

The New Deal on Energy for Africa

A transformative partnership to light up and power Africa by 2025

UPDATE ON IMPLEMENTATION







Message from the President

Dr **Akinwumi Adesina**, President, African Development Bank

2016 was a year of milestone achievements for the New Deal on Energy for Africa, the transformative partnership to light up and power Africa by 2025.

I am pleased with the progress so far. I want to thank our Heads of State and Government, our Board of Governors, and the Boards of Directors of the African Development Bank and the African Development Fund, and their Advisors for the phenomenal support they have accorded the New Deal on Energy for Africa.

I also want to thank the staff of the African Development Bank, our institutional partners and stakeholders around the world for the hard work and commitment in co-developing and co-implementing the New Deal on Energy.

We have committed to invest about US\$12 billion between 2016 and 2020 and expect to leverage US\$45 – 50 billion in co-financing for energy projects in Africa during the period.

The plan is clearly laid out, the political will is now assured by our Leaders. What we need now is to work together to significantly increase the pipeline of bankable projects to attract the financing needed to accelerate universal access to energy services in Africa. Without universal access to energy, the Sustainable development Goals and the COP 21 Agreement will not be achieved in Africa.

“Let us stand together, invest together, and work together to light up and power Africa”.



What is the New Deal on Energy for Africa?

The New Deal on Energy for Africa is a partnership-driven effort with the aspirational goal of achieving universal access to energy in Africa by 2025. To achieve this goal, the African Development Bank has worked with governments, the private sector, and bilateral and multilateral energy sector initiatives to develop a Transformative Partnership on Energy for Africa – a platform for public-private partnerships for innovative financing in Africa's energy sector.

The New Deal on Energy for Africa helps to unify all the other initiatives that are currently geared towards achieving the goals of universal access in Africa. It focuses on five key principles: raising aspirations to solve Africa's energy challenges; establishing a Transformative Partnership on Energy for Africa; mobilizing domestic and international capital for innovative financing in Africa's energy sector; supporting African governments in strengthening energy policy, regulation and sector governance; and increasing the African Development Bank's investments in energy and climate financing.

Why the New Deal?

Over 645 million Africans have no access to electricity. Power consumption per capita in Sub-Saharan Africa is the lowest of all continents, currently estimated at 181 kWh per annum, compared to 6,500 kWh in Europe and 13,000 kWh in the United States. Energy-sector bottlenecks and power shortages are estimated to cost Africa some 2 – 4 per cent of GDP annually, undermining economic growth, employment creation and investment. Companies in Tanzania and Ghana are losing 15 per cent of the value of sales as a result of power outages. South Africa's economic growth has been hobbled in recent years by severe electricity generation capacity constraints and frequent 'load-shedding'.

An estimated 600,000 Africans (mostly women and children) die annually due to indoor air pollution associated with the use of fuel wood for cooking. Children under-perform for lack of electricity, since over 90% of Africa's primary schools lack electricity. Lives are at risk in African hospitals, as life-saving equipment and services lie unused because of lack of electricity.

At the same time, Africa is rich in energy resources. The continent has well over 10 TW of solar potential, 350 GW of hydroelectric potential, 110 GW of wind potential and an additional 15 GW of geothermal potential. This does not even include coal and gas, which can still provide some of its cheapest electricity. Africa cannot power its homes and businesses unless it unlocks this huge renewable energy potential, and combines it with conventional energy to light up and power the continent. Energy is the engine that powers economies.

While a number of programmes and projects exist (and more are emerging), the lack of sufficient innovative and appropriate financing, of bankable projects, of appropriate policy and regulatory environments, of pricing incentives and of coordination severely limits the scale and speed at which energy is provided to the continent. While a number of programmes and projects exist (and more are emerging), the lack of sufficient innovative and appropriate financing, of bankable projects, of appropriate policy and regulatory environments, of pricing incentives and of coordination severely limits the

scale and speed at which energy is provided to the continent. The African Development Bank has established the New Deal on Energy for Africa to address these issues.

What does the New Deal aim to achieve?

To reach the goal of providing energy access to over 645 million people and sufficiently power business, Africa must achieve four targets:

- Increase on-grid generation to add 160 GW of new capacity by 2025
- Increase on-grid transmission and grid connections that will create 130 million new connections by 2025, 160 per cent more than today
- Increase off-grid generation to add 75 million connections by 2025, 20 times what we have today
- Increase access to clean cooking energy for around 130 million households.





What underpins the New Deal?

The New Deal is built on five inter-related and mutually reinforcing principles.

1. Raising aspirations to solve Africa's energy challenges

The New Deal calls on partners to raise aspirations and mobilize political will and financial support to solve Africa's energy challenges. This is a pre-requisite for achieving the UN's Sustainable Development Goals (SDGs) agreed in New York in September 2015, and for implementing the global climate change deal reached at the UN summit ('COP 21') in Paris in December 2015.

2. Establishing a Transformative Partnership on Energy for Africa

The New Deal is being implemented through a partnership designed to provide a platform for coordinated action amongst partners (private and public) and for innovative financing. The Partnership will unlock Africa's energy potential, and eventually foster a transition to low carbon energy futures. It will help reduce duplication and pool resources to achieve economies of scale in Africa's energy investments.

3. Mobilizing domestic and international capital for innovative financing in Africa's Energy sector

To achieve universal access by 2025, innovative mechanisms are required to mobilize an additional \$ 30-55 billion annually in domestic and international capital.

This is a significant increase on the \$ 22.5 billion invested in the sector in 2015. Achieving this scale of energy financing requires that collective action be taken by all stakeholders – public and private – to create enabling conditions for financial flows, to develop bankable projects, to reform utilities, and to enhance African countries' absorptive capacities.

4. Supporting African countries in strengthening energy policy, regulation and sector governance

The New Deal builds on and further scales up the Bank's investments in the "soft" infrastructure of national governments and institutions, to enhance energy policies, regulations, incentive systems, sector reforms, corporate governance, and transparency and accountability in the energy sector.

5. Increasing the African Development Bank's investments in energy and climate financing

Over the past five years, the African Development Bank has invested some \$ 6 billion in the energy sector. Under the New Deal, the Bank will ramp up its investments to provide finance and guarantees, co-financing and syndication.

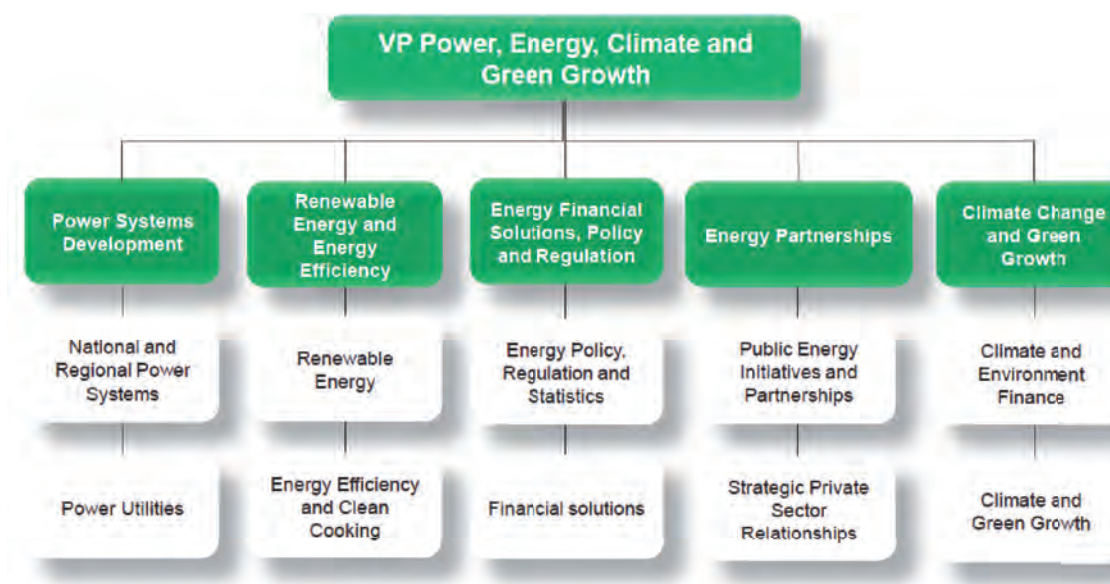
Between 2016 and 2020, the Bank will invest about \$12 billion and leverage about \$50 billion in public and private financing for investments in the energy sector. In addition, it will triple its climate finance to about \$5 billion per annum, and leverage about \$20 billion in private and public sector investments in climate mitigation and adaptation by 2020.

How the New Deal Works

The Journey So Far, September 2015 - January 2017

Institutional Innovation to Achieve the New Deal –
The African Development Bank has established a New

Vice Presidency Complex on Power, Energy, Climate Change and Green Growth, staffed by international Energy, Climate Change and Green Growth Experts to deliver on the New Deal. The AfDB is the first MDB to do so, positioning itself to lead Africa's Energy Transformation. Under the Vice Presidency Complex, five Directorates have been established.



Key dates

- September 2015:** First High Level Consultative Energy Stakeholders Meeting hosted to co-design the New Deal.
- January 2016:** Appointment of a Senior Advisor to the President on Inclusive and Green Growth-Strategy, Policy and Implementation to advise on and guide Bank-wide implementation strategy and activities
- January 2016:** Announcement of the New Deal and launch of the Transformative Partnership on Energy for Africa at the World Economic Forum, Davos, with support from AfDB, African Heads of States, Eminent Personalities and Partners
- May 2016:** The New Deal Strategy approved by the Board to deploy \$12 billion that will leverage \$45-50 billion by 2020
- August 2016:** Appointment of the Head of the Independent Delivery Unit of the Africa Renewable Energy Initiative
- September 2016:** Presidential Task Force for the implementation of the New Deal launched to fast track implementation
- November 2016:** Establishment of a new Complex on Power, Energy, Climate Change and Green Growth by the Board to implement the New Deal
- November 2016:** Appointment of the Vice President to lead the Power, Energy, Climate Change and Green Growth Complex
- December 2016:** Approval of a USD 500 million debt-fund Facility for Energy Inclusion with an initial AfDB contribution of USD 100 million targeting small-scale renewable IPPs, mini-grids and off-grid solutions by the AfDB's Board of Directors.
- January 2017:** Recruitment of directors for the 5 Directorates of the Power, Energy, Climate Change and Green Growth Complex to lead specialized activities on: (i) Power Systems Development, (ii) Renewable Energy and Energy Efficiency; (iii) Energy Financial Solutions, Policy and Regulation; (iv) Energy Partnerships; and (v) Climate Change and Green Growth.

