STRATEGIC DIRECTIONS AND PRIORITIES FOR AFRICA’S TRANSFORMATION

Strategy and Operational Policies Department (SNPS)
African Development Bank
Africa’s Development: Opportunities & Challenges

World vs. Africa Average Annual GDP growth

Source: AfDB Statistics Department and WBG

Strong Economic Growth

10 of 25 fastest growing economies in the world between 2004 and 2014

10 of top 20 countries with the highest growth in industrial output between 2006 and 2014

8 of top 20 countries with the highest services growth between 2006 and 2014

Source: Mo Ibrahim Foundation, Africa at a Tipping Point 2017
Africa’s Development: Opportunities & Challenges

Estimated Investment Gap in Africa in Key SDG sectors, 2015-2030
Billions of USD, annual average

<table>
<thead>
<tr>
<th></th>
<th>Total annual investment needs</th>
<th>Current annual investment</th>
<th>Total investment gap</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>638</td>
<td>428</td>
<td>210</td>
</tr>
</tbody>
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External Financial Flows to Africa, average 2004-08, 2009-16

- Remittances
- Official development assistance
- Portfolio investments
- Foreign direct investments (FDI)
- Commercial bank credit (net)
- Net official bank credit flows (bilateral and multilateral)
- UNCTAD projection for FDI
- Total flows with corrected UNCTAD projection
- Total external financial flows in % of GDP (Africa)
High 5: Light up and power Africa

Electricity access in Africa, population %

New Deal: Universal access in 2025
SDG7: Universal access in 2030

Africa Power Initiative: 80% access in 2040

No change: 45% access in 2025

Targets for 2025
- +162 GW electricity generated
- +130 million on-grid connections
- +75 million off-grid connections
# High 5: Feed Africa

## Low Productivity – Average Yields in Africa vs. Best Practices

(Tons/Hectare or Animals, 2013)

<table>
<thead>
<tr>
<th></th>
<th>Cassava</th>
<th>Corn</th>
<th>Rice</th>
<th>Soy</th>
<th>Cocoa</th>
<th>Beef</th>
<th>Milk</th>
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</thead>
<tbody>
<tr>
<td>Yield</td>
<td>9.4</td>
<td>2.0</td>
<td>2.5</td>
<td>1.2</td>
<td>0.5</td>
<td>0.2</td>
<td>0.5</td>
</tr>
<tr>
<td>Yield</td>
<td>25.4</td>
<td>19.2</td>
<td>8.6</td>
<td>3.6</td>
<td>1.3</td>
<td>0.4</td>
<td>10.0</td>
</tr>
</tbody>
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### Targets for 2025

- **Zero** hunger and malnutrition
- **Africa’s net trade balance** – **$0 billion**
- **Africa share of market value** for processed commodities increased by **40%**

### 36% of African children are stunted

Staggering food net food import bill of **USD 35.4 billion** per annum

**Low value** addition to agricultural commodities and primary production

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*Action Plan for African Agriculture Transformation*
High 5: Industrialize Africa

- Share of the global manufactured added value: <1.5%
- Share of processed products in exports: <30%

Targets for 2025:
- Industrial contribution to GDP increased by 130%
- 35 special economic zones supported
- 30 PPPs developed & strengthened
High 5: Integrate Africa

Limited intra-African trade

Annual cost for the economy (%GDP)
- 1% to 1.5%

Transportation cost
- 70% > than in Asia;
- 50% > than in Latin America

Targets for 2025
- Intra-African trade representing 52% of total trade
- US $172 billion saved in transportation cost
- No visa requirements for Africans travelling across Africa

Regional Integration Policy and Strategy 2014–2023
High 5: Improve the quality of life for the people of Africa

- Improve access to water & sanitation
- Strengthen health care & educational systems
- New entrants to the labor market and wage jobs created annually
  - Millions, average per year
  - 11M
  - -8M
  - 3M

- 31% of African youth are unemployed or discouraged
  - Employment status in Africa, by age
  - % of age group, 2015
  - Youth (age 15-35)
    - Unemployed or Discouraged: 31%
    - Economically Inactive: 19%
  - Adult (age 36-64)
    - Unemployed or Discouraged: 11%
    - Economically Inactive: 32%

- For those employed, 80% are in the informal sector
  - Distribution of employment in sub-Saharan Africa
    - % of total labor force, 2010
    - Unemployed: 4%
    - Wage Industry: 13%
    - Wage Services: 3%
    - Non-Wage Industry & Services: 56%
    - Agriculture: 80%

- Lack of opportunity affects youth in every country
  - Youth unemployment, by country
    - %, 2015
    - 0-7: 7.1-11
    - 11.1-22
    - >22.1
    - No data

Targets for 2025

- 25 million jobs created
- US $30 billion in income gains for the African economy
- Improving access to water & sanitation
- Strengthening health care & educational systems
Cross Cutting Area: Climate Change

The cost of climate change for the continent is estimated to reach **USD 45-50 billion per year by 2040** and up to **7% of Africa’s annual GDP by 2100**

**Targets for 2020**

- AfDB will almost triple its annual climate financing to reach **USD 5 billion a year by 2020**
- **40%** of project approvals
- Increase Climate Smart Projects from **80% to 100%**
- Strengthening health care & educational systems

**Sustainable Energy Fund for Africa**

**Inclusive Green Growth Partnership**

**Developing Climate Change Action Plan 2 (2016-2020)**
Cross Cutting Area: Gender

Africa: Gender Equality Index

Affirmative Finance Action For Women In Africa

Gender Champions
Human & Financial Resources
Training
Monitoring & Evaluation System
Institutional Framework for Gender Responsive Work Environment
Legal and Property Rights
Economic Empowerment
Knowledge Management & Capacity Building
Organizational Requirements
Pillars
Strategy

Further the Bank’s own Transformation to make it more Gender-Responsive
Strengthen Gender Mainstreaming in the High 5s
Cross Cutting Area: Fragility

Monitoring Fragility

**Category 1**
High risk in countries and regions

**Category 2**
Medium risk through regional spill-overs or national deterioration

**Category 3**
Low risk with stable outlook

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Step 1: Assess fragility at country and regional level

Step 2: Apply a fragility-lens to the design of strategies and operations

Step 3: Implement operations and adapt engagement

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Source: Fund for Peace, 2015
Cross Cutting Area: Governance

Percentage of GDP that regions are losing in Illicit Financial Flows

Total illicit flows out of Africa = **US$50 billion every year**, equal to **5.7% of Africa’s GDP**

Tax revenues account for **less than 20% of GDP** in sub-Saharan Africa, compared to over 33% in OECD countries

Only **8 African countries** rank in the top 100 of the **Doing Business 2016 Rankings**
Lending Trajectory Above Sustainable Lending Limits

SLL = USD 4.9 to 5.1 billion / year
Thank you