

# Annual Development Effectiveness Review 2022

Returning Africa to its development path

Annual review



## ACKNOWLEDGEMENTS

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Cover photo: The Bank is mobilising investments for transformative infrastructure. In Senegal, the Regional Express Train has halved the time to travel from Dakar to Diamniadio. Urban residents now have a safe, efficient transit system. Photo: AfDB

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Annual Development Effectiveness Review 2022

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Note: In this report, "\$" refers to US dollars. Conversion rate as of 31 December 2021: 1 Unit of Account (UA) = 1.39959 US dollars (African Development Bank, 2021 Annual Report)

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# Contents

Foreword	1
Performance at a glance	2
<b>Chapter 1 Light up and power Africa</b>	<b>7</b>
Access to energy: Progress and constraints	7
The Bank's support for the energy sector	8
<b>Chapter 2 Feed Africa</b>	<b>13</b>
Raising food production in Africa, for better food security	13
The Bank's contribution to developing agriculture	14
<b>Chapter 3 Industrialise Africa</b>	<b>19</b>
A turbulent year for industrial development	19
The Bank's support for industrial development	20
<b>Chapter 4 Integrate Africa</b>	<b>25</b>
Despite disruptions, integration pushed forward	25
The Bank's support for regional integration	26
<b>Chapter 5 Improve the quality of life for the people of Africa</b>	<b>29</b>
Recovering inclusively is key to Africans' quality of life	29
How the Bank is improving Africans' quality of life	31
<b>Chapter 6 Cross-cutting and strategic areas</b>	<b>35</b>
Economic growth on the continent	35
Improving governance and building institutions	35
Addressing climate change and enhancing green growth	36
Addressing fragility and building resilience	37
Promoting gender equality and empowering women	38
<b>Chapter 7 Improving our development impact and efficiency</b>	<b>41</b>
Continued constraints on Bank approvals in 2021	41
Delivering as One Bank and mobilising talent	45
Conclusion	47
<b>Looking forward</b>	<b>49</b>
<b>Annex – Methodological note</b>	<b>50</b>

## List of figures

Figure 1	African countries depend heavily on wheat imports from Ukraine and Russia	14
Figure 2	High-resolution impact mapping	21
Figure 3	Africa is not deeply integrated	26
Figure 4	Contributing to Africa's health response to the pandemic	30
Figure 5	Mobilising climate finance for adaptation and mitigation	36
Figure 6	The Bank is achieving development impact and improving its measurement approach	41
Figure 7	The Bank is improving the quality of its projects while accelerating implementation	43
Figure 8	The Bank faces portfolio challenges while improving procurement	44
Figure 9	The Bank is moving closer to its clients to enhance delivery	45
Figure 10	The Bank's efficiency in running its operations achieves greater value for money	46
Figure 11	The Bank is accelerating recruitments to fill vacancies	46

## List of boxes

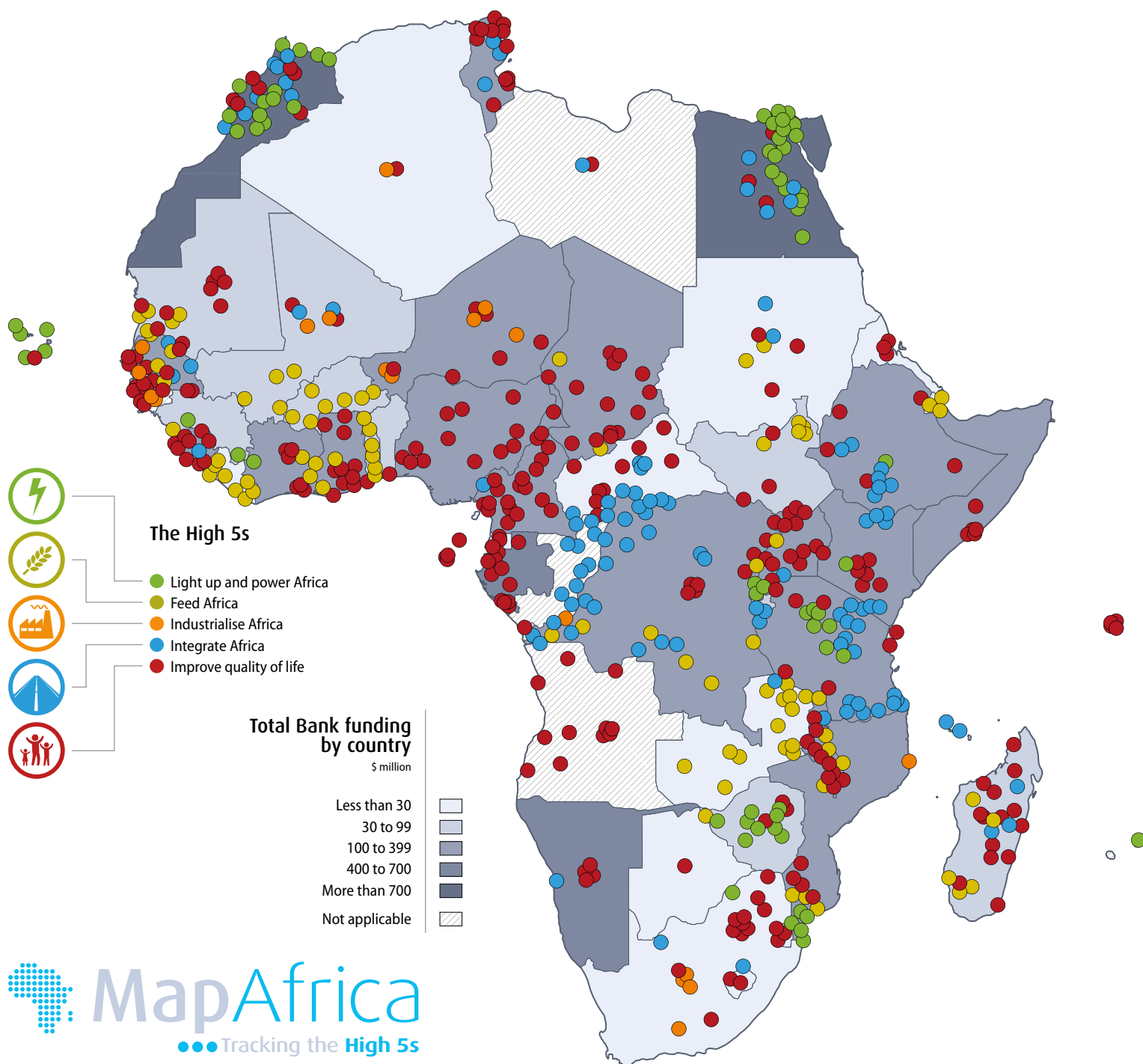
Box 1	Eskom's Distributed Battery Energy Storage Project: A first in Africa	8
Box 2	Kenya's Last Mile Connectivity Project: Principal results and lessons learnt	9
Box 3	How the crisis in Russia and the Ukraine will affect food and agriculture in Africa	13
Box 4	Avocado oil: Reaping the benefits of agro-processing	15
Box 5	Bringing fertiliser financing from manufacturer to farmer	16
Box 6	Tracking Africa's progress on industrialisation	22
Box 7	Nourishing the potential of Africa's tech companies	22
Box 8	Seamless cross-border payments fuel intra-African trade	25
Box 9	Improving cross-border transport connectivity in the Central African Republic	27
Box 10	Equipping young Africans with skills for decent jobs	31
Box 11	Building climate resilience, raising yields	37
Box 12	Assessing fragility in Burkina Faso to build resilience	38
Box 13	Women's SMEs make good use of the Bank's support	38
Box 14	The Operations Academy: Reinforcing the knowledge of operational staff	44

## List of tables

Table 1	Access to clean energy must accelerate (progress in Africa)	8
Table 2	Light Up and Power Africa indicators (the Bank's contribution to development)	9
Table 3	Agricultural productivity must expand to cushion Africa from shocks (progress in Africa)	14
Table 4	Feed Africa indicators (the Bank's contribution to development)	15
Table 5	Value added, access to finance have room to grow (progress in Africa)	20
Table 6	Industrialise Africa indicators (the Bank's contribution to development)	22
Table 7	Integration is a piece of the puzzle (progress in Africa)	26
Table 8	Integrate Africa indicators (the Bank's contribution to development)	27
Table 9	On some indicators, the quality of life has been resilient (progress in Africa)	30
Table 10	Indicators on improving the quality of life for the people of Africa (Level 2)	31
Table 11	Recovery will take time (progress in Africa)	36
Table 12	Cross-cutting and strategic areas indicators (the Bank's contribution to development)	37
Table 13	How effectively is the Bank managing its operations? (Level 3)	42
Table 14	How efficiently is the Bank managing itself? (Level 4)	45

# Delivering impact in the Bank's five priority areas

This map plots the 1125 geographic locations of the 309 Bank operations that were completed between 2019 and 2021 in each of the High 5s.



The Bank remains committed to increasing the transparency of its operations. MapAfrica, its geocoding tool, focuses on five critical areas of the Ten-Year Strategy: *Light up and power Africa*, *Feed Africa*, *Industrialise Africa*, *Integrate Africa* and *Improve the quality of life for the people of Africa*. Explore our 14 733 project locations through the High 5s by visiting [mapafrica.afdb.org](http://mapafrica.afdb.org).





## Scaling up private investment

The African Development Bank is one of the biggest investors in African infrastructure. We have a strong track record of mobilising private investment.



# Foreword

## Returning Africa to its development path

Africa faces an extraordinary set of challenges. Following the devastating domino effects of the Covid-19 pandemic, economies must be rebuilt, and public services and long-term investment programmes restored.

At the same time, African countries must also manage the accelerating impacts of climate change, prepare for future health emergencies, and deal with the prospects of a global food crisis triggered by the war in Ukraine. They face these challenges in the context of rising debt and sharply constrained public resources. Rebuilding and development require investment. If countries are unable to mobilise the resources they need, their prospects of achieving the Sustainable Development Goals will recede.

In short, Africa's need for development finance has never been greater.

The African Development Bank has a unique role as Africa's development finance institution, and as a leading source of affordable finance for African countries. We have the privilege of being one of the most important investors in African infrastructure, with a strong track record of mobilising private investment.

Our emergency operations played an essential role during the pandemic, enabling governments to implement public health measures and extend social protection to those in need.

This year's Annual Development Effectiveness Review shows that our rapid Covid response facility helped train 130 000 health workers, provided social protection to nearly 30 million vulnerable households, and extended financing and advisory support to 300 000 small and medium enterprises.

We also pressed ahead with long-term investments in our strategic High 5 priorities, expanding access to electricity, improving transport connectivity, enhancing agricultural productivity, supporting industrialisation, integrating the continent, and substantially improving the lives of millions of Africans.

Given the new challenges facing Africa, coupled with the need to build a quality healthcare defence system, and with just eight years left to achieve the sustainable development goals, we need more ambitious plans for mobilising resources for Africa's development.

Despite the challenging context, I remain optimistic about Africa's return to recovery and growth. I call upon Africa's partners around the world to join us in embracing a bolder vision for financing Africa's development. Africa will not be defined by challenges, but by its ability to overcome challenges. Together, we will put Africa back on a sound trajectory for resilient growth and development.



A handwritten signature in red ink, which appears to be 'A. Adesina'. The signature is stylized and fluid, with a long horizontal line extending from the end.





















**Akinwumi Ayodeji Adesina**

President, African Development Bank Group












# Performance at a glance

## THE 2022 SUMMARY SCORECARD








### LEVEL 1 – WHAT DEVELOPMENT PROGRESS IS AFRICA MAKING?

Feed Africa	Light Up & Power Africa	Industrialise Africa
<ul style="list-style-type: none"> <li> Agricultural exports</li> <li> Agricultural value chains</li> <li> Malnutrition</li> </ul>	<ul style="list-style-type: none"> <li> Power infrastructure</li> <li> Access to energy</li> <li> Efficient energy use</li> </ul>	<ul style="list-style-type: none"> <li> Business climate</li> <li> Economic diversification</li> </ul>
Integrate Africa	Improve the Quality of Life	Cross-Cutting Areas
<ul style="list-style-type: none"> <li> Trade facilitation</li> <li> Regional integration</li> <li> Free movement of people</li> </ul>	<ul style="list-style-type: none"> <li> Poverty and inequality</li> <li> Unemployment</li> <li> Building skills</li> <li> Access to water</li> </ul>	<ul style="list-style-type: none"> <li> Gender equality</li> <li> Climate solutions</li> <li> Economic growth</li> <li> Governance</li> <li> Fragile situations</li> </ul>















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

Feed Africa	Light Up & Power Africa	Industrialise Africa
<ul style="list-style-type: none"> <li> Downstream markets</li> <li> Agricultural productivity</li> </ul>	<ul style="list-style-type: none"> <li> Electricity capacity</li> <li> Access to energy</li> <li> Efficient energy use</li> </ul>	<ul style="list-style-type: none"> <li> Development of enterprises</li> <li> Infrastructure network</li> </ul>
Integrate Africa	Improve the Quality of Life	Cross-Cutting Areas
<ul style="list-style-type: none"> <li> Infrastructure development</li> </ul>	<ul style="list-style-type: none"> <li> Access to water</li> <li> Skills development</li> <li> Employment</li> </ul>	<ul style="list-style-type: none"> <li> Country governance</li> </ul>

### LEVEL 3 – IS AfDB MANAGING ITS OPERATIONS EFFECTIVELY?

Development Impact	Quality and Speed	Gender and Climate
<ul style="list-style-type: none"> <li> Timely completion reports</li> <li> Development outcomes</li> <li> Sustainable outcomes</li> </ul>	<ul style="list-style-type: none"> <li> Quality of operations</li> <li> Time to first disbursement</li> </ul>	<ul style="list-style-type: none"> <li> Environmental/social risk</li> <li> Gender</li> <li> Climate</li> </ul>
Timely Execution of Operations	Proactive Project Management	Knowledge
<ul style="list-style-type: none"> <li> Timely procurement</li> <li> Use of national procurement</li> <li> Average execution time</li> </ul>	<ul style="list-style-type: none"> <li> Non-performing operations</li> <li> Timely implementation</li> <li> Timely portfolio reviews</li> </ul>	<ul style="list-style-type: none"> <li> Knowledge and advisory services</li> </ul>

### LEVEL 4 – IS AfDB MANAGING ITSELF EFFICIENTLY?

Decentralisation	Climate Finance	Engaging Staff
<ul style="list-style-type: none"> <li> Decentralisation</li> <li> Country presence</li> </ul>	<ul style="list-style-type: none"> <li> Climate finance</li> </ul>	<ul style="list-style-type: none"> <li> Vacancy rate</li> <li> Time to fill vacancies</li> <li> Operations professional staff</li> <li> Employee engagement</li> <li> Managerial effectiveness</li> <li> Gender diversity</li> </ul>
Value for Money	Financial Performance	
<ul style="list-style-type: none"> <li> Project implementation cost</li> <li> Administrative costs</li> <li> Project preparation costs</li> </ul>	<ul style="list-style-type: none"> <li> Private resource mobilisation</li> <li> Public resource mobilisation</li> </ul>	



The Annual Development Effectiveness Review (ADER) assesses the Bank's contribution to the Bank's 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).<sup>1</sup>

This year's edition of the ADER reflects the impact of the Covid-19 pandemic, both on the Bank's clients and on the Bank's operations. Although the easing of Covid-19 restrictions put many regions of the continent back on a growth trajectory, economic recovery remains uneven and fragile. Continued vulnerabilities and new health measures pushed an additional 30 million Africans into extreme poverty in 2021. In addition, the challenging operating environment negatively affected the Bank's ability to conduct its business. Covid-19-related travel restrictions, for example, delayed project appraisal, procurement, supervision, and completion. As a result, a third of our operations experienced implementation challenges and delays in 2021.

The 2022 scorecard summarises this year's performance. It shows at a glance how effectively the African Development Bank contributed

to Africa's development in 2021. 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





















Each arrow is an aggregate indicator: it summarises progress against multiple indicators. So, for example, the green arrow (↗) for **Power infrastructure** tracks progress against two indicators: **Total installed electricity capacity (GW)** and **Installed renewable capacity (GW)**. Since both of these indicators made progress in 2021, the aggregate indicator is green. The methodology for determining the colour of the arrows and indicators is explained in the Annex. The Bank's performance on each key performance indicator is discussed in the respective chapters. For comparison, see the 2021 summary scorecard, below.

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.




<sup>1</sup> The methodology used to produce the Annual Development Effectiveness Review is explained in the Annex.

## 2021 SUMMARY SCORECARD<sup>2</sup>

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

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<ul style="list-style-type: none"> <li> Downstream markets</li> <li> Agricultural productivity</li> </ul>	<ul style="list-style-type: none"> <li> Electricity capacity</li> <li> Access to energy</li> <li> Efficient energy use</li> </ul>	<ul style="list-style-type: none"> <li> Development of enterprises</li> <li> Infrastructure network</li> </ul>
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### LEVEL 4 – IS AfDB MANAGING ITSELF EFFICIENTLY?