January – December 2016
High Level Stakeholder Consultations and Dialogue to elicit political commitment at the levels of Heads of State and Government

Key achievements in 2016

29 Energy Sector operations approved amounting to US\$ 1.7 billion to deliver:



546 MW of additional installed capacity of which 526 MW are from Renewable Energy Sources



300,000 prepaid meters to be installed



21,264 km of distribution lines



more than 1,600 jobs created



641 km of transmission lines and associated substations



800 staff trained, and



7,800 public lighting units



700,000 tonnes CO2 avoided.



688,950 new households / businesses receiving electricity access

Policy based operations for energy sector reforms commenced in 5 countries.

Over the course of 2016, the Bank's investments in the energy sector (public and private) have leveraged USD 1.4 billion in additional financing, including USD 57 million from external funds channeled by the Bank (e.g. Bank administered trust funds, co-financing arrangements, climate finance facilities) and USD 1.36 billion in other external co-financing (including USD 965 million in syndication for Eskom, in addition to other public and private co-financing and recipient countries counterpart funding).

Looking ahead

The African Development Bank has pledged to commit \$12 billion of its resources to implement the New Deal by 2020 and to leverage \$45-50 billion.

In 2017, the Bank expects to invest up to US \$ 2 billion in the sector from its own resources, and we expect a strong emphasis on private sector operations as well as significant leverage to attract additional financing.

The Bank will look at new innovative financing structures. Indeed on 28 March 2017, the Bank convened ~150 representatives from distributed energy service companies, governments and financiers to discuss how

enabling environment, business models and financing could be improved to scale up the “off-grid energy revolution” with a view to provide up to 75 million households and businesses affordable electricity using decentralized renewable technologies.

In 2017, we are working towards supporting projects that will contribute towards:

- 2 GW of power capacity.
- 2,500 km of transmission lines including regional interconnections.
- 1,250 km of distribution lines.
- 500,000 solar home systems.



The Team



Amadou HOTT, Vice President, Power, Energy, Green Growth and Climate Change Sector Complex. With 20 years of experience in structured finance, sovereign wealth funds management, investment banking, infrastructure and the development of integrated energy solutions, Mr. Hott has led the Power, Energy, Climate Change and Green Growth Complex, since 01 November 2016. Prior to joining Bank, Mr. Hott held various Investment banking and Investment advisory positions in New York, London, Dubai and Lagos. He was Director of Millennium Finance Corporation for Africa; Managing Director of UBA Capital, and then founder Managing Director of Afribridge Capital; Special Advisor to HE President Macky Sall, Chairman of Aéroport Internationale Blaise Diagne (Senegal's new international airport)

and Founder and CEO of Senegal's Sovereign Wealth Fund. Amadou has undergraduate degrees in applied mathematics and economy, and MSc in Finance, from Sorbonne University in Paris. He was named a Young Global Leader by the World Economic Forum in 2012.

Prof. **Kevin Chika URAMA**, FAAS - Senior Advisor to the President of the African Development Bank Group on Inclusive and Green Growth – Strategy, Policy Development & Implementation. Prof. Urama holds a First Class Honors degree and a Master of Science in Agricultural Economics from the University of Nigeria, Nsukka; a Master of Philosophy degree with distinction and a Ph.D. in Land Economy from the University of Cambridge, UK. He won the 2002-2003 James Claydon Prize for the most outstanding Ph.D. thesis in economics or related subjects at the University of Cambridge. He was named the Technology Executive of the Year by the Africa Technology Awards in 2012, adding to the many international prizes and awards he has received for academic excellence and science policy leadership. Prof. Urama has held various Executive Management positions in the academia, international organizations and in the private sector. He is currently a Fellow of the African Academy of Sciences, Deputy Chairman of the OMFIF Economists Network, an Extra-Ordinary Professor in the School of Public Leadership, Stellenbosch University, South Africa, an Adjunct Professor at the Sir Walter Murdoch School of Public Policy and International Affairs, Murdoch University, Western Australia, and Visiting Professor at the University College London. Prof. Urama's role includes guiding and supporting Bank-wide efforts on energy, climate change, agriculture and natural resources management, and alignment of activities to deliver on the High 5 priorities of the Bank in countries and across regions.





Prof. **Anthony NYONG**, Director – Climate Change and Green Growth. Anthony holds a Ph.D. in Geography from McMaster University, Ontario, Canada and a Post Graduate Diploma in Global Business from the University of Oxford, UK. He is a Senior Executive Fellow at the Harvard Kennedy School of Government, USA and a Fellow of the African Academy of Sciences. Mr. Nyong has over 27 years' experience in delivering innovative solutions on climate change, green growth, environmental and social safeguards and natural resources management. Anthony joined the Bank in 2008 as the Bank's pioneer climate change expert. He has held several positions including Head of the Gender, Climate Change and Sustainable Development Unit; Manager of the Compliance and Safeguards Division, and Lead expert on the Presidential Task Force for the implementation of the New Deal on Energy for Africa. Prior to joining the Bank, Anthony was a Professor of Climate Change at the University of Jos, Nigeria, Senior Program Specialist with the International Development Research Centre of Canada and Coordinating Lead Author for the 4th Assessment Report of the IPCC. Anthony has led several global and continental initiatives on climate change.

Wale SHONIBARE, Director - Energy Financial Solutions, Policy and Regulation. Wale holds an MBA from Imperial College, University of London and a Bachelor's Degree in Civil Engineering from University of Glasgow. He brings with him over 25 years' experience in debt and equity capital markets, mergers and acquisitions and project finance spanning Asia, Europe, Middle East and Africa. Prior to establishing Shonibare Consulting, he was the Deputy Group CEO/Managing Director, Investment Banking at United Capital Plc (former UBA Capital Plc) in Lagos. Previous positions include: Managing Director and CEO, of Shonibare Consulting FZE, Dubai, United Arab Emirates (UAE); Managing Director and Head of Infrastructure, Africa, Middle East and New Markets at Renaissance Capital in Dubai, Director KPMG UAE in Dubai and Associate Director KPMG UK in London.



Astrid MANROTH, Director – Energy Transformative Partnerships. Ms. Manroth holds a Master of Science Degree in European Political Economy from the London School of Economics and Political Science, London, UK; and a graduate degree from Koblenz School of Corporate Management, Otto-Beisheim-Graduate School, Germany. Astrid brings over 20 years of investment banking and development finance experience in emerging markets, including over ten years of development finance experience in over 20 African countries. Astrid started her career at JP Morgan Securities Ltd., London, UK, where she worked in various capacities including as Head of Credit Rating Advisory for Emerging Markets Debt Capital Markets between 1997 and 2003. Between 2003 and August 2014, she worked at the World Bank in various positions, including as Operations Adviser for Openness and Aid Effectiveness in the Operations Policy and Country Services Department, Senior Infrastructure Finance Specialist, Africa Region, and Senior Energy Specialist, Europe and Central Asia Region.

Prior to joining the African Development Bank, she was the Managing Director for Sustainable Investments Europe and Africa at Deutsche Bank, Frankfurt, Germany, since September 2014. She led a team of investment professionals, managing the only commercial bank-based private debt and private equity platform which blends subordinated public capital with senior-ranking private capital in structured funds for sustainable investments, providing a successful model for scaling up financing for the Sustainable Development Goals.

Ousseynou NAKOULIMA, Director - Renewable Energy and Energy Efficiency. He holds a Master of Business Administration from Harvard University Business School, USA and Master degrees in Engineering and Applied Mathematics from Ecole Polytechnique and Ecole des Mines in Paris. He brings along more than 15 years of experience in energy, climate change, international banking and financial sector development.



Ousseynou has been the Director at the Green Climate Fund in Korea since 2014, with global responsibility for partnerships, country strategies and project preparation support. He was responsible for managing relationships with 140 countries, advising them on how to develop low carbon and climate resilient programs, while managing substantial financial resources for technical assistance and project development.

Before joining the Green Climate Fund, he worked at BNP PARIBAS from 2009 to 2014 in Paris and then in Senegal. As Deputy CEO of the local subsidiary, he positioned the Bank as lead advisor of the Government of Senegal in energy and infrastructure. Ousseynou had earlier on worked at the African Development Bank as Senior Investment Officer between 2002 and 2009. During that time, he developed projects in power, water, sanitation and infrastructure and led teams in high impact transactions.



Henry Paul BATCHI BALDEH, Director – Power Systems Development. Mr. Batchi holds a Master of Business Administration from Boston University Graduate School of Management, USA and a Bachelor of Science, Electrical and Electronic Engineering from the University of Newcastle-Upon-Tyne, United Kingdom. He brings over 30 years of experience as an investment banker, infrastructure developer, project finance, energy and utility management specialist and a wealth of expertise covering the entire power sector value chain. He has worked as Senior Vice President for the Africa Finance Corporation (AFC) and currently leads its power sector operations, as Director, Power Systems. At AFC, he helped to grow the size of the power sector portfolio, including assets under the complex Nigeria Power Privatization Program, and green-field development of two regional 450 MW

Independent Power Producers (IPPs) under the West African Power Pool. Henry started his career in Gambia's national utility as an Electrical Engineer and became the pioneer Managing Director of Gambia's National Water and Electricity Company in 1995. He subsequently worked in Lesotho as an Advisor to the Board of Lesotho Electricity Company, Director of Energy and Director of the Privatization Unit. Henry is a Fellow of the Institute of Directors of South Africa and member of the Institute of Engineering and Technology, United Kingdom. He is also Chairman of the Board of two AFC investee companies: Cabeolica SA and Cenpower Operations Services Limited.

AFRICAN DEVELOPMENT BANK GROUP

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April 2017

The High 5 for transforming Africa

Le Top 5 pour transformer l'Afrique



The High 5 agenda – five priority actions for the Africa Development Bank and for Africa - is the AfDB's channel for focusing and scaling up its 2013-2022 Ten Year Strategy, to bring about the social and economic transformation of Africa.

The High 5s are designed to deliver the twin objectives of the Ten Year Strategy: inclusive growth that is shared by all; and the gradual transition to green growth. The High 5s are: Light up and power Africa; Feed Africa; Industrialise Africa; Integrate Africa; Improve the quality of life for the people of Africa.

Le Top 5, c'est-à-dire les cinq actions prioritaires pour la Banque africaine de développement et pour l'Afrique, constituent le moyen utilisé par la BAD pour concentrer et étendre la mise en œuvre de sa Stratégie décennale pour la période 2013-2022 visant à transformer l'Afrique sur le plan social et économique.

