

ADF-13 MID-TERM REVIEW

**Progress Report  
on ADF-13 Operational Priorities**

*Discussion Paper*

11-13, November 2015

**Task Team**



**AFRICAN DEVELOPMENT FUND**

## Executive Summary

This paper provides an update on progress in the implementation of operational priorities and areas of special emphasis at the mid-point of the thirteenth Replenishment of the African Development Fund (ADF-13). It also highlights some of the challenges and how they are being addressed.

### *Implementation of ADF-13*

Despite a challenging operating environment in the first half of the ADF-13 period, in particular the Ebola crisis in West Africa, **implementation of ADF-13 is on track and in line with the commitments made at the Replenishment**. As at the end of August 2015, 83 operations valued at UA 2.25 billion had been approved, representing 41 percent of ADF-13 performance-based allocation (PBA) resources.

### *Focus on core operational priorities and results*

As agreed at the time of the Replenishment, **ADF-13 resources are supporting the following operational priorities, as outlined in the Bank Group's Ten-Year Strategy:**

Infrastructure: Approvals for infrastructure projects stood at UA 1,027.89 million (46 percent), representing the lion's share of the approved operations. Investments in the transport sector, including feeder roads, are set to provide over 10 million people with greater access to social infrastructure and livelihood opportunities. Our other infrastructural investments have had a similarly positive impact on the lives of our clients, including clean water and sanitation for an estimated 3 million Africans and energy for homes, factories and schools.

Governance: We are using ADF-13 policy-based resources, alongside investment operations, to improve governance and accountability across our regional member countries (RMCs), in areas such as economic management, institutional frameworks, natural resource management and the business enabling environment. As at mid-term, UA 502 million had been approved for governance and accountability-related operations in 17 RMCs, representing 15.6 percent of ADF PBA resources.

Skills and technology: In keeping with the Ten-Year Strategy, we are investing ADF-13 resources into the development of the skills required by Africa's labour market, so as to create jobs and improve competitiveness. We are promoting the uptake of technology through innovative initiatives such as the East African Centres of Excellence. As at mid-term, 11.2 percent of ADF PBA resources (UA 360 million) had been approved for various operations in the areas of skills and technology.

Regional integration: The Fund's key role in regional integration was carried through into ADF-13 with a mandate to scale up support for regional infrastructure, regional public goods and capacity building. This is part of a pan-African vision to create a shared African economic space that is integrated in the global economy. Regional integration and spatial inclusion cannot take place without national and regional infrastructure development. Demand for the Regional Operations (RO) envelope under ADF-13 has been high, with 87 percent of the envelope committed. As at mid-term, UA 229.89 million had been approved (21.4% of RO resources and 7.15% of total ADF PBA resources). The interventions emphasise green infrastructure, ICT interconnection backbones and transboundary projects as drivers for regional integration, together with regional public goods.

Innovative financing instruments: Progress has lagged somewhat on developing innovative guarantee instruments to promote private-sector investment in low-income countries. This is due to the long lead time required to develop frameworks for these instruments and to structure

operations. At mid-term, only one new Partial Risk Guarantee project has been approved, bringing the total to three. The Private Sector Enhancement Facility and the Partial Credit Guarantee are expected to become operational after the Mid-Term Review.

Gender: The Bank is committed to using ADF resources to increase the capabilities and opportunities of women and girls, thereby boosting the productivity and participation of half of Africa's population. To position itself to support this agenda, the Bank Boards approved a Gender Strategy, "*Investing in Gender Equality for Africa's transformation 2014-2018*", in 2014. The Bank's Office of the Special Envoy on Gender (SEOG) is overseeing implementation of the new Strategy, and also of the Bank's internal reform processes. The goal is to reposition the Bank as a gender-focused institution and translate this commitment into positive results for African women.

Fragility: Fragility is an area of special emphasis in the Ten-Year Strategy. The Fund is assisting various RMCs to address drivers of fragility and strengthen socioeconomic resilience, to prevent relapses into conflict and lay the foundation for sustainable and inclusive growth. During the ADF-13 period, 18 fragile states are eligible to access additional resources under the Transition Support Facility (TSF).

Agriculture and food security: Lastly, ADF-13 resources are supporting investments in more productive and climate-smart agriculture. Our investments are delivering new access roads, as well as around 600 production and marketing facilities. As at mid-term, operations worth UA 376 million had been approved, representing 19 percent of ADF-13 commitments.

#### *Challenges and way forward*

**While there has been good overall progress on deploying ADF-13 resources, there are a number of challenges to be addressed at mid-term.** Despite modest improvements in the Fund's disbursement ratio, there have been a number of slippages. At the operational and institutional levels, the Fund's delivery of results could be further improved by strengthening portfolio performance and management, in particular by paying closer attention to project preparation and implementation. Two further priorities are to increase the Bank's internal capacity to analyse issues of fragility and to develop new approaches to managing operational risk.

**In response to these portfolio challenges, Management is enhancing the quality of engagement with RMCs** by strengthening portfolio performance and management; improving project preparation, design, implementation and capacity building; strengthening financial, operational and programmatic support; and enhancing flexibility in the preparation and implementation of projects in fragile states and transition countries.

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## Acronyms and abbreviations

ADER	Annual Development Effectiveness Review
ADF	African Development Fund
AfDB	African Development Bank
ALSF	Africa Legal Support Facility
ANRC	African Natural Resources Centre
CAR	Central Africa Republic
COP21	21st Session of the United Nations Convention on Climate Change
CSP	Country Strategy Paper
DFID	Department for International Development
DRC	Democratic Republic of Congo
ECOWAS	Economic Community of West African States
FRMB	Resource Mobilization and Partnerships Department
GAP	Governance Action Plan
GDP	Gross Domestic Product
ICT	Information Communication and Technology
IDEV	Independent Development Evaluation
MDB	Multilateral Development Bank
MDG	Millennium Development Goal
MTR	Mid-Term Review
PBA	Performance-Based Allocation
PBO	Programme-Based Operation (formerly Policy-Based Operation)
PCG	Partial Credit Guarantee
PFM	Public Financial Management
PRG	Partial Risk Guarantee
PSF	Private Sector Credit Enhancement Facility
RISP	Regional Integration Strategy Paper
RMC	Regional Member Country
RMF	Results Measurement Framework
RO	Regional Operation
SEOG	Special Envoy on Gender
SME	Small and Medium Enterprise
TSF	Transition Support Facility
UA	Unit of Account
UN	United Nations
UNECA	United Nations Economic Commission for Africa
USD	United States Dollar

# Progress Report on Implementation of ADF-13 Operational Priorities

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## Key messages

- 1) *The implementation of ADF-13 is on track and in line with commitments made at Replenishment.*
  - 2) *The Fund has demonstrated resilience to economic and security crises, particularly in fragile situations.*
  - 3) *The Fund has been responsive to the needs of its clients and has focused on results, and is addressing emerging implementation challenges.*
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## 1. Introduction

- 1.1 The mid-term review of the Thirteenth Replenishment of the African Development Fund (ADF-13) is taking place at a critical time. The African Union's Agenda 2063, the Addis Ababa 'Financing for Development' agreement and the Sustainable Development Goals are introducing new priorities into the African development agenda. In December 2015, the COP21 climate negotiations will refine the global architecture for responding to climate change and set down pathways for achieving a green economy. Many African economies are at a crossroads, with unprecedented opportunities for sustained growth, structural change and accelerated development. Though the challenges are unique to each country, in all cases success will be closely tied to progress on building critical infrastructure, deepening regional integration, improving governance and accountability, growing and strengthening the private sector and building a skilled workforce.
- 1.2 With much of the world economy still weighed down by anaemic growth, high debt and painful austerity programmes, Africa's growth performance has been a rare bright spot, with average GDP growing at 3.5 percent in 2013 and 3.9 percent in 2014, and projected to rise to 4.5 and 5 percent in 2015 and 2016 respectively. However, after riding the wave of the commodities cycle, many African policymakers, particularly in resource-rich nations, face some stern tests, including the retreat of capital flows, falling commodity prices, depreciating currencies and, in some cases, higher inflation.
- 1.3 Moreover, much of Africa's recent growth is yet to translate into broad-based and inclusive development. Across Africa, nearly half the population still lives below the poverty line. Africa's 2014 economic performance was overshadowed by the Ebola outbreak in West Africa. In addition to the severe human cost, economic losses included an estimated USD 1.6 billion in foregone income alone. The continent's colossal infrastructure financing gap remains a serious constraint on economic performance, alongside other long-term socioeconomic challenges. It is estimated that about 30 African countries will still require concessional financing by 2022.<sup>1</sup>
- 1.4 This paper takes stock of how the Fund is delivering on the core operational priorities agreed at replenishment, which include:
  - focusing on infrastructure development, including the use of innovative financing instruments to crowd in private sector finance;

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<sup>1</sup> AfDB estimates – ADF Working Group paper on Graduation

- supporting regional integration by focusing on both ‘soft’ and ‘hard’ infrastructure;
- supporting the Bank’s new Private Sector Strategy through the creation of the Private Sector Credit Enhancement Facility (PSF) and Private Sector Credit Guarantee (PCG);
- strengthening core state systems, public financial management and enabling business environments (governance and accountability);
- delivering new approaches on skills and technology, linked to labour market needs, to increase competitiveness and create jobs;
- deepening engagement in fragile states by enhancing the Bank’s contribution towards building more resilient, stable and capable states in transition countries, in line with the New Deal for Engagement in Fragile States;
- adopting an enhanced value chain approach in agriculture by focusing on rural and green growth opportunities, including resilience to climate shocks; and
- ensuring a more systematic approach to of gender issues in Country Strategy Papers (CSPs) and across the Bank’s portfolio, including tracking gender mainstreaming in Fund-financed operations and reporting annually on implementation of the Bank’s Gender Strategy.

