporting of our operations and results in line with standards set by International Aid Transparency Initiative (IATI), translated into positive international recognition. *Publish What You Fund*, an independent organisation that ranks the transparency of major development organisations, ranked the Bank's sovereign portfolio as the most transparent out of 50 other bilateral and multilateral organisations.

Designing quality operations is a priority to achieve timely and sustainable outcomes

Quality-at-entry of operations is one of the most powerful determinants of development impact: the higher the quality-at-entry, the higher the likelihood of achieving expected development objectives in a timely fashion. The Bank applies an assessment of project readiness-at-entry, to ensure that the design quality of its operations remains high, which impacts the effectiveness of project implementation. In 2022, the assessed level of **quality of projects at-entry against a newly introduced standard** was 62%, below the target of 90%, but significantly up from the baseline figure of 48% in 2021, when the new higher standard was introduced.[12] The implementation of the enhanced Readiness Review is expected to strengthen the focus on operations quality and compliance at-entry and ultimately enhances effectiveness and impact. For NSOs, Additionality and Development Outcomes Assessment (ADOA) revealed that 96% of new projects submitted to the Board for approval in 2022, were assessed as satisfactory or above for overall additionality. In terms of overall development outcomes, all NSOs submitted to the Board for approval were rated satisfactory or above.

Box 14 **Enhancing country capacity in operations**

In 2022, the Bank supported portfolio performance by delivering a record number of 25 institutional capacity building and fiduciary clinics, reaching a total of 1490 project cycle management stakeholders in 25 regional member countries. Through the African Development Institute, the Bank also established the virtual Public Finance Management Academy and a Policy Lab, both of which have succeeded in engaging partner institutions such as the International Monetary Fund (IMF), among others, to deliver PFM capacity building. The trainings delivered through this initiative in 2022 covered topics such as managing public finance in times of crisis, public budgeting, and domestic resource mobilisation.

The Bank remains committed to ensuring that all of its programmes take into consideration critical cross-cutting priorities, such as gender, climate change, environmental, and social issues. In 2022, the proportion of **new operations with a gender-informed design** reached 99% above the target of 89% and baseline of 75%, in 2015. In addition, 100% of sovereign operations were categorised using the Gender Marker System. Approximately 62% of the operations were category 2 — operations with one or more outcomes aimed at empowering women and girls. The Gender Marker System measures the extent to which gender equality measures are mainstreamed across our operations. In 2022, 94% of our operations had a **climate-informed design** slightly above the level reached in 2021. The Bank's goal is to screen all projects for climate risks and opportunities and achieve 100% climate mainstreaming. In addition, 100% of country diagnostic notes and country and regional strategy documents were reviewed and designed with climate change and green growth considerations. In partnership with the ILO, the Bank is also developing the Jobs Marker, an operational tool that will sharpen the jobs lens in all Bank operations to maximise employment outcomes.

The enhanced readiness review process also continued to draw attention to environmental and social safeguard issues. In 2022, the **proportion of operations fully appraised for environmental and social safeguard mitigation measures** increased to 100%. The implementation of the Environmental and Social Safeguards Strengthening Action Plan 2020–2025, a key commitment for the GCI-VII, also contributes to this achievement.

Our country and regional strategy papers are the foundation for high quality operations as they ensure that our projects reflect the needs and priorities of regional member countries and are based on sound diagnostic work. In 2022, our quality assessment processes, which measure compliance, procedures, and financing, rated the **quality of country strategy papers** at 3.1 on a four-point scale. This was the same level recorded in 2021, although below our target of 3.5.

The Bank is taking measures to improve its operational performance

At country level, our country portfolio performance reports help us monitor the health of our operations in each country. In 2022, 46% of our **country portfolio performance reports** were completed on time, a decline from 69% in 2021 and below our target of 70%. The CPPR methodology is being reviewed to focus more on increased data availability and proactive problem solving. Moreover, the Bank remains committed to proactively addressing project implementation challenges, through regular country dialogue, portfolio monitoring, and providing implementation support in the areas of procurement, financial management, and disbursement, and enhancing the focus on development results (Box 14).