Le Top 5 a pour but de réaliser le double objectif de la stratégie décennale : une croissance inclusive partagée par tous ; et la transition progressive vers une croissance verte. Le Top 5 est constitué des priorités suivantes : Éclairer et électrifier l'Afrique ; Nourrir l'Afrique ; Industrialiser l'Afrique ; Intégrer l'Afrique ; Améliorer la qualité de vie des Africains.

Feed Africa

The Road to Agricultural Transformation in Africa



Feed Africa is the drive to transform African Agriculture into a globally competitive, inclusive and business-oriented sector that creates wealth, generates gainful employment, and improves quality of life. It also seeks to bring to scale, existing and successful initiatives across Africa and beyond.





Feed Africa echoes the commitments made under the Comprehensive African Agricultural Development Program (CAADP) as articulated in the Maputo (2003) and the Malabo (2014) Declarations (see page 10). More specifically, in partnership with other actors including national governments, regional economic communities, private sector, farmers, development partners, research

institutions and civil society organizations, **Feed Africa** will fulfill the CAADP goals by contributing to:

- End extreme poverty
- Eliminate hunger and malnutrition
- Make Africa a net exporter of agricultural commodities
- Move to the top of key agricultural value chains

Feed Africa is forward-looking, ensuring that key outcomes beyond the growth of the agricultural sector include food security and supports inclusive growth through an increased representation of women and youth, and improved resilience to climate variability and shocks.

Feed Africa will focus on

Goals	1	2	3	4
	Ending of extreme poverty	Eliminating hunger and malnutrition	Making Africa a net exporter of agricultural commodities	Moving to the top of key agricultural value chains
				
Aspiration	Contribute to alleviating poverty through job creation and providing sustainable livelihoods	Food security for all Africans that are 'undernourished'	Eliminate large scale imports of commodities that can be produced in Africa, and selectively begin to export	Become the #1 in either processing or the overall value chain, by market share by value
Target by 2025	~130m lifted out of extreme poverty	Zero hunger and malnutrition	Africa's net trade balance – \$0 bn	Africa share of market value for processed commodities ~40% (Example for cocoa grinding)

Source: AfDB



Why Agricultural Transformation in Africa?

Agriculture is an integral part of the African economy and the daily lives of the majority of Africans, accounting for over 60% of jobs across the continent.¹

Despite its central role, the agriculture sector represents only a quarter of African GDP due to the low productivity of the sector. For example, Africa's share in global production of cocoa beans is 73 % as compared to its share in ground cocoa of 16%. Africa's cereals yields are only 56% of the international average, and the private sector infrastructure beyond production, remains relatively underdeveloped.

The lack of productivity of African agriculture exacts a high human and economic cost. High rates of poverty prevail, especially in major agro-ecological zones such as the Sub-Humid "Guinea Savannah" and Semi-Arid "Sahel" regions where more than 50% of people live on less than US\$1.25 a day. More than 232 million people are undernourished in Africa². Low productivity also makes African agriculture uncompetitive. If we do nothing, the population under extreme poverty will rise from 420 million (2015) to 550 million (2025).

Security of land tenure and good governance remain major challenges across the continent. Most African countries have basic land tenure laws that are incomplete and poorly enforced, deterring private investment. Although, women remain the primary users of agricultural

land in most African communities their access to land is on average less than half that of men.

Climate change and variability trends are another increasingly important driver for the need for transformation. Africa is already disproportionately affected by the impacts of climate change due to its overdependence on rainfed agriculture sector. African farmlands and rangelands are increasingly degraded, causing farmers to face declining yields.

Falling commodity prices for a broad range of natural resources are creating an increasing imperative for African nations to diversify their exports and reduce current account deficits. Increased food demand and changing consumption habits driven by demographic factors such as population growth and urbanization are leading to rapidly rising net food imports, which are expected to grow from US\$35bn in 2015 to over US\$110bn by 2025.

These rising imports are indicative of a broader opportunity to transform agriculture as a business. The scale of imports of agricultural commodities that can be produced locally, demonstrate that demand exists, if a vibrant private agribusiness sector in Africa can be stimulated to service it. These food imports represent a diverse set of markets, both in key primary commodities as well as processed goods and 'agro-allied' industries worth more than US\$100bn in revenue per annum, while delivering food security, employment creation and broad-based economic growth.

¹ AGRA, 'Africa Agriculture Status Report,' 2013.

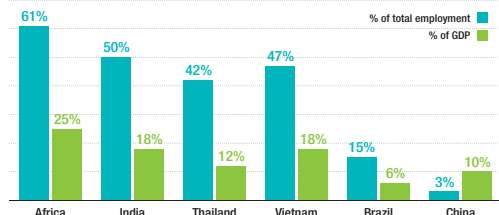
² FAO, IFAD and WFP. 2015. The State of Food Insecurity in the World 2015. Meeting the 2015 international hunger targets: taking stock of uneven progress



Agriculture remains a major source of income in Africa; however, untapped potential has resulted in persistent poverty and deteriorating food security

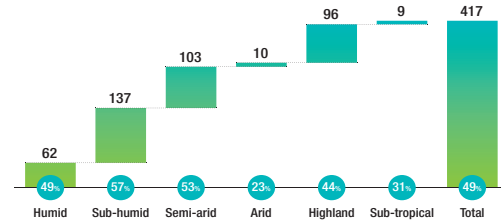
Gap between employment and income...

Agriculture as a share of employment and GDP
% 2014



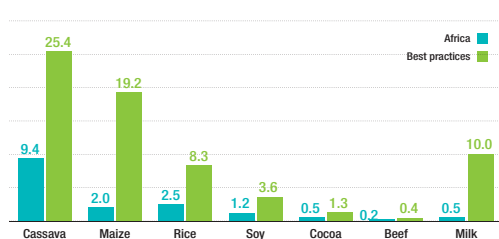
...resulting in widespread poverty across major agro-ecological zones in Africa

Millions of Africans living on less than \$1.25/day, 2014



Relatively low productivity...

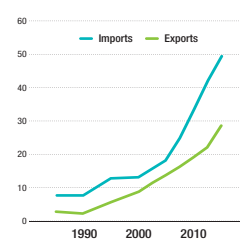
Average yields across Africa versus best practice
Tonnes/hectares or animals) 2013



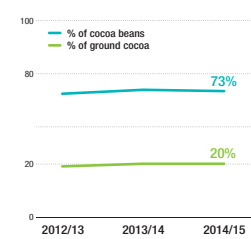
Notes: (1) Best practices = average of top 10 countries in the world by yield in the commodity; (2) Out of Africa; Source: FAOstat; World Bank; IFPRI; IITA, ICCO, Dalberg analysis

... rapidly rising imports, and poor performance in exports

Imports vs exports
Billion USD



Africa's share of cocoa
%



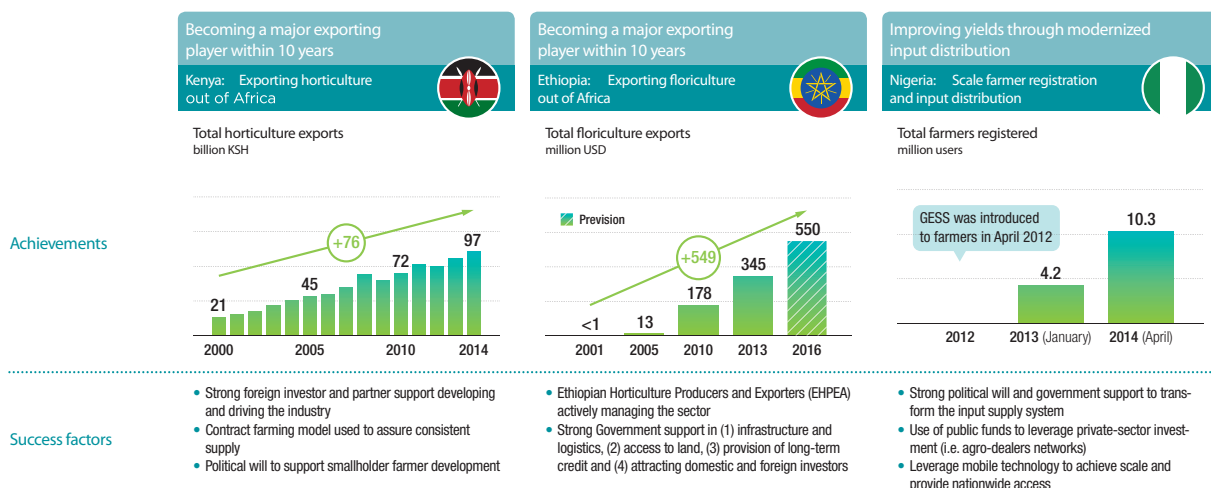
The Vision of Agricultural Transformation

African Agricultural Transformation has a substantial opportunity to improve the quality of life of Africans and support economic growth. The conditions for transformation are beginning to materialize in a number of African countries. Liberalization of input markets, expansion of innovative agricultural finance, and land policy reform have allowed significant advances across Africa to be made.

These have led to pockets of transformation across the continent.

Examples include:

- The horticulture and floriculture sectors in Kenya and Ethiopia respectively
- Rwanda's rapid and material reduction in the level of malnutrition
- Nigeria's large scale registration of farmers onto an electronic-wallet system to facilitate fertilizer subsidy payments
- Transformation of the rice sector in Senegal.
- During the past five years, Tunisia has become the foremost global exporter of olive oil averaging 115,000 tons per year