1.5 The paper also discusses key challenges and how Management intends to address them for the remainder of this funding cycle. Other discussion papers on institutional effectiveness, the Bank’s gender agenda, approach to fragility and building resilience, and on innovative financing instruments provide further detail on ADF-related activities and actions. In addition, institutional reforms in the Bank are covered in detail in a separate paper, “Institutional Effectiveness and Efficiency – Delivering Value for Money under the TYS”.

1.6 **At mid-term, the Fund is strategically focused and responsive to operational priorities.** Despite the return to the Bank’s headquarters, the Ebola outbreak and challenging operating environments in a number of countries, the delivery of ADF assistance has continued without interruption. Over the implementation period, the Bank responded swiftly to the Ebola outbreak in West Africa, thanks to the various ADF instruments and resources (UA 220 million) at its disposal (Box 1). In terms of approvals and resource utilisation, implementation has remained strategically focused and in line with the operational priorities agreed at replenishment.

#### Box 1: ADF Support to Managing the Ebola Crisis in West Africa

Following the Ebola outbreak in March 2014, the Bank was the first Multilateral Development Bank to respond to the crisis. It quickly mobilised funds for a series of national and multinational operations covering the three most affected countries (Guinea, Liberia and Sierra Leone) as well as countries at-risk (Côte d’Ivoire, Nigeria, Senegal, Mali and DRC). These comprised: (i) UA 100.2 million for Ebola Sector Budget Support – Fight Back Program; (ii) UA 37.4 million for Strengthening West Africa’s Public Health Systems Response to the Ebola Crisis; (iii) UA 7.2 million Crisis Response – Technical Assistance Support for 6 operations; and (iv) five national Emergency Assistance operations amounting to UA 5 million to fight the Ebola in Guinea, Sierra Leone, Liberia, Nigeria and DRC.

The funds were channelled through the World Health Organization and beneficiary governments. The Bank is now working toward a contribution to the establishment of an Africa Centre for Disease Control, as proposed by the African Union, and a multisector project for post-Ebola Livelihoods restoration in the most affected countries. These operations would be part of the recent pledge of USD 300 million for

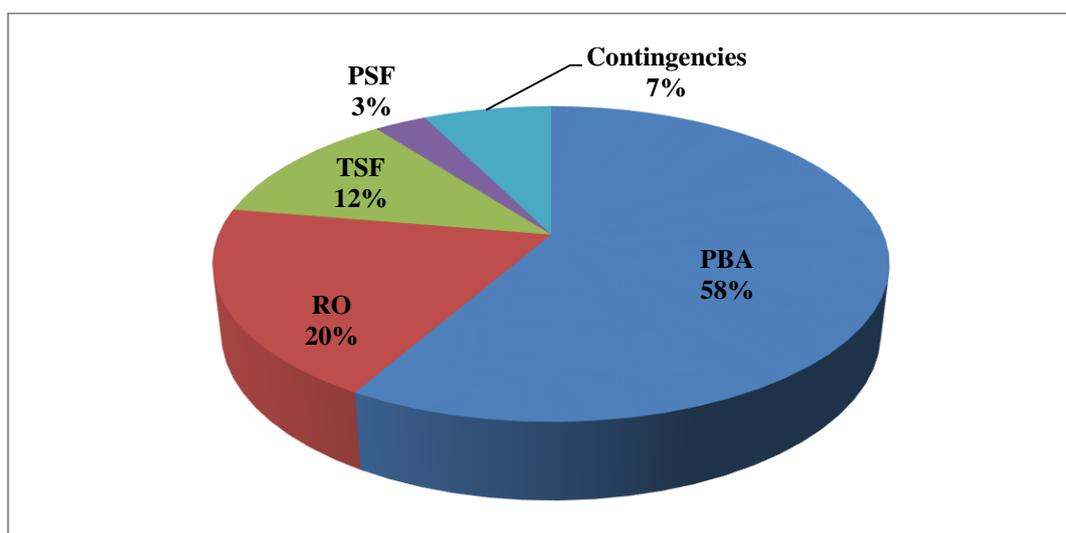
post-Ebola recovery programmes, which aims to address drivers of fragility in the region. In addition, the ongoing support to the water and sanitation sector in the Ebola affected countries will reinforce resilience to water related epidemics through improved hygiene and sanitary conditions and strengthened sector institutions.

- 1.7 After this introduction, the rest of the paper is organized as follows: section II covers sectoral allocation and portfolio performance; section III discusses the implementation of core operational priorities; section IV discusses how Management is addressing a number of challenges; and section V concludes the paper.

## 2. ADF-13 Resources, Sector Allocation and Portfolio Performance

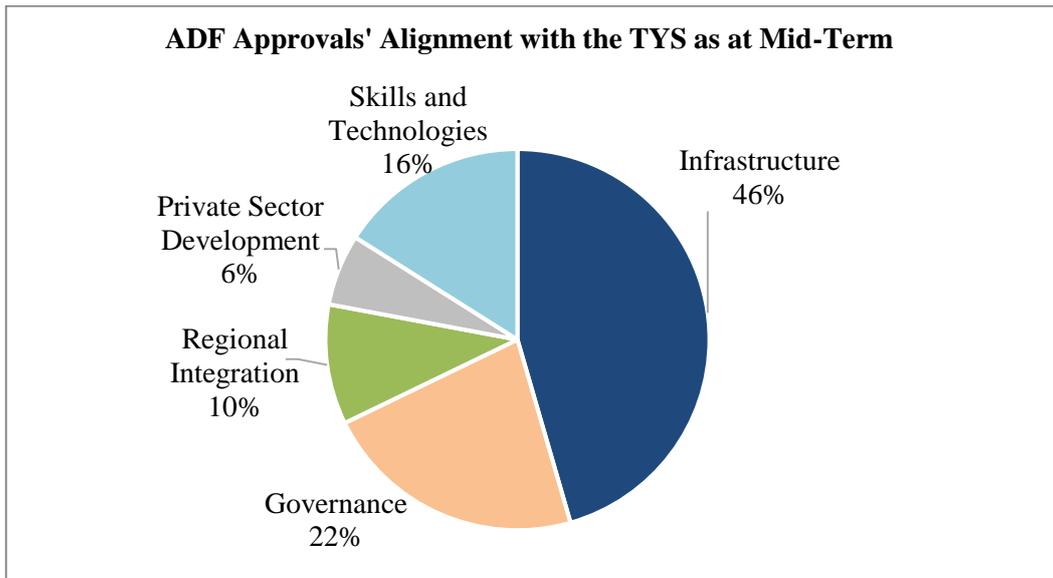
- 2.1. Annual allocations of ADF-13 resources to ADF client countries have proceeded in a timely manner and in accordance with the resource allocation framework agreed with Deputies in September 2013 (Figure 1). For an update on this issue, please refer to the paper – “Update on the ADF Financing Framework”.