Since 2020 the Bank has been implementing its Integrated Quality Assurance Plan which aimed to guide reforms and enhance the quality of operations throughout the project cycle across five core pillars. The Bank achieved significant progress across all of its pillars, with 80% of actions implemented, including some that are already feeding into improved operations. In order to support and strengthen the operational knowledge of staff, the Bank has established the Operations Academy, with 47 online courses providing staff with foundational knowledge to design and manage Bank operations. To date, more than 1000 certificates have been issued to graduates of Operations Academy programmes and staff have provided very positive feedback on the courses, with 98% of those graduating rating the courses as excellent (60%) or good (38%). Other changes introduced through the Quality Plan include the introduction of new results planning tools at project level, the new Results Reporting System for both sovereign and non-sovereign operations (NSOs),

12 The measurement of this indicator has been changed from scale-based to percentage. The indicator measures the proportion of SOs that were not flagged (meeting all 13 criteria) at Project Appraisal Report final quality at entry.

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

INDICATOR	Baseline 2015	Actual 2022	Target 2022
MOVE CLOSER TO CLIENTS TO ENHANCE DELIVERY			
Projects managed from country offices (%)	60	78	82
Share of operations staff based in country offices and regional hubs (%)	40	54	72
IMPROVE FINANCIAL PERFORMANCE AND MOBILISE RESOURCES			
Climate-related Bank commitments (%)	15	45	40
Active Resources mobilised from for public sector entities (UA million)		969	
Active Resources mobilized from for private sector entities (UA million)		373	
INCREASE VALUE FOR MONEY			
Work environment cost per seat (UA ’000)	3.6	3.1	3
Cost of preparing a lending project (UA ’000)	85.6	80.0	80
Administrative costs per UA 1 million disbursed (UA ’000)	98.9	100.7	91
Cost of supporting project implementation (UA ’000)	19.7	24.1	19
STAFF ENGAGEMENT, DEVELOPMENT, AND PRODUCTIVITY			
Share of women in professional staff (%)	27	32	35
Operations professional staff (%)	67	69	69
Net vacancy rate—professional staff (%)	16	12.8	11
Time to fill vacancies (days)	223	157	130
Share of management staff who are women (%)	29	27	35
Employee engagement index[1]	64		77
Managerial effectiveness index[2]	48		62

Achieved or exceeded 90% of the 2022 target · Achieved from 80% to 90% of the 2022 target · Achieved less than 80% of the 2022 target · Data not available

1, 2: A staff survey is conducted every three years. Findings of the most recent survey conducted in 2022 will be updated.

and a number of new manuals and tools to support the quality of our NSOs. Next steps include embedding existing reforms, and doing more in areas such as project implementation unit capacity.

The Bank has adopted other measures to address operational challenges: In 2022, the Bank Group Policy on Sovereign Operations Restructuring was approved. This Policy has been developed to provide clear guidance on how Bank Group projects and portfolios could be modified during their implementation to address performance challenges or to align with strategic reorientation of countries' needs. This is in line with the findings of an IDEV evaluation that the Bank needed to revise and adapt some of its rules to ensure it could be a more agile partner.

Finally, the Bank achieved very good progress on the GCI-VII priority reforms program. By the end of 2022, the Bank delivered 29 out of the 30 reform commitments due at the end of the year. Delivery of the remaining commitment—the Ten-Year Strategy—was extended to June 2023 to allow adequate time for consultations. These reforms particularly those designed to increase strategic alignment and operational focus and improving the quality and development impact of operations, are expected to contribute to improvements in portfolio performance in the coming years.

Delivering as One Bank and mobilising talent

To improve its performance as a development institution, the Bank is moving its operations closer to its clients while managing an engaged and diverse staff. The Bank is also actively mobilising resources and promoting value for money to increase its development impact.