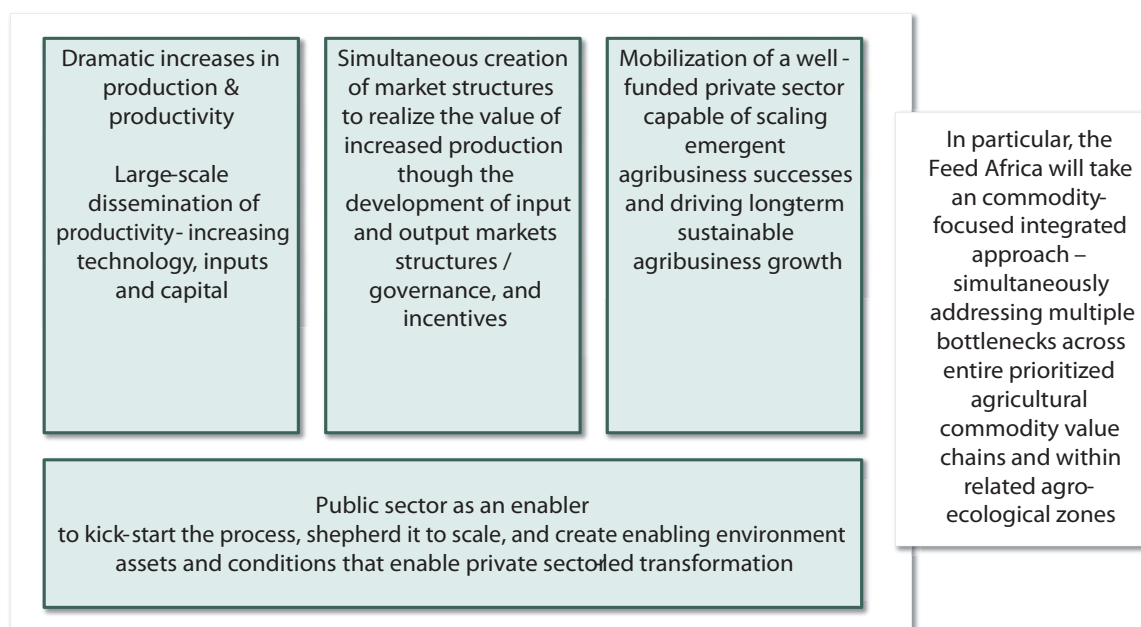


Sources: Kenya National Bureau of Statistics; World Bank "Exporting Out of Africa — Kenya's Horticulture Success Story" 2004; GRIPS "Global Value Chains and Market Formation Process in Emerging Export Activity: Evidence from Ethiopian Flower Industry" 2011; Observatory of Economic Complexity; Market Insider "Ethiopia cut flower industry's success story" 2015; Development (FMARD) Nigeria; The economist "If only Nigeria could revamp its Grow-Africa "Fertilizer Subsidy Reform Revives Nigeria Agriculture"; Federal Ministry of Agriculture and Rural farms" 2013; Dalberg analysis

These instances show that transformation in Africa is possible, and point the way for larger-scale shifts in African agriculture. Successful transformations are business-led, and involve the creation of three simultaneous conditions:

- a large-scale dissemination of productivity-increasing technology and inputs, plus input intensity and capital intensity;

- the development of input and output markets structures and incentives that allow the full realization of the value of increased production; and
- a well-functioning, vibrant and competitive private sector that can manage and allocate skills and capital to scale emergent success and drive long-term sustainable agribusiness growth.



The Feed Africa Response

Dakar High-Level Conference

In October 2015, the African Development Bank in association with the African Union Commission, the United Nations Economic Commission for Africa, and the Government of Senegal – organized a high-level Ministerial Conference (HLC) on “Feed Africa: An Action Plan for African Agricultural Transformation” in Dakar to map out, **within the framework of CAADP goals**, how to unlock Africa’s agricultural potential with a view to diversifying African economies.

The HLC was attended by over 600 participants, including African Ministers of Finance, Planning and Economy, the Ministers of Agriculture and Rural Development, selected Ministers of Industry and Trade as well as Central Bank Governors; research institutes, the academia, investment agencies, civil society organizations and experts across the continent and beyond.

Feed Africa builds on the commitments made at this event as well as existing activities and prior commitments.

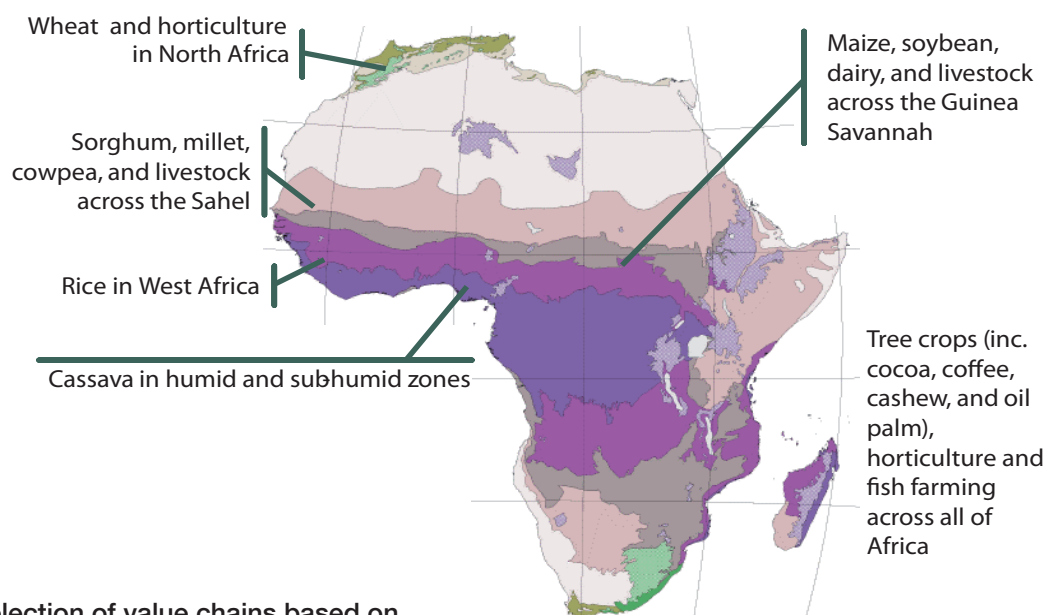


L to R: Ms. Agnes KALIBATA, President, AGRA; Mr. Tony ELUMELU, CEO, Heirs Holding; Mrs. Rhoda-Peace TUMUSIIME, Commissioner for Rural Economy and Agriculture, African Union; Dr. Akiwunmi A. ADESINA, President, AfDB, H.E. Mr. Macky SALL, President of the Republic of Senegal; Mr. Augustin MATATA PONYO MAPON, Prime Minister of the Democratic Republic of Congo; Mr. Abdalla HAMDOK, Deputy Executive Secretary, ECA; Mr. Sidi Ould TAH, Director General, Arab Bank for Economic Development in Africa
Source: AfDB

The Bank and its partners will pursue an agenda to transform a selection of key agricultural commodities and agro-ecological zones. Achieving the goals of Feed Africa will involve strengthening a broad range of value chains. However, in the short and medium term, resources will be focused on selected

agricultural value chains (AVCs) and related agro-ecological zones (AEZs). The prioritization of these AVCs and AEZs is based on the following set of criteria: future demand, competitive advantage, scope for transformation uplift, potential to nourish Africa and existing focus.

Priority agricultural commodity value chains and agro-ecological zones



Selection of value chains based on

Prioritization criteria



Future demand

Likely future African demand, taking into account changing consumption habits and needs



Competitive advantage

Basis to effectively compete with imported products and / or in export markets



Scope for transformational uplift

Potential to drive massive increases in productivity / activity, given current endowments & assets versus feasible targets



Potential to nourish Africa

Preference for products that can (as a portfolio) offer broad-based nutrition value, not just calories



Existing focus

Alignment with existing priority commodities such as those identified by AU/NEPAD, rather than establish new ones

Agricultural Transformation in Africa

Fulfilling Africa's potential for transformation in the priority commodity value chains and agro-ecological zones entails different emphases in the types of support needed to catalyze investment, but overall seven sets of enablers of transformation are vital:

#1: Increase Productivity

- Agriculture technology dissemination (Flagship program: Technologies for African Agricultural Transformation)
- Inputs Finance and Inputs Systems Development
- Agricultural Mechanization

#2: Increased Value addition

- Post-Harvest Loss (PHL) Prevention
- Agro-Processing Zones, Clusters, and Corridors

#3: Increase Investment in enabling Hard & Soft Infrastructure

- Infrastructure Development and Coordination
- Farmer e-Registration

#4: Expanded Agricultural Finance

- Private investment and Commercial Bank lending for agriculture (Flagship program: Risk-sharing facility)
- Non-Bank SME Finance and Capacity-Building

#5: Improved Agribusiness Environment

- Policy Reform: (i) land tenure, (ii) input subsidies, (iii) incentives for local production and processing, (iv) financial sector deepening, and (v) regional integration and trade.

#6: Increased Inclusivity, Sustainability and Nutrition

- Climate resilience funding and climate-smart agriculture practices

- Women-owned agriculture and agribusiness enterprises
- Youth employment in agribusiness (Flagship program: ENABLE Youth)
- Food security and prevent malnutrition

#7: Coordination of actors as a partnership to drive transformation

- Partnership among key actors from the public sector, private sector and development actors



What will it take for this approach to work on the ground?

- **Scaling and leveraging** what is already working: the initiatives that are Feed Africa are either universally proven to deliver results, or involve scaling up and replicating promising pilots.
- **Ensuring sufficient skills and capabilities exist for follow-through:** appropriate skills and capabilities – as well as fundamental availability of resources – will be required for follow-through.
- **Being sufficiently targeted:** the Bank intends to both increase the scale of its funding to agriculture

and direct those financial resources to a series of commodities and agro-ecological zones, and thereby avoid its investments becoming too diffuse, losing synergies in driving multi-country value chain synergies, and require a breadth of commodity and agro-industry expertise that could not be viably created.

- **Candor on the importance of political will:** transformation will involve substantial reform, and will therefore require a high degree of political priority, coordination across ministries, and the willingness to push through in the context of affected established interests in current market structures.

Agricultural Transformation: Counting the costs and delivering the benefits

Transforming the commodity value chains and agro-ecological zones will open up markets worth **US\$85bn** per annum by 2025 making substantial impact towards realizing Sustainable Development Goals on poverty reduction and ending hunger (SDGs1 & 2).

The total cost of transformation for the priority commodities and agro-ecological zones in the strategy is between **US\$315bn and US\$400bn** over 10 years, equivalent to US\$31.5bn – \$40bn per year. This level of investment by far exceeds resources currently available from the public sector.

There are sufficient resources within Africa and potential partners to achieve this ambition.

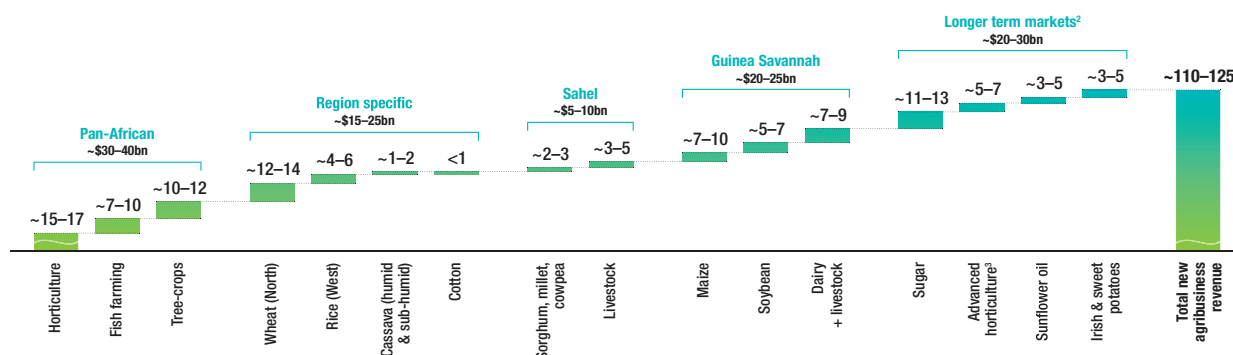
Feed Africa will thus require an Africa-wide agenda that combines the resources of a broad set of public and private sector actors, and therefore coordination and partnership as well as the development of innovative financial instruments to incentivize this partnership is essential to achieve transformation. The possible sources of financing the transformation include but are not limited to:

- African governments in 2014 spent approximately \$12billion on agriculture. Although meeting the Malabo commitments of allocating 10% of public

budgets to agriculture has not materialized, a notable increase of government investment into transformation is still imperative, especially for country-level ownership.