**Figure 1: ADF-13 Resource Framework**

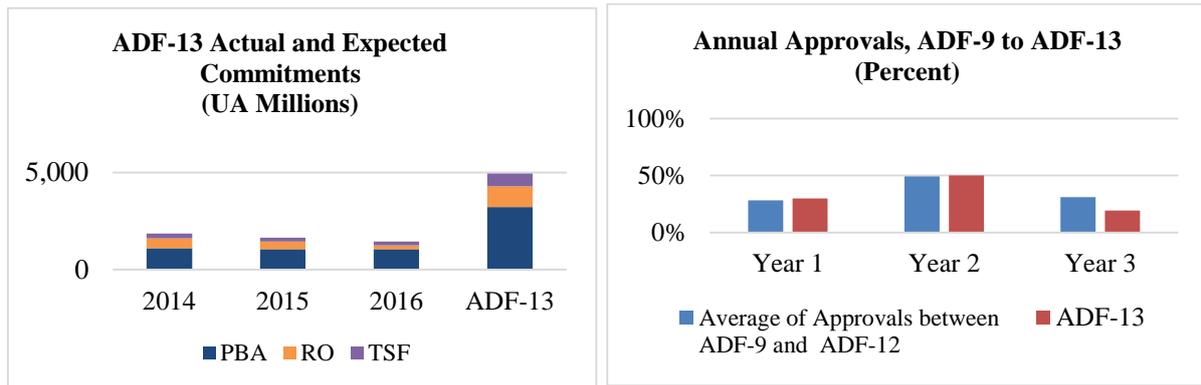


- 2.2. **The delivery of ADF-13 mid-term commitments and the rate of expected approvals in the second half of the cycle remain robust and comparable to past ADF cycles** (see Figure 2). As at 31 August 2015, the ADF Board of Directors had approved 83 operations amounting to UA 2,240 million (Figure 2). (See Annex II for the list of approved operations as at end-August 2015).
- 2.3. **The sector distribution of approved commitments and planned operations is consistent with ADF-13 strategic priorities, namely infrastructure, regional integration, private sector development, governance and accountability, and skills and technology. It also covers three cross-cutting focus areas, namely agriculture and food security, gender, and fragility through the Transition Support Facility (TSF).** Sector distribution and mix of financing instruments under ADF-13 are reflected in Figure 2 and 4.

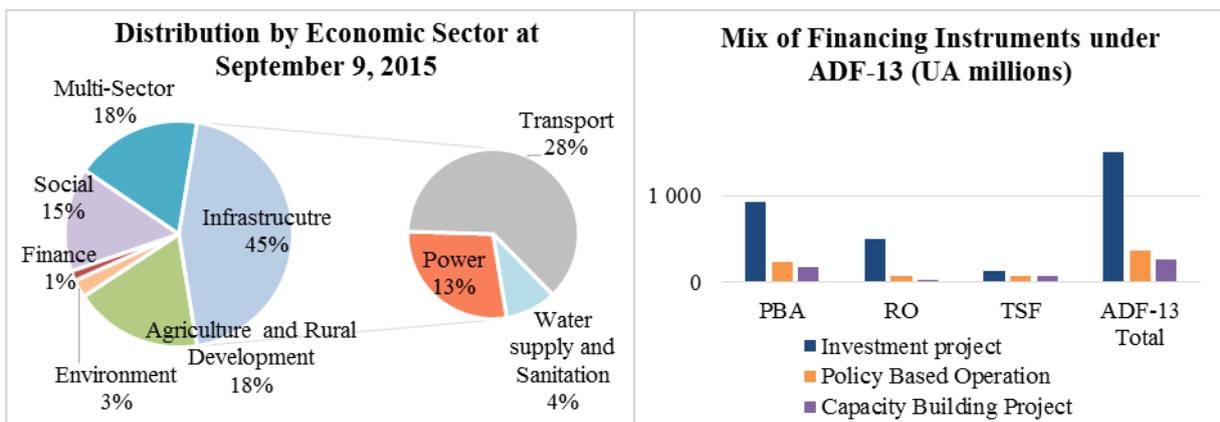
**Figure 2: Strategic Alignment with the Bank Group Strategy**



**Figure 3: ADF-13 Commitments and Comparison of Annual Approvals**



**Figure 4: Sector Distribution and Mix of Financing Instruments.**



Notes: TSF financing does not include Pillar II resources set aside for arrears clearance.

- 2.4 **There has been significant growth in the ADF portfolio over 2010-2014**, reflecting a 12.5 percent increase from UA 9.6 billion in 2010 to UA 10.8 billion in 2014. The amount of cancelled resources fell to UA 103 million in 2014 from UA 107 million in 2010, and was well below the 2013 figure of UA 144 million. The number of problem projects has been on the decline since 2011, and in 2012 stabilised to just two. The same declining pattern can also be observed with ageing projects, which have significantly dropped since 2010 (see Table 1 below).
- 2.5 **While the disbursement target was achieved in 2013, the 2014 disbursement rate fell back below the 20 percent target.** There was steady improvement from 17 percent in 2010 to 21 percent in 2013. However, in 2014 the rate was back to 18%, in particular as a result of: (i ) political instability and other crises in some RMCs; (ii) capacity constraints in executing agencies; (iii) delays in the processing of some procurement/disbursement requests; and, (iv) some issues of quality-at-entry related to certain operations.
- 2.6 **The Bank is taking a range of measures to improve the disbursement rate, given its importance to delivering development outcomes.** The measures include simplifying loan conditions and legal processes and increasing the level of procurement authority delegated to field offices. A system of continuous monitoring of pending disbursements has been introduced, to allow prompt resolution of issues. Greater attention is being paid to improving quality-at-entry and resolving procurement issues during supervision missions.
- 2.7 During 2015, the Bank is planning to train operations staff, particularly in field offices, and project counterparts on the Bank’s revised procurement policy and procedures, aimed at enhancing efficiency and effectiveness. The training programme will focus on countries where disbursement delays are prominent. We are pressing ahead with the decentralisation of disbursement functions, to achieve greater efficiency. For example, in some countries, closer collaboration between country economists and country programme officers to support procurement processes and monitoring has led to real efficiency gains, which are now being replicated in other field offices. Revision of the Delegation of Authority Matrix (DAM) to allow faster approval of low-value contracts is also among the options under consideration. For more information on the portfolio and its performance, see Table 1.

**Table 1: Trends in ADF Portfolio Performance\*, 2010-2014**

	2010	2011	2012	2013	2014
<b>Portfolio</b>					
All operations (UA Millions)	9627	9627	9830	10,832	10,783
Number of operations	450	349	363	413	442
Average Size (UA m)	21	22.5	23.5	22.8	24.3
<b>Portfolio Performance</b>					
Ageing projects (share of total)	12	12	8	7	8
Problem projects (%)	6	5	2	2	2.7
Disbursement (UA m)	1166	1297	1170	1702	1215
Disbursement ratio (%)	17	18	18	21	18
Cancelled resources - ADF total (UA m)	107	85	152	144	103

Source: \* Based on data from Bank Group Annual Portfolio Performance Report (2010-2014);

\*\* Based on data from Bank Group Loan Accounting Department (FFCO.4).

- 2.8 In 2014, **the quality of Country Strategy Papers (CSPs) improved** from an average of 5 on a scale of 1-6 as compared to 4.7 in 2012. New formats and guidance have been developed to drive continued improvements in quality. New CSPs are required to include a clearer articulation of gender issues and priorities as well as fragility where applicable, in order to better inform project design. A separate Country Gender Profile will be developed to support better programming choices. We have introduced fragility assessments into our new country portfolio performance review formats, to help identify opportunities to build resilience. While we have done a lot to improve the CSP process, further improvements are still needed to make the CSP process more streamlined and cost effective.
- 2.9 The Bank’s Results Measurement Framework has become an integral part of the tools and systems we use to strengthen our focus on development results. This includes, for example, *MapAfrica* – a web-based tool providing detailed information on all of the Bank’s activities across the continent. The Results Reporting System is an IT system that allows task managers and management to track the Bank’s results throughout the project cycle. The Annual Development Effectiveness Reviews (ADER) are series of publications that present the Bank’s results, helping to share knowledge and best practice across the institution, at the corporate level, by theme (for example, energy, governance, fragile states etc.) and by country (see Box 2).

### Box 2: Managing for Development Results

In 2013, AfDB’s Board approved a new Results Measurement Framework (RMF) that aligns the Bank’s activities with the 10-year strategy. It introduces important innovations that improve the Bank’s focus on development results. These include:

- *A stronger strategic focus.* The RMF translates the Bank’s 10-year Strategy into concrete goals and provides clear metrics to assess the Bank’s progress against its two overarching goals: inclusive growth and a gradual transition towards green growth.
- *An improved assessment of impact.* A special effort has been made to shift the focus from aggregating outputs to tracking outcomes and development impact. This has been achieved by improving the way the Bank measures the impact of projects on its beneficiaries.
- *A better focus on gender.* Gender-related indicators have been added at all four levels of the RMF. For example, there are new indicators and targets to track the Bank’s progress in employing female professional staff and female managers. At project level, the RMF disaggregates results, wherever possible, to show impacts on women and men.
- *Improved reporting on attribution.* AfDB is the first MDB to switch from a contribution to a proportional attribution approach. As a rule, the Bank’s reports on its own contribution to development rather than the aggregate contribution made by other co-financiers.

- 2.10 Using the RMF, the 2015 ADER showed that, during 2012-2014, the Fund has contributed to improving the lives of Africans in important ways. For example, 13.7 million people benefitted from 3,500 km of new roads, 4.1 million people from improvements in agriculture and 2.1 million people from better access to education. Aggregate results from ADF projects completed between 2012 and 2014 can be found in Annex I.
- 2.11 During 2015-2017, the Bank expects to further increase its reach, especially in its core priority areas. For example, we will improve access to transport for over 27 million Africans, while 21 million will benefit from new or improved access to electricity.