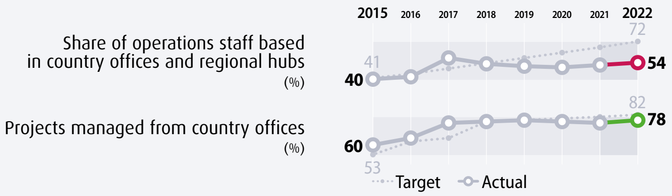
Moving closer to clients to enhance delivery

During 2022, the Bank continued to implement and deepen reforms introduced through its Development and Business Delivery Model (DBDM), which is supporting our efforts to move operations closer to clients, helping us to be more responsive to their needs while improving the effectiveness of our operations.

> *The share of operations staff in country offices and regional hubs rose from 52% in 2021 to 54% in 2022, the highest level to date*

These internal reforms helped us to sustain important increases in the **proportion of our projects managed from country offices** from

Figure 9 **The Bank is moving closer to its clients to enhance delivery**



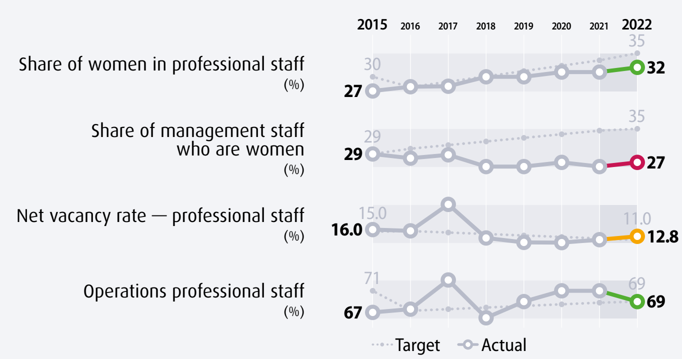
76% in 2021 to 78% in 2022, returning to its pre-pandemic level. In the same year, the **share of operations staff based in country offices and regional hubs** rose from 52% in 2021 to 54% in 2022, the highest level to date. This progress has been achieved through more effectively mapping projects to staff in the regional hubs and field offices. The Bank remains committed to aligning its current and future staffing decisions with its decentralisation objectives. The strategic staffing initiative will also be instrumental to realising this objective.

The Bank is empowering a diverse staff to deliver on its mission

As Africa's premier development finance institution, the Bank needs to attract and retain high-calibre staff to deliver impactful operations on the continent. To achieve this, the Bank is guided by its People Strategy which sets out our approach to maximising our employee value proposition, and to make the Bank the employer of choice for skilled professionals seeking to support Africa's development.

The Bank is ensuring that staff are engaged and motivated to perform better. Towards this objective, it conducts a staff survey every three years. Findings from the 2022 survey will be updated and its results will inform our interventions, help us measure our progress, enhance employee engagement, and strengthen managerial effectiveness.

Figure 10 **The Bank is improving the share of women in professional staff**



Over the last year, the **share of operations professional staff** reached 69%, slightly below 71% in 2021, however, reaching the set target. The share of women in professional staff increased marginally to 32% from 31% in 2021. Also, the **share of management staff who are women** increased marginally to 27% from 26% in 2021. In both cases, we did not meet the target. The Bank is committed to providing equal opportunities to all of its employees and in 2022, it began the process of securing compliance with the world leading EDGE certification standards on gender equity in the workplace. The Bank has already achieved a Level 1 assessment, in recognition of its commitment to monitoring, benchmarking, and achieving gender parity in its workforce, along with its focus on implementing an action plan for achieving full compliance with EDGE standards. This action plan guides the Bank's efforts to achieve gender equity across four pillars — representation, pay, policies and practices, and inclusiveness of culture.