- Multilaterals, bilateral, IFIs, foundations and non-governmental organizations taken together spent about \$3.8bn on agriculture in Africa in 2014. The Bank intends to raise its average annual investments into agriculture.
- Private sector and institutional capital will be a critical source of financing. Leveraging commercial bank balance sheets and innovative finance mechanisms will be options that would be explored.
- Foreign Direct Investment into agriculture and agribusiness in Africa was worth \$10bn in 2014. Creating the appropriate conditions for agribusiness growth, and aligning existing investment strategies of the private sector to the goals of transformation, should increase the attractiveness and flows of FDI into the African agribusiness sector.
- The importance of ensuring the development of sustainable, resilient and climate-smart agriculture is closely aligned to realizing the ambitions agreed in COP 21, and associated climate finance commitments. These represent additional and material sources of funding for key parts of agricultural transformation, especially sustainable intensification of commodity production, and sustainable natural resource management.

Potential agriculture & agribusiness markets by incremental revenue opportunity
\$bn 2025



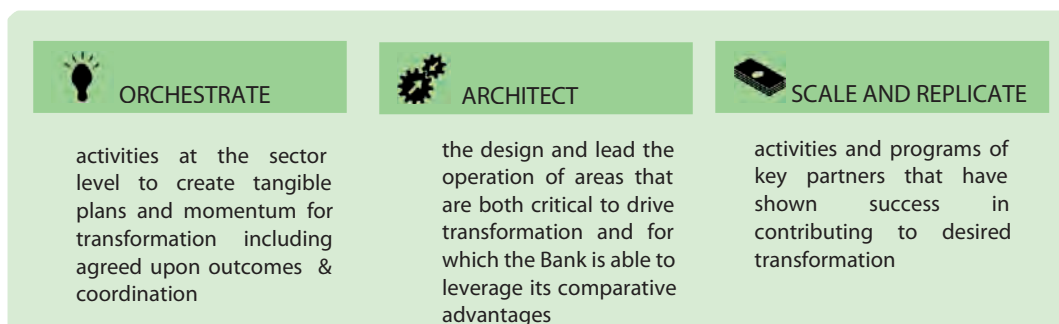
Notes: (1) Market is valued at import parity prices, which can be taken as a proxy for the wholesale market value of these products; (2) Additional focus areas for future consideration post first 5 years of execution of the transformation strategy; (3) involves application of high-productivity horticulture methods to substantially increase Africa's share of horticulture export markets.

Source: CGIAR; FAOstat; Dalberg analysis

The Role of the African Development Bank

The AfDB has considerable experience in supporting African countries in the agricultural sector. Therefore AfDB will play a pivotal and catalytic role in the delivery of the Feed Africa agenda. The Bank will use its unique

role and previous experience as a key investor for, convener of, and advisor to African nations and institutions to coordinate and amplify fragmented efforts across the continent. The Bank specifically, will work in conjunction with its partners to orchestrate, architect and take to scale existing and successful initiatives of transformation.

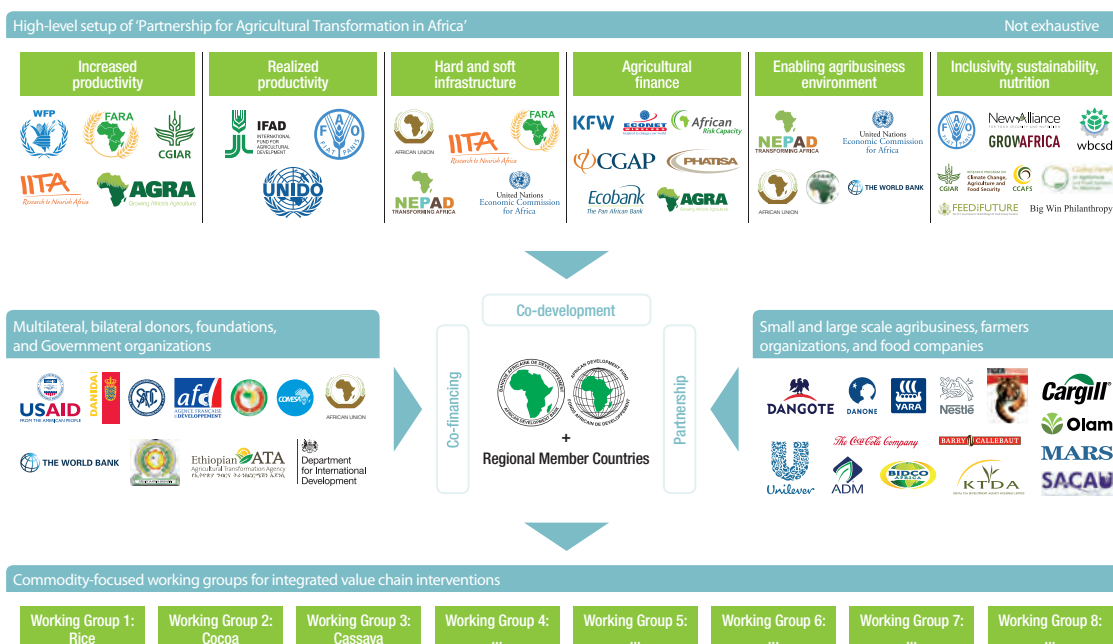


Partnerships for transformation

Coordination among the different stakeholders and partners is key to the delivery of the transformation agenda. Feed Africa will thus strengthen already existing platforms that involve alignment around specific and targeted value-chain transformation agendas by:

- Bringing coherence and clear plans of action and securing commitments.
- Holding participating actors accountable to their commitments.

- Selecting priority focus areas both for decision-making and resource allocation.
- Sequencing efforts across the same value chain and within the same country or region.
- Leveraging shared capabilities and footprints to enhance programs and expand reach.
- Sharing previous experience and learnings as they pertain to new projects.
- Engaging and understanding the needs of value chain actors and larger private sector players.



Comprehensive African Agriculture Development Program

Commitments and Goals by African Heads of States and Government in 2014 Malabo-Equatorial Guinea

1. **Recommitment to the principles and values of the CAADP process**
2. **Recommitment to enhance investment finance in agriculture**
 - (a) Uphold 10% public spending target
 - (b) Operationalize the African Investment Bank
3. **Commitment to ending hunger by 2025**
 - (a) At least double productivity (focusing on Inputs, irrigation, mechanization)
 - (b) Reduce PHL at least by half
 - (c) Nutrition: reduce underweight to 5 % and stunting to 10%
4. **Commitment to halving poverty, by 2025, through inclusive agricultural growth and transformation**
 - (a) Sustain annual sector growth in Agricultural GDP of at least 6%
 - (b) Establish and/or strengthen inclusive public-private partnerships for at least Five (5) priority agricultural commodity value chains with strong linkage to smallholder agriculture
 - (c) Create job opportunities for at least 30% of the youth in agricultural value chains
 - (d) Preferential entry and participation by women and youth in gainful and attractive agribusiness
5. **Commitment to boosting intra-African trade in agricultural commodities and services**
 - (a) Triple intra-Africa trade in agricultural commodities and services
 - (b) Fast track continental free trade area and transition to a continental Common External tariff scheme
6. **Commitment to enhancing resilience in livelihoods and production systems to climate variability and other shocks**
 - (a) Ensure that by 2025, at least 30% of farm/pastoral households are resilient to shocks
 - (b) Enhance investments for resilience building initiatives, including social security for rural workers and other vulnerable social groups, as well as for vulnerable ecosystems
 - (c) Mainstream resilience and risk management in policies, strategies and investment plans
7. **Commitment to mutual accountability to actions and results**
 - (a) Through the CAADP Result Framework – conduct a biennial Agricultural Review Process and results

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April 2017

The High 5 for transforming Africa

Le Top 5 pour transformer l'Afrique



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Industrialise Africa



Industrialization is key for economic development. Evidence shows that no country or region in the world has ever achieved prosperity and a decent socio-economic life for its citizens without the development of a robust industrial sector. In recognition thereof, African leaders have emphasized on several occasions the importance of “Industrialization” in Africa’s inclusive and resilient growth. The role of industrialization in Africa is highly articulated by the African Union’s Action Plan for Accelerated Industrial Development of Africa (AIDA) and reaffirmed in Agenda 2063, which called for the promotion of sectoral and productivity plans as well as regional and commodity value chains to support the implementation of industrial policies at all levels.

As part of this agenda, the Heads of the African Development Bank Group (AfDB), United Nations Industrial Development Organization (UNIDO) and the United Nations Economic Commission for Africa (UNECA) have agreed that the three institutions will work together to help Africa deliver the “Industrialization Agenda”.

Within this framework and in keeping with its Ten-year Strategy, this publication highlights the roadmap for implementing flagship programs to scale-up the industrial transformation of Africa. It also summarizes the rationale for: (i) Why we need to “industrialize Africa”; (ii) What it will take to “industrialize Africa; and (iii) How AfDB will help to “industrialize Africa;



Why Do We Need to ‘Industrialize Africa’?

Africa’s economic growth has been strong in recent years; this has been built on the back of expanding domestic markets driven by a burgeoning middle class, an improving business environment, improved macroeconomic management, favorable commodity prices, rapid urbanization, and increasing public investment. Several of these factors continue to drive growth but a persistent lack of industrialization is holding back Africa’s economies, which remain largely dependent on sectors like agriculture and unprocessed commodities that add relatively little value. On average,

industry generates merely USD 700 of GDP per capita in Africa, less than a third of Latin America’s output (USD 2,500 per capita) and barely a fifth of East Asia’s (USD 3,400 per capita). Industrial GDP influences overall GDP as industrial productivity drives productivity in other sectors.