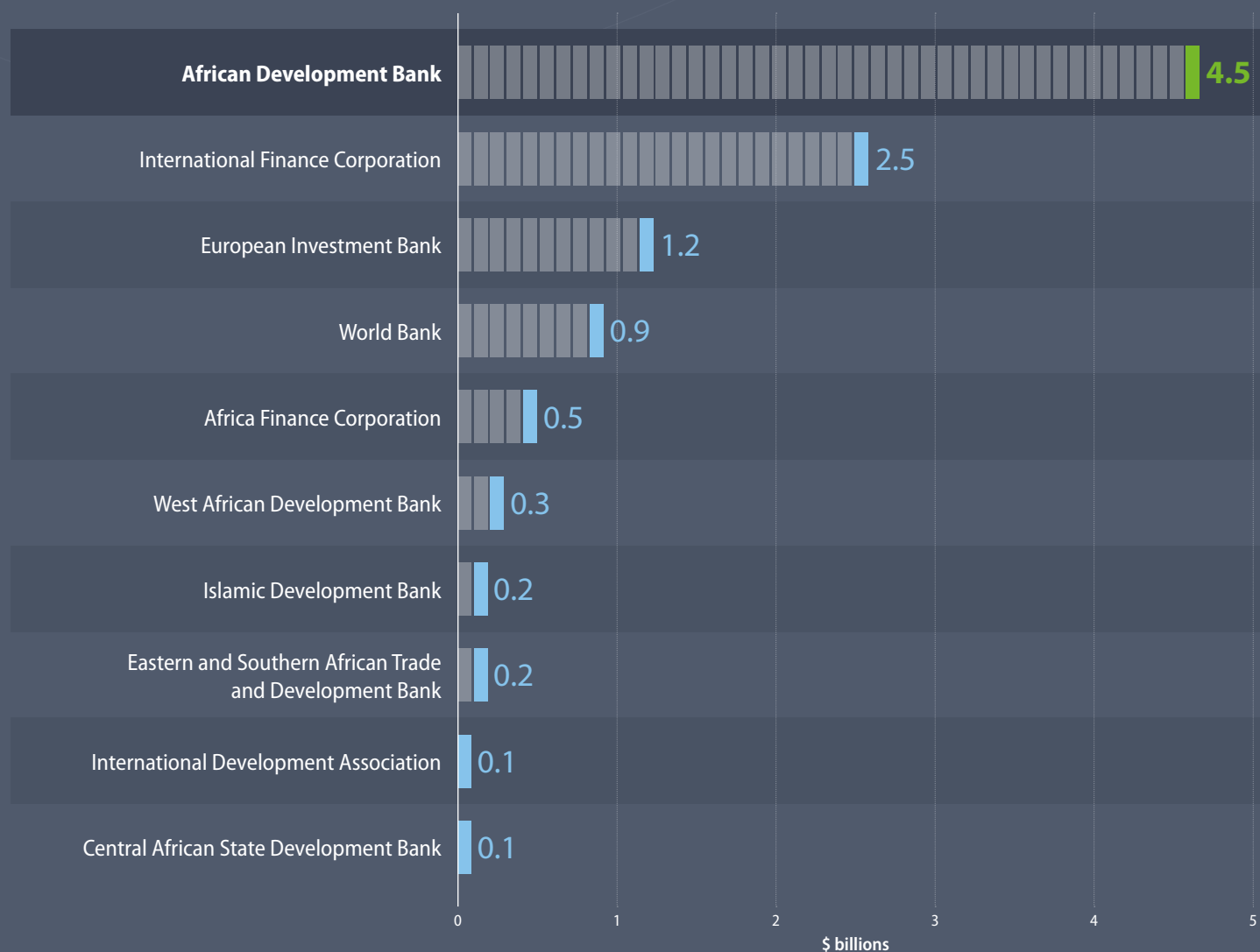
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<sup>2</sup> Summarises 2020 performance. A summary scorecard of 2019 performance is available [here](#).

# The African Development Bank: Best-in-class for mobilising infrastructure finance

Africa can't build the infrastructure it needs without private financing: the infrastructure gap is too big for governments and international institutions alone to fill. The African Development Bank supplies vastly more finance for infrastructure projects with private sector participation in Africa than any other multilateral development bank.

## Infrastructure finance provided by multilateral development banks with private sector participation, 2007–2020



The Center for Global Development, which analysed the figures, urges multilateral development banks to “use their broad toolkits to catalyze more private infrastructure finance, including from local sources and in social sectors.” The need is urgent, writes the Center. More information is available [here](#).





## Energy and prosperity go hand-in-hand

The Bank invests in programs that make electricity more accessible and stimulate productivity. Kenya's Last Mile Connectivity project supplies electricity for agriculture and enterprise.



# Chapter 1

## Light up and power Africa

**W**hen it comes to energy, African countries have two goals: making energy accessible to everyone and reducing greenhouse gas emissions overall. To secure those goals, investments in energy infrastructure need to grow dramatically while, at the same time, local, national, and regional energy systems transition to renewable sources.

### Access to energy: Progress and constraints

The United Nations' Sustainable Development Goal 7 aims to achieve universal access to affordable, reliable, sustainable, and modern energy by 2030. Expanding access to energy is also a growing focus of national development efforts across Africa and one of the Bank's core priorities. The continent made good progress on this priority from 2015 to 2021, as the proportion of the population with access to electricity increased from 42% to 56%. The Covid-19 pandemic flattened the curve, however, and the rate of investment is still below what is required to achieved universal access by 2030.



*Energy and prosperity go hand-in-hand. In Ethiopia, rural electrification created economic opportunities worth \$4 billion*

The pandemic has highlighted the importance and urgency of extending access to electricity, as well as the inequality of access today. Reliable energy is critical for powering healthcare facilities; for supplying clean water for drinking, sanitation, and hygiene; and for ensuring that businesses can operate safely and effectively. About 70% of medical devices in developing countries fail because of poor power quality, and only 28% of healthcare facilities have reliable electricity. In the healthcare sector, unreliable electricity can ruin vaccines in storage and hinder the rollout of Covid-19 and other vaccination campaigns.

Progress in extending access to energy has been hampered by a decline in foreign direct investments. In 2020, the pandemic caused foreign direct investment to Africa to drop by 13%. This interrupted or halted energy infrastructure projects across the continent and placed more pressure on governments to fill energy gaps. A recovery of foreign direct investment in 2021 is expected to revive investments in infrastructure, including energy infrastructure. It will also help meet the funding gap of about \$100 billion per year needed to meet Africa's demand for electricity during 2020–2040.

Improving access to energy has significant benefits for quality of life across Africa by making cooking and household chores less time-consuming or by making it possible for children to study in the evening. Better access to energy also makes businesses more productive and able to generate more and better jobs. In East Africa, one-third of people who purchased a solar home system in 2020 used the system to extend their working hours or increase entrepreneurial activity. This increased the average income for the region by 14%. In Ethiopia, rural electrification stimulated agricultural transformation through the productive use of energy across key agricultural value chains (such as grain milling, bread baking, coffee processing), creating economic opportunities worth \$4 billion. And more reliable electricity in Africa could increase tax revenue by over 4% annually.

Generating more electricity is vital for African countries to tackle the twin challenge of scaling up access and reducing carbon emissions. People across the continent rely heavily on back-up generators, which are estimated to consume one of every five litres of diesel and petrol used in Africa—equivalent to 20% of emissions from vehicles. In a continent with considerable potential for renewable energy, generating more electricity from renewable sources or using mini-grids could significantly reduce consumers' reliance on inefficient, carbon-intensive forms of generation.

Increasing use of renewable energy also makes sense for household cooking and heating. The widespread use of fossil fuels and solid biomass—wood, manure, and charcoal—harms the environment and human health: it depletes forests and causes indoor pollution. Almost 490 000 premature deaths per year are related to indoor pollution. In Africa, investments in clean cooking solutions and national cookstove programmes have not kept pace with population growth. Thus, the share of Africa's population with access to clean cooking methods dropped from 32% in 2015 to 29% in 2021, even as access increased marginally in low-income ADF countries and transition states. African countries are also investing in clean energy, with installed renewable generation capacity growing to 54 GWs in 2021 from 35 GWs in 2017 and increasing modestly as a share of total generation capacity. But the lack of investment finance continues to constrain progress.

Table 1 Access to clean energy must accelerate (progress in Africa)

INDICATOR	ALL AFRICAN COUNTRIES		ADF COUNTRIES		TRANSITION STATES	
	Baseline 2015	Latest 2021	Baseline 2015	Latest 2021	Baseline 2015	Latest 2021
➤ Share of population with access to electricity (% population)	42	56	24	41	22	29
➤ Total installed electricity capacity (GW)	168	231	31	42	13	17
➤ Installed renewable capacity (GW)	33	54	20	26	8	10
➤ Share of population with access to clean cooking solutions (% population)	32	29	10	12	9	12
➤ Electricity losses through transmission, distribution, and collection (%)	15.0	17.1	16.8	15.6	15.4	14.7

➤ Improvement over baseline    ➤ ➤ Deterioration

### Energy and climate change

Africa countries are highly vulnerable to the effects of climate change, and urgently need more investments in adapting economies and infrastructure to climate change. Over a decade ago, developed countries made a long-term commitment to providing developing countries with \$100 billion per year to finance climate actions. This commitment was reiterated in 2021 at the COP26 climate conference in Glasgow, but the deadline for providing the finance was delayed until 2025.

#### Box 1 Eskom's Distributed Battery Energy Storage Project: A first in Africa

Eskom Holdings is South Africa's public electricity utility and the largest public utility in Africa. The Distributed Battery Energy Storage Project will help Eskom harness battery storage technology to generate more electricity from reliable, efficient, and renewable sources. With support from the Clean Technology Fund, a multi-donor trust fund under the Climate Investment Funds of which the Bank is an implementing agency, the project will develop 200 MW of battery storage with four hours of storage capacity per day (the equivalent of 800 MWh in total) at seven sites in South Africa's Western Cape, Northern Cape, Eastern Cape, and KwaZulu-Natal provinces. Once the storage is onstream, Eskom will be able to dispatch electricity sourced from variable renewable energy that would otherwise have been wasted, reducing the country's reliance on fossil fuel-generated electricity at peak times of the day.

This utility-scale battery storage project—the first of its kind in Africa—will avoid 292 000 tons of CO<sub>2</sub> emission equivalents and help South Africa meet its ambitious nationally determined contribution. The project demonstrates the African Development Bank's strong commitment to supporting South Africa's Just Energy Transition plans, which prioritise investing in new low-carbon generation capacity and new technologies such as battery storage. The intervention will also inform the rollout of similar projects across the continent as African countries strive to meet their net zero emissions targets by 2050.

Despite this set-back, some African countries left COP26 with financial commitments. For example, South Africa received funding pledges of \$8.5 billion to support its efforts to phase out coal, which currently generates about 80% of the country's power (Box 1).

### The Bank's support for the energy sector

The Bank's work on energy is guided by the Strategy for the New Deal on Energy for Africa—a strategic framework that guides efforts to secure universal, cost-effective, affordable, and reliable access to electricity across Africa. The New Deal on Energy emphasises the transition to clean and renewable energy. It is accompanied by the Regional and Sub-regional Project Acceleration Program, which aims to speed up the design and approval of energy infrastructure projects.



*The Bank's investments supplied 1.3 million people with electricity connections in 2021. In Morocco, almost 100% of rural areas now have access*

The Bank supported the installation of 294 km of **new or improved power transmission lines** and 456 km of **new or improved power distribution lines** in 2021<sup>1</sup>. These investments enabled the Bank to provide around 1.3 million people with **new electricity connections**. This includes, for example, a \$93.5 million loan to Morocco for the development of its electricity transmission and distribution network. Through this project, 620 km of new transmission lines were developed, and six substations were constructed or rehabilitated. This improved the reliability and quality of electricity supply in Morocco. The project also integrated renewable energy sources into the power system and facilitated the completion of Morocco's rural electrification program, which increased access to electricity in rural areas from 18% in 1995 to 95% in 2008 and almost 100% in 2019.

<sup>1</sup> To assess the Bank's development impact in 2021 while minimising the volatility of the data, the ADER averages data over the last three years (2019–2021). See the Annex for more details on the methodology.



Table 2 Light Up and Power Africa indicators (the Bank's contribution to development)

INDICATOR	ALL AFRICAN COUNTRIES			ADF COUNTRIES		TRANSITION STATES	
	Baseline 2015	Latest 2021	Target 2021	Baseline 2015	Latest 2021	Baseline 2015	Latest 2021
➔ New renewable power capacity installed (MW)	24	72	560	20	56	4	16
➔ People with new electricity connections (thousands)	73	1306	2400	73	1306	36	36
➔ of whom women	36	616	1200	36	616	16	17
➔ People connected through off-grid systems (thousands)	-	53	1200	-	53	-	-
➔ of whom women	-	27	600	-	27	-	-
➔ People provided with clean cooking access (thousands)	-	2	3200	-	2	-	-
➔ of whom women	-	1	1600	-	1	-	-
➔ New or improved power transmission lines (km)	69	294	576	69	120	18	4
➔ Emissions reductions in energy (thousand tons CO <sub>2</sub> )	17	1066	1800	10	1030	1	-
⚠ New total power capacity installed (MW)	490	285	880	80	62	4	16
⚠ New or improved power distribution lines (km)	875	456	3520	875	456	381	60

➔ Achieved less than 95% of 2021 target ⚠ Achieved less than the baseline

In Kenya, an impact evaluation carried out by the Bank's independent evaluation unit demonstrated the positive impact of the Last Mile Connectivity Project, part of a multi-donor programme (Box 2). The Bank is applying the lessons learned from the project to design future operations.

The Bank also provides technical assistance to strengthen the institutions that manage and regulate energy systems. For example,

in 2021 we supported systems to make the regulatory process more transparent in Ghana. The result was an innovative mechanism for tracking and monitoring utility performance and consumer complaints.

The Bank has scaled up its support for renewable energy. In 2021, our operations helped install 72 MW of **new renewable power generation capacity**. In 2022, we contributed a \$380 million flagship renewable energy project to the Desert to Power G5 Financing

### Box 2 Kenya's Last Mile Connectivity Project: Principal results and lessons learnt

In 2014, the Government of Kenya launched its multi-donor Last Mile Connectivity Project with the objective of achieving universal access to electricity by 2022. The project especially targeted low-income populations in peri-urban and rural areas. The project was implemented in 45 counties in four phases. The Bank financed Phase I in 2014 and approved Phase II in 2016.

An impact evaluation by IDEV, the Bank's independent evaluation unit, documented the positive impacts of the project and identified lessons learned. The evaluation also recommended improvements in the design of future operations to increase energy access in African countries.

#### Principal lessons and recommendations

- ▶ Integrating complementary income-generating interventions into electricity access programs promotes the productive use of electricity, e.g., the use of electricity for enterprises and agricultural activities.
- ▶ The financial sustainability of the electric utility is critical to the quality and reliability of the electricity that is supplied to eligible households.
- ▶ An effective project communication strategy is key to increasing beneficiaries' participation in electrification projects and sustaining the project's results.

#### Principal results

- ▶ The project addressed affordability barriers—namely, high upfront connection fees—by extending the distribution network to reach customers within 600 meters of a transformer. In addition, the Stima loan facility gave customers the option of paying the connection fee in instalments over three years.

#### Access to electricity

 2.2 million people with access to electricity (Phase I and II)

 \$150 connection fee per customer, down from \$350

 75% national electrification rate in 2021, from 32% in 2013

#### Education outcomes

 46% increase in probability of studying at night


 National secondary examination test scores improved

#### Socioeconomic significance

 Time spent by women on leisure activities increased; no effect on women's economic empowerment

 Improved social capital/ties and awareness about current events

 No significant effect on household income or wealth creation

 Reduced use of kerosene lamps; no impact on respiratory health

Facility.<sup>2</sup> The facility assists five Sahel countries—Burkina Faso, Chad, Mali, Mauritania, and Niger—to move to a low-emission power generation pathway using solar energy. About 500 MW of additional solar capacity will be generated, giving 695 000 households greater access to electricity. The facility expects to reduce carbon emissions by over 14.4 million tons.

We have also been promoting renewable energy projects to support the recovery from Covid-19. Our Covid-19 Off-Grid Recovery Platform will provide \$20 million in concessional funding and is expected to leverage up to \$40 million in commercial investments. Our work to provide energy access through decentralised renewables and clean cooking solutions is also bearing fruit: 53 000 people were **connected through off-grid systems** and 2 000 people provided with **clean cooking access**.

The Bank is investing in knowledge products about renewable energy. Our 2021 report *Harnessing Ocean Resources to Expand Sustainable Energy Solutions* explores the potential of oceans and offshore renewable energy sources across coastal Africa, identifying

geographical areas that may become valuable components of future energy systems. The report also seeks to inform policymaking, planning, and investment in blue economy strategies in Africa.

During 2021, the Bank continued catalysing climate finance and action in Africa. Our flagship climate programmes include the Africa Adaptation Acceleration Programme, the Adaptation Benefit Mechanism, and the Sustainable Energy Fund for Africa (SEFA). SEFA, in particular, promotes energy access by unlocking investments in renewable energy and energy efficiency. It focuses on green mini-grids and green baseload.

Finally, at COP26, the Bank advocated for African voices and priorities on climate change and helped shape a global narrative on a just energy transition that reflects African realities. Indeed, promoting a just energy transition for African nations is one of our priorities (see section on climate change in chapter 6). In October 2021, the Bank adopted its Climate Change and Green Growth Framework—made up of a strategic policy, a long-term strategy, and an action plan—for the Bank's climate-related activities through 2030. ■

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<sup>2</sup> The total value of the facility is estimated at \$1 billion. Finance is still being mobilised from the Green Climate Fund, other co-financiers, and the private sector.







## Harnessing technology for agriculture

Smart farming and technological innovation boost agricultural productivity. In Tunisia, the Bank is piloting the use of drones and training young Tunisians to better manage farming.



# Chapter 2

## Feed Africa

**A**frica has considerable potential to increase agricultural production to meet local demand and substitute local food for imports. Africa needs to expand agricultural production and create more jobs in agro-processing, to ensure that food is available and that households can afford it.

### Raising food production in Africa, for better food security

Africa has been a net importer of agricultural produce since the 1980s. Food production in Africa has lagged behind population growth, and the gap in supply has been met by imports. Dependence on food imports is projected to rise to \$110 billion by 2025. This contributes to a significant deficit in Africa's net agricultural trade balance. In 2021, the deficit reached \$36.3 billion.



*Africa has an ample workforce and vast amounts of fertile land. But agricultural yields are among the world's lowest, and food dependence is growing*

One reason for the deficit is that yields in Africa are well below yields in other regions. For example, low-income African countries produce 1.3 tons of cereals per hectare: this is half of India's yield per hectare and less than a quarter of China's. As a result, even though living standards in many African countries have risen over the last two decades, one in five Africans faced hunger in 2020. The Covid-19 pandemic slowed progress further, and levels of hunger and malnutrition rose higher still.

Meanwhile, extreme climate events and conflicts in Africa and other regions—such as in the Ukraine in 2022—could significantly worsen the supply of cereals and fertilisers in African countries and beyond, making food more expensive and aggravating food insecurity and malnutrition (Box 3).

That is why improving Africa's agricultural productivity, especially staples, is vital. Higher productivity would make it possible to produce local food more efficiently and cheaply and improve nutrition levels. Raising agricultural productivity is also the most direct way to lift incomes and tackle poverty. Higher productivity stimulates the expansion of agricultural value chains, since small and medium-sized enterprises engaged in food processing acquire 95% of their food supplies from smallholder farmers.

The Bank's Technologies for African Agricultural Transformation (TAAT) is a continental initiative to raise agricultural productivity by delivering proven climate-resilient technologies to increase the output of heat-tolerant wheat varieties and other crops. In Ethiopia, wheat yields have increased from 2 ton/ha to 4 ton/ha, and in 2021/2022, total production reached 7 million metric tons, equivalent to 80% self-sufficiency. Similarly in Sudan, wheat self-sufficiency grew from less than 20% in 2014/15 to 50% in 2020/21, producing more than 1 million metric tons. This puts the two countries on a path to full wheat self-sufficiency in the coming years. TAAT targets 40 million African farmers.

### Transforming agriculture with agro-industrial value chains

Developing Africa's agro-processing capacity is vital to modernising agriculture, promoting economic transformation, and creating jobs. In Côte d'Ivoire, for example, food processing is the largest contributor to value addition and the second-largest formal employer.