> *The share of female professional staff increased to 32% from 31% in 2021, while the share of female managers increased to 27% from 26% in 2021*

Despite these achievements, the **net vacancy rate for professional staff**[13] increased from 11.2% in 2021 to 12.8% in 2022 and remains above our target of 11%. This is mainly due to the now lifted recruitment freeze, prompted by the strategic staffing initiative currently underway. In addition, the **average time required to fill vacancies** increased slightly in 2022 to 157 days from 152 days in 2021 and above pre-pandemic level (144 days, in 2019). To mitigate these challenges, the Bank will step-up measures aimed at making recruitment processes more efficient, such as optimising automation, systematically using a list of recommended candidates to fill vacant positions and leveraging digital technologies such as Artificial Intelligence (AI), voice-first solutions, and social media, to accelerate the recruitment process.

Leveraging public and private resources

The Bank continues to leverage resources that regional member countries need to meet their development objectives. By the end of 2022, the Bank Group's active resource mobilisation increased to $1.745 billion, with $1.26 billion mobilised for public sector operations and $484 million for private sector operations. Syndications contributed to half the resources mobilised for the private sector. As such, the Bank was able to finally reach financial close on the Malicounda Dual Fuel and Singrobo Hydro Power projects in Senegal and Côte d'Ivoire, respectively. The Bank also approved three asset sell downs, establishing new relationships with Norfund and Finnfund, and institutional investors in South Africa. As part of the mobilisation efforts from institutional investors in projects financed by the Bank, the Board has approved the participation of

13 This is the ratio of vacant professional positions to the total number of budgeted professional positions.

insurers, for up to $221 million, in projects approved in 2022 in the financial, transport, and manufacturing sectors.

On the public sector side, the Japan International Cooperation Agency (JICA) was the leading co-financier, providing approximately a quarter of the mobilised resources followed by the Africa Growing Together Fund. The Bank anticipates finalising the Financial Framework for Partnership Agreement with the European Union (EU), which will contribute to increased co-financing.

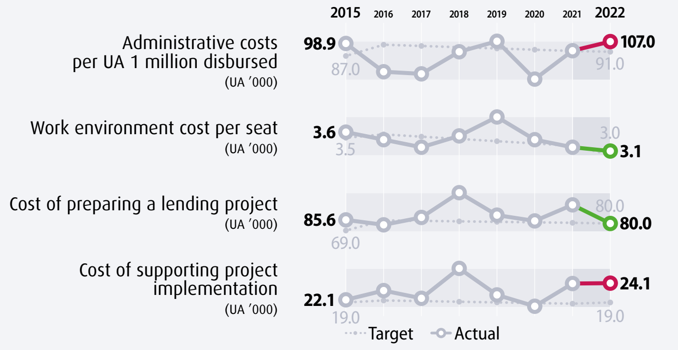
The Bank also mobilises funds through bilateral and multi-donor trust funds. The volume of trust fund resources mobilised reached $246 million, and with such funds, the Bank continued to provide technical assistance for project feasibility studies, project preparation, and evaluation. The main contributions include: (i) The Education for All/Silatech contributions of $100 million for the Cooperation for Education and Youth Employment and Empowerment; (ii) CAD 100 million from Canada to the Agri-SMEs Catalytic Financing Mechanism; and (iii) $35 million from the Global Energy Alliance for People and Planet towards the Sustainable Energy Fund for Africa Special Fund. The Bank is also attracting additional resources and investments through the African Investment Forum (AIF). In 2022, the AIF drew nearly $63.8 billion in investment interest from African and global investors. In line with calls for multilateral development banks to scale-up development finance, particularly to climate-related investments and using innovative financing instruments, the Bank approved the Room to Run Sovereign initiative in 2022 with a landmark $2 billion synthetic risk transfer covering the Bank's outstanding sovereign loan portfolio. The additional finance unlocked will enable the Bank to increase its lending and help finance climate action in Africa.