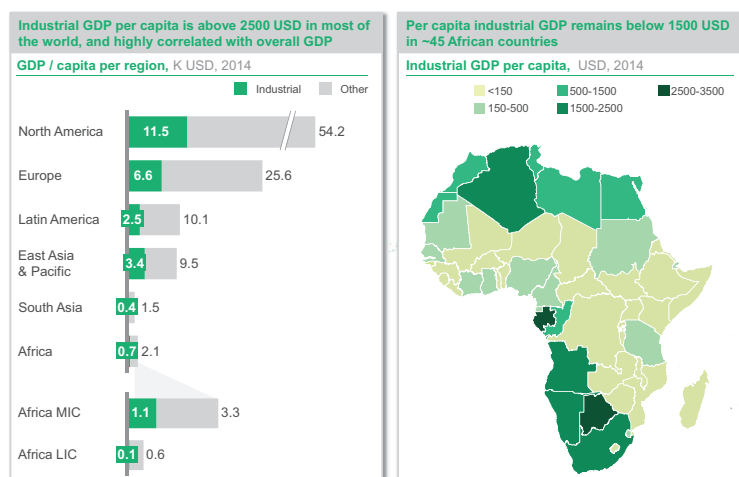
Industrialization is a necessity for Africa. World leaders met in New York in November 2015 and agreed to “build resilient infrastructure, promote sustainable industrialization and foster innovation” and this became one of the new Sustainable Development Goals (SDG 9). Industry has always played a vital role in development. It increases the value created in an economy by generating activity all along the value chain,

African economies strongly rely on commodities, that account for more than 70% of Africa’s exports



SOURCE: WTO 2014, ECA, Global Insight

In absolute levels, industrial GDP is highly correlated with overall GDP, and remains very low across Africa



1 Industry value added comprises value added in mining, manufacturing, construction, electricity, water, and gas (World Bank data)

SOURCE: World Bank data



from raw materials to finished products. It boosts productivity by introducing new equipment and new techniques, increases the capabilities of the workforce, and diffuses these improvements into the wider economy. It generates formal employment, which in turn creates social stability. It improves the balance of trade by creating goods for export and replacing imports.

African nations must be bold in their ambitions. The benefits of industrialization are within our reach.

What Will it Take to ‘Industrialize Africa’?

Structural transformation is a must to ensure sustainable, inclusive and shared growth in Africa. This will not be possible without industrialization which will facilitate moving from low to high productivity activities, particularly from agriculture to agro-industries, from raw mineral resources to high-value semi-processed/or processed exports, thus curbing the high unemployment rate and laying the groundwork for greater diversification of economies. This industrial revolution must be underpinned by technological progress, reallocation of new investments to high-return emerging markets and by offering Africa opportunities to leapfrog its development lag. Stakeholders acting on the industrialization agenda of the continent admit industrial GDP should grow on average by 11.5% per annum (corresponding to a cumulative growth of 130% by 2025) and GDP per capita should almost double to 4% per annum. The experience of other industrializing economies around the world shows that Africa can realistically more than double its overall industrial GDP

per capita by substantially increasing its industrial GDP in the next ten years from USD 751 billion to USD 1.72 trillion within the next decade. This in turn would enable Africa to raise its continental GDP to USD 5.62 trillion and its GDP per capita to USD3,368 by 2025.

For this to happen, Africa needs to implement a comprehensive and resolute industrial policy; one that can be adjusted in each country, is specific to local context and requirements and is aligned with the country’s development goals. This will require vision and commitment from political leaders but also from the Bank and the broader development community, who will provide support through technical assistance, capacity building, continuous dialogue and advisory services. Experience suggests that creating opportunities for entrepreneurship (both new business creation and expansion of existing ones) is the most important driver of industrialization. To achieve this, however, Africa needs to leverage the full strength of the Bank’s experience in this area, while leveraging the specialized expertise of organizations such as UNIDO

AfDB Aspiration is:

Help raising the industrial GDP by 130% by 2025

So as to

Drive Africa overall GDP from USD 2200 Bn to 4 600 Bn

and UNECA as well as that of a broader set of stakeholders like the AU, Regional Economic Communities (RECs), national governments, policy makers and DFIs. Lessons from the experiences of the Bank, UNIDO, UNECA and other development organizations highlight five key enablers that have been common to almost all countries that have rapidly industrialize their economies. These enablers are:

- Supportive policy, legislation and institutions.
- Conducive economic environment and infrastructure
- Access to capital
- Access to markets
- Competitive talents, capabilities, and entrepreneurship.

In successful industrializing countries, these enablers have typically been integrated into a comprehensive industrial policy that has enabled businesses, both large and small, to develop along the value chains of selected, high-potential industrial sectors. *These programs are feasible and can be implemented with the right levers.*

How Will the Bank Help ‘Industrialize Africa’?

The aspiration to more than double Africa’s industrial GDP over the next ten years cannot be achieved by

the Bank alone. Industrializing Africa and driving meaningful progress on each of the five enablers outlined above will require combined and coordinated efforts by a wide range of stakeholders, both public and private.

While it will intervene along with its partners in all identified programs, the Bank plans to place a stronger focus on areas where it can best leverage its experience, capabilities and its finances to support countries by championing a subset of these programs, grouped into the following **six ‘Flagship Programs’**, which are at the core of the Bank’s ‘Industrialize Africa’ priority.

To deliver its contribution to these programs, the Bank will significantly increase its level of funding over the next decade.

What are the Implementation Arrangements and Modalities?

Through a partnership with UNIDO, UNECA, the AUC and RECs, the Bank will actively seek to support governments in crafting their national industrial policies, identifying potential sectors for industrial development, and providing value chain analysis, technical assistance and some degree of operational support. In addition, the Bank will strive to facilitate government and private sector dialogue to foster coordination between all the

Enablers	Flagship programmes	Description
Supportive policy, legislature and institutions	Foster successful industrial policies ¹	Provide Policy Advisory services and Technical Assistance to governments (regulatory and institutional framework, implementation and monitoring) and funding of key PPP projects
Conducive eco. environment and infrastructure	Catalyse funding into infrastructure and industry projects ²	Increase and channel funding into GDP catalytic programmes (infrastructure and industrialisation projects, by public and private operators) Raise own investment, including from managed funds Foster investment by others (domestic and foreign) as strategic investor or MLA ¹
Access to capital	Grow liquid and effective capital markets ³	Improve access to market finance for African enterprises Advise governments, stock exchanges and regulators on development of liquid capital markets Invest directly in capital markets to increase liquidity
Competitive talents, capabilities and entrepreneurship	Promote and drive enterprise development ⁴	Drive enterprise development (large, small and medium businesses) Scale-up investment and financing to lend to SMEs Technical Assistance support to strengthen SME-focused entities Establish linkages of SMEs to domestic projects/companies and provide training of a strong talent pool
	Promote strategic partnerships in Africa ⁵	Link up African enterprises and major projects with potential partners and investors, through promotional activities , notably African investment forum Facilitation and management of investor relations (e.g. contract negotiations)
Access to markets	Develop efficient industry clusters across the continent ⁶	Support governments in developing efficient industry clusters² across Africa, through Technical Assistance and funding in implementation and monitoring

¹ Mandated Lead Arranger ² Industry clusters including Special Economic Zones ³ Small and Medium Enterprises

industrialization stakeholders. Given the significant crosscutting agenda embedded in the Bank's industrialization strategy for Africa, the Bank will optimize its resources to deliver on the ambitious agenda within the framework **of the One Bank Approach**. In this respect, the key initiatives the Bank is launching under the **High 5s** will have positive impact on the economic environment and infrastructure, access to markets, and access to talent and capabilities, which in return will foster industrialization. To deliver the six 'Industrialize Africa' Flagship Programs, the Bank will mobilize a higher volume of funding, human resource, and hard and soft infrastructure-related mechanisms. Over the next 10 years, the Bank will increase its funding to implement the six industrialization programs. The Bank will scale up its own investment, including from managed funds

to catalyze funding by others, acting as strategic investor or as lead arranger. Moreover, the Bank will develop its capability to drive mobilization activities by playing a more active Mandated Lead Arranger role, through improved processes and adequate talents, while growing its passive participation in co-financing activities.

In a nutshell, 'Industrialize Africa' represents a bold vision and an ambitious strategy – one that has the potential to truly transform the continent. The Bank is committed to playing a leading role in achieving this vision – acting as a catalyst to build support from governments and other development finance institutions (DFIs), and working with the private sector to turn the vision into reality, factory by factory, across the continent.



SOURCE: Team analysis

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Avril 2017

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Integrating Africa

CREATING THE NEXT GLOBAL MARKET



The challenge

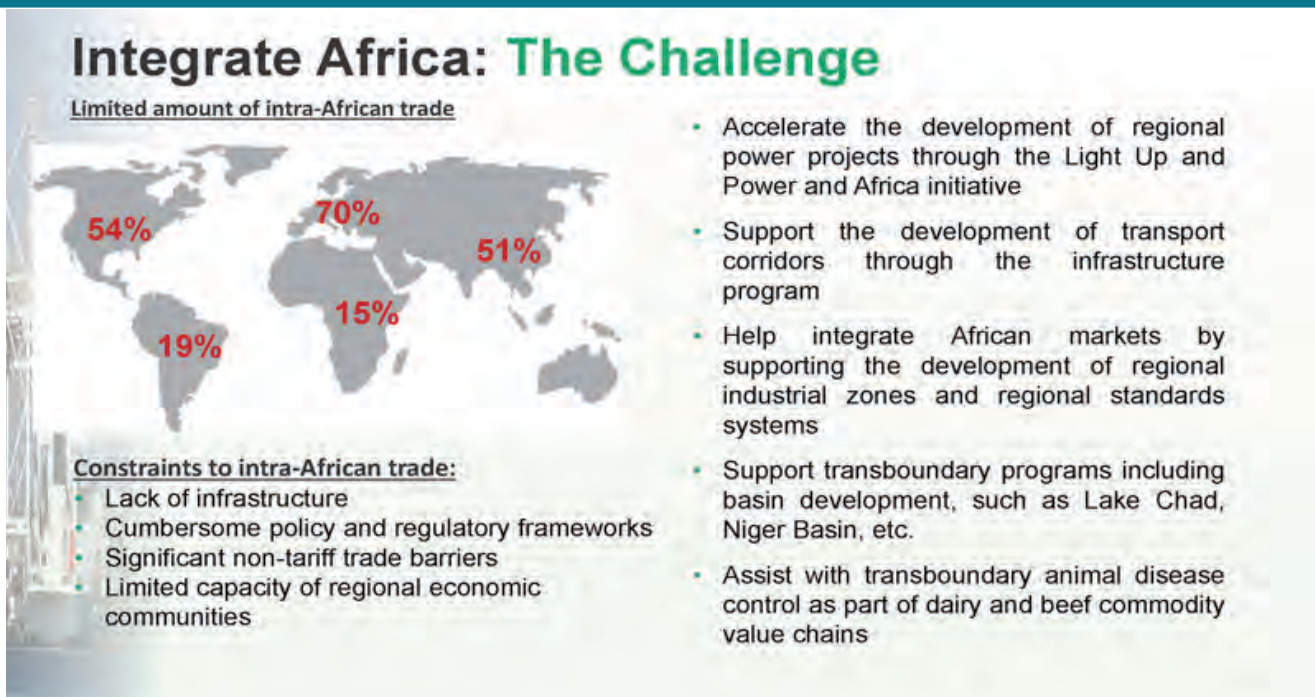
Regional integration is a development priority for Africa. All Africans, not just policy makers and decision makers, have a role to play in making integration a reality for the continent. Africa's regional integration challenges are well known. Intra-African trade is the lowest globally – approximately 15 percent compared to 54 percent in the North America Free Trade Area, 70 percent within the European Union and 60 percent in Asia. The continent's difficult physical landscape makes connection between communities, countries, and even entire regions challenging.