On average, African producers add more value to goods traded regionally within Africa than to goods exported from Africa. As a result, the African Continental Free Trade Area (AfCFTA) is expected to be an important channel for expanding production and trade in processed agricultural goods. However, many countries exclude processed agricultural goods from tariff reductions under AfCFTA in order to protect their own producers. It is important that opportunities

#### Box 3 How the crisis in Russia and the Ukraine will affect food and agriculture in Africa

In global markets, Ukraine and Russia supply 30% of wheat, 20% of maize, and 60% of sunflower oil. In Africa, wheat imports account for about 90% of the continent's \$4 billion trade with Russia and nearly half of Africa's \$4.5 billion trade with Ukraine. In 2020, 14 African countries sourced more than 40% of their wheat imports from Russia and Ukraine (Figure 1). Initial analyses of the war in Ukraine suggest that international food and feed prices could rise by 8%–22% over already elevated levels and that the number of malnourished people could swell by 7.6 million in the short term, particularly in the Asia-Pacific and in Africa (FAO, 2022).

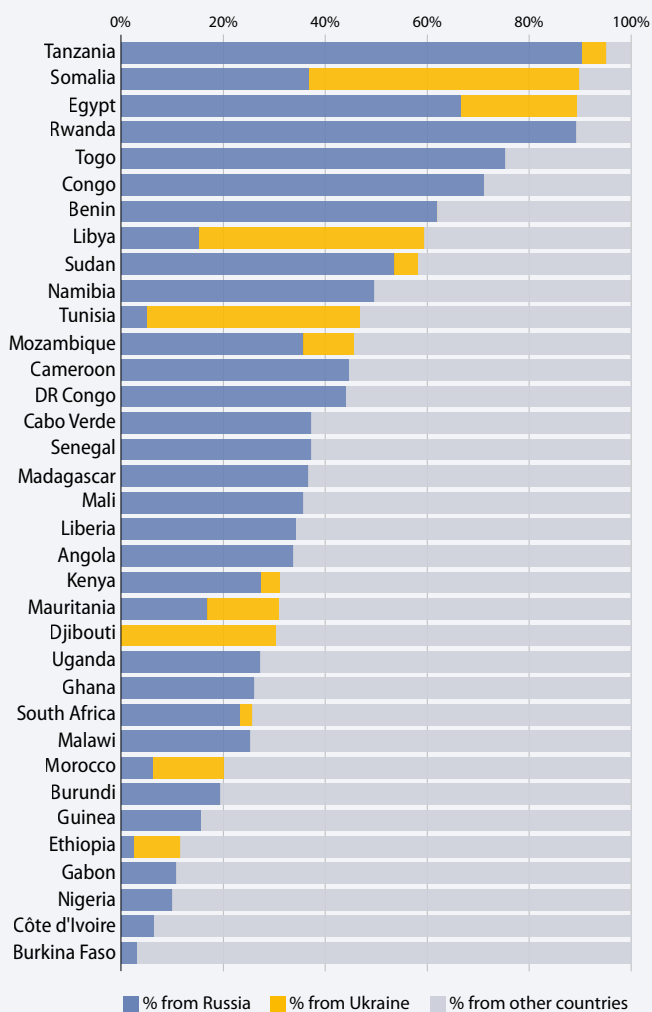
Table 3 Agricultural productivity must expand to cushion Africa from shocks (progress in Africa)

INDICATOR	ALL AFRICAN COUNTRIES		ADF COUNTRIES		TRANSITION STATES	
	Baseline 2015	Latest 2021	Baseline 2015	Latest 2021	Baseline 2015	Latest 2021
📈 Agricultural productivity (constant 2010 \$ per worker)	1544	1773	689	990	797	839
📈 Africa's net agricultural trade balance (\$ billion/year)	-38.9	-36.3	-0.7	-6.4	-7.2	-10.5
📈 Africa's share of market value for key processed commodities (%)	10.3	12.9	9.3	11.9	2.0	1.9
📈 Fertiliser consumption (kilograms per hectare of arable land)	25	29	14	18	6	7
➡ Cereal yield (ton/hectare)	1.6	1.6	1.3	1.3	0.8	1.0
📉 Number of people hungry/malnourished (millions)	240	248	173	154	80	90
📉 Prevalence of stunting among children under 5 (%)	25.2	31.2	25.8	33.7	38.9	37.2
📉 of whom girls	32.4	28.2	35.3	30.8	37.9	34.2

📈📈 Improvement over baseline   ➡ Stability   📉 Deterioration

Figure 1 African countries depend heavily on wheat imports from Ukraine and Russia

## Wheat import dependency in 2020 (%)



Source: United Nations

for trade linkages in agro-processed goods are explored fully even as vulnerable producers are helped to become more competitive.

It is critical that African countries export more processed agricultural products abroad. At the same time, local agricultural value chains contribute the most to inclusive growth. Success of local value chains requires the adoption of productivity-enhancing technologies: for example, improved seed varieties, better fertilisers, more efficient irrigation systems, and more productive farming methods, such as hydroponics for vertical farming.

African governments and partners must therefore increase their support of small-scale producers, giving them opportunities to develop relationships with larger local and international businesses that can supply technical support and other kinds of support down the value chain. This is all the more important in light of Africa's post-Covid-19 recovery, as it would create jobs and increase the continent's security and resilience around food.

### The Bank's contribution to developing agriculture

Improving agricultural growth and nurturing agricultural productivity is one of the Bank's priorities. The Bank has invested significantly in supporting African governments and the private sector to close gaps in infrastructure, agricultural inputs, and financing. The agro-industrial project in the Belier region of Côte d'Ivoire, for example, constructed 542 km of feeder roads linking farmers to rural markets. Across the continent, the Bank **built or rehabilitated over 1300 km of feeder roads** in 2021. Although this figure is above the 2015 baseline, it falls short of the 2021 target.

One of the flagship initiatives under the Bank's Feed Africa Strategy is the development of agro-industrial parks, or special agro-industrial processing zones (SAPZs). SAPZs are agro-based spatial development initiatives that seek to transform agriculture by creating an integrated hub of commercial activity that covers

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

INDICATOR	ALL AFRICAN COUNTRIES			ADF COUNTRIES		TRANSITION STATES	
	Baseline 2015	Latest 2021	Target 2021	Baseline 2015	Latest 2021	Baseline 2015	Latest 2021
➔ Feeder roads built or rehabilitated (km)	800	1386	1500	800	1386	254	637
⬇️ People benefiting from improvements in agriculture (millions)	6.0	3.7	6.3	5.3	3.6	0.5	1.0
⬇️ of whom women	2.9	1.6	3.1	2.6	1.5	0.2	0.5
⬇️ Land with improved water management (thousand hectares)	45.5	9.5	47.8	20.3	8.3	0.4	3.3
⬇️ Rural populations using improved farming technology (millions)	0.60	0.07	0.63	0.60	0.07	0.02	0.02
⬇️ of whom women	0.30	0.03	0.31	0.30	0.03	0.01	0.01

➔ Achieved less than 95% of 2021 target ⬇️ Achieved less than the baseline

#### Box 4 Avocado oil: Reaping the benefits of agro-processing

In 2021, the Bank invested in developing four special agro-industrial processing zones (SAPZs) in Ethiopia. The Government of Ethiopia built sample processing facilities in each park, to serve as a model that private sector businesses could replicate. A total of 111 investors have shown interest and 17 have already set up factories.

Sunvado Avocado Oil Factory, located in the Yirgalm Park in Sidama region, has secured over \$1 million in investment for exporting avocado oil to the international market. The factory collects 100 tons of avocado daily, mostly from local growers. Currently, 88 000 farmers are involved in the business: of these, 73 000 farmers sell directly to the factory. Twenty producer cooperatives have formed, and 245 new jobs have been created.

The factory has filled 27 export orders for avocado oil so far, and its business continues to grow.

production, processing, logistics, and marketing to harness the agricultural potential of rural areas. By attracting private investments, these zones will boost productivity and trade, promote agro-processing activities, encourage entrepreneurs, and create jobs. Seven SAPZ projects are being implemented in Côte d'Ivoire, Ethiopia, Guinea, Mali, Madagascar, Senegal, and Togo. Six more SAPZs were approved in 2021, and seven others are under development (Box 4).



*Feeder roads, more water and fertiliser, affordable finance—the Bank's investments are reaching millions of farmers, men and women*

The Bank is also scaling up operations that enable Africa's farmers to access affordable financial services, which are vital to their ability to expand production and manage cashflow. The Bank's support through Tanzania's Agricultural Development Bank facilitated the provision of 198 loans to intermediary financial institutions, which provided financial services to 2.4 million farmers in turn. The financing helped increase paddy production and crop exports such as cashew, cotton, cloves, and sisal.

Improved water management is crucial for better agricultural productivity in Africa, especially given irregular rainfall and intensifying climate change. Our work on better managing water in 2021 delivered 9500 hectares of **land with improved water management**. Our projects to develop irrigation and modernise water infrastructure are improving rice production in Zambia and palm oil plantations in Cameroon, raising food and nutrition security and increasing incomes.

To help Africa's farmers use more fertiliser, the Bank facilitated the development of sustainable, competitive fertiliser business models in Côte d'Ivoire, Ghana, Mozambique, Nigeria, and Tanzania. In Ghana, its support led to the creation of 12 hub networks of producers serving 483 retail outlets. In Mozambique, it supported 30 production hubs that serve 160 retail outlets (Box 5).

The Bank also supports fisheries and aquaculture in a range of countries to promote diverse, nutritionally rich diets and make livelihoods more secure. Our operation in the Great Lakes region promoted transboundary cooperation, improved fishing communities' livelihoods, and made the use of fisheries and allied natural resources more sustainable in the Lakes Edward and Albert Basin.

As diverse as is the portfolio of the Bank's agricultural investments, our programmes all have one thing in common: they benefit

### Box 5 Bringing fertiliser financing from manufacturer to farmer



The Bank's Africa Fertiliser Financing Mechanism uses partial credit guarantees to make financing for the fertiliser value chain more affordable and more widely available. By compensating for borrowers' lack of collateral and encouraging suppliers and agro-dealers to sign partnerships, the mechanism improved access to quality fertiliser for 966 retail agro-dealers and 570 239 smallholder farmers in Tanzania.

Fideline Mahenge, a local distributor of agricultural inputs in Mafinga (Iringa region), is a beneficiary of the project. "I started my business in 2001. But when I reached out to different fertiliser suppliers, they could not support me, due to my small capital," she says. The credit facility made it possible for Fideline to grow her business and in 2020, she supplied approximately 12 000 farmers with fertiliser. She now employs nine young people.

African farmers. In 2021, 3.7 million people—1.6 million of whom were women—**benefited from improved agriculture** through our operations. This is lower than the targeted level and last's year performance. Previous reporting periods included projects with a high number of beneficiaries on their own, such as the multinational Lake Chad Basin Sustainable Development Programme. The Bank

will seek opportunities to scale up its support for African agriculture in the coming years, to help this key sector realise its potential and mitigate the food crisis that might arise from the war in Ukraine. Our increase in support continues the upward trajectory of the share of the Bank's financing that has been invested in agriculture since 2016 (2020 excepted). ■







## Supporting the building industry

The construction sector drives economic growth and supports jobs. In Democratic Republic of Congo, Nyumba ya Akiba cement factory creates jobs and reliably supplies cement for infrastructure and housing.



# Chapter 3

## Industrialise Africa

**A**cross Africa, industry is continuing to recover from the major disruption caused by the Covid-19 pandemic. The focus must now be to accelerate the pursuit of valuable opportunities to develop industry across the continent.

### A turbulent year for industrial development

2021 was another turbulent year for African industry as the Covid-19 pandemic, which had emerged in early 2020, continued to disrupt two decades of sustained industrial expansion across the continent. In the early part of 2021, however, the industrial sector of many African countries showed early signs of recovery. For example, Ghana benefited from high demand for its exports in the first months of the year, and in Rwanda, industrial growth had accelerated to 25.1% year-on-year by June.

Recovery slowed in mid-2021, however, as more transmissible variants of Covid-19 emerged, and governments added measures to slow the virus's spread. In Ghana, industrial production fell by 14.2% month-on-month in June, and in Rwanda, industrial growth slowed to 6.2% year-on-year in July. Across Africa, gross fixed capital formation—a broad measure of investments—contracted by 5.7% and industrial gross domestic product contracted 6.8% over the year, even as value added in manufacturing remained stable.



*The pandemic disrupted two decades of industrial expansion. But the AfCFTA is creating momentum, and venture capital is growing*

Despite these setbacks, there are many reasons to be optimistic about the prospects for industrial development in Africa in 2022 and beyond. The Africa Continental Free Trade Area (AfCFTA) is facilitating economic collaboration across borders. Growing demand in Africa's cities for consumer goods is creating markets for new products and expanding digital connectivity will stimulate new forms of commerce.

### Expanding private investment in African industry

The Covid-19 pandemic has highlighted concerns about the pace of industrialisation in Africa and continuing structural vulnerabilities in many African countries. These include weaknesses in industrial policies, poor transport infrastructure, skills constraints, and limited trade-related services (e.g., logistics and trade finance). Research suggests that addressing these constraints would add more value

to African industry than would completing the removal of tariff barriers. Even before the pandemic, trade costs in Africa were increasing. The pandemic worsened the problem.

Two key steps in addressing these vulnerabilities are to create an environment that attracts private investment into industry and to support infrastructure. This will increase industrial productivity, output, and employment. Yet greenfield foreign direct investment to Africa shrank during the Covid-19 pandemic, from an average of \$78.4 billion per year during 2015–2019 to just \$32.3 billion in 2020–2021. On a more positive note, tech companies with a majority of their operations and users in Africa raised \$5.2 billion from venture capitalists in 2021, three times the amount raised in 2020.

Private investors in African industry and infrastructure also face a range of risks and challenges related to the quality of investment projects, fluctuations in local currencies, and the difficulties of securing exit from investments. The Bank and other development finance institutions are playing an important role in mitigating these risks through initiatives such as the Africa Investment Forum.

Another area that is demonstrating significant potential, and whose development could stimulate productivity across the economy, is information and communication technology (ICT). The ICT sector contributed 9% of Africa's GDP in 2019, generated 1.7 million direct jobs, and added \$144 billion in economic value and \$15.6 billion in tax revenue. A recent survey of firms in 13 African countries found that one company in five had started using or had expanded its use of digital technology (the internet, social media, and digital platforms) in response to Covid-19 disruptions. To build on this momentum, a range of policies will be needed, among other things to strengthen regulatory frameworks, develop risk-sharing mechanisms for investors, and improve skills in the field.

Finally, the AfCFTA is creating important momentum for African industry to expand and transform. Reducing barriers to trade within Africa is expected to stimulate private investment in African industry, as external and internal investors respond to the growing demand for industrial goods across the continent.

Table 5 Value added, access to finance have room to grow (progress in Africa)

INDICATOR	ALL AFRICAN COUNTRIES		ADF COUNTRIES		TRANSITION STATES	
	Baseline 2015	Latest 2021	Baseline 2015	Latest 2021	Baseline 2015	Latest 2021
📈 Gross fixed capital formation (constant 2010 \$ billion)	504	596	138	196	44	58
📈 Industrial gross domestic product (constant 2010 \$ billion)	619	712	113	197	34	69
📈 Value added of manufacturing (constant 2010 \$ billion)	222	315	46	74	16	24
📈 Access to finance (% population)	37	42	24	20	9	12
➡ 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	0.67
📈 Global competitiveness (Index, 1 low-7 high)	3.64	3.41	3.48	3.17	3.23	2.95

📈 Improvement over baseline ➡ Stability 📉 Deterioration

### The Bank's support for industrial development

The Bank has a long history of supporting industrial development across Africa. Our work in this area is guided by our Industrialisation Strategy for Africa. One of the strategy's six flagship programs is to develop industry value chains and enterprises.

“*The Bank finances more infrastructure than any other multilateral development bank. And we are ramping up public-private partnerships and co-financing*”

The Bank is stimulating private investment in Africa's companies. In 2021, the **number of people benefiting from our investee projects** grew to 3.4 million, up from 1.4 million in 2020, while the level of **government revenue generated by investee projects** increased markedly, to nearly \$2 billion. This included a \$43 million eight-year line of credit to Coris Bank International in Burkina Faso. The financing was then on-lent to 28 small and medium enterprises (SMEs), which collectively paid \$28 million in taxes, well above the \$5 million targeted.

Bank programmes like the one in Burkina Faso have provided a significant **number of owner-operators and MSMEs (micro, small, and medium-sized enterprises) with financial services**. This figure reached 133 600 in 2021, signalling recovery and a return to the results recorded before Covid (2017/2018). Our support to Mauritania's SMEs through the *Banque Populaire de Mauritanie* provided financial services to 35 SMEs operating in agriculture, fisheries, industry, transport, and construction. This investment alone helped create more than 2 800 jobs.

Our support for enterprise also helped our investees grow their businesses. Their **overall turnover** has increased consistently since 2015, when it was \$68 million, to \$1 billion in 2019 and over \$2.6 billion in 2021, far outperforming our target.

### Spurring industrial growth with enabling infrastructure

Infrastructure gaps are a major drag on the growth of enterprise across Africa, curtailing gains in efficiency and productivity. The Bank supports African countries to attract investment into transport and other business-enabling infrastructure. Over 2007–2020, the amount of the Bank's finance for infrastructure projects with private sector participation in Africa far outstripped the amount provided by any other multilateral development bank.

In early 2022, we signalled our commitment to expanding private investment in infrastructure by approving our first strategic framework for the development of public-private partnerships. This framework guides the Bank's work to provide regional member countries with upstream support on developing regulations and building institutional capacity; with midstream support on preparing projects and advising on transactions; and with downstream support for innovative finance to implement public-private investment projects.