The strong resource mobilisation performance recorded highlights the strong collaboration between Bank teams in soliciting bankable projects for co-investment, as well as maintaining robust engagement with contributors or co-financiers. In 2022, the Bank also developed a partnership framework that will help to consolidate the Bank's engagement with key partners.

Promoting value for money

The Bank has set ambitious targets for improving efficiency, reducing costs, and increasing value for money, to ensure operations deliver maximum value for clients and shareholders. During 2022, our administrative costs per UA 1 million disbursed increased to UA 100 700 (or $134 000) from UA 91 500, (or $121 770) and above our ceiling of UA 91 000 (or $121 100). This is linked to an increase in expenditure for missions and consultancies as the Bank resumed operations following lockdowns and travel restrictions during 2020–2021 and relatively lower than expected disbursements during the period. In 2022, the Bank also approved new strategic control measures to improve organisational cost efficiency and its long-term financial sustainability.

Figure 11 **The Bank's efficiency in preparing lending projects is achieving greater value for money**



On a more positive note, the **cost of preparing a lending project** fell by more than a quarter in 2022, to reach UA 80 000 (or $106 500) and achieving the Bank's targeted level. High volume of AEFPF (emergency food) operations helped reduce the average costs. The **cost of supporting project implementation** reduced marginally to UA 24 100 (or $32 100) from UA 24 300 (or $32 340) in 2021, although this was above the target of UA 19 000 (or $25 290). A key factor attributed to this was the relatively high cost to support intensified supervision and follow-up efforts as the Bank resumed missions.

In 2022, the work environment cost per seat reduced from UA 3183 (or $4240) in 2021 to UA 3097 (or $4120) in 2022, representing a 2.70% improvement compared to 2021. An important driver of these improvement is the move towards a hybrid working arrangement, which has allowed for a significant reduction in workplace operational costs compared to pre-2019, when all staff worked from our offices. Amongst areas in which costs have fallen, the largest reductions are linked to office rental costs, electricity costs and repairs and maintenance of buildings. However, these savings will not be sustainable in the long run as more working space will be needed in the future to improve working conditions.

Conclusion

Following a challenging period for managing its operations, the Bank is in the process of building back better and securing ambitious delivery of its reforms across the project cycle, continuing decentralisation efforts and strengthening human resource capacities. As these reforms are completed and deepened in the coming years, they will support the Bank to respond more effectively to the needs of its regional member countries, supporting their continued adaptation to climate and other shocks and supporting their achievement of development goals. ■

Enhancing Africa's resilience

The Bank is the continent's premier partner of choice. Together with our partners, we are committed to returning Africa to a path of strong, sustainable, inclusive and resilient growth.

© AfDB

Looking forward

In the past year, African countries have taken important steps on the road to recovery from the disruption of the COVID-19 pandemic. At the same time, they have faced new challenges from rising food and energy prices, slowing global growth and tightening global financial conditions. These external pressures are being felt at the same time that the longer-term issues of fragility and conflict, climate change, and poverty continue to present serious challenges.

Whilst Africa continues to deepen its integration with the global economy, it must redouble efforts to further enhance its capabilities, resources, and institutions, to become more resilient in an increasingly turbulent world. This will include enhancing public finance and governance systems, deepening regional cooperation, investing in health and other services, developing its renewable energy potential, and expanding its agricultural and industrial production.

The Bank is a key partner of choice for Africa's nations as they pursue their national priorities and transformation agenda. We have scaled-up our investments in 2022 across the High 5s and achieved a successful replenishment of the African Development Fund in support of development progress in low-income countries.

As we look to the future, the Bank will work ever more closely with African countries and international partners to address the pressing challenges of debt distress, public finance constraints, conflict, and climate change. Together with our partners, we remain steadfast in our efforts to return Africa to a path towards strong, sustainable, inclusive and resilient growth.