These difficulties are mainly due to the limited integration of regional markets for infrastructure services, particularly in power, transport, water and sanitation. Cumbersome policy and regulatory frameworks, and significant non-tariff barriers pose serious challenges and this is further complicated by weak regional economic communities (RECs) that lack capacity and are inadequately structured to make or even attract necessary regional investments. This is especially significant for fragile countries, as they

stand to gain the most from greater integration. Many of their governments have also not worked enough with the private sector and others to develop and upgrade regional infrastructure; improve policies for industries that fit the productive capabilities of countries in Africa (for example, in agriculture and food security); and fully implement protocols of the RECs that governments have signed.

The figures below highlights some of the challenges 'Integrate Africa' must address:

- In 2015, the African Union in its report stated that regional physical infrastructure deficit represented a 2 percentage point loss of growth opportunity for the continent;
- Africa's share of global trade is estimated at 3%;
- Only 13 out of 54 countries offer liberal access (visa free or visa on arrival) to all Africans;
- Africans need visas to travel to 55% of other countries;





Consumer spending in Africa stood at USD 680 billion as of 2010, and is expected to grow to USD 1 trillion by 2020, increasing demand for consumer goods and the potential of intra-regional trade. Intra-African Investment is trending upwards, from about USD 10 billion in 2000 to about USD 55 billion in 2015.



The response

In 2014, the Board of Directors of the African Development Bank approved a new Regional Integration Policy and Strategy 2014-2015 to respond to these challenges. The Bank has moved to strengthen its regional operations. It continues to lead in several continent wide and regional projects targeting both “hard” and “soft” infrastructure (e.g. trade infrastructure and trade facilitation, and energy grid interconnections). These projects are mostly in the context of continental initiatives such as i) the Continental Free Trade Area, the Agenda 2063, ii) The Comprehensive Africa Agriculture Development Programme - CAADP, iii) Programme for Infrastructure Development in Africa - PIDA, and iv) Boosting Intra-African Trade - BIAT.

The Bank has also improved its soft infrastructure support, providing capacity building to support the NEPAD Planning and Coordination Agency (NPCA) and the Tripartite process. It developed a system of indicators for measuring regional integration. It also developed a framework for transport and trade facilitation and knowledge products for value chain development, application of standards, cross-border

mobile banking, international investment flows and regional financial integration. With seed funding from the government of Canada, the Bank established the Africa Trade Fund to support capacity building.

The Integrate Africa priority will be mainstreamed across the other High 5s, and the Bank will fast-track the regional integration continental agenda for which several of the agreed programs are already in place.

The role of the African Development Bank

Despite the challenges, Africa is teeming with opportunities and integration will help unlock the continent’s full potential as the next investment frontier in the developing world.

The vision of the Bank Group, as expressed in the Ten-Year Strategy 2013-2023, is a stable, integrated and prospering continent of competitive, diversified and sustainably growing economies participating fully in global trade and investment. The goal of the Bank Group’s Regional Integration Policy and Strategy is to help realize that vision.

To take the lead in managing the integration process, the Bank has a major role to play in **supporting the mobilisation of resources** for project preparation and implementation. The Bank will **promote public-private partnerships (PPPs)** in infrastructure development—from planning, design, preparation and construction to operations, management and monitoring. They will help ease financial burdens on governments in regional infrastructure, offer expertise and ensure that infrastructure functions effectively.

The Bank will in parallel **encourage countries** to adopt frameworks or international principles to guide private sector participation (PSP) in developing infrastructure. It will also **monitor implementation of projects** that it supports and share best practices.

Overall, the Bank aims to create larger, more attractive markets, link landlocked countries to regional & international markets and support intra-African Trade to foster the continent's development.

“ Regional integration is critical for expanding the size of our markets. We must integrate Africa – grow together, and develop together. Our collective destiny is tied to breaking down the barriers separating us.”

AfDB President, Akinwumi Adesina.



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May 2016

The High 5 for transforming Africa Le Top 5 pour transformer l'Afrique



1
Light up & power Africa
Eclairer & électrifier
l'Afrique



2
Feed Africa
Nourrir l'Afrique



3
Industrialise Africa
Industrialiser l'Afrique



4
Integrate Africa
Intégrer l'Afrique



5
Improve the
quality of life for
the people of Africa
Améliorer la qualité de vie
des populations en Afrique

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Jobs for Youth in Africa



Why Jobs for Youth in Africa?

Youth are Africa's greatest asset. Africa's population is 1.2 billion and is projected to more than double by 2050, when it will comprise one-fourth of the world's population. Africa will remain the world's youngest region, with the median age of the population under 25 years old. If properly harnessed, this growing working age population could drive Africa's economic transformation.

However, the majority of youth do not have stable economic opportunities. Of the 420 million youth aged 15 to 35 in Africa today, the majority are unemployed, discouraged, or only vulnerably employed. Youth face roughly double the unemployment rate of adults, with significant variation across African countries.

The challenge is multifaceted. Only three million formal jobs are created annually despite the ten to twelve million youth that enter the workforce each year. The lack of wage jobs pushes youth into the informal sector, where jobs are typically less stable and have lower earnings potential. Women seeking both formal and informal jobs are particularly impacted, often facing even greater barriers to accessing opportunities: 35% of female youth are not in employment, education, or training (NEET), compared to only 20% of men.

Youth in fragile states face additional challenges, with economic opportunities diminished by instability and lack of institutional capacity. The costs of unemployment are pervasive and severe. Long spells of youth unemployment or vulnerable employment

permanently lower future productive potential and earnings, and individuals with limited incomes have restricted access to health and education services. Limited economic opportunity can also fuel conflict and instability: 40% of people who join rebel movements worldwide are motivated by a lack of jobs.

It also drives migration out of the continent. In 2015, 14% of international migrants worldwide were born in Africa. Moreover, the number of migrants from Africa increased by 2.7% each year from 2000 to 2015. Above all, youth unemployment constitutes a failure to capitalize on one of the continent's greatest assets: its large and growing population of talented young people.

Improving quality of life today and achieving inclusive growth to sustain these improvements in the future thus depends on addressing the youth employment challenge.

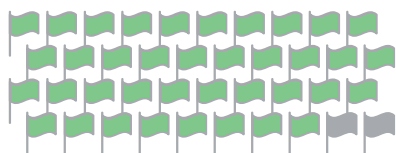


YOUTH VOICES

"When you get an internship, the first thing they tell you is to forget everything you learned at school. A university doesn't mean anything in real life."

- Rose, Rwanda

1.2B PEOPLE IN AFRICA **420M** YOUTH AGE 15-35



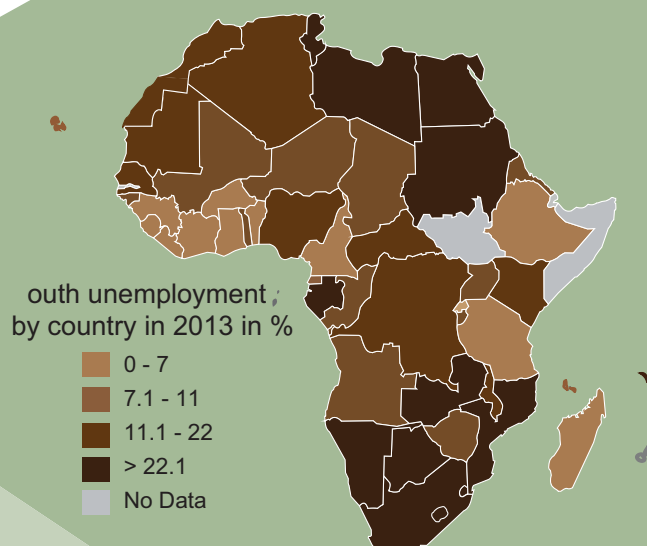
36 OUT OF THE WORLD'S 40
YOUNGEST COUNTRIES
ARE IN AFRICA



YOUTH VOICES

"ICT in school is all basic,
it's nothing that encourages
creativity, it's not hands-on."
- Hasan, Egypt

YOUTH ACROSS AFRICA STRUGGLE TO FIND WORK*



* ILO, 'World Employment and Social Outlook Trends', 2015

10-12M YOUTH ENTER THE JOB MARKET
EACH YEAR, ONLY 3M FIND FORMAL JOBS



What is Jobs for Youth in Africa?

Jobs for Youth in Africa is a transformational effort to address the continent's youth employment challenge. It will expand employment opportunities, strengthen human capital, and build durable labor market linkages. It aims to create 25 million jobs and impact 50 million youth over the next decade.

Jobs for Youth in Africa involves collaboration between the African Development Bank and key partners in the public and private sectors across Africa. The African Development Bank is uniquely positioned to deliver on this agenda.

Its engagement in regional member countries ensures that programming is aligned with country priorities and the needs of African youth.

AfDB also has programmatic, financing, and research tools at its disposal - along with the convening power to bring together key actors to coordinate action. Partners will be involved at the national, regional, and continent-wide levels and will include African governments, private sector companies, civil society organizations, and regional bodies.

While Jobs for Youth in Africa builds on other youth employment efforts and lessons learned, it is unique in

adopting an ecosystem approach. It addresses interrelated supply, demand, and linkage challenges to youth employment, deploys a range of policy, research, programming, and investment interventions, and focuses on working with a broad coalition of partners. It also pays particular attention to female youth and youth in fragile states.