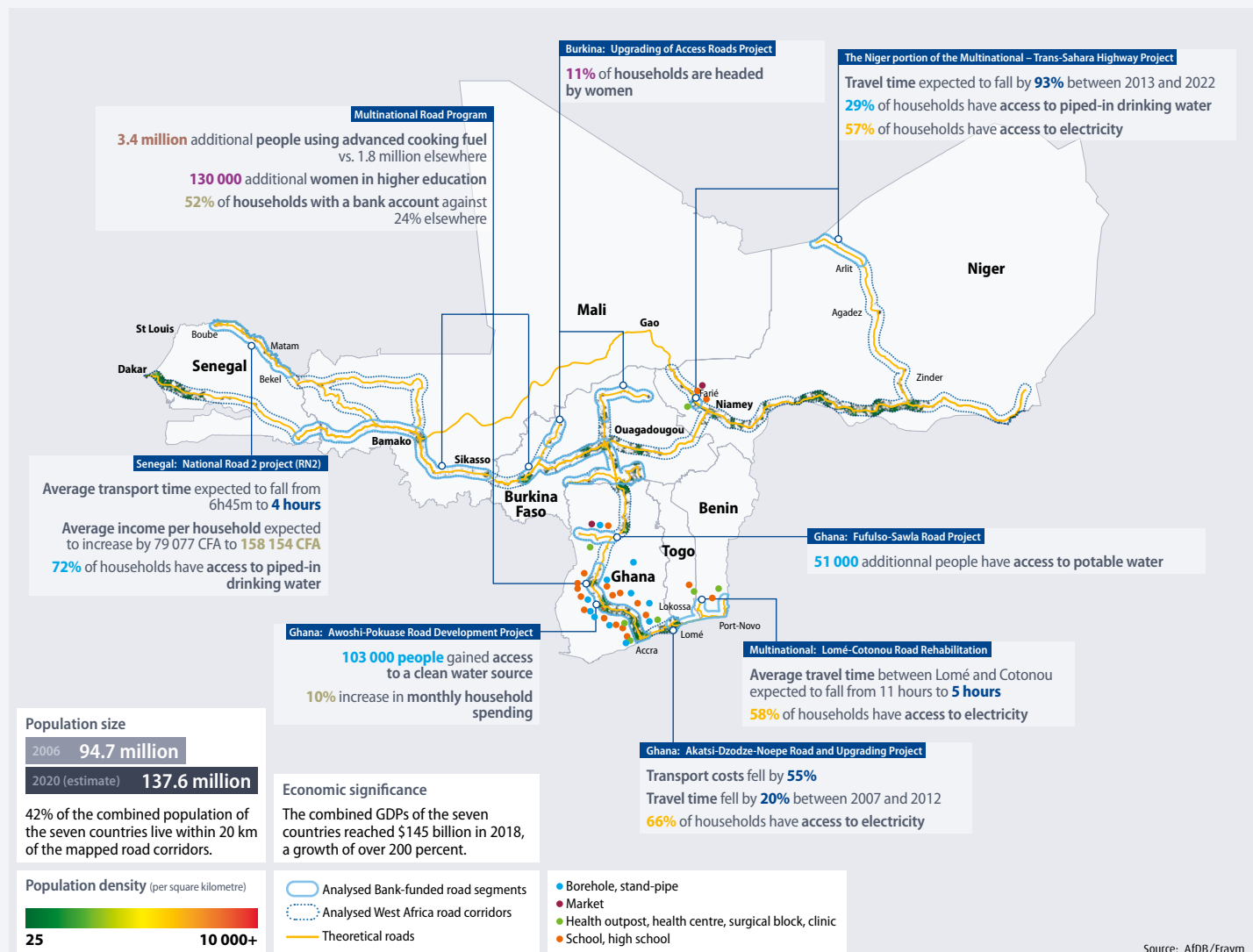
Our operations have also invested directly in road transport, supporting the **construction, rehabilitation, or maintenance** of 857 km of roads. For example, in Ghana, our Accra Urban Transport Project, completed in 2021, constructed the four-tier Pokuase interchange and an additional 10 km of local roads. This has cut vehicle operating costs by 37%, shortened travel times, and reduced road accidents by 40%. In Cameroon, our support for the Kumba-Mamfe Road Development Project developed and rehabilitated 151 km of roads, helping to reduce average travel times to two hours year-round, from five hours in the dry season and eight hours in the rainy season.

Overall, the **number of people with improved access to transport** through Bank-financed projects reached 6.6 million in 2021, below our target of 10 million and below levels recorded in 2020. 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 and administrative constraints within executing agencies, lengthy resettlement and compensation procedures, and difficulties with procurement

Figure 2 High-resolution impact mapping

### Assessing living conditions of communities near Bank-funded roads in West Africa

The Bank is using high-resolution impact mapping to assess the impact of eight road projects covering seven countries in West Africa: Benin, Burkina Faso, Ghana, Mali, Niger, Senegal and Togo. Focusing on an unprecedented geographic scale, the map provides details on the roads' economic footprint, improvements in human development and how they promote integration throughout the entire region. By comparing data from household surveys in 2006 (before) and 2020 (during or after) and applying geotagged datasets, and satellite imagery, the methodology can assess with a high degree of reliability the changes in people's living conditions—for example, additional people with access to energy—within 20 km of the roads. Not all changes are directly attributable to the project: they reflect broader improvements in living conditions over time.



### Changes across the seven West African countries from 2006 to 2020

Improved access to clean water and sanitation		Mobility to markets		Gender		Connection to electricity	
2 730 000 additional households access piped-in drinking water	1 814 000 additional households with access to flush-toilets	728 000 additional households owning cars	2 448 000 additional households headed by women	6 378 000 additional households connected to electricity			
Improved health conditions				Better access to education			
Child stunting rates in the region have stayed around 30%	84% child immunisation coverage in 2018 (from 75% in 2005)	16 774 000 additional people know where to get an HIV test	7 400 000 additional women visiting health centers	11 399 000 adults gained literacy skills			



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

INDICATOR	ALL AFRICAN COUNTRIES			ADF COUNTRIES		TRANSITION STATES	
	Baseline 2015	Actual 2021	Target 2021	Baseline 2015	Actual 2021	Baseline 2015	Actual 2021
🟢 People benefiting from investee projects (millions)	1.90	3.44	2.09	0.60	2.24	0.55	0.08
🟢 <i>of whom women</i>	0.96	1.41	1.05	0.30	0.92	0.27	0.03
🟢 Government revenue from investee projects and sub-projects (\$ millions)	331	1955	597	81	244	32	26
🟢 MSMEs effect (turnover from investments) (\$ millions)	68	2643	306	65	216	-	112
🟢 Owner-operators and MSMEs provided with financial services (thousands)	56.6	133.6	57.0	55.1	68.1	52.7	11.5
🔴 People with improved access to transport (millions)	8.6	6.6	10.0	8.6	4.9	0.6	1.2
🔴 <i>of whom women</i>	4.4	3.1	5.0	4.4	2.3	0.3	0.6
🔴 Transport-roads constructed, rehabilitated, or maintained (km)	2100	857	2900	2000	708	142	142

🟢 Achieved 95% of 2021 target   🔴 Achieved less than the baseline

### Box 6 Tracking Africa's progress on industrialisation

The Bank's Independent Evaluation department carried out a cluster evaluation of 18 transport projects funded by the Bank over 2012–2019. The evaluation provides important lessons for future transport operations:

- ▶ **Ensure sustainability:** Integrating cost recovery mechanisms into transport projects can be an effective way to address a lack of funding and insufficient capacity for maintenance, since revenue-generating projects are more likely to be well maintained.
- ▶ **Avoid delays and additional costs:** Exploring alternative procurement routes can reduce delays in project implementation and avoid extensive design revisions. The non-sovereign operations in the cluster of projects that were financed through a public-private partnership were implemented on time, and the use of an engineering, procurement, and construction contract ensured that constructors absorbed additional and unforeseen costs.
- ▶ **Increase impact:** Exploiting synergies with other development projects can increase development outcomes, for example by integrating and following up on transport projects' ancillary components such as socioeconomic infrastructure and services for the local population, especially women (e.g., schools, health centres, women's associations, and agro-processing). (See for example Figure 2)

and counterpart funding. The Bank is assisting regional member countries to address these challenges proactively and is drawing on evaluations of its projects to minimise delays in future (Box 6).

The continent is more digitally connected than ever: internet users in Africa grew from 2% of the continent's population in 2005 to up

to 39% in 2021. Digital transformation is both a challenge and an opportunity. The Bank is helping to bridge the digital divide. For example, our support for Lesotho's E-Government Infrastructure Project improved rural connectivity by laying 138 km of dark fibre and installing a base transceiver station, providing internet connectivity to nine underserved areas and 40 rural schools with more than 3000 pupils.

### Box 7 Nourishing the potential of Africa's tech companies

The Bank's \$30 million financing of the Rwanda Innovation Fund unlocked an additional \$2 million investment in 2020/2021 for promising African tech companies. One such company is VIEBEG Technologies, a health-tech firm whose data-driven procurement platform provides medical supplies and equipment throughout Central and East Africa. VIEBEG's data-driven medical supply chain has reportedly impacted over 2 million people and has helped to reduce the cost of medical supplies in three countries by 20% to 40% of the market price after barely three years.

Most African countries have faced major challenges in accessing drugs and vaccines during the Covid-19 pandemic. This has stimulated plans to develop Africa's nascent pharmaceutical sector. The Bank is currently supporting the establishment of an integrated platform to discuss and finance pharmaceuticals and is planning to invest \$3 billion over the next ten years. Of this amount, \$1 billion will be invested directly in pharmaceutical and vaccine manufacturing, and \$2 billion in related logistics and infrastructure. The Bank has also financed an operation in the ECOWAS region to manufacture more essential drugs and medicines locally, notably by developing institutional and human capital. ■







## Speeding the flow of goods and people

To deepen regional connectivity, the Bank invests in hard and soft infrastructure that speeds the flow of goods, people, and services. In Accra, a four-tier road interchange has propelled trade along the Ghana-Burkina Faso corridor.



# Chapter 4

## Integrate Africa

**T**he social and economic disruptions induced by Covid-19 have heightened the importance of deepening cooperation across national borders. Better integrating Africa’s economies, trade, infrastructure, and workforces will make the continent more prosperous and more resilient to crises.

### Despite disruptions, integration pushed forward

2021 was another challenging year for Africa as the Covid-19 pandemic continued to generate uncertainty and disrupt regional integration. As a result, intra-African trade as a proportion of total trade fell slightly from 14.3% in 2020 to 13.7% in 2021, while the number of deeply and broadly integrated countries stayed unchanged, at 20.



*Trading under the AfCFTA began in January 2021, and the Pan-African Payment and Settlement System launched in January 2022. Gaps in connectivity are being filled*

Nevertheless, the start of trade under the African Continental Free Trade Area (AfCFTA) on 1 January 2021—following a six-month delay—provided a potent symbol of Africa’s deepening commitment to integrate. 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.

Another milestone was the launch of the Pan-African Payment and Settlement System (PAPSS) in January 2022. Established by the AfCFTA Secretariat and the African Export-Import Bank, key partners of the Bank, PAPSS is expected to boost intra-African trade by transforming and facilitating the clearing and settlement of payments for cross-border trade (Box 8).

Despite these achievements in financial integration, there is still considerable room to deepen integration along other dimensions. The latest edition of the Africa Regional Integration Index

### Box 8 Seamless cross-border payments fuel intra-African trade

Over 80% of African cross-border payment transactions originating from African banks had to be routed offshore for clearing and settlement by banks abroad. Rerouting often delays payments, makes operations less efficient, and raises concerns with compliance.

Successfully piloted in six West African Monetary Zone countries, the Pan-African Payment and Settlement System (PAPSS) will boost intra-African trade in several ways:

- ▶ By facilitating cross-border payments in local currencies
- ▶ By reducing the cost, processing times, and variability of timing of cross-border payments across Africa
- ▶ By decreasing commercial banks’ liquidity requirements for cross-border payments
- ▶ By strengthening central banks’ oversight of cross-border payment systems

PAPSS is predicted to save African countries more than \$5 billion in payment transaction costs per year.

shows that the continent is performing poorly on productive and infrastructural integration. This indicates a need to invest in regional and global value chains and infrastructure. The continent performs moderately on the remaining two dimensions of integration, notably the free movement of people and macroeconomic integration (Figure 3 and next section).

### Connecting Africa with human mobility

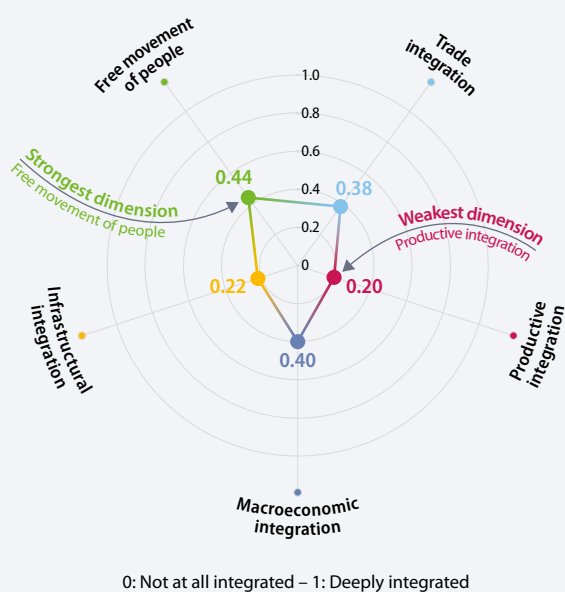
In addition to the free flow of goods, services, and finance, the AfCFTA envisages the free movement of people across Africa’s borders. The African Union’s Free Movement of Persons Protocol sets out the reforms required to get there: first, right of entry and visa-free travel; second, right of residence; and third, the right to establish a business or a profession. Although over 30 countries have signed the Protocol, only four countries have ratified it (Mali, Niger, Rwanda, and São Tomé and Príncipe). For the Protocol to enter into force, 15 ratifications are required.

Table 7 Integration is a piece of the puzzle (progress in Africa)

INDICATOR	ALL AFRICAN COUNTRIES		ADF COUNTRIES		TRANSITION STATES	
	Baseline 2015	Latest 2021	Baseline 2015	Latest 2021	Baseline 2015	Latest 2021
➤ 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	13.7	22.6	19.4	32.7	21.3
➡ Regional economic communities' average score (scale, 0 low – 1 high)	0.47	0.43	-	-	-	-
➡ Countries with liberal visa policies (number)	13	9	11	7	7	3

➤ Improvement over baseline   ➡ Deterioration

Figure 3 Africa is not deeply integrated



Source: African Development Bank. Africa Regional Integration Index Report 2019.

Border closures and other travel restrictions introduced in response to the pandemic have created new challenges for cooperation on free movement. Nevertheless, the restrictions are now being scaled back and the long-term trend is towards greater visa openness. The Africa Visa Openness Index (AVOI), a collaboration between the African Union and the Bank, reports that nearly half of African countries have adopted a more liberal visa regime for African travellers since 2016. The AVOI also shows the number of countries offering an e-visa having increased from nine in 2016 to 24 in 2021. By reducing the time and resources required to obtain a visa, e-visas make travel more affordable and more efficient.

Namibia was one of the AVOI's strongest performers in 2021. The country introduced a new visa-on-arrival policy for the nationals of 47 countries worldwide, including 27 African countries, and moved up 21 places on the continental rankings. Morocco also rose five places in 2021, increasing its visa openness score by 17%.

Further progress on the free movement of people will be important to Africa's recovery from the economic disruption caused by pandemic and

to the continent's realisation of inclusive growth. The free movement of people will also help to fill skills shortages in national economies.

In the short term, the larger and more advanced African economies stand to benefit the most from the AfCFTA. Their growth in prosperity will help other African countries in turn.

### The Bank's support for regional integration

Regional integration in Africa is a core priority for the Bank and is fundamental to progress on all the High 5s. A mid-term review of the Bank's Regional Integration Strategic Framework 2018–2025 (RISF) was undertaken in 2021. It confirmed the continuing relevance of the RISF's three pillars: infrastructure connectivity, the promotion of trade and investment, and financial integration.



*New container terminals, one-stop border posts, safer airports: Bank projects are moving people and goods faster and more securely*

In 2021, Bank-financed operations constructed or rehabilitated 262 km of **cross-border roads**, down from 356 km in 2020. With other development partners, we supported the Trans-Gambia Corridor Project. The new bridge linking Gambia and Senegal has brought reliable, affordable transport to a rural population of 900 000. Traffic now flows much more freely between the northern and southern parts of The Gambia and Senegal and along the Trans-West African Highway Corridor. The benefits to local communities are considerable: women traders are able to reach a larger market, and more youth are attending school and visiting sports facilities.

The Bank's operations have also strengthened air and sea transport infrastructure. Our support for Cabo Verde has increased the capacity of Praia Airport, improved security, and safety controls, and made it possible to process passengers more efficiently. Our support for a new container terminal at the Walvis Bay Port in Namibia has improved the port's efficiency, among other things by reducing the average vessel waiting time from eight hours to less than one hour (see also Box 9).

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

INDICATOR	ALL AFRICAN COUNTRIES			ADF COUNTRIES		TRANSITION STATES	
	Baseline 2015	Actual 2021	Target 2021	Baseline 2015	Actual 2021	Baseline 2015	Actual 2021
➔ Energy: Cross-border transmission lines constructed or rehabilitated (km)	-	59	360	-	59	-	-
🚫 Transport: Cross-border roads constructed or rehabilitated (km)	380	262	983	380	262	-	-

➔ Achieved less than 95% of 2021 target 🚫 Achieved less than the baseline

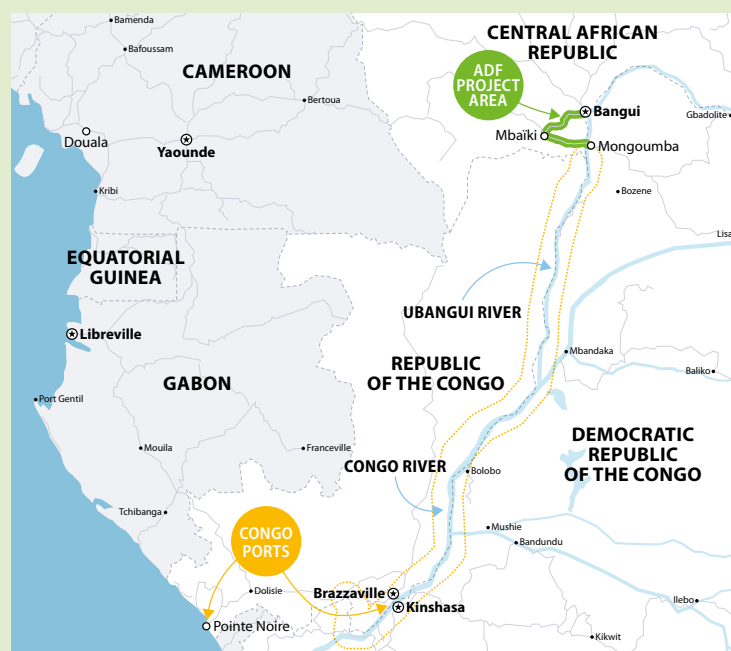
### Box 9 Improving cross-border transport connectivity in the Central African Republic

This project will stimulate intra-regional trade in Central Africa by improving the services offered by the road and river transport logistics chain on the Pointe-Noire-Brazzaville-Bangui-Ndjamen corridor. In doing so, it will raise the living standards of populations living and working along the corridor.

Approved in 2021, Phase 1 of the project involves road infrastructure and socioeconomic measures to maximise the project's impact, reduce pockets of fragility, and correct gender imbalances.