We will be guided in this work by our new ten-year strategy, which will be finalised over the course of 2023. This strategy will set the Bank's strategic direction and its ambition to build on its strengths as Africa's premier development partner. ■

Annex – Methodological note

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

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

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

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

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

LEVEL 1 – WHAT DEVELOPMENT PROGRESS IS AFRICA MAKING?

LEVEL 2 – HOW WELL IS AfDB CONTRIBUTING TO DEVELOPMENT IN AFRICA?

LEVEL 3 – IS AfDB MANAGING ITS OPERATIONS EFFECTIVELY?

LEVEL 4 – IS AfDB MANAGING ITSELF EFFICIENTLY?

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

The 2022 edition of the ADER tracks progress against the RMF for 2016–2025 that was approved by the Bank's Board of Directors in April 2017.[4] This RMF innovates by vertically aligning Level 1 and Level 2, where both levels are organised around the High 5s—the five priority areas of the Bank's Ten-Year Strategy. Designing the RMF in this way strengthens conceptual linkages between Africa's development challenges (Level 1) and the Bank's actions to address them (Level 2). It also makes it easier to analyse each field and report on progress. Thus, the RMF integrates the Bank's five goals and our cross-cutting strategic areas in a comprehensive portrayal of what we aim to achieve. Annex A of the RMF describes in detail the RMF's logics as well as the rationale for each indicator.

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

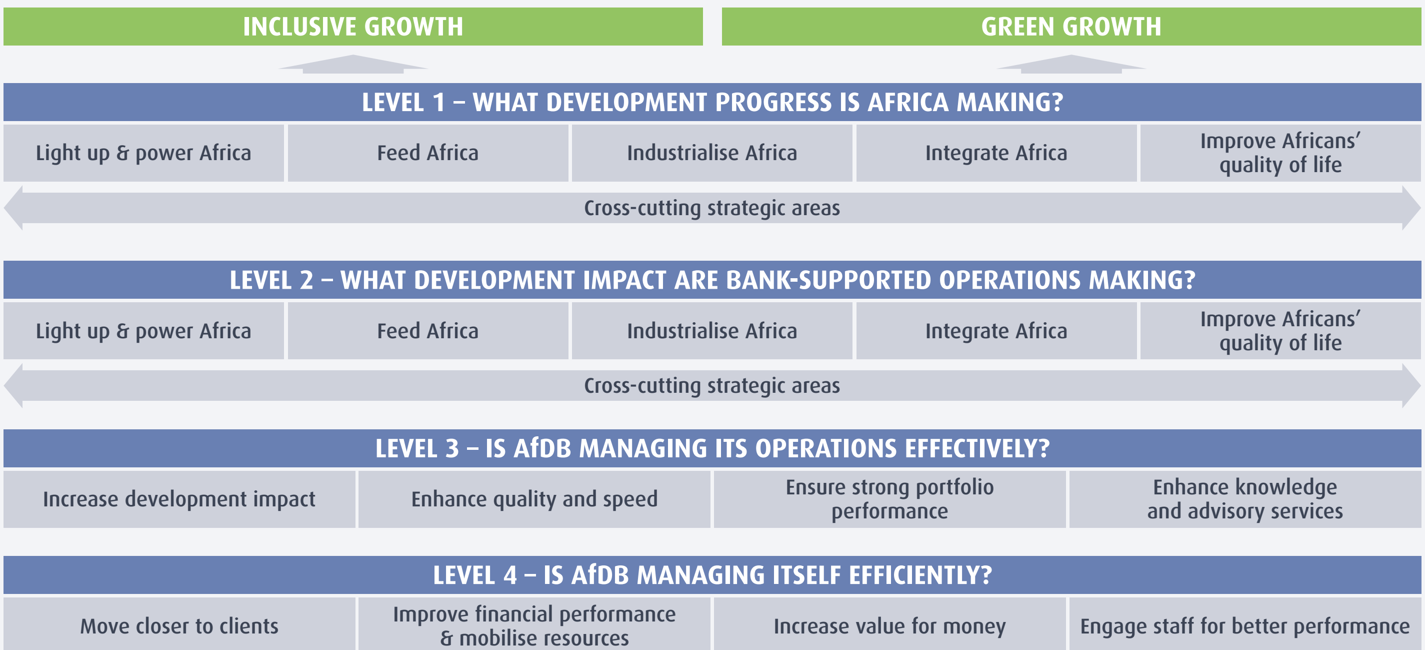
Level 1: Tracking Africa's development progress