This will enable Jobs for Youth in Africa to bring coherence and scale to youth employment and entrepreneurship efforts across the continent.

**OVER THE NEXT DECADE
JOBS FOR YOUTH IN AFRICA WILL...**

**GENERATE
25M
NEW JOBS**



**IMPACT
50M
YOUTH**





YOUTH VOICES

"To make the industrial apprenticeship program work, you must offer it during the university application delay. Get the students early when they are waiting for the university!"

- Grace, Nigeria

YOUTH VOICES

"Agri-business training is really exciting and needed. To be successful it must emphasise modernization of agricultural techniques and enrich cooperatives to grow."

- Rosine, Cote d'Ivoire

How will Jobs for Youth in Africa achieve this ambition?



INTEGRATION

Integration activities incorporate a youth employment focus into both the Bank's systems and its engagement with regional member countries:

- 1** Build the Bank's capacity to address job creation and employment through incorporation of youth employment considerations in monitoring and evaluation systems, Bank planning documents, and in Bank projects that have high employment potential.
- 2** Support countries throughout Africa in adopting policies and building institutions favorable to employment by elevating youth employment in strategic planning processes, guiding policymakers, and providing financial and technical assistance for policy reform and capacity development.



INNOVATION

Innovation activities incubate, assess, and scale promising policies and interventions:

- 3** Launch flagship programs across the continent: Program models focused on MSME creation and skills development in high-priority sectors will be tailored to country contexts, implemented in partnership with the private sector, evaluated, refined, and scaled.

Three programs in Agriculture:

- Creating new rural micro-enterprises,
- Equipping skilled youth to launch larger-scale agribusinesses, and
- Providing human capital for agro-industrialization.

Two programs in ICT:

- Strengthening digital literacy and computational thinking in secondary schools, and
- Developing coding academies that teach skills ranging from basic digital design to advanced coding languages.



INVESTMENT

One program in Industry:

- Developing skills enhancement zones near industrial clusters to train workers for full-time roles with employers in these clusters. s.

Create an Enabling Youth Employment Index that measures youth employment outcomes and enabling policies within countries over time.

4

Establish an Innovation and Information Lab that incubates new ideas, supports entrepreneurs, and conducts cutting-edge research.

5

Launch a series of Private Sector Challenge Prizes that provide financial rewards and incentivize private sector actors to develop high-impact, market-based solutions to employment and entrepreneurial challenges.

6

Jobs for Youth in Africa Facility

The Jobs for Youth in Africa Facility would be the primary public sector vehicle for financing JfYA. This resource envelope will consist of funding commitments from the Bank and external funders- including direct co-financing agreements

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with external funders for specific activities and the use of existing Bank funds and facilities. The Bank will leverage partnerships for activities that have a strong value proposition beyond the Bank, including: flagship programs, other projects that incorporate youth employment, the Enabling Youth Employment Index, the Innovation and Information Lab, policy support to RMCs, and private sector employment challenges tied to financial rewards.

Unlocking private capital constraints to investment

This includes focused activities that will catalyze private sector investment to stimulate the employment and entrepreneurship ecosystem by:

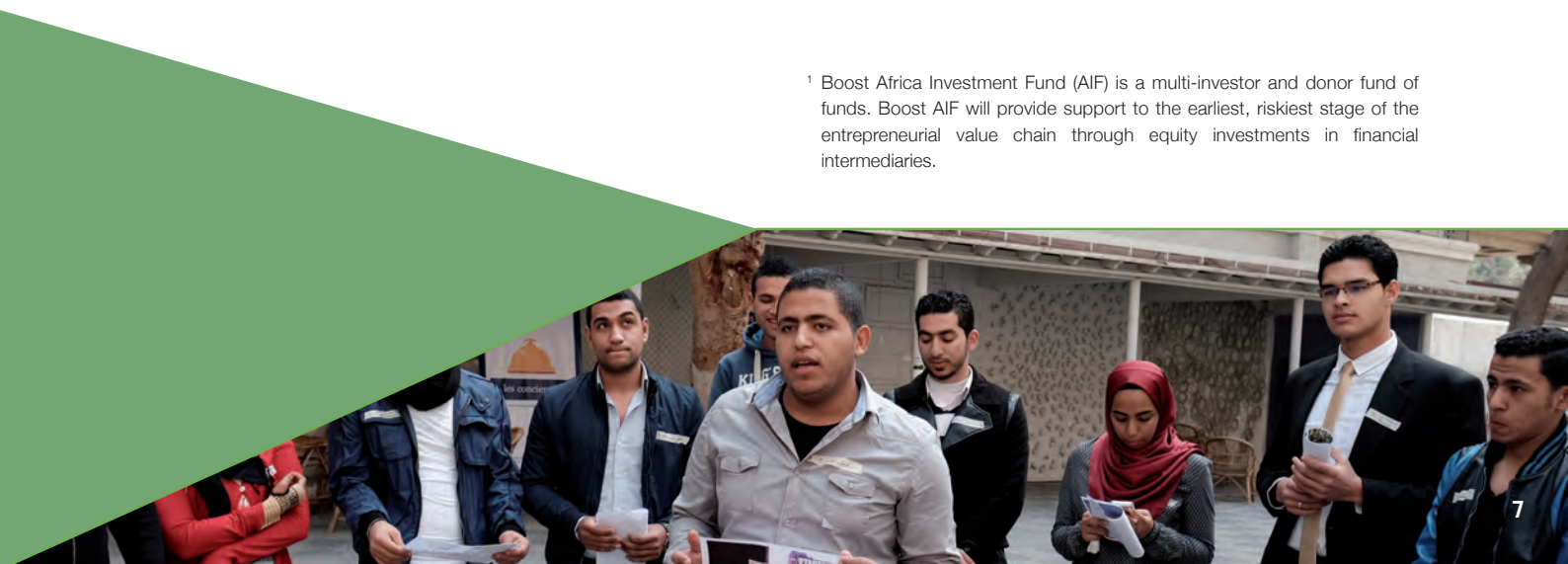
8

Reducing financing risks by providing guarantees to financial institutions for on-lending to SMEs and supporting student loan finance programs to increase lending to students.

9

Expanding access to capital through investing in the Boost Africa Investment Fund,¹ providing lines of credit to financial institutions for on-lending to SMEs, and making direct investments in businesses that drive youth employment;

¹ Boost Africa Investment Fund (AIF) is a multi-investor and donor fund of funds. Boost AIF will provide support to the earliest, riskiest stage of the entrepreneurial value chain through equity investments in financial intermediaries.



How can Partners get involved?

The African Development Bank is calling on Development Partners, the Private Sector, Foundations and all stakeholders of Africa to get involved. Jobs for Youth in Africa offers interested partners tailored opportunities to engage:

Knowledge Generation and

Incubation: Research and academic institutions, entrepreneurial networks, and others can share best practices and build the evidence base on promising interventions and also jointly incubate promising new solutions.

Program Design and Implementation:

Private, public, and civil society organizations can provide inputs to program design and support implementation for key activities.

Job linkages: Private sector employers can partner on specific programs and gain skilled labor to grow and expand their businesses.

Funding: Public, private, and philanthropic institutions can pool resources to coordinate efforts and maximize impact.

These partnerships will enable Jobs for Youth in Africa to achieve its ambitions and equip young people across the continent to realize their full economic potential.

YOUTH VOICES

“Vocational training programs are only useful if they are linked closely with the employers with strong commitment towards offering jobs, otherwise the youth are never attracted to such programs.”
- Diana, Rwanda



THE AFRICAN DEVELOPMENT BANK

The African Development Bank aims to achieve sustainable economic development and social progress through investments in regional member countries, policy advice, and technical assistance. Its historic work on youth employment includes the launch of the Joint Youth Employment Initiative for Africa, a collaboration between the African Development Bank, the African Union Commission, the United Nations Economic Commission for Africa, and the International Labour Organization. The African Development Bank has an extensive portfolio of employment-related projects. These include more than \$1.6 billion of investment in education, including 34% to technical vocational education and training, over the past decade, and budget support for policy reform – such as the Rwanda Skills, Employability, and Entrepreneurship Program, focused on reducing skills mismatches in the labor market. The African Development Bank also supports entrepreneurship, including through the Africa SME program and Souk At-tanmia, a partnership with United Nations agencies, private sector actors, donors, and civil society organizations to provide grants and technical assistance to entrepreneurs in Tunisia. Under the program, 61 young entrepreneurs received funding and coaching to grow or to start their businesses, with approximately four jobs created per grantee. The African Development Bank is also a member of the Let's Work global partnership to address employment.

<http://www.afdb.org/en/the-high-5/improve-the-quality-of-life-for-the-people-of-africa/>

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Youth Voices:

- “When you get an internship, the first thing they tell you is to forget everything you learned at school. A university doesn't mean anything in real life.” – Rose, Rwanda
- “ICT in school is all basic, it's nothing that encourages creativity, it's not hands-on.” – Hasan, Egypt
- “Agri-business training is really exciting and needed. To be successful it must emphasize modernization of agricultural techniques and enrich cooperatives to grow.” – Rosine, Côte d'Ivoire
- To make the industrial apprenticeship program work, you must offer it during the university application delay. Get the students early when they are waiting for the university!” – Grace, Nigeria
- “Vocational training programs are only useful if they are linked closely with the employers with strong commitment toward offering jobs, otherwise the youth are never attracted to such programs.” – Diana, Rwanda

The High 5 for transforming Africa

Le Top 5 pour transformer l'Afrique



The High 5 agenda – five priority actions for the Africa Development Bank and for Africa - is the AfDB's channel for focusing and scaling up its 2013-2022 Ten Year Strategy, to bring about the social and economic transformation of Africa.

The High 5s are designed to deliver the twin objectives of the Ten Year Strategy: inclusive growth that is shared by all; and the gradual transition to green growth. The High 5s are: Light up and power Africa; Feed Africa; Industrialise Africa; Integrate Africa; Improve the quality of life for the people of Africa.

Le Top 5, c'est-à-dire les cinq actions prioritaires pour la Banque africaine de développement et pour l'Afrique, constituent le moyen utilisé par la BAD pour concentrer et étendre la mise en œuvre de sa Stratégie décennale pour la période 2013-2022 visant à transformer l'Afrique sur le plan social et économique.

Le Top 5 a pour but de réaliser le double objectif de la stratégie décennale : une croissance inclusive partagée par tous ; et la transition progressive vers une croissance verte. Le Top 5 est constitué des priorités suivantes : Éclairer et électrifier l'Afrique ; Nourrir l'Afrique ; Industrialiser l'Afrique ; Intégrer l'Afrique ; Améliorer la qualité de vie des Africains.