Phase 1 will also improve river navigation on the Brazzaville-Bangui River route along the Congo and Oubangui rivers. In the Central African Republic, it will rehabilitate 108 km of roads between Bangui and Mbaiki, construct 122 km of roads between Mbaiki and Mongoumba, and upgrade the Port of Mongoumba.

Phase 2 of the project will build additional road sections beyond Bangui to Chad and make major port and river navigation developments in the Central African Republic, the Republic of Congo, and the Democratic Republic of Congo.



In energy, Bank operations continue to promote cross-border power interconnections, enabling countries to trade electricity more efficiently. In 2021, Bank-supported operations constructed or rehabilitated 59 km of **cross-border transmission lines**, all of which were in low income (ADF) countries. Our assistance in 2021 included an emphasis on improving the regulation of regional energy markets, in the Common Market for Eastern and Southern Africa (COMESA), the Southern African Development Community (SADC), and the Economic Community of Central African States (ECCAS). We also supported an African Union Development Agency program that will contribute to the creation of a single electricity market in Africa.

The Bank is also investing in knowledge products about regional energy infrastructure. Our 2021 report *Building Regional Power Markets in Africa* explores how to fast-track large-scale regional and subregional energy projects and attract private investment. Developed through extensive consultation, the report contains practical tools for prioritising investment in regional energy integration, preparing complex projects, and estimating the savings to be gained from cross-border cooperation.

As well as investing in infrastructure, the Bank employs a range of other methods to facilitate trade across the continent. An important source of trade finance, the Bank has supported more than 2600 transactions to date, involving 120 financial institutions in at least 30 countries, for a cumulative trade value in excess of \$7.5 billion. Of this amount, \$1.65 billion or 22% financed intra-Africa trade. The Bank also facilitated trade on the Lobito Corridor by supporting the Jimbe one-stop border post between Zambia and Angola: this is expected to contribute to a 70% increase in trade between the two countries and open up more trade between Central and Southern Africa.

The Bank is committed to supporting Africa's regional institutions as they lead the drive to integrate. We provided a grant of \$11.5 million to strengthen the African Union Commission (AUC), supporting reforms initiated by the AUC in 2017 to improve its planning, coordination, and service delivery and realise Agenda 2063. The grant will also improve the AUC's environmental and social safeguards and its gender focus. ■





## Strengthening Africa's healthcare systems

Our new Strategy for Quality Health Infrastructure in Africa prioritises healthcare facilities and diagnostic infrastructure. The Bank's investments in Morocco's AKDITAL Group, a leading private provider, expanded AKDITAL's bed capacity to more than 20% of the country's total.

## Chapter 5

# Improve the quality of life for the people of Africa

**A**cross Africa, the pandemic set back human development significantly. Health services were disrupted, and children lost as much as half a year of schooling. Urgent recovery efforts are needed to prevent the disruption from affecting Africans' quality of life in the long term.

### Recovering inclusively is key to Africans' quality of life

From 2015 to 2019, the proportion of Africans living below the poverty line dropped from 42% to 33%. Since the onset of the pandemic, however, the poverty-effect of the health crisis caused the continent's poverty rate to increase, reaching 34.1% in 2021 and pushing an additional 29 million people into extreme poverty. The loss of jobs and income most affected those working in the informal sector.

The economic constraints of 2021 also slowed progress in tackling inequality. In 2021, only 17 African countries experienced inclusive growth. In 18 other countries, economic growth decreased poverty but increased inequality. It is essential to ensure that future growth in Africa benefits all citizens.

Improving Africans' quality of life is an overarching priority for the Bank. In response to the many disruptions to lives and livelihoods over the past two years, we now focus more than ever on helping regional member countries tackle poverty through inclusive growth, decent work, and access to quality public services, including education and health care.

### Strengthening Africa's healthcare systems

Access to quality health care is a prerequisite for sustainable development and the realisation of Africa's full potential. Poor health undermines economic productivity in all sectors and costs the continent \$2.4 trillion annually.

Covid-19 has put extreme pressure on health services across Africa, with the highest infection rates recorded in Malawi, Mozambique, Namibia, Zambia, and Zimbabwe. Overall, however, the continent has proved resilient to the immediate health impacts of the virus. In this, it was helped by the swift response of African governments,

by lessons learnt from previous disease outbreaks (especially Ebola), and by community-based health programmes.

But the pandemic also highlighted significant gaps in health services. One of the most striking was the limited availability of Covid-19 vaccines. Whilst 70% of people in developed countries are fully vaccinated, only about 15.3% of Africans are vaccinated so far,<sup>1</sup> far below the 70% target agreed globally. The limited availability of vaccines and challenges with vaccination rollouts have stalled Africa's recovery from the socioeconomic impacts of the pandemic. Equitable access to vaccination is necessary to return the continent to a path of sustainable and inclusive growth.



*Decent work, good education, and accessible health care are key to tackling poverty. Poor health costs Africa \$2.4 trillion each year*

The pandemic also exposed significant shortcomings in testing and treating capacity, health infrastructure, and the state of funding of African healthcare systems. Only half of primary healthcare facilities have access to clean water and adequate sanitation, and only about a third of facilities have access to reliable electricity. Going forward, Africa's growing population will compound the shortfalls. Remedying the situation would require \$26 billion in annual capital investment.

As part of its health agenda, the Bank launched a multibillion-dollar Covid-19 Response Facility to support its regional member countries as they coped with the crisis, including the health aspects of the pandemic (Figure 4). The Bank is also preparing to scale up its support for Africa's pharmaceutical sector, to address

<sup>1</sup> Data as of February 2022. African Development Bank and Africa CDC.



Table 9 On some indicators, the quality of life has been resilient (progress in Africa)

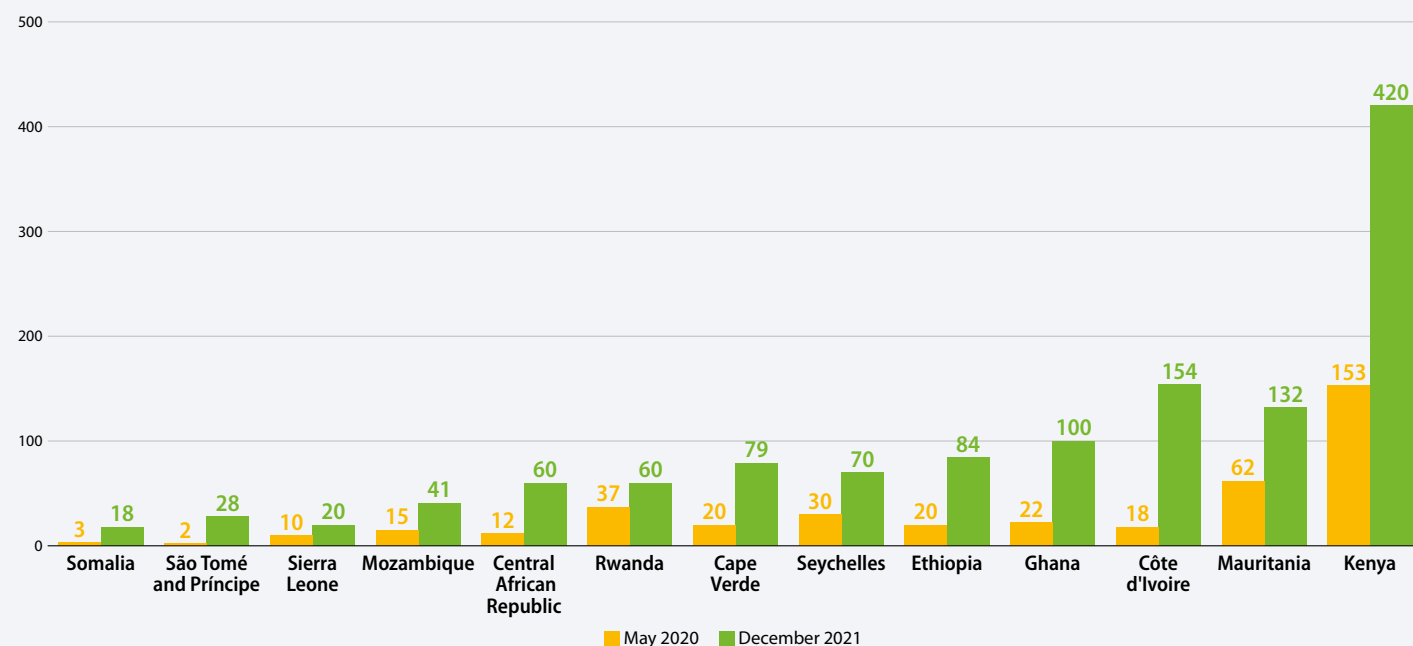
INDICATOR	ALL AFRICAN COUNTRIES		ADF COUNTRIES		TRANSITION STATES	
	Baseline 2015	Latest 2021	Baseline 2015	Latest 2021	Baseline 2015	Latest 2021
↘ Population living below the poverty line (%)	42	34	45	36	57	50
↗ Enrolment in education (%)	62	63	59	60	58	57
↗ of whom women	59	60	56	57	53	53
↗ Access to at least basic sanitation facilities (% population)	39	42	25	26	23	25
↘ Unemployment rate (%)	8.9	7.8	6.3	5.1	12.1	6.4
↘ of whom women	9.8	10.9	7.9	6.6	5.1	8.9
→ Income inequality (Gini index)	41	41	41	41	41	40
→ Enrolment in technical/vocational training (%)	11	11	8	7	9	10
→ of whom women	9	9	7	9	8	8
↘ Youth unemployment rate (%)	14	16	10	10	9	13
↘ of whom girls	16	20	12	11	8	14
↘ Access to at least basic drinking water services (% population)	72	69	64	59	51	55

↗ ↘ Improvement over baseline → Stability ↘ ↗ Deterioration

Figure 4 Contributing to Africa's health response to the pandemic

The results of the Bank's completed crises response budget support operations show how these operations contributed to Africa's health response to the Covid-19 pandemic. Among the countries supported over the period, countries' capacity to test for Covid-19 increased substantially, rising from 15 271 tests per day to 179 682 tests per day. Over 130 000 health care workers were trained and the number of intensive care units available for Covid patients more than doubled, going from an average of 448 units to 884 units in the countries in question.

Number of intensive care units in selected regional member countries



needs more sustainably over the longer term. In 2022, Senegal is expected to be one of a few African countries to produce Covid-19 vaccines. Similar plans are reported in Algeria, Egypt, Morocco,

Rwanda, and South Africa. The Bank will seek to replicate Senegal's success by investing \$3 billion in Africa's pharmaceutical and vaccine manufacturing over the next ten years.



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

INDICATOR	ALL AFRICAN COUNTRIES			ADF COUNTRIES		TRANSITION STATES	
	Baseline 2015	Actual 2021	Target 2021	Baseline 2015	Actual 2021	Baseline 2015	Actual 2021
🟢 People with new or improved access to water and sanitation (millions)	2.0	12.2	3.6	1.2	9.2	0.3	3.1
🟢 of whom women	1.0	5.9	1.8	0.6	4.4	0.1	1.5
🔴 People trained through Bank operations (thousands)	290	108	900	290	100	34	35
🔴 of whom women	119	52	450	80	48	15	17
🔴 People benefiting from better access to education (millions)	0.38	0.13	0.38	0.38	0.05	0.27	0.00
🔴 of whom women	0.24	0.07	0.19	0.24	0.02	0.17	0.00

🟢 Achieved 95% of 2021 target    🔴 Achieved less than the baseline

## How the Bank is improving Africans' quality of life

The Bank's work under the *Improve the Quality of Life* High 5 aims to develop human capital: health, social protections, water, sanitation and hygiene, and education and skills. As per the Ten-Year Strategy 2013–2022, the Bank focuses on inclusive and green growth. We ground our work in the rising demand for good health infrastructure, skills development, and employment opportunities, all areas in which African governments lack sufficient resources.

“In 2020, the Bank's operations created 623 000 jobs. In 2021, they created 1.8 million”

Every year, 10 to 12 million young people enter the workforce, but only 3.1 million jobs are created. As a consequence, youth unemployment is growing. The Bank's work in this area is guided by our Jobs for Youth in Africa Strategy, which aims to drive inclusive growth across the continent through integration, innovation, and investments. One of our operations is the Investment in Digital and Creative Industries (i-DICE) Programme in Nigeria. Approved in December 2021, the programme plans to catalyse \$618 million of investment in the digital economy and creative industries and create 6.1 million jobs. Another operation is the #AfricaVsVirus Challenge organised by the Bank's Innovation & Entrepreneurship Lab. This project will support 20 youth-led ventures to scale up technological and other innovative solutions to challenges caused by the pandemic. Building on these achievements, the Bank is exploring the establishment of Youth Entrepreneurship Investment Banks — financial institutions for Africa's youth—to boost financial access for youth-led/owned businesses and help generate youth-based wealth across Africa.

In addition, the Bank recently approved its new Skills for Employability and Productivity for Africa Action Plan, which is guiding the Bank's engagements in science, technology, engineering, and mathematics (STEM) in higher education and its engagements in technical and vocational education training (TVET). The action

plan's overarching objective is to develop a skilled and competitive workforce capable of increasing productivity and spurring innovation, thus creating more decent jobs.

In 2021, the Bank continued to implement its programmes for skills development and entrepreneurship, among other things by supporting technical and vocational training centres and other training institutions across Africa. In total, the number of **people trained through Bank operations** reached 108 000.

In Morocco, one of our programmes supplied 28 000 young people (40% of whom were women) with employability services and

### Box 10 Equipping young Africans with skills for decent jobs



Supported by the Bank, the Pan African University Life and Earth Sciences Institute in Nigeria is equipping young Africans with the skills and certifications they need for a successful career in science, technology, engineering, or mathematics. Duncan Onyango, a doctorate graduate in environmental management, is now a project manager and lead environmental safeguards officer at an engineering company in Kenya. The 33-year-old is one of more than 400 graduates who earned a master's or a PhD degree at the Institute.

“You get to see how it is possible for young people to work hard to make ends meet under very difficult economic circumstances in Africa's largest economy. Most of us carried these great Nigerian lessons back home,” he said of his time at the Institute.

enabled more than 2000 young entrepreneurs to set up their own enterprise. The programme also supported the construction of a national vocational training institute in Tamesna. The Bank's support for the African Virtual University introduced innovative ICT-assisted education and training by launching 28 open distance e-learning centres in Africa. The venture increase access to digital and remote learning for more than 23 000 students.

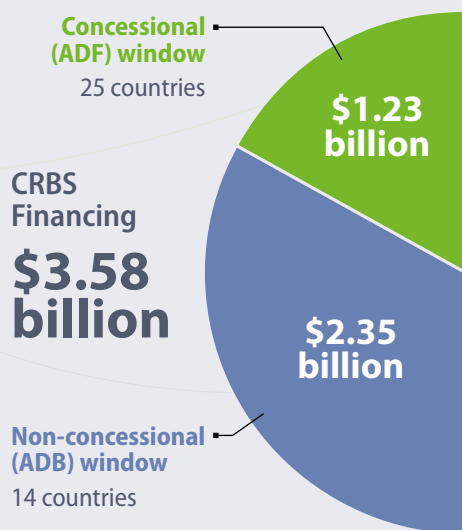
In 2021, the Bank continued its work on the Joint Impact Model, an econometric model that estimates the number of jobs created through an institution's investments and is now used by 10 international financial institutions. In addition to recording the number of direct jobs created by the Bank's activities—these jobs are recorded in the Bank's project appraisal reports and project completion reports—the model measures the number of indirect jobs made possible by Bank investments: supply chain jobs, induced jobs, and jobs created by the enabling effects of better access to finance or energy. We estimate that Bank operations approved in 2021 will support the creation of 1.8 million jobs. This is more than the 623 000 jobs supported by operations approved in 2020, when as a result of the pandemic, the Bank approved fewer investments in infrastructure.

As for health, the Bank will be guided by its newly approved Strategy for Quality Health Infrastructure in Africa 2021–2030, which structures the Bank's investments in health infrastructure that will ameliorate health services. The new strategy identifies three priority areas: primary healthcare infrastructure for underserved populations; new secondary, tertiary, and specialist healthcare facilities; and diagnostic infrastructure.

An example of our support for health infrastructure is our recent project to expand hospital services in Uganda. This project helped establish two national hospitals, Kawempe Specialised National Referral Hospital and Kiruddu General Referral Hospital, each with 170 beds ready to serve the Kampala Metropolitan Area. Uganda's leading hospital facility, the Mulago National Referral Hospital, was also extensively renovated and reequipped. In addition, the project trained 3 000 health workers, 60% of whom were women. Uganda's health system was also enhanced by the introduction of an integrated hospital management system that manages information and make operations more efficient.

The Bank invests in water and sanitation for communities, schools, and health centres. In Zambia's Western Province, which has the highest poverty levels in the country, our Transforming Rural Livelihoods Project constructed 335 public sanitation facilities in schools, rural health centres, markets, and elsewhere. The project also built or rehabilitated nearly 2 000 boreholes. In Somalia, our Improving Access to Water and Sanitation Services in Somalia project responded to urgent water and sanitation needs in rural and peri-urban areas affected by recurring droughts and waterborne disease. This project improved access to safe water for 119 092 households (708 552 individuals) in five states, trained 58 470 people from riverine and rural communities in ways to promote community sanitation, and reached 126 692 people with Covid-19 hygiene-promotion activities. With projects like this, we supported 12.2 million people to gain **access to new or improved water and sanitation services** in 2021, up from 8.3 million in 2020 and above our target of 3.6 million. ■

# How has the Bank responded to Covid-19?



The Covid-19 pandemic affected Africa differently than other areas of the world. It strained Africa's health systems, disrupted its supply chains, and put its people out of work, as it did elsewhere. But it also threatened the continent's drive to finance its sustainable development.

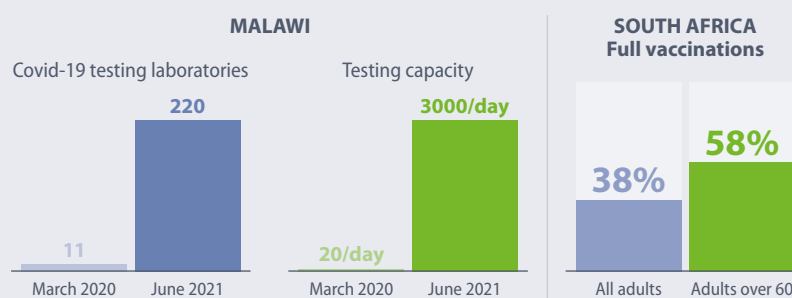
In April 2020, the Bank launched the Covid-19 Response Facility (CRF) to support regional member countries through the crisis. The CRF intervenes in three areas: health, social protections, and businesses.

To deliver CRF funding to sovereign operations as rapidly and flexibly as possible, the Bank turned mainly to crisis response budget support (CRBS). Because CRBS funding is added directly to national revenues in countries' budgets<sup>1</sup>, it gives regional member countries an immediate tool to combat emergencies using country systems that are already up and running.

By the end of 2021, CRF approvals for sovereign operations had reached \$4.07 billion, 89% of which had been delivered through CRBS. The Bank also approved \$111 million for multinational operations that are strengthening the regional response.

## Health

Bank operations procured supplies, set up intensive care units, and increased Covid-19 testing capacity. Daily testing capacity grew from 15 271 to 179 682, and over 130 000 health workers were trained.



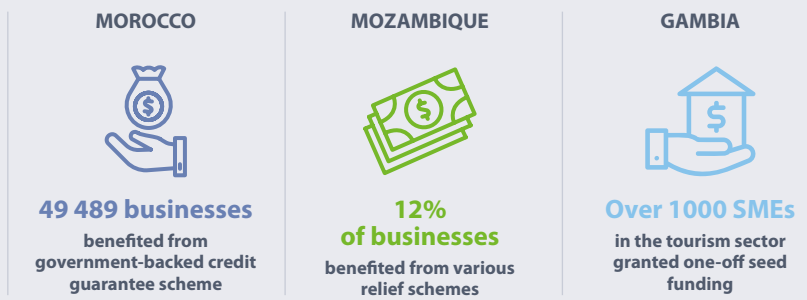
## Social protections

Côte d'Ivoire, Malawi, Senegal, Seychelles, and Togo used Bank resources to subsidise water and electricity payments for close to 1 million citizens each. Benin and Morocco significantly expanded the number of people accessing health insurance. And in São Tomé and Príncipe, more than one in seven of the population benefited from an income support scheme. Nearly 30 million vulnerable households benefited from social protection programmes.



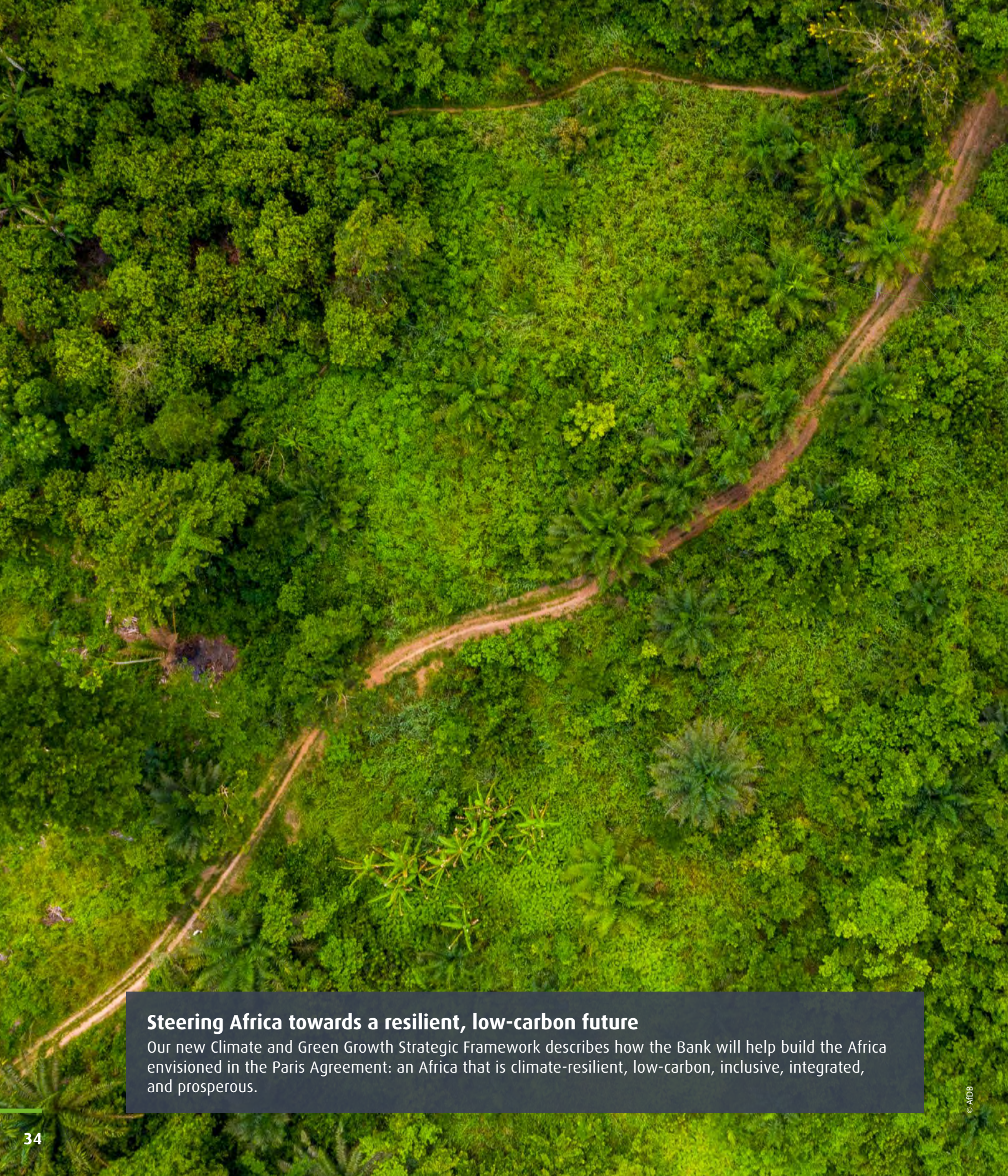
## Businesses

Taxes for small and medium-sized enterprises (SMEs) were deferred and businesses' cost of accessing public utilities were lowered. More than 300 000 SMEs received business support like credit guarantees and affordable finance. In Ghana, more than 280 000 micro, small, and medium-sized enterprises (MSMEs) took advantage of a soft loan scheme. In Burkina Faso, 86 000 SMEs were granted one-off tax relief, and 220 000 producers of crops and livestock were given agricultural inputs.



<sup>1</sup> Budget support to countries is typically delivered jointly with other development partners and uses country systems; thus development partners collectively contribute to the results achieved.





## **Steering Africa towards a resilient, low-carbon future**

Our new Climate and Green Growth Strategic Framework describes how the Bank will help build the Africa envisioned in the Paris Agreement: an Africa that is climate-resilient, low-carbon, inclusive, integrated, and prosperous.



## Chapter 6

# Cross-cutting and strategic areas

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

### Economic growth on the continent

Up to the onset of the Covid-19 pandemic, Africa enjoyed nearly two decades of robust economic growth. In 2021, Africa's GDP grew by an estimated 5.1%, enough to signal the beginning of a recovery. Northern and Eastern Africa grew the most (6.8% and 4.5%, respectively), whilst Southern Africa demonstrated the largest recovery (3.8% after having contracted by 6% in 2020). The growth can be attributed to the recovery in oil-exporting countries, the revival of private consumption, and the easing of pandemic-induced restrictions.



*The pandemic pushed millions of Africans into extreme poverty. By improving governance, Bank projects are attracting investment and generating employment*

The forecasts for 2022 are less optimistic. The slow pace of vaccine rollouts, global turbulence, and continuing vulnerability around climate change, conflict, and fragility are expected to slow the continent's growth to 4.2%.

Although growth is rebounding, the pandemic is still projected to push tens of millions of Africans into extreme poverty in the medium term. Updated estimates show that about 26 and 29 million more Africans slid into extreme poverty in 2020 and 2021 respectively, and 30 million more people could join them in 2022 as well as in 2023 because of the pandemic's socioeconomic fallout.

Many African countries continue to face significant economic vulnerabilities resulting from the 2020 recession, including high fiscal deficits and growing debt burdens. The average debt-to-GDP ratio is high: it climbed from 60% in 2019 to 72% in 2020, before declining marginally to 70% in 2021 as a result of debt relief initiatives. This decline will be sustained by the Bank's recently approved Sustainable Borrowing Policy, which aims to strengthen debt sustainability among low-income African countries. The Bank will continue to support macroeconomic and public financial management reforms to encourage regional member countries' return to sustainable and inclusive growth.

### Improving governance and building institutions

The Covid-19 pandemic exposed the continent's economic vulnerabilities, weaknesses in its public financial management systems, and gaps in its service delivery. In response, the Bank supported regional member countries to build back better in 2021. Guided by its Strategy for Economic Governance in Africa, the Bank is fostering transparent and accountable policies and institutions for inclusive and sustainable development. Through the strategy, the Bank is supporting tougher anti-corruption measures in the public and private realms and promoting a range of interventions to strengthen domestic resource mobilisation and alleviate pandemic-induced budgetary pressures.

In 2021, our operations in public finance management raised the **quality of budgetary and financial management** in 14 countries, **improved transparency and accountability in the public sector** in seven countries, **improved procurement systems** in six countries, and **improved the competitive environment** in 12 countries.

An example of our work in this area is our support for Tanzania's Good Governance and Private Sector Development Programme, which improved the country's management of expenditure and caused the national budget variance—the difference between budgeted figures and actual costs—to fall from 20.0% in 2016/17 to 6.7% in 2019/20. The project also improved compliance with public procurement regulations, with the Auditor General's 2019 report showing an overall compliance level of 76% for 104 public enterprises.

As for domestic resource mobilisation, tax and non-tax fiscal revenues in Africa rose to 17.8% of GDP in 2021 from 17.3% in 2020, with significant room for further progress. The Bank is helping regional member countries build their capacity for tax collection and adopt tax reforms that spur inclusive growth and tackle corruption and illicit financial flows. The Economic Growth Support Programme in Mali was one domestic resource mobilisation project that yielded results. Implemented over three years, this programme-based operation used legislative and administrative means to promote more transparent revenue collection. It produced legislation prohibiting new discretionary tax exemptions and developed a mechanism to coordinate revenue collection. It also promoted the

Table 11 Recovery will take time (progress in Africa)

INDICATOR	ALL AFRICAN COUNTRIES		ADF COUNTRIES		TRANSITION STATES	
	Baseline 2015	Latest 2021	Baseline 2015	Latest 2021	Baseline 2015	Latest 2021
📈 Real GDP growth (%)	3.6	5.1	5.1	4.5	5.4	3.4
📈 Tax and non-tax fiscal revenues (% GDP)	16.1	17.8	13.1	16.4	10.6	15.0
📉 Gender Inequality Index (0 low–1 high)	0.53	0.52	0.59	0.57	0.61	0.60
📉 Production efficiency (kg CO <sub>2</sub> emissions per constant 2010 \$ of GDP)	0.55	0.51	0.28	0.25	0.28	0.27
📉 GDP per capita (constant 2010 \$)	1941	1836	791	770	733	607
📉 Mo Ibrahim Index of African Governance (0 low–100 high)	50	49	47	46	40	40
📈 Resilience to water shocks (index from 0 (low) upwards)	3.5	4.2	2.2	2.3	2.0	2.0
📈 Number of refugees and internally displaced people (millions)	17.5	33.0	16.1	29.2	6.6	22.0

📈📉 Improvement over baseline    📉📈 Deterioration

publication of tax expenditures and raised the eligibility threshold for investments to qualify for tax exemptions.

Debt management and transparency have reached a critical stage. By the end of 2021, no fewer than 20 regional member countries were at high risk of debt distress or were experiencing actual debt distress. Even though the Debt Service Suspension Initiative helped some of these countries reduce the risks of full default, the pandemic exacerbated debt vulnerabilities.

One of the countries that experienced debt distress was São Tomé and Príncipe. The Bank's Economic Reform and Power Sector Support Program proved useful in this regard: following its introduction, public debt fell sharply between 2018 and 2020 subsequent to significant fiscal consolidation efforts on the part of the authorities and unprecedented support from development partners in 2020, during the pandemic. The

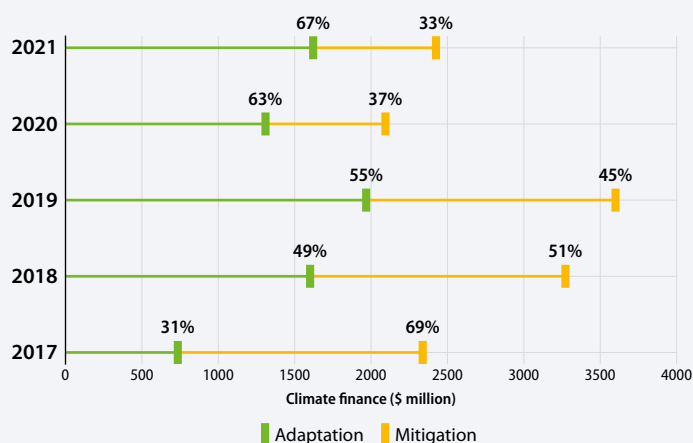
result was a fiscal surplus and a significant reduction of debt levels after debt was paid down faster than new debt was contracted.

The Bank's work on governance in the private sector has been vital for promoting a strong business-enabling environment that attracts investment, stimulates the economy, and generates employment. In Madagascar, for example, the Bank's Economic Competitiveness Support Programme strengthened the legislative framework and encouraged investments in economic recovery. As a result, Madagascar's private investment rate increased from 13.4% of GDP in 2018 to 15.8% in 2019.

The Bank's support for African countries' response to the pandemic aimed to reinforce socioeconomic resilience and recovery, while ensuring transparency and accountability. The Bank's crisis response budget support operations helped its regional member countries put in place institutional and regulatory frameworks that would prevent resources from Covid relief measures from being misappropriated. In Kenya, for example, under the aegis of the Bank's Covid-19 Emergency Response Support Program, a portal was created under the purview of the Public Procurement Regulatory Authority to publish contracts related to Covid resources. In addition, the country's ethics and anti-corruption agency prioritised investigations of malpractice in the management of resources allocated to fight the pandemic.

Figure 5 Mobilising climate finance for adaptation and mitigation

#### Share of adaptation and mitigation finance



Source: African Development Bank, 2022

### Addressing climate change and enhancing green growth

The impacts of human-induced climate change are accelerating around the world, and Africa is the most vulnerable continent. The Bank has long recognised the social, economic, and ecological costs of climate change in Africa. We surpassed our target in this area by channelling 41% of the value of approved projects to climate finance (our target was 40%) and ensuring parity between adaptation and mitigation, prioritising adaptation finance where necessary (Figure 5). Through this support, we have made significant progress in accelerating climate action in Africa.



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

INDICATOR	ALL AFRICAN COUNTRIES			ADF COUNTRIES		TRANSITION STATES	
	Baseline 2015	Actual 2021	Target 2021	Baseline 2015	Actual 2021	Baseline 2015	Actual 2021
🔄 Countries with improved quality of budgetary and financial management	6	14	3	5	13	4	6
🔄 Countries with improved transparency, accountability in the public sector	5	7	1	4	7	2	4
🔄 Countries with improved procurement systems	2	6	3	1	6	1	3
🔄 Countries with an improved competitive environment	3	12	1	2	11	1	5

🔄 Achieved 95% of 2021 target

An example of our efforts to support regional member countries as they address the impacts of climate change is our Strengthening Climate Resilience in the Kafue Sub-basin in Zambia, which received \$38 million in funding from the Climate Investment Funds. This programme was launched in 2014, and by the end of 2021 it had surpassed its target by rolling out about 1350 micro projects to support diverse adaptation efforts, building Zambian farmers' resilience to flooding and drought. This project won the Water ChangeMaker People's Choice Award for Africa, announced at the Climate Adaptation Summit 2021 (Box 11).

In 2021, the Bank mobilised \$410 million of external climate finance for its projects and programs, including \$321 million from the Green Climate Fund, \$69 million from the Climate Investment Funds, and \$20 million from the Global Environment Facility. In addition, the Bank and Canada established the Canada-AfDB Climate Facility with a \$108 million contribution from Canada, including an \$8 million Technical Assistance Facility, aimed at providing regional member countries with concessional financing for non-sovereign and sovereign climate change-related operations. The Bank also took a leadership role at the 26<sup>th</sup> Climate Change Conference of the Parties (COP26), which led to the adoption of the Glasgow Climate Pact. This pact includes a range of commitments vital to protecting Africa from the effects of climate change: scaling up investments in adaptation, a plan to deliver \$100 billion in climate finance for developing countries by 2025, more efforts to address loss and damage in the poorest and most vulnerable countries, and more.

The Bank will continue to assist regional member countries to mobilise resources required to invest in clean and renewable energy, undertake climate actions that advance countries' nationally determined contributions, and design long-term strategies to transition more quickly toward low-carbon and climate-resilient economies.

At COP26, the Bank also announced its new strategic framework on climate change—adopted by the Board of Directors in October 2021—which commits the Bank to fully aligning all new operations and sector strategies to the Paris Agreement by 2023 and aligning all of our country-level and internal operations to the agreement by 2025.

### Box 11 Building climate resilience, raising yields



For decades, Keith Hasimuna, 45, had eked out a living farming in Mapobwe Village in the Pemba district of Zambia's Southern Province. Since 2018, his farm has been thriving, with a 125% increase in earnings. Thanks to a Bank-supported project, instead of relying on erratic rains, Keith now irrigates his crop using a water pump from the community's first-ever solar-powered borehole. The borehole was installed in November 2018 under the Strengthening Climate Resilience in the Kafue Sub-basin project. About 80 households, with an average of six members each, use the new water source.

### Addressing fragility and building resilience

In 2022, the Bank approved its Strategy for Addressing Fragility and Building Resilience in Africa, which will guide its work in this area until 2026. The strategy identifies three interconnected and mutually reinforcing priorities: strengthening institutional capacity, building resilient societies, and catalysing private investment. It also describes how the Bank will adapt its operations and instruments to tackle the root causes of conflict and fragility. The strategy draws on the Bank's 20-year engagement with fragility and our increasingly sophisticated understanding of the drivers of fragility, developed through extensive analytical work. The strategy was informed by extensive consultations with partners and stakeholders, among other things during the negotiation of the African Development Fund's fifteenth replenishment and the Bank's seventh general capital increase.

### Box 12 Assessing fragility in Burkina Faso to build resilience

Since 2015, populations in the northern and eastern regions of Burkina Faso have lived under the rising threat of terrorist attacks and the gradual erosion of state legitimacy. These challenges have been exacerbated by the impacts of climate change and the Covid-19 pandemic. As a result, the government has had to increase its security expenditure, depleting the resources it might invest in economic stability and social cohesion.

In recognition of the need to coordinate international support, the Bank undertook a joint mission with the European Union, the United Nations, and the World Bank in 2020 to conduct a prevention and peacebuilding assessment in Burkina Faso. The assessment produced an in-depth—and shared—understanding of the root causes of insecurity, including their political, cultural, and socioeconomic factors. It also recommended short-term and long-term actions to build peace and stability.

These actions were reflected in Burkina Faso’s 2021–2025 National Development Plan. In the plan, the government commits to making public institutions more effective, developing climate-change adaptation measures, promoting the economic empowerment of local communities, and supporting job creation for youth.

One region that the Bank supports in this area is the Sahel. In 2020, Burkina Faso, Mali, and Niger experienced record levels of violence that caused the number of internally displaced people to double to 2.3 million by September 2021. Our work on fragility in the Sahel will further deepen our understanding of the drivers of fragility, as did our work in Burkina Faso (Box 12). We will continue

to collaborate with development partners on our response to the drivers of fragility in both areas.

The Bank’s work on fragility will affect operations in a wide range of sectors that intersect with the drivers of conflict and fragility. These drivers include climate change and desertification, which have fuelled conflicts over grazing and arable land. The Bank’s response in 2021 included a pledge by President Adesina at the OnePlanet Summit to help mobilise \$6.5 billion to halt desertification across the Sahel through the Great Green Wall initiative. The goal is to plant a mosaic of trees, grassland, vegetation, and plants in a swathe 8000 km long and 15 km wide across the Sahara and the Sahel, in order to restore degraded lands and help the region’s inhabitants produce adequate food, create jobs, and sustain peace.

### Box 13 Women’s SMEs make good use of the Bank’s support



In the Pokuase region of Ghana, the Bank is meeting the needs of women-led SMEs so that women can grow their enterprises, raise their income, and build livelihoods.

One SME, the Manchi Women’s Group, cultivates, processes, and packages cassava into gari for the local market. Before the Bank’s project was implemented, the group’s aging and sometimes malfunctioning processing facilities forced the women to use traditional methods of processing the gari, even though those methods were labour-intensive and less efficient. The group used the Bank’s support to rehabilitate their factory building, secure the facility, construct a toilet facility and a kitchen, install new machines to process the cassava, and buy equipment for packaging and marketing. The improvements are helping the group to expand its business, increase household income, and secure the women’s livelihoods.

### Promoting gender equality and empowering women

Over the last two years, women and girls were hardest hit by the economic and financial shocks of the pandemic, in part because 92% of African women work in the informal sector, where social protection is rare. And although women’s enrolment in education increased marginally over the past six years, from 59% in 2015 to 60% in 2021, women and girls account for just 9% of those enrolled in technical/vocational training.



*We are training project staff to mainstream gender equality measures*

In response, the Bank’s work on gender equality in 2021 empowered female entrepreneurs and helped bridge the gender gap in access to finance. For example, by the end of 2021, our Affirmative Finance Action for Women in Africa (AFAWA) initiative—launched in 2017—had approved \$424 million for on-lending to over 1 800 women entrepreneurs in Africa. The initiative included a programme to build the financial and managerial skills of 17 000 women entrepreneurs and farmers. In addition, AFAWA

launched a program to build up women entrepreneurship enablers in Africa—women’s business associations, incubators of female entrepreneurs, and similar organisations—the funding for which will train 16 000 SMEs in 26 countries.

The Bank’s flagship *50 Million African Women Speak* project seeks to improve the ability of women entrepreneurs to network and access financial and non-financial services to grow their business. In 2021, this project helped implement a [digital platform](#) that has proved highly responsive to the needs of female entrepreneurs in Africa. The platform fills gaps in access to business registration policies and regulations, financial services and products, market information, training and capacity-building resources, and opportunities to share information and develop business networks. To date, the platform has attracted more than 13 000 registered

women entrepreneurs and women-led SMEs and counts more than 230 000 unique users each month.

Finally, the Bank continued to promote gender knowledge and awareness during 2021. We began producing regional gender profiles for the G5 Sahel region and Central Africa that will make sure that gender issues inform policies and actions in economic inclusion, resilience, social cohesion, and peacebuilding. With UN Women, we produced *Creating Green Jobs for Women in Africa*, a report that highlights the role of women in addressing climate change and calls for economically empowering women in the natural resources sector. And we launched a program to build the capacity of staff in the project implementation units of Bank-financed projects as regards gender mainstreaming and the application of the Bank’s gender marker system. ■





## Improving economic governance

To support African countries as they build back better, the Bank is fostering transparency and accountability in public services, stimulating government effectiveness, and building business-enabling environments.



## Chapter 7

# Improving our development impact and efficiency

**T**he Bank continuously improves its portfolio and its organisational performance to produce greater development impact. In 2021, we improved the quality of our country strategy papers, we increased our climate mainstreaming, we stepped up our efforts to leverage additional finance for regional member countries, and we made rapid progress on the reforms to which we committed under GCI-VII. Nevertheless, continuing Covid-19 constraints, evolving client needs, and limited lending headroom created challenges at the operational level. We expect these challenges to be lifted as we remain committed to finding ways to keep improving our performance.

### Continued constraints on Bank approvals in 2021

In 2021, Bank Group approved \$6.3 billion (UA 4506 million) in financing<sup>1</sup>—8% more than the previous year but less than the amounts approved before the pandemic. Disruptions in the operating environment led to the postponement of over 60 operations worth \$2.9 billion that had been scheduled for approval in 2021. The main reasons were as follows:

- ▶ Changes in client countries' priorities as they addressed the economic and social impact of the pandemic;
- ▶ Processing delays on the part of clients and the Bank, partly because of Covid-19-related lockdowns and travel restrictions that affected project preparation;
- ▶ Lending headroom constraints, including delays in confirming the amount of the Bank's non-concessional window resources available for eligible low-income ADF countries;
- ▶ Difficulty on the part of several borrowers and clients to produce satisfactory safeguards studies on time.

2021 was also a challenging year for non-sovereign operations (NSOs). Between 2010 and 2019, the Bank increased its lending to non-sovereign clients. In 2020, however, the pandemic created an urgent need for budget support to help client countries address the most pressing challenges created by the Covid-19 pandemic. For these reasons, in March 2020 the Bank froze its lending for NSOs, instead approving a record level of sovereign operations, 92% of which were for budget support under the Covid-19 Response Facility.

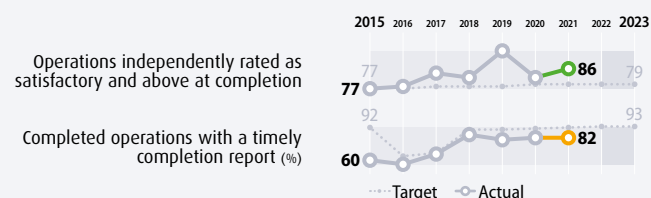
However, challenging operating environment for NSOs continued in 2021 driven by prudential lending limits and spill-over impact of the Covid-19 pandemic.

In terms of the breakdown of financing approved in 2021, the infrastructure sectors (transport, water, power, and communications) constituted 41% of the total. The proportion of financing for agriculture increased significantly over the year, rising from 3% of the total amount in 2020 to 18% in 2021, largely because of accomplishments in developing special agro-processing zones and other flagship initiatives (see the chapter entitled "Feed Africa").

### Sustaining high performance

The Bank is committed to ensuring that it tracks the results of and key lessons from its operations, so that it can correct performance issues and improve its operational effectiveness. The Bank's central tool for this effort is project completion reports (PCRs), the timely production of which helps us evolve our operational design. The proportion of our completed operations with a timely completion report remained

**Figure 6 The Bank is achieving development impact and improving its measurement approach**



<sup>1</sup> This figure includes ADB resources, ADF resources, and special funds.

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

INDICATOR	AFRICA			ADF COUNTRIES		TRANSITION STATES	
	Baseline 2015	Actual 2021	Target 2021	Baseline 2015	Actual 2021	Baseline 2018	Actual 2021
<b>ACHIEVE DEVELOPMENT IMPACT</b>							
🟢 Operations independently rated as satisfactory and above at completion <sup>1</sup>	77	86	79	63	89	-	87
👉 Completed operations with a timely completion report (%)	60	82	92	64	86	89	80
○ Operations that achieved planned development outcomes (%)	71	81	-	73	85	68	89
○ Completed operations delivering sustainable outcomes (%)	74	92	-	76	92	68	89
<b>ENHANCE THE QUALITY AND SPEED OF OPERATIONS</b>							
🟢 Quality of country strategy papers (1-4)	3.0	3.1	3.4	3.0	3.1	3.0	3.0
🟢 Quality of new operations (1-4)	3.3	3.3	3.5	3.3	3.3	3.4	3.4
🟢 New operations with a gender-informed design (%)	75	87	87	84	89	86	77
🟢 New operations with a climate-informed design (%)	75	92	87	90	97	-	81
👉 Operations with satisfactory environmental and social safeguards mitigation measures (%)	87	81	92	92	70	-	80
🔴 Time from concept note to first disbursement (months)	21.9	27.4	15	23.9	27.7	17.5	22.7
<b>IMPROVE PORTFOLIO PERFORMANCE</b>							
🟢 Procurement contracts using a national system (% value)	0	33	12	0	13	0	10
🟢 Timely coverage of country portfolio performance reports (%)	57	69	68	65	78	-	82
👉 Time to procure goods and works (months)	8.5	8.2	7.0	8.5	8.1	-	7.4
🔴 Disbursement ratio of ongoing portfolio (%)	21	14	23	18	16	14	13
🔴 Operations at risk (%)	15	14	11	18	14	8	13
🔴 Operations eligible for cancellation (%)	25	29	17	31	30	29	31
🔴 Projects facing implementation challenges and delays (%)	29	30	21	29	31	24	32
<b>KNOWLEDGE AND ADVISORY SERVICES</b>							
🟢 New ESW and related papers (number)	122	323	179	110	227	-	204

🟢🟢 Achieved or exceeded 90% of the 2021 target    👉 Achieved 80% to 90% of the 2021 target    🔴🔴 Achieved less than 80% of the 2021 target    ○ Data not available

1 Updated data from IDEV rate 75% of 2017 projects and 72% of 2018 projects as satisfactory or above-satisfactory at completion. In the 2021 ADER, we reported 84% (2017) and 82% (2018).

at 82% in 2021, sustaining a historical high in performance that has grown rapidly since 2015, when just 60% of PCRs were completed on time. This achievement is all the more remarkable, given that Covid-19-related travel restrictions continued in 2021. To make PCRs timelier still, we are developing better guidance for our operational teams and have created a simplified version of the completion report template for small operations and studies.

Each year, the Bank's Independent Development Evaluation Department (IDEV) produces a candid, independent analysis of the performance and effectiveness of projects closing that year. Newly validated data indicate that project outcomes remain high and well above baseline levels. In 2021, 81% of **completed operations achieved their planned development outcomes**, up from 80% in 2020 and 69% in 2019. Similarly, IDEV rated **completed operations that achieved sustainable outcomes** at 92% in 2021, up from 86% in 2020, and 78% in 2019. Updated data on overall performance of

completed operations rated 86% of 2021 projects and 85% of 2020 projects as satisfactory or above satisfactory at completion. The Bank is committed to improving this performance further.



*Timely project completion reports are essential to quality control. 82% of reports were filed on time in 2021, up from 60% in 2015*

In line with our commitment to strengthen accountability, we continue to use evaluations to improve the quality and impact of our operations, and every six months, our Management Action Record System tracks the implementation of recommendations and actions to which we agreed. As of December 2021, the share of recommendations completed or being implemented had reached 90%—the highest share ever—compared to 64% in 2017. The



Bank will continue to ensure that all agreed audit and evaluation recommendations close within the agreed timeframe.

### Enhancing project design and accelerating operations

Our project cycle starts by our designing country and regional strategies that guide the Bank's interventions in line with our regional member countries' priorities. When developing our country and regional strategy papers, we thoroughly diagnose the needs of the country or region and engage stakeholders so that our projects reflect their main concerns. In 2021, the **quality of our country strategy papers** rated 3.1 on a four-point scale, up from 2.8 in 2020. The timeliness of the papers improved as well.



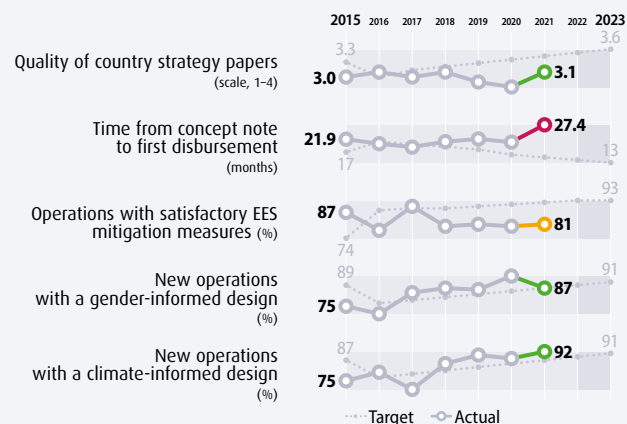
*Our country strategy papers are better, more timely, and more considerate of the climate*

Before approving an operation, the Bank assesses the project's quality of entry: that is, whether the project is ready for financing. Making sure that our operations are well designed at this stage is vital for effective project implementation. Our assessments found that the **quality at entry of new operations** remained steady in 2021: it averaged 3.3, slightly below our target of 3.5. To assess projects' readiness more thoroughly, in September 2021 we launched an enhanced readiness review that uses 13 criteria to measure readiness at the stages of project concept and project appraisal. The criteria are grouped in four dimensions: strategic readiness, results readiness, implementation readiness, and cross-cutting priorities. The new enhanced readiness review is helping teams improve the design and other aspects of operations before submitting them for approval, by making sure that red flags raised at earlier reviews are addressed proactively before a project moves forward. The aspects that are most improving are results measurement and the application of a fragility lens.

The Bank is committed to ensuring that all of its operations address a range of critical cross-cutting priorities, such as gender equality, climate change, and environmental and social issues. In 2021, 87% of our **new operations met our criteria for a gender-informed design**, below 95% in 2020 but higher than our target and above our baseline of 75% in 2015. In addition, 100% of sovereign operations were categorised using our gender marker system, which measures the extent to which gender equality measures are mainstreamed across our operations. There was a significant rise in the number of category 1 operations—operations whose sole purpose is to empower women and girls. The share of these operations rose from 2% in 2020 to 6% in 2021. We will continue to ensure that thorough gender analyses are fully integrated into project design and project appraisal reports.

In 2021, 92% of our **new operations had a climate-informed design**, up from 88% in 2020 and above the baseline of 75% in 2015. It is worth noting that 100% of our country strategies and policy documents were designed with climate change and green growth in mind.

**Figure 7 The Bank is improving the quality of its projects while accelerating implementation**



As for environmental and social issues, the enhanced readiness review process is drawing attention to environmental and social safeguards. All safeguard documentation, including information on the mobilisation of resources to pay resettlement costs, must now be completed prior to project appraisal. In 2021, the proportion of our **operations with satisfactory environmental and social safeguard mitigation measures** increased only marginally, to 81%. To encourage borrowers to better monitor environmental and social measures, the Bank put in place a mechanism for collecting and reviewing environmental and social implementation reports monthly for high-risk operations and quarterly for medium-risk operations, resource limitations notwithstanding.

Part of the solution will be found in the Environmental and Social Safeguards Strengthening Action Plan that the Bank developed as part of its commitments for the GCI-VII and the ADF-15 replenishment. This Action Plan outlines measures and targets geared towards strengthening the Bank's ability to address the environmental and social risks associated with the operations it finances, as well as to increase regional member countries' capacity to comply with the Bank's environmental and social safeguards.



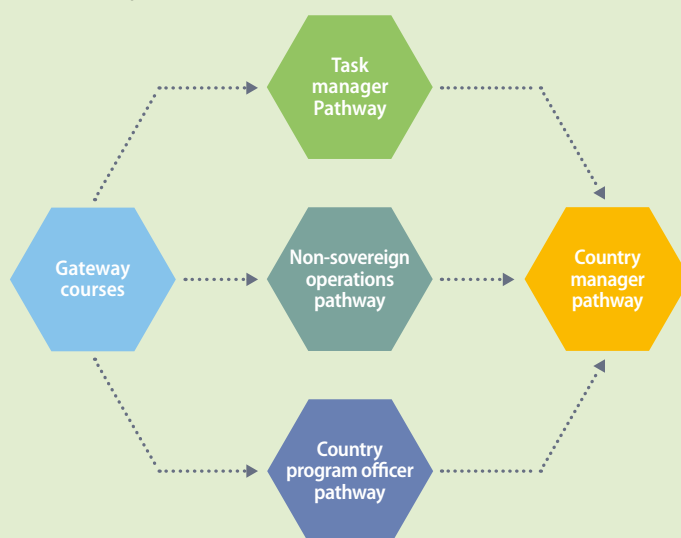
*New operations are designing better results measurement systems and more thoroughly applying a fragility lens*

An important challenge for the Bank is to reduce the time we take to develop and begin implementing projects so that we can respond more rapidly to regional member countries' needs. In 2021, the **time from concept note to first disbursement** increased significantly, rising to 27.4 months from 20.8 months in 2020. This increase was largely because most of our operations in 2020 were fast-tracked Covid-19 projects, whereas in 2021, the Bank refocused on investment lending and resumed processing operations that had been postponed. Ongoing Covid-19-related travel restrictions, debt

sustainability assessments, and challenges in processing projects and finalising procurement also added processing time. The Bank is currently reviewing its target for first disbursement lead times, to make it more realistic.

### Box 14 The Operations Academy: Reinforcing the knowledge of operational staff

To better support staff and improve the organisation’s operational effectiveness, the Bank has rolled out a comprehensive Operations Academy. With over 40 online courses on everything from procurement procedures to results-based financing and the design of investment projects, the Academy orients key career pathways across our operations.



By end of 2021, 763 staff and consultants had graduated from the Academy’s first phase (the Gateway). Our target is to reach all staff working in operations and operations support. The Academy’s second phase will train staff in certain operational roles, especially country managers, country programme officers, and task managers of sovereign and non-sovereign operations.

### Improving portfolio performance

The Bank continues to ensure that our procurement policy and procedures are efficient. We also continue to increase our projects’ use of national procurement systems, as a means of promoting local ownership and incentivising countries to reinforce the systems in question. In 2021, the **proportion of procurement contracts using national systems** grew to 33% from 23% in 2020 and 17% in 2019—marked progress since we began implementing our new procurement framework in January 2016. On a less positive note, the **time required for the procurement of goods and works** augmented to 8.2 months in 2021 from 7.2 months in 2020. The reason, once again, was pandemic measures, which delayed several stages of the procurement process—everything from the obtention of bidding documents to bid submissions, bid opening sessions, and the work of bid evaluation committees.

Despite the challenging operating environment in 2021, we made significant progress on issues that delayed implementation and caused challenges. More specifically, we reduced the proportion of our **projects facing implementation challenges and delays** from 33% in 2020 to 30% in 2021, in part as a result of better performance on the part of certain transport and power sector operations that had been approved over the last three years. We also marginally reduced the proportion of **operations eligible for cancellation** from 30% in 2020 to 29% in 2021. On both indicators, however, our performance is below target.

Project delays occur at several points in the implementation of projects: when updating design studies, when preparing bidding documents, when finalising compensation and resettlement arrangements, at the time of parliamentary approval, and when releasing counterpart funding. Slow disbursement during the implementation phase is mainly caused by weak capacity on the part of project implementation units and weak performance among project contractors. Since 2020, these challenges have been aggravated by Covid-19 restrictions and disruptions to supply chains.

It is also the case that the proportion of **operations at risk**—that is, operations that are facing implementation issues and have been categorised as problematic or potentially problematic—was 14% in 2021, higher than our target of 11%. To become more proactive on implementation issues, we made important changes to our business model, expanding project teams, devoting more resources to directly supporting operations, and building project implementation units’ implementation capacity, among other things with training. We are also introducing new guidance to help teams improve reporting and take a proactive approach to supporting implementation.

Our **country portfolio performance reports** monitor the health of our operations in each country. In 2021, 69% of our country portfolio performance reports were completed on time, up from 63% in 2020. Through regular country dialogue and by closely monitoring the portfolio, the Bank will continue to proactively address project implementation challenges and improve capacity

Figure 8 The Bank faces portfolio challenges while improving procurement

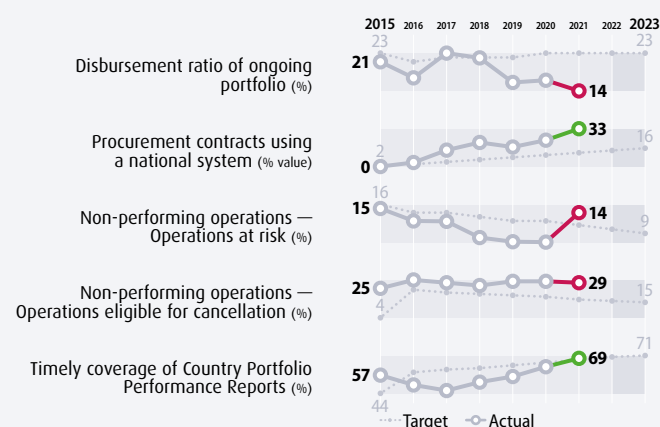


Table 14 How efficiently is the Bank managing itself? (Level 4)

INDICATOR	Baseline 2015	Actual 2021	Target 2021
<b>MOVE CLOSER TO CLIENTS TO ENHANCE DELIVERY</b>			
📈 Projects managed from country offices (%)	60	76	80
📍 Share of operations staff based in country offices and regional offices (%)	40	52	67
<b>IMPROVE FINANCIAL PERFORMANCE AND MOBILISE RESOURCES</b>			
🌱 Climate-related Bank commitments (%)	15	41	40
<b>INCREASE VALUE FOR MONEY</b>			
📉 Administrative costs per UA 1 million disbursed (UA '000)	98.9	91.5	92
📉 Work environment cost per seat (UA '000)	3.6	3.2	3
📈 Cost of preparing a lending project (UA '000)	85.6	109.4	81
📈 Cost of supporting project implementation (UA '000)	19.7	24.3	19
<b>STAFF ENGAGEMENT, DEVELOPMENT, AND PRODUCTIVITY</b>			
📈 Employee engagement index <sup>1</sup>	64	80	75
📈 Share of women in professional staff (%)	27	31	33
📉 Net vacancy rate—professional staff (%)	16	11.2	12
📉 Time to fill vacancies (days)	223	152	143
📈 Operations professional staff (%)	67	71	69
📈 Managerial effectiveness index <sup>2</sup>	48	50	60
📉 Share of management staff who are women (%)	29	26	35

📈 📉 Achieved or exceeded 90% of the 2021 target    📈 📉 Achieved from 80% to 90% of the 2021 target    📉 📈 Achieved less than 80% of the 2021 target  
 1, 2: A staff survey is conducted every three years. The most recent survey was conducted in 2019.

in key areas of procurement, financial management, and disbursement, focussing more on development results.

The Bank's Integrated Quality Assurance Plan sets out a range of commitments to improving operational performance and addressing challenges in implementation. We have successfully executed the plan and implemented several highly impactful reforms, including the development of the Bank's biggest and most structured e-learning programme, the Operations Academy (Box 14). The Operations Academy overhauls our approach to results planning for individual operations and strengthens key operational frameworks for non-sovereign operations.

By the end of 2021, the Bank had already implemented 79% of the programme of priority reforms planned under GCI-VII. We expect these reforms to improve portfolio performance in the coming years.

### Delivering as One Bank and mobilising talent

In 2021, we continued our work to embed and strengthen the Bank's Development and Business Delivery Model (DBDM). This model brings our operations closer to our clients, so that we can respond more effectively to their needs and better manage our operations.

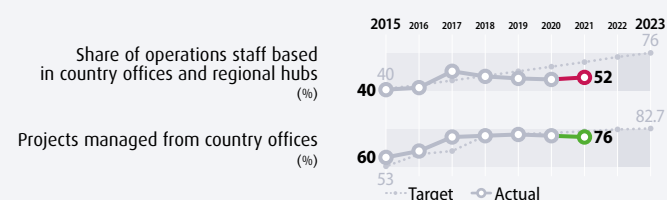
During 2021, the Bank faced challenges in decentralising its operations, not least because of continuing constraints related to

Covid-19. Nevertheless, the **proportion of our operations staff based in country offices and regional offices** increased from 50% to 52%. In the same year, however, the **proportion of our projects managed from our country offices** fell marginally to 76%, below our target of 80%. While the challenges and restrictions associated with the pandemic have affected staff movements and planning in general, the Bank is committed to aligning current and future staffing decisions with its objectives for decentralisation. Our strategic staffing initiative will go a long way to achieving this objective.

### 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 2021, the Bank Group's active resource mobilisation increased to \$1.80 billion, with \$1.39 billion mobilised for public sector

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





operations and \$442 million for private sector operations. Because of the pandemic and the re-alignment of priorities, we closed no syndication deals. This situation is expected to improve in 2022.

*In 2021, we mobilised \$1.8 billion in cofinancing, up from \$1.3 billion in 2020. And our new Trust Fund Policy allows trust funds to deploy loans, equity, and guarantees as well as grants*

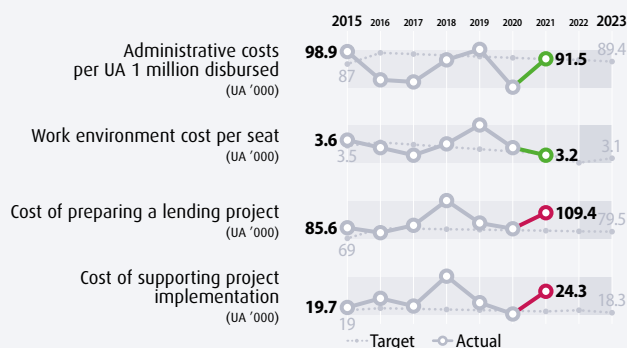
The Bank also mobilises funds through bilateral and multi-donor trust funds. In 2021, we mobilised \$346 million for the Sustainable Energy Fund for Africa, which encourages private sector investments in renewable energy and energy efficiency; the Canada–African Development Bank Climate Facility; the African Water Facility; the Korea Africa Economic Cooperation Fund; and others. We also approved our Trust Fund Policy, which allows trust funds to deploy not only grants, but also loans, equity, guarantees, and other instruments available to the Bank. This will make trust funds more effective and increase their impact.

### Promoting value for money

The Bank is committed to improving its efficiency, its cost effectiveness, and its value for money, so that our operations maximise value for our regional member countries and our shareholders. In 2021, we succeeded in keeping **administrative costs per UA 1 million disbursed** to UA 91 500, (or \$128 000) below our ceiling of UA 92 000 (or \$128 760). The slight increase over 2020 was mainly because of the decline in the volume of disbursements: in 2020, the Bank’s Covid-19 facility made large disbursements in fewer tranches.

The **cost of preparing a lending project** increased to UA 109 400 (or \$153 000) from UA 84 000 (\$118 000) in 2020. Both amounts exceed the target of UA 81 000 (\$113 000). A principal factor in the increase of costs was the continued improvement in the recording of staff time spent on project activities. Similarly, the **cost of supporting project implementation** reached UA 24 300 (\$33 600), up from UA 18 000 (\$25 000) in 2020, also above our target. This cost is expected to increase in the short-to-medium term as project missions and physical meetings resume in earnest and the Bank continues to strengthen project implementation support in line with commitments to optimise portfolio performance and the quality of our operations. On the positive side, the **work environment cost per seat** fell in 2021, mainly due to cost savings from remote work.

Figure 10 The Bank’s efficiency in running its operations achieves greater value for money



### Staff development, diversity, and recruitment

The effectiveness of the Bank’s functioning and our ability to deliver impactful operations is determined in large part by our ability to attract and retain high-calibre staff. Our efforts are guided by our People Strategy, which sets out our approach to maximising our employee value proposition. Our goal is to make the Bank an employer of choice for skilled professionals, to build a high-performance culture, and to foster a diverse and respectful working environment.

*We are committed to gender equality as our institution. We are seeking certification by EDGE (Economic Dividends for Gender Equality). And two-thirds of the young professionals we recruited in 2021 are women*

Figure 11 The Bank is accelerating recruitments to fill vacancies



The Bank conducts a staff survey every three years. According to the latest staff survey, which took place in 2019, our **employee engagement index** was 80 (exceeding our target of 75) and our **managerial effectiveness index** was 50 (below our target of 60). To enhance employee engagement and managerial effectiveness, the Bank will conduct a new staff survey in 2022. The results will produce data that will inform our targets for our interventions and serve as a baseline against which we will measure progress annually. Going forward, employee engagement will be one of the parameters on which the Bank evaluates the performance of senior management.

Over the last year, **the share of women in professional staff** remained at 31%, just below our target of 33%. Also, **the share of management staff who are women** fell marginally from 27% to 26%, well below our target of 35%. Nevertheless, the recent recruitment of young professionals shows the Bank's commitment to improve in this area, with women accounting for close to 65% of the recruits. The Bank is committed to providing equal opportunities to all its employees and chose to be held accountable by launching the Economic Dividends for Gender Equality (EDGE) certification process. EDGE certification is a comprehensive assessment methodology designed to assist organisations to create a more equitable workplace for women and men and to attract, develop, motivate, and retain a gender-balanced talent pool.

Our challenging operational environment in 2021 increased our **net vacancy rate** for professionals to 11.2%, which leaves it just below our target of 12%. At the same time, the Bank reduced the **time required to**

**fill vacancies**, which fell to 152 days (nine days longer than targeted). The Bank has implemented measures to make the recruitment process more efficient. For example, it is more systematically using a list of recommended candidates to fill vacant positions. It is also batching recruitments and delegating some authority.

## Conclusion

Despite the headwinds we faced in 2021, the Bank delivered better development results and improved the efficiency of its operations.

Significant challenges to improving our portfolio and our organisational performance remain. That said, the stark development needs that face the continent as the Covid-19 pandemic perdures have deepened our commitment to making these improvements. In this, we are guided by a range of new operational policies and strategies and our commitments to the GCI-VII reforms. ■





## Returning Africa to its development path

Despite the uncertainty of the coming period, the Bank has ambitious plans to help African countries obtain the resources they need to resume progress towards the sustainable development goals.



# Looking forward

**T**his is an acutely challenging time for Africa. Although 2021 brought a welcome return to growth, the outlook for the coming period is highly uncertain. The slow vaccine rollout means that Covid-19 continues to be a threat. And now, African countries must also contend with the prospects of a food crisis triggered by the war in Ukraine. These external shocks add to the accelerating impacts of climate change, which are often concentrated in Africa's most fragile areas.

African countries are facing these threats at a time when they need to be rebuilding their economies and reversing the human impacts of the pandemic. Yet high fiscal deficits and growing debt limit their options for responding. In addition, development finance is heavily constrained, just when it is needed the most.

For the African Development Bank, the priority for the coming period must be to help African countries obtain the resources they need to resume their progress towards the sustainable development goals. Many of these goals will not be achieved by 2030 unless investments accelerate.

In the coming period, the Bank will work closely with African countries to mitigate the risk of debt distress, also conferring with the World Bank, the International Monetary Fund, and other partners. We will engage in high-level policy dialogue on debt issues, and we will

strengthen countries' capacity to manage public debt productively and sustainably. The Bank's new Sustainable Borrowing Policy sets out measures for increasing the supply of low-cost, low-risk development finance: we will pursue these opportunities as well.

During 2022, the Bank and its shareholders will discuss the sixteenth replenishment of the African Development Fund. The Fund continues to be a unique vehicle to support Africa's poorest countries in their quest to build resilience and achieve much faster and equitable economic growth and development.

Finally, over the course of 2022, the Bank will prepare a new ten-year strategy. Grounded in extensive consultations around the continent, the strategy will define the Bank's strategic priorities within the High 5s, to ensure that we remain tightly focused on delivering transformational impact to Africans in every region of the continent. ■

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

To meet these methodological challenges, the Bank uses a four-level results measurement framework (RMF) that tracks its performance in meeting its development objectives. Level 1 tracks development progress across Africa, Level 2 measures the Bank’s contributions towards development in its operations, Level 3 assesses the quality

of the Bank’s operations, and Level 4 monitors the Bank’s efficiency as an organisation (Figure A-1).

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, which the Bank’s Board of Directors approved in April 2017.<sup>1</sup> This RMF innovates by vertically aligning Level 1 and Level 2 and organising both levels 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. See Annex A of the RMF document to learn more about the rationale behind the RMF and its indicators.

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.

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



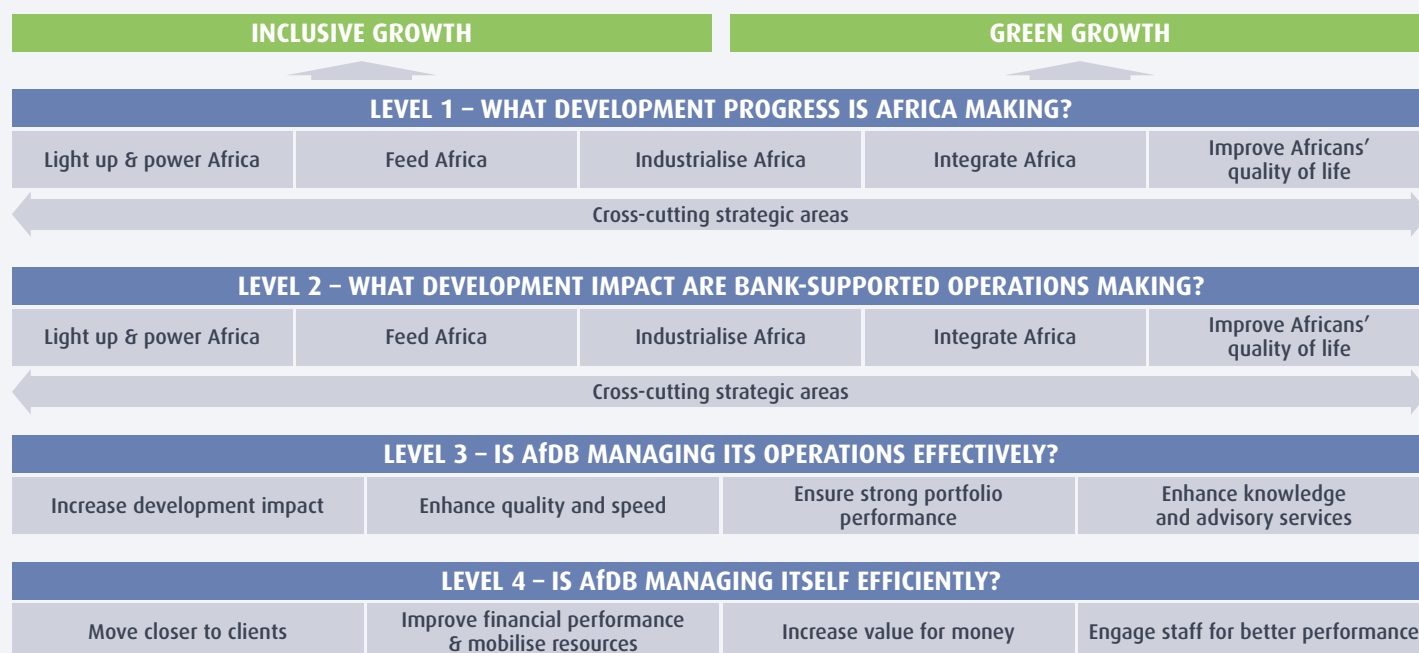
## Level 1: Tracking Africa’s development progress

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

Data for the Level 1 indicators is drawn from internationally available statistics (e.g., data produced by the Food and Agriculture Organization, the International Energy Agency, the International Monetary Fund, and the World Bank) and was chosen in coordination with the Bank’s Statistics Department. The ADER uses the latest data

<sup>1</sup> 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



available (i.e., not solely 2021 data) and provides disaggregated 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).

**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 2021 while minimising the volatility of the data, the ADER averages data over the last

three years (2019–2021). Level 2 Tables in Chapters 1 to 6 present the aggregate data from all PCRs and XSRs completed within this timeframe: 309 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 be used to estimate the proportion of women beneficiaries.

The Bank is the first multilateral development bank to report only its own contribution to a project and not the project's aggregate contribution, the latter of which would include the 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<sub>2</sub> 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 Development and Business Delivery Model: 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 2021 target, an amber arrow shows that an indicator achieved less than 95% of the 2021 target but is above the baseline value, and a red arrow shows that the indicator did not reach the baseline value. For Levels 3 and 4, assessment does not consider the baseline when determining the colour of the arrow: green arrow means the Bank exceeded 90% of the 2021 target, amber means it achieved 80-90% of the 2021 target, and red means it achieved below 80% of the 2021 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)

LEVEL 2 – WHAT DEVELOPMENT IMPACT	
Feed Africa	Light U
➡️ Downstream markets	➡️ Electricity capacity
➡️ Agricultural productivity	➡️ Access to energy
	➡️ Efficient energy use
Integrate Africa	Improve

For example, **Agricultural productivity** is the summary (the average) of the values of the three indicators below (see Table 4 for the actual values of the indicators).

- ▶ 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

The average score for Agricultural productivity =  $(1+1+1)/3 = 1$ . Thus, a red arrow (➡️) indicates that performance deteriorated 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 in 2021/2022. Coming after the general capital increase (GCI-VII) and fifteenth replenishment of the ADF concluded in December 2019, 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. ■



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### About this publication

The 2022 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 26 non-African countries. The Bank Group's primary objective is to contribute to the sustainable economic development and social progress of its regional members, individually and jointly. It does this by financing a broad range of development projects and programmes through public sector loans, including policy-based loans, and through private sector loans and equity investments; by providing technical assistance for institutional support projects and programmes; by making public and private capital investments; by assisting countries with development policies and plans; and by supplying emergency assistance.



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