- 2.12 Management is taking strong measures to address key implementation challenges and improve the quality of the ADF-13 portfolio. The Bank has introduced a new quality assurance dashboard to help senior management monitor portfolio quality and enhance coordination and performance monitoring. The Bank will continue to strengthen its portfolio supervision, with staff in field offices increasingly taking the lead role. Furthermore, the Bank is improving country programming/project design, which is enhancing the quality of the portfolio and accelerating project implementation. Legal, procurement and financial management processes are being simplified and improved while risk management is being strengthened.
- 2.13 To sum up, sector allocation is in line with the commitments taken at Replenishment, with infrastructure taking 46% of approved operations. The allocation of resources remains performance based, to maximise impact. Some challenges remain, principally with disbursement targets, and the Bank is taking measures to address this issue.

### **3. Implementation of Core Operational Priorities**

- 3.1 In line with the TYS, the Bank's operations have pursued the twin objectives of inclusive growth and transition to green growth through the core operational priorities as well as the areas of special emphasis. The Bank has pursued inclusiveness not only within countries but also spatially across the continent, by deploying its lending and non-lending instruments in infrastructure, regional integration, private sector development, governance and skills and technology. The Bank has promoted initiatives aimed at the transition towards green growth, in particular through climate-related investments, capacity building, and advisory services to RMCs as well as building strategic partnerships, in particular in the perspective of COP21.

#### *Infrastructure: Linking Up a Disconnected Continent*

- 3.2 **Infrastructure remains the AfDB's comparative advantage and absorbs the lion's share of ADF-13 resources.** Our efforts in this area are beginning to make a real difference. Investments in transport infrastructure are linking African economies, reducing trade bottlenecks and providing feeder roads for households and businesses to access markets and services. Over 10 million people in rural communities will access essential economic services such as health, education and markets through ADF-13 investments. Investments in clean energy will light up rural homes, factories and schools, while over 3 million people will gain access to clean water supply and improved sanitation. The Fund is reducing the energy deficit by leveraging its resources to invest in renewable energy projects. In the water and sanitation sector, sustainable and broad-based community approaches are transforming the lives of Africans and boosting water security. During the pre-MTR period, the Bank approved the establishment of Africa 50 as an independent entity to complement the Fund's efforts to mobilise innovative financing for Africa's infrastructure. As at mid-term, a total of 28 operations amounting to UA 1027.89 million, which represents 46% of the portfolio had been approved.
- 3.3 **Transport: The UA 547.9 million in ADF-13 operations approved to date are adding 650 km of main roads and 50 km of feeder roads to national and regional road networks in 12 countries.** For instance, road projects in Uganda, Senegal, Chad, Benin, Liberia, Burundi, Tanzania and Kenya are located in areas where over 60 percent of the population is engaged in agriculture. Total Bank investments in the transport sector is

expected to reach UA 1.609 million over the ADF-13 period (2014-2016), financing the construction of approximately 2,000 km of roads, improving urban and maritime infrastructure and providing better transport access to over 10 million people.

### Box 3: ADF-13 Support in the Transport Sector

Informed by the Bank's overall priorities of regional integration, fragility issues and private sector development, our transportation projects under ADF-13 are designed to open up new transport networks and cross-border linkages, to promote greater access to markets, employment creation and inclusive growth. For example, the Mano River Regional Road corridor connecting Cote D'Ivoire, Guinea and Liberia will create employment and reduce poverty. The Road Sector Support Program V project in Uganda and the Dingueraya-Keur road rehabilitation project in Senegal are enhancing cross-border linkages by supporting one-stop border posts and maritime navigation safety operations (Gambia-Senegal and Mauritania-Senegal Rosso Bridges). These regional projects are expected to increase regional trade traffic and trade tonnage, while bringing substantial savings in transport costs and transit time across borders.

- 3.4 The Fund is supporting transport sector reforms in Uganda, Liberia, DRC, Tanzania and Kenya, to promote sustainable financing and efficient management of transport investments. It is also improving urban mobility, a key challenge in congested and often poorly designed African capitals, through urban transport projects in Benin, Ghana and Côte d'Ivoire.
- 3.5 **Information Communication Technology (ICT): Africa needs to promote regional economic integration in order to make better use of its human resources, consolidate its internal markets and improve the efficiency of resource use.** This in turn requires greater connectivity through ICT infrastructure. ADF-13 resources are assisting in the development of a catalytic regional ICT infrastructure investment (*Lake Victoria Maritime Communications*, amounting to UA 10.5 million). The project, which is being finalised for presentation to the Board in early 2016, will introduce a smart maritime communications system that will save approximately 5,000 lives each year. The ICT Division is also working with the SEOG on a gender-related project to create a mobile-based social media application to foster financial inclusion. With an initial ADF contribution of UA7.5 million, the application will provide a platform for business women, allowing them to identify training opportunities, access finance, receive mentorship and develop business networks. The project is due to go to the Board by early 2016.
- 3.6 **Energy: Energy sector operations are in line with the ADF-13 priorities on investing in clean energy, improving energy access and enhancing support to regional integration through power pools.** As at mid-term, six energy sector operations were approved, amounting to UA 268.16 million. Over the remainder of the ADF-13 period, over 20 additional operations valued at nearly UA 900 million are expected to be approved. While approval levels in 2014 have been slower than envisaged, given the complex nature of some projects and changes in RMC priorities, the pace of approvals is expected to pick up in the second half of the period. Preparations and financing arrangements of several new projects are now at an advanced stage. Overall, ADF-13 investments will increase the energy capacity of African countries by around 5,000 MW. A range of rural and urban areas will gain access to electricity from investments in nearly 9,000 km of transmission lines, of which about 8,000 km are regional interconnections.
- 3.7 The ADF-13 operations approved to date reflect the priorities of the Energy Policy. In

parallel, Management is finalizing a draft medium-term Energy Strategy (2015-2019), which will focus on two pillars: (i) enhanced access to modern energy services; and (ii) transition towards a sustainable energy development pathway, alongside support for the institutional and regulatory environment. One major operation is the ADF Partial Risk Guarantee to Kenya for the 105 MW Menengai Independent Power Producer Project, commissioned by the Geothermal Development Company. While the project is for UA 8.56 million, only a quarter of this was deducted from Kenya’s performance-based allocation. Some of the pipeline energy projects are introduced in Box 4 below.

#### Box 4: Scaling-up Innovative Energy Investments in ADF Countries

##### **Ruzizi III Hydropower Project (DRC, Rwanda, Burundi)**

This 147MW Hydropower Plant is located on the Ruzizi river on the boundary of DRC, Rwanda and Burundi. The annual power produced will be 650 – 710 GWH. It is part of a 490 MW cascade of 4 projects: Ruzizi I to IV. Ruzizi I & II are already developed, with total capacity of 57 MW. The project also involves three transmission lines from the plant to Rwanda, Burundi and DRC (approximately 90 km each).

##### **Liberia Energy Access Project**

This project is an integral part of a larger multi-donor program aiming to improve electricity access in Liberia. The project focuses on the greater Monrovia and RIA zone and comprises expansion and rehabilitation of the transmission and distribution systems, as well as capacity building. The project will benefit approximately 13,000 households.

##### **Jiji and Mulembwe Hydropower Project in Burundi**

With a total production capacity of 48 MW, the project will double Burundi’s installed capacity (currently at 39 MW) and increase the share of renewable energy. This will significantly contribute to improving access to electricity in Burundi, where the electrification rate is currently less than 5 percent.

- 3.8 **Water and Sanitation: The Fund’s investments are supporting sustainable and inclusive infrastructure for water security in both urban and rural areas.** By the end of June 2015, four ADF projects valued at UA 98.83 million had been approved and ten further projects with an estimated value of UA 312.5 million are planned for the remainder of the ADF cycle. The approved projects will provide clean water and improved sanitation services to 3.3 million people in Senegal, Malawi and Ethiopia. The projects in Senegal and Ethiopia will supply water to 820 schools. In addition, 960 school sanitation facilities, to the benefit of 48,000 school girls.
- 3.9 The Ethiopia project will finance the construction of water facilities and mobilise communities so that households can build their own sanitation facilities. In Senegal, Malawi and Ethiopia, 35,750 water user committee members, teachers and will be trained. Additionally, the projects will strengthen infrastructure sustainability through the creation of women-led maintenance operations and micro-enterprises.