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

Data for the Level 1 indicators is drawn from internationally available statistics (e.g., data produced by the FAO, the International Energy Agency, the IMF, and the World Bank) and was chosen in coordination with the Bank's Statistics Department. The ADER uses the latest data available (i.e., not solely 2022 data) and provides disaggregated

4 African Development Bank Group. The Bank Group Results Measurement Framework 2016-2025, *Delivering the High 5s, Increasing the Bank's Impact on Development*, April 2017. Available on the Bank's website.

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



data for ADF countries and transition states. Details on the source and computation for each indicator are available in Annex B of the RMF document.

Update: The level 1 indicators on access to water and sanitation services have been updated in line with the WHO/UNICEF Joint Monitoring Programme for Water Supply, Sanitation and Hygiene (JMP) measurement of the indicators:

Old RMF indicator: access to safely managed drinking water/ sanitation facilities (% population)

Revised RMF indicator: access to at least basic drinking water/ sanitation facilities (% population)

Level 2: Measuring the impact of Bank-funded operations

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

To assess the Bank's development impact in 2022 while minimizing the volatility of the data, the ADER averages data over the last three years (2020–2022). Level 2 Tables in Chapters 1 to 6 present the aggregate data from all PCRs and XSRs completed within this timeframe: 299 projects in ADB and ADF countries. Data on ADF and transition countries is presented separately for each table.

Similarly, where relevant, indicators are disaggregated by gender, with the data from completion reports showing the proportion of women who benefited from the Bank's operations. If completion reports lack this information, gender-disaggregated data is extrapolated from a subset of projects where the data is available. Finally, if reliable gender data is not available from project completion reports, national-level gender data obtained from appraisal reports can also be used to estimate the proportion of women beneficiaries. This applies particularly to some older projects that lack gender information.

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

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

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

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

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

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

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

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

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

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

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

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

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

Tracking performance over time

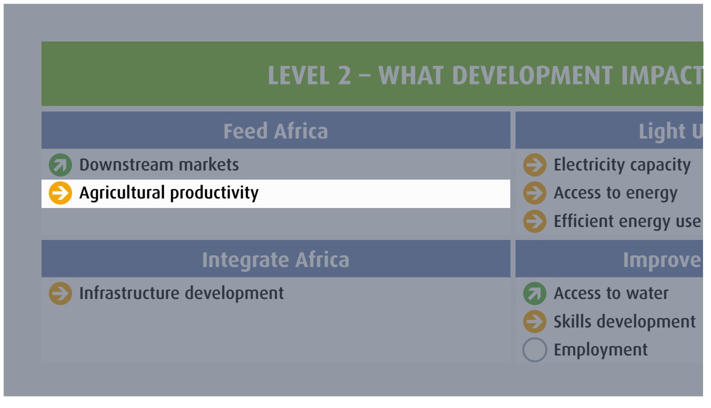
The ADER summarises performance in a scorecard that uses a three-coloured 'traffic light' system to indicate whether the Bank reached its targets, fell short, or stayed in place. The scorecard shows results for all four levels of the RMF. The annual targets are derived in a linear manner from the 2025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

Each indicator is assigned a colour-coded arrow: green ( ), amber ( ) or red ( ). At Level 1, the green arrow indicates that the indicator improved above baseline, the amber arrow indicates that the indicator remained stable/was the same as at baseline, and the red arrow indicates that the indicator fell below the baseline. At Level 2, a green arrow shows that an indicator reached 95% or more of the 2022 target, an amber arrow shows that an indicator achieved less than 95% of the 2022 target but is above the baseline value, and a red arrow shows that the indicator did not reach the baseline value. For Levels 3 and 4, green arrow means the Bank exceeded 90% of the 2022 target, amber means it achieved 80-90% of the 2022 target, and red means it achieved below 80% of the 2022 target. At any level of measurement, a grey circle indicates that data were not available. The direction of the arrow takes into consideration performance in relation to the baseline.