#### Box 5: Empowering Women through Improved Water Supply and Sanitation in Ethiopia

The UA 60 million ADF-funded *Support to Ethiopia’s One Water and Sanitation National Program (OWNP)*, approved in 2014, responds to the needs of women, girls and youth by ensuring that they benefit from, and participate in the planning and delivery of, WASH services. Specifically, the 5-year, multi-donor financed Program will:

- enhance the **capacities of women to participate in the design and implementation** of WASH Programs through gender-sensitive institutional and community capacity strengthening programs, together with technical skills training for girls in vocational colleges and training institutes;
- strengthen the **capacities of women to manage water services as a business** by setting up of women- and youth-led supply chain micro-enterprises, and to take greater leadership in the management of community water facilities; and
- provide increased **access to gender-segregated and disability-sensitive water supply and sanitation facilities** at both household and community levels. It is planned to ensure that all schools and health centres will have access to water supply and sanitation facilities, compared to just 35% today. Around 4,900 gender-segregated facilities will be built for schools.

For **monitoring purposes**, gender-disaggregated WASH monitoring and information system will be established and updated regularly. In addition, a gender impact assessment will be undertaken towards the end of the Program.

3.10 **ADF is actively supporting climate change adaptation and mitigation in Africa** by promoting better management of water resources and greater use of renewable energy. The Fund is providing advisory services and oversight for integrated water management programmes and flood management projects, as well as capacity development for regional bodies such as river basin organisations. In Mauritania and Senegal, we are investing in storm drainage systems, while in Ethiopia and Mauritania we are financing rural water supply projects using wind and solar-powered pumps. Institutional support to water service providers and improved regulatory and policy framework are key components of our investments. However, the low prioritisation of investments in sanitation by RMCs remains a key challenge in this sector. The Bank will assist in this area, particularly through country dialogue, capacity building and advisory initiatives.

#### Box 6: Towards Sustainable Water Supply in Malawi

The Sustainable Rural Water and Sanitation Infrastructure Project for Improved Health and Livelihoods Project, jointly funded by ADF, the Nigeria Trust Fund and the Rural Water Supply and Sanitation Trust Fund, has a range of objectives. It is encouraging greater community management of water facilities, in keeping with Malawi's decentralisation policy, while promoting sustainability through a viable tariff system. It focuses on suitable technologies and on strengthening the supply chain for spare parts. It incorporates a robust monitoring and evaluation system, to ensure effective management and continuous learning.

Sustainable water supply and improved sanitation are key priority areas in Malawi's National Development Strategy. As a result of a concerted effort by the government and its development partners, Malawi has already met its MDG target for water supply, but is off-track on its sanitation target. In 2010, the Fund leveraged resources from the African Water Facility (Euro 1.9 million) to improve sector management.

Despite the relative strength of Malawi among comparator countries, ensuring the functionality of water points remains a challenge, as 25 percent of the water points are reported to be non-functional.

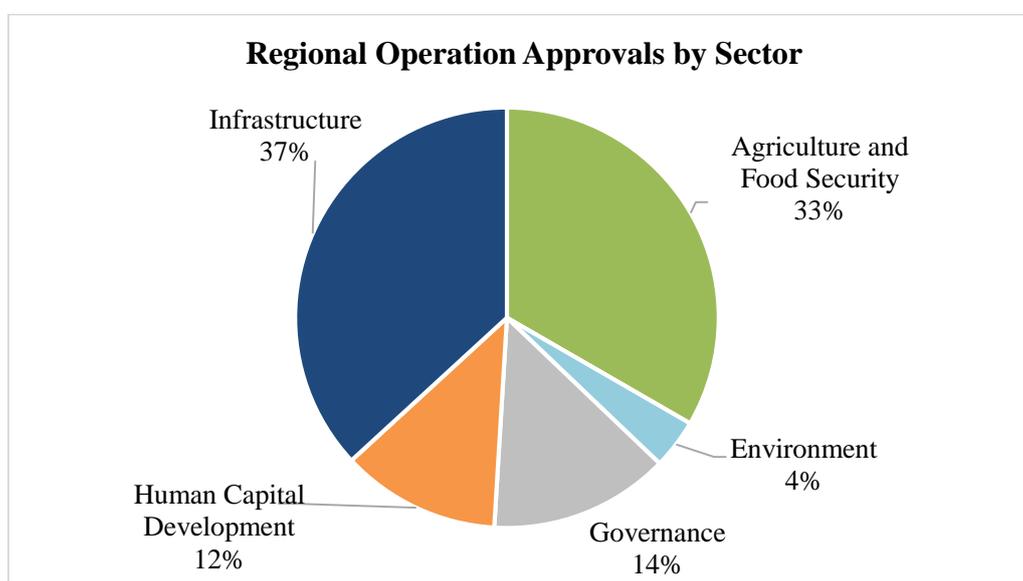
#### *Regional Integration: Promoting a Pan African Vision*

3.11 **The Fund's strategic role in regional integration was affirmed under ADF-12 and carried through into ADF-13, with a mandate to scale up support for regional infrastructure, regional public goods and capacity building.** This is part of a pan-African political vision to enable the continent to participate in the global economy and share the benefits of an increasingly connected world marketplace. Regional integration is also key to promoting inclusive growth through spatial integration. Africa's regional integration depends critically on national and regional infrastructure development. To that

end, ADF-13 resources have gone towards ICT interconnection backbones and transport corridors, as well as regional public goods.

- 3.12 Regional operations (RO) now represent around 25 percent of the Bank’s project pipeline, in response to growing demand. Although the ADF-13 resources dedicated to Regional Operations increased modestly, requests continue to exceed available resources nearly threefold. Hence, all of the ADF RO resources have now been committed.
- 3.13 In 2014 and 2015, 31 projects (out of 80 proposals) were selected, representing an expected use of UA 930.09 million (87 percent the RO envelope). In 2014, a revamped Regional Operations Prioritization Framework with special incentives for countries in transition was adopted. Board approvals totalled UA 229.89 million (21.4 percent of RO resources) as at end August 2015. Figure 5 provides the RO approvals, mapped against the strategic priorities of the Fund.

**Figure 5: Regional Operations Projects Approved under ADF-13 by Sector**



- 3.14 A 2012 independent evaluation of the Bank’s multinational operations affirmed that the Bank Group has coherent and relevant strategic and operational frameworks for its ROs. The share of multinational operations in its portfolio grew from around 15 percent in 2013 to 25 percent in 2015, while maintaining strategic selectivity and alignment. ROs have succeeded in responding to the priority needs of RMCs and have generally achieved their objectives at output level. Furthermore, the Bank’s capacity to implement its regional integration mandate has significantly improved through coordinated actions by the Regional Integration and Trade Department and Regional Departments.

*Private Sector Development: Catalysing Growth through Innovative Finance*

- 3.15 **ADF-13 resources are catalysing private sector development in recipient countries in various ways through private sector operations.** ADF interventions in areas such as infrastructure (communication, transportation and distribution networks, financial institutions and markets, energy supply systems, etc.) are facilitating increased business activity across the continent by tackling some of the greatest impediments to private sector development. ADF resources are also supporting various governance reforms to

improve the transparency, efficiency and regulation of public services, thereby contributing to a better investment and business climate.

- 3.16 **During ADF-13, innovative instruments such as the Partial Credit Guarantee (PCG) and the Private Sector Credit Enhancement Facility (PSF) were introduced to further promote private sector interventions in low-income countries.** Strategic frameworks and operational guidelines have now been approved for both instruments, which are expected to become fully operational after the Mid-Term Review. So far, since the introduction of the Partial Risk Guarantee (PRG) under ADF-12, three projects have utilized this instrument. This relatively slow uptake underscores the necessary lead time required to set in place proper operational frameworks for these innovative instruments.
- 3.17 As at end August 2015, non-sovereign commitments by volume in ADF and blend countries amounted to UA 2.0 billion, accounting for 28 percent of the active private sector portfolio. In 2014, following changes to the Bank's Credit Policy, the Bank diversified its loan portfolio with over UA 265 million in new ADB loans to eligible countries.
- 3.18 The three ADF PRG projects, two in Kenya and one in Nigeria, have a total guarantee face value of UA 146 million. They have helped to catalyse over USD 2.7 billion in investments. The PCG, introduced under ADF-13, is yet to reach its first approval. In December 2013, a Strategic Framework and Operational Guidelines were approved. With an initial set aside of UA 165 million, the PSF is a special purpose vehicle offering credit enhancement to stretch the AfDB's risk capital to support more projects in Low Income Countries. Its Strategic Framework was approved by the ADF and AfDB Boards in May 2015. Implementation has commenced, with the identification of an initial portfolio and pipeline of transactions which will ensure rapid utilisation of the PSF resources. A utilisation rate of between 20% and 30% is targeted by November 2015. The experience shows that innovative instruments for promoting private sector investment in low-income countries, while potentially very effective, require time to structure properly.