The **Summary Scorecard** at the introduction section of the ADER provides at a glance, the Bank's performance across the four levels the RMF. The arrows in the scorecard are the 'average' of the corresponding individual indicators arrows, with the following hypotheses:

- Green arrow ( ) = 3 points (improvement)
- Amber arrow ( ) = 2 points (no change)
- Red arrow ( ) = 1 point (deterioration)

For example, **Agricultural productivity** is the summary (i.e., the average) of 4 indicators below (see Table 4 in the ADER for the indicators detailed values and arrows' colours).



- People benefiting from improvements in agriculture (millions)
  = 1 point
- Land with improved water management (thousand ha)
  = 1 point
- Rural population using improved farming technology (millions)
  = 1 point
- Agricultural inputs provided: fertiliser, seeds, etc. (thousand tons)
  = 3 point

The average score for Agricultural productivity = (1+1+1+3)/4 = **1.5**, Thus, an amber arrow ( ) indicates that performance did not change in this area.

Reviewing the RMF

To ensure that the RMF remains relevant to the Bank's top priorities, the Bank is reviewing the RMF to support and align with the new Ten-year Strategy 2.0 expected to be finalised in 2023. Coming after the general capital increase (GCI-VII) and sixteenth replenishment of the ADF concluded in December 2022, this review will allow the Bank to take recent commitments and priorities into account. The revised RMF will also take into consideration lessons and recommendations from the RMF mid-term evaluation conducted by IDEV in 2021.

New approaches to measuring development impact

In addition to these methods, the Bank is developing new, more innovative, approaches to assessing its impact on development. One is the Joint Impact Model, which allows the Bank to estimate the social and economic impact of its operations across Africa as they relate to creating jobs. By using social accounting matrices and input-output models, the Joint Impact Model assesses the indirect effects that occur at the investment and/or project level, including supply-chain effects (i.e. supply-chain jobs and jobs at investee level), the induced effects (i.e., jobs created when the people who are directly or indirectly employed spend their salaries), and the enabling effects (i.e., jobs related to the enabling effect of additional products and/or services produced by the investment). With this approach, the Bank traces how its investments flow through an economy and measures the development impacts that result (see Chapter 5). Unlike the other RMF indicators, the jobs indicators are calculated using the contribution method, i.e., they include co-financing from other development partners and/or recipient governments.

www.afdb.org

Design & layout: CRÉON

About this publication

The 2023 Annual Development Effectiveness Review is a comprehensive report on the performance of the African Development Bank. The report reviews development trends across the continent and explores how the Bank's operations have contributed to Africa's development results. This review reflects the Bank's focus on an interlocking set of five critical priorities within the Bank's Ten-Year Strategy: the "High 5s". It also looks at how effectively the Bank manages its operations and its own organisation. The report is supplemented each year by more detailed reviews of particular sectors, thematic areas, and countries.

About the African Development Bank Group

The African Development Bank Group is a multilateral development bank whose shareholders consist of 54 African countries and 29 non-African countries. The Bank Group's primary objective is to contribute to the sustainable economic development and social progress of its regional members, individually and jointly. It does this by financing a broad range of development projects and programmes through public sector loans, including policy-based loans, and through private sector loans and equity investments; by providing technical assistance for institutional support projects and programmes; by making public and private capital investments; by assisting countries with development policies and plans; and by supplying emergency assistance.

African Development Bank Group

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

www.afdb.org