*Governance: Enhancing Accountability and Transparency for Inclusive Growth*

- 3.19 **The Fund has made solid progress in delivering governance support and improving the quality of its operations.** In 2014, the Governance Strategic Framework and Action Plan 2014-2018 (GAP II) was approved, providing a framework for achieving the ADF-13 priorities of governance and accountability through lending and non-lending interventions. GAP II has three pillars: (i) public sector and economic management; (ii) sector governance; and (iii) investment and business climate. At mid-term, 26 governance operations in 17 countries have been approved, totalling UA 502 million.
- 3.20 Under ADF-13, as at end August 2015, the Bank has approved 12 Programme-Based Operations (PBOs), including budget support, in 11 countries, valued at UA 185.94 million.<sup>2</sup> PBOs provide a platform for policy dialogue on key governance areas, such as public financial management (PFM), budget and expenditure management, improving domestic resource mobilisation, strengthening formal accountability mechanisms and building demand-side accountability. In Malawi, where the Bank is co-chair of the budget support group, our strong presence and active engagement in public financial management reforms have enabled us to work with the Government to resolve critical

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<sup>2</sup> Burkina Faso, CAR, Guinea, Guinea Bissau, Mali, Sierra Leone, Burundi, Comoros, Madagascar, Mozambique and Tanzania

PFM challenges, following recent corruption scandals. In Guinea, a UA 12 million PBO has focused on tax modernisation, enhancing transparency and improving revenue collection from the extractive industries. Earlier, the Fund provided a UA 5 million institutional support project to modernise Togo’s Revenue Authority and to increase transparency in the extractive sector. In 2015, UA 2 million was allocated to support the Zimbabwean Parliament to enhance demand side accountability, in partnership with key civil society organisations and the Office of the Auditor General.

- 3.21 **The Bank’s emphasis on states in fragile situations and building resilience through governance continues to be a cornerstone of ADF support.** In Sierra Leone, the Board has approved two operations worth UA 4 million in budget support and UA 2.3 million institutional support co-financed with the World Bank, DFID and the European Union. The investments are aimed at strengthening fiscal control, accountability and oversight by parliamentarians and civil society organisations. The Fund has also demonstrated flexibility and responsiveness in situations of crisis and emergency in helping to restore effective governance. In 2014, UA 15 million was allocated to the Central African Republic (CAR) through a PBO operation to restore public service delivery and create conditions for economic recovery.
- 3.22 **The Fund has responded quickly and effectively to other crisis situations.** It enabled the Bank to be the first MDB to respond to the Ebola outbreak in West Africa. The Fund has also scaled up its interventions to improve integrity in high-risk sectors such as energy and the extractive industries. These interventions are complementary to the advocacy and policy support being led by the African Natural Resources Centre (ANRC), which is engaged in important regional and global initiatives such as the Extractives Industries Transparency Initiative and the Africa Mining Vision (AMV). Box 7 below shows interventions undertaken in Mozambique and Comoros, while Box 8 highlights the establishment of the ANRC.
- 3.23 **Interventions to improve the investment climate and the business enabling environment have helped strengthen legal, regulatory and institutional frameworks in a range of countries.** For example, the Fund is supporting judicial systems for better contract enforcement and resolution of commercial disputes. It is also providing business development services and training for entrepreneurs, including women-owned businesses. In Burkina Faso, a UA 40 million package is promoting business incubators, credit guarantee schemes and export promotion agencies. The Bank is currently updating its strategy on Combating Illicit Financial Flows.

#### Box 7: Examples of Results from Governance Support Operations

**Public Finance Management: Mozambique Economic Governance and Inclusive Growth Programme (UA 4 million):** This operation supports reforms to consolidate gains in PFM and improve the governance and sustainable development of the extractive industries and energy sectors.

**Results:** The Extractives Industries Transparency Initiative bill has been drafted and all agreements with mining companies are now fully disclosed and publically available.

**Comoros Energy Sector Reform Support Programme (UA 4 million):** This operation aims at improving energy sector governance and performance, to make it more efficient and capable of supporting the country’s economic development.

**Results:** Restructuring of the power utility and strengthening of its governance bodies.

- 3.24 The Bank also supports a range of knowledge-generation activities on governance. In collaboration with other development partners, we undertook various joint assessments and studies, including Public Expenditure and Financial Accountability assessments which promote a common understanding of the state of PFM institutions. New operational guidelines for PBOs have been developed, provide a practical guide to Bank staff and consultants on how to effectively design and implement PBOs as a tool of policy dialogue. An internal Quality Assurance Review process is in place, ensuring systematic integration of lessons from past Bank operations and findings from independent evaluations. In addition, Trust Funds, especially the Governance Trust Fund, are piloting innovative approaches to governance work, including forging stronger partnerships with civil society for future scalability under ADF.
- 3.25 **Overall, the Fund has made solid progress in delivering appropriate governance support and improving the quality of operations.**

#### Box 8: The African Natural Resources Center (ANRC)

- The ANRC was established in December 2013 to improve development outcomes from the management of renewable (fisheries, forestry, land and water) and non-renewable (oil, gas and minerals) resources in Africa through effective public and private sector governance and institutional frameworks. The Center’s mission is to advise RMCs on natural resource management policy formulation and implementation, so they can extract greater value from their natural resources. Recruitment is ongoing to fill the remaining vacancies at the Center.
- The Center has developed a six-year Strategy and an interim three-year work plan. To implement its ambitious agenda, the Center will partner with other departments to leverage the Bank’s extensive knowledge in the area of renewables while deepening knowledge on non-renewables. The proposed interventions cover policy advice, capacity building, technical assistance and advocacy.
- ANRC is already involved in ADF-funded operations, such as the capacity building for mining regulation in Guinea and forest governance in the Republic of Congo. Both projects will be approved in the second half of 2015. As implementation of the interim work plan progresses, it is expected that ANRC operations will access more ADF resources.

#### *Skills and Technology: Equipping Africa’s Youth*

- 3.26 In the ADF-13 report, **Deputies and Bank management committed to develop new approaches to supporting African skills and technology** and, in particular, to strengthen the links between education and training systems and the labour market. The Human Capital Strategy, 2014 – 2018, defines priorities and new areas of action. The implementation of the Strategy is being realised through lending operations, knowledge work and policy dialogue.
- 3.27 **As at end August 2015, 13 operations valued at UA 334.36 million (15 percent ADF-13 commitments) are underway.** The Fund is equipping Africa’s youth with skills in science, ICT and specialist areas such as natural resource management. The Skills, Employability and Entrepreneurship Program (SEEP II) in Rwanda, with an investment of USD 76 million, is the largest ADF-13 operation in the sector. The program will build skills and attitudes that are needed in the labour market, while promoting entrepreneurship and business development.

## Box 9: Delivering Green Jobs through the Skills and Technology Agenda

The Fund is building competencies in STEM and in the informal economy for micro and small enterprises to enter green markets.

**Cote d'Ivoire - Social Inclusion and Cohesion Enhancement Support Programme (UA 30 million):** the project supports the economic reintegration of 15,500 ex-combatants, including 2,000 women, with 75% reintegrated into profitable economic activities. Green activities include: (i) the collection and recycling of plastic waste and other non-biodegradable products of the plastic processing industry (tyres, bags, bottles, and plastic components of audio/video and IT equipment); (ii) contribution to the renewal of Abidjan's aging fleet of taxis and other public transport vehicles, which are a major source of pollution; and (iii) the installation of micro solar power generation units in remote regions. The activities are implemented by the Disarmament, Demobilization and Reintegration Authority.

**Zambia - Support for Science and Technology Education Project (UA25.96 million):** The project seeks to increase access to and improve the quality of the teaching of science and technology in Higher Education and Trade institutions, in line with Zambia's Vision 2030 priorities. It has a particular focus on improving access for women. Activities include investing in infrastructure, providing training to under-qualified teaching staff, especially women, and developing programmes for teaching work-based and entrepreneurship skills.

The programme will support the capacity building of at least two thousand school leavers and out-of-school youths. This intervention will enhance youth employability, bridge skills gap in the private sector and increase Zambia's competitiveness in the global economy.

### 4. Areas of Special Emphasis

- 4.1 The Fund also supports a number of areas of special emphasis that cut across the five operational priorities summarized above. These are fragility, gender equality, and agriculture and food security.

#### *Supporting Countries in Transition*

- 4.2 **The Transition Support Fund (TSF) has proved to be a flexible and responsive instrument for meeting the needs of countries affected by fragility or conflict.** Guided by the 2014 Bank Group strategy for Addressing Fragility and Building Resilience,<sup>3</sup> the Fund is assisting countries to address drivers of fragility and strengthen sources of resilience, to prevent relapses into conflict and lay the foundation for a return to sustainable and inclusive growth. Pillar I of the TSF provides supplemental support for 16 countries, in addition to their regular ADF allocation. The additional funds go towards building core governance capacities and rehabilitating or reconstructing basic infrastructure. As at mid-term, 44% or UA 260.87 million has been committed (including UA 23.86 million from the 'reserve' pool), out of UA 590.89 million available under Pillar I during ADF-13.<sup>4</sup> **In view of this progress, Pillar I is projected to be fully utilised under ADF-13.**
- 4.3 Pillar II supports the clearance of debt arrears, enabling transition countries to normalise their relations with the Bank and regain access to ADF finance. The support is subject to various technical requirements. Zimbabwe is making considerable progress towards meeting those requirements and is expected to qualify for arrears clearance support under

<sup>3</sup> In the context of the Ten-Year Strategy, the Bank has a number of more targeted strategies aimed at enhancing inclusion. The *Policy for Addressing Fragility and Building Resilience in Africa, 2014-2019* was crafted in 2014 to ensure that countries in fragile/transition situations can be assisted to enhance their institutional capacities, and ability to return to a sustainable growth path.

<sup>4</sup> Includes UA 19.11m carried over from ADF-12 and UA 59.72m of the unallocated reserve.

ADF-13. However, the prospects for Somalia and Sudan remain low.<sup>5</sup> The latest projections of outstanding arrears to the Bank Group for Zimbabwe for 2016 are UA 437.87 million (arrears to AfDB) and UA 13.84 million (arrears to ADF). The resources available under Pillar II to clear AfDB arrears amount to UA 392.29 million, leaving a potential financing gap of UA 45.58 million. This means that Pillar II resources are expected to be fully utilised, and it is therefore recommended that they are retained.

- 4.4 Pillar III provides targeted support for capacity building and economic analysis, to facilitate the preparation and management of development policies and programmes. Under this Pillar, the African Legal Support Facility (ALSF) was allocated UA 16 million to support legal advisory and capacity-building initiatives in eligible countries, with the view to enhancing effectiveness in the use of resources. The ALSF has 45 projects in the pipeline, amounting to US\$ 16.285 million. Implementation will commence in the third quarter of 2015 (see the separate TSF paper for more information). Pillar III is expected to fully utilize its allocation under ADF-13.
- 4.5 In line with the Bank's Strategy on Fragility, a 'fragility lens' is being systematically applied in the Bank's programming, project design and policy dialogue under ADF-13, to identify opportunities for the Bank to contribute to reduce conflict risk and build resilience. All new country and regional strategies are now being informed by fragility assessments. In addition, studies being conducted during ADF-13 include (i) fragility assessment reports; (ii) country fragility briefs; and (iii) flagship publications such as "Scaling up AfDB's development impact in fragile states" and "Natural Resource Management in Fragile States".

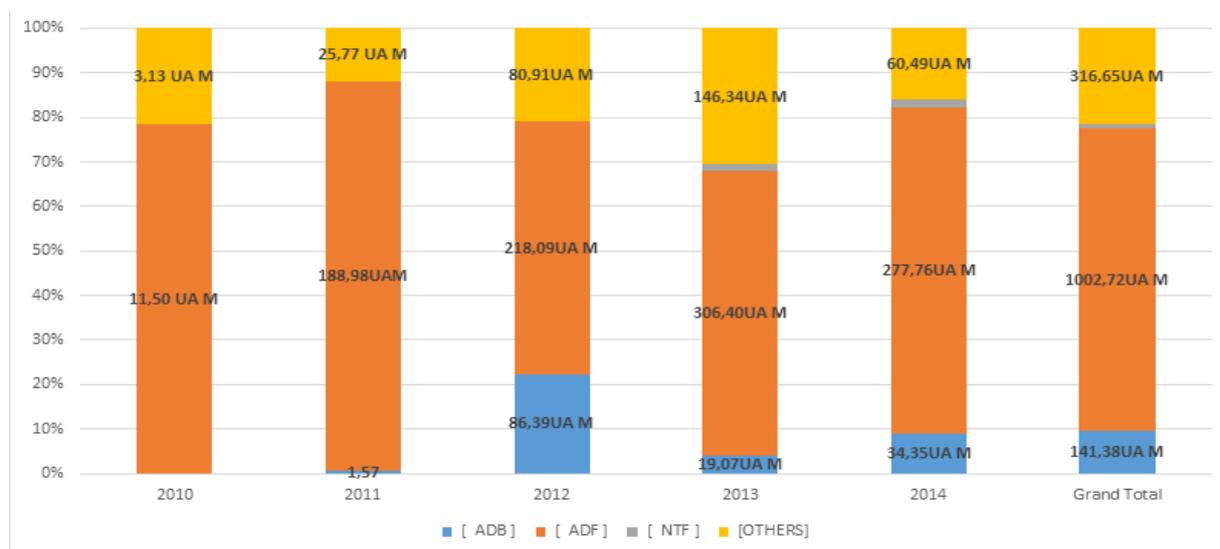
*Agriculture and Food Security: A responsibility to Feed Africa's Population*

- 4.6 The Fund's operations in the agriculture sector focus on infrastructure development and integrating climate change adaptation and mitigation measures. However, mobilizing sufficient funds for agriculture and natural resource management remains a challenge. The Fund will continue to explore opportunities to leverage additional resources through partnerships and co-financing at the country level.
- 4.7 Agriculture sector approvals as at end-August 2015 amounted to UA 411.03 million. In keeping with the Bank's strategy for supporting agricultural infrastructure, the projects are helping to develop sustainable agricultural production and storage systems. The sector is also bolstering market access and supporting climate resilient development, as per the flagship operations in Figure 6 and Annex II (under "Agriculture and Food Security").

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<sup>5</sup> A summary of country-by-country assessment of progress towards arrears clearance by the three potentially qualifying countries (Somalia, Sudan and Zimbabwe) and remaining challenges is provided in Annex IV of the *separate* MTR paper on Fragility and the Transition Support Facility.

**Figure 6: ADF Approval in the Agricultural Sector by Year**



- 4.8 **As of 2014, all of our agricultural projects have now mainstreamed gender equality objectives.** The projects are aligned with the Bank’s Gender Strategy and promote a range of objectives, including improved access to land tenure for women, especially for irrigated land, equitable access to financial and technical resources under the Bank’s investment projects, systematic inclusion of women in the management of natural resources (at least 30 percent participation) and gender-sensitive infrastructure development (including micro-irrigation areas and upgraded rural roads).
- 4.9 In the last 5 years, **over 300 km of feeder roads have been constructed and millions of people have benefited from improved access to transport.** Some 1.5 million people are accessing improved technology and around 600 production and marketing facilities have been constructed. On natural resource management, more than 809,500 ha of land have been improved through replantation and reforestation, benefiting about 19 million people, including women.
- 4.10 **The Bank is preparing a new Agriculture & Agribusiness Strategy (2015-19).** The Strategy is grounded on three pillars: i) the development of agricultural and rural infrastructure; ii) promotion of agribusiness and innovation; and iii) building resilience and natural resource management, with gender as a cross-cutting issue.

**Box 10: Bank’s Support to Agriculture and Food Security in Fragile African Regions**

The Drought Resilience and Sustainable Livelihood Program, UA 84 million (Horn of Africa): Phase I was approved in December 2012 for Kenya, Djibouti, Ethiopia and the IGAD trade bloc to address the effects of chronic drought in the region. It focuses on three inter-related areas: Water resource development and management; (ii) livestock infrastructure for market access; and (iii) capacity building.

The Drought Resilience Program for the Sahel (P2RS), UA 155 million: Phase I covers 13 member countries of the CILSS (Permanent Interstate Committee for drought control in the Sahel) region: Benin, Burkina Faso, Côte d'Ivoire, Cape Verde, Gambia, Guinea, Guinea Bissau, Mali, Mauritania, Niger, Senegal, Chad and Togo. The objective is to boost the resilience of communities to famine, improve human and livestock health and enhance livelihoods.

## 5. Gender Mainstreaming

- 5.1 **Since the ADF-13 replenishment, the Bank has made progress on promoting gender equality across its operations. The Special Envoy on Gender was appointed in 2013 to oversee this agenda, which includes internal reforms and scaling up of gender mainstreaming through Bank’s programming and projects.** In January 2014, the Gender Strategy “Investing in Gender Equality for Africa’s transformation 2014-2018” was approved by the Board. The Strategy seeks to improve African women’s social, legal and economic status and to strengthen knowledge management and capacity building on gender issues in RMCs and within the Bank itself.
- 5.2 Gender mainstreaming has made substantial progress in various sectors, including agriculture, water and sanitation, energy, transport, health and education. New operations now include increased focus on gender at every stage of the project cycle. New tools are being developed to improve gender mainstreaming and measure its impact. Results from projects implemented between 2012 and 2014 showed that more than 50 percent of beneficiaries in energy, health, transport, water and vocational training projects were women. A number of flagship projects to strengthen women’s economic empowerment are currently under preparation. Advocacy activities on key gender issues such as violence against women have generated awareness within and outside the Bank. Furthermore, a Gender Marker System has been developed to categorize operations according to their potential impact on gender outcomes. This assists with allocating resources towards projects that are likely to have the greatest impact on gender equality. For further information, please see the paper on gender.
- 5.3 **The African Gender Equality Index was developed and launched during the Annual meeting in May 2015.** The Index combines data on key gender indicators to provide a more robust measure of gender inequalities in Africa. A number of knowledge products to strengthen the evidence base on gender have been prepared and disseminated widely.

### *Climate Change*

- 5.4 **Addressing the impact of climate change on Africa is part of the core businesses of the AfDB.** Consistent with the Bank’s strategy and Management’s ADF-13 commitments, efforts have been stepped up to accelerate climate change mainstreaming in Bank operations and programming documents (CSPs and RISPs). The Bank Group planned to invest about UA 6.4 billion over a five-year period (2011-2015) through its Climate Change Action Plan (CCAP)<sup>6</sup> 2011-2015 in the energy, transport, water and agriculture sectors, to support low-carbon and climate-resilient development. Accordingly, during 2011-2014, the Bank approved climate-related investments of around UA 4.5 billion, of which more than half was in ADF countries. Under ADF-13, the Bank is playing a variety of roles in helping RMCs move toward climate resilience and low-carbon development, particularly in the energy sector where the Bank has a number of renewable energy-based generation projects.
- 5.5 **The Bank is committed to collaborating with other development partners in this area.** It is partnering with regional and international institutions, to mobilise a strong and

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<sup>6</sup> The CCAP provides practical guidance on climate change adaptation and mitigation measures in Bank Group-financed operations. In addition to climate proofing its investments and developing the requisite policy, legal and regulatory frameworks, the Bank Group has also ramped up knowledge generation and capacity building initiatives to better inform its operations and guide its engagement with its clients

unified African voice on climate change. One example is support to the African Group of Negotiators to represent Africa's perspectives in international forums such as the United Nations Framework Convention on Climate Change (UNFCCC) Conference of Parties (COP). Similarly, the Bank also provides technical and financial support to the African Board Members of the Green Climate Fund.

- 5.6 **The ClimDev-Africa Programme is a joint initiative of the Bank, the African Union Commission and UNECA, with resources from the European Union.** The fund became operational in August 2014 and is supporting RMCs to build resilience to the impacts of climate change.

### Box 11: Mainstreaming Climate Change Resilience in Project Design

1. The *Parakou Urban Transport Project* in Benin is rehabilitating and widening 17.5 km of main roads in the city of Parakou in order to increase urban mobility, reduce accidents and improve living conditions. It will help to reduce poverty by improving access to basic social services and increasing opportunities for women and other disadvantaged groups to participate in the social and economic life of their communities. The mitigating measures against the project's negative impacts (e.g. decommissioning of 10 ha of forest and potential degradation of water resources) include planting of trees, green space development and restoration of the classified forest of Parakou. A number of actions to improve air quality are being financed by the Global Environment Facility, including setting a baseline for air quality, training mechanics, emissions control and monitoring, and awareness raising.
2. The *Malawi Sustainable Rural Water and Sanitation Infrastructure Project for Improved Health and Livelihoods* project aims to address inadequate access to safe water and improved sanitation. Erratic rainfalls and prolonged droughts as a result of increasing climate variability are adding substantially to the severity of already dire water challenges. Studies show that Malawi will be among the most vulnerable developing countries to the negative impacts of climate change.

The project is addressing the challenges of inadequate water supply, while climate proofing the results of Bank interventions. Climate adaptation activities include: (i) developing and implementing community-based adaptation plans; (ii) installing hydrological monitoring stations; (iii) sensitising communities on the implications of climate change; (iv) supporting community-based catchment management activities, including tree planting; and (v) training communities on alternative income generating activities.

## 6. Implementation Challenges/Mitigating Measures and the Way Forward

- 6.1 Despite the substantial progress achieved to date, the ADF has experienced a number of challenges. At the operational and institutional levels, Management has identified a number of issues that require close monitoring and remedial actions over the remainder of the ADF-13 cycle. These include:

- improving results by strengthening portfolio performance and management;
- enhancing project preparation, design, implementation and capacity building;
- continuous investment in the Bank's internal capacity to analyse issues of fragility and manage operational risk through flexible application of fiduciary and procurement processes, as provided for under ongoing revisions to the procurement policy; and
- encouraging more ownership by regional and sector departments of the implementation of projects in ADF countries, particularly those in transition.

- 6.2 In a nutshell, Management is taking strong measures to address key implementation challenges and thereby improve the quality of the ADF-13 portfolio. The Bank has introduced a new quality assurance dashboard to help senior management monitor

portfolio performance. The Bank will continue to strengthen supervision of the portfolio, with staff in field offices increasingly taking the lead role. Furthermore, the Bank is improving country programming/project design, to enhance the quality of the portfolio and accelerate project implementation. Legal, procurement and financial management processes are being simplified and improved, while risk management is being strengthened.

- 6.3 Despite a challenging external environment, the implementation of ADF-13 is progressing in line with commitments made at Replenishment. The Fund has shown the ability to be responsive to the diverse and changing needs of its clients, while maintaining its strategic and operational focus and results orientation.
- 6.4 Building on the operational and institutional achievements of ADF-12, the Fund is consolidating and deepening gains; promoting innovations by rolling out new instruments; and improving the design and delivery of operations through active evaluation and learning processes. For example, we have learned that rolling out new instruments takes considerably longer than expected, and we will be taking this into account in future decisions. The Fund's country portfolios and operations are now subject to a demanding set of quality assurance mechanisms, to ensure that implementation problems are quickly identified and addressed. Lessons from IDEV evaluations, ADER 2015 and other reviews will inform the necessary continued adjustment to the Bank Group's strategic and operational engagement in ADF-13 priority areas.
- 6.5 Implementation of the Bank's new strategies and operational frameworks is proceeding as planned. Country, regional and sector strategies are now systematically informed by fragility assessments and closer attention is paid to cross-cutting priorities such as gender and climate change. However, a number of challenges remain, including limited financial resources for undertaking transformative work on gender equality. A greater strategic thrust in this direction calls for a mechanism for addressing the current resource gaps.

## **7. Going Forward**

- 7.1 In order to consolidate and build on these gains, process efficiency and portfolio management will remain key focus areas for Senior Management. A portfolio flashlight report which flags performance areas requiring management attention is now issued regularly by the Delivery and Performance Management Office (COPM), discussed monthly at Operations Committee (OpsCom) meetings and systematically followed up by the relevant departments. A multi-departmental task force has been formed to examine systemic portfolio issues and submit practical recommendations, which will be implemented in a timely manner.
- 7.2 Field based task teams are continuously engaging clients and loan beneficiaries, jointly identifying and resolving project implementation bottlenecks. This has helped to reduce the proportion of projects at risk. Going forward, project supervision will apply a risk-based approach, with special emphasis on operations facing performance issues. Implementation of an updated action plan for the decentralization road map, as well as revision of the Delegation of Authority Matrix, is also expected to unlock more synergies and gains in this area.
- 7.3 Deputies are duly invited to take note of the Progress Report and provide their views and guidance on the achievements and challenges encountered in the delivery of ADF-13.

With regards to the resources under Pillar II of the TSF, the recommendation of Management is that the resources are retained for Zimbabwe.

### **Drafting and reviewing team composition**

<b>Team member</b>	<b>Unit/Department</b>
Zuzana BRIXIOVA,	ECON
Serign CHAM (co-lead)	FRMB
Belinda CHESIRE	FRMB
Damoni KITABIRE	ZMFO
Solomane KONE (lead)	ORVP Front Office
Albert MAFUSIRE	ORTS
Jacques MOULOT	ONRI
Herve NEFFO	COPB
Ralph OLAYE	COPB
Michael SALAWOU	SEGL
Richard SCHIERE	ORQR
Sylvie TRAORÉ	FVP/COO

## Annex I: Aggregate results from ADF operations

### How AfDB contributes to development in ADF countries (Level 2)

This table presents the contribution the Bank is making to development through its operations in ADF countries. The Bank's performance is measured by comparing expected and actual achievements for all operations that have been completed:

- Bank operations achieved 95% or more of their targets<sup>1</sup>
- Bank operations achieved 60-94% of their targets
- Bank operations achieved less than 60% of their targets
- Data are not available to measure performance

		2012-2014		2015-2017
	EXPECTED	DELIVERED		EXPECTED
<b>INFRASTRUCTURE DEVELOPMENT</b>				
● Transport-Roads constructed, rehabilitated or maintained (km)	4,618	3,583	78%	18,266
● Transport-Staff trained/recruited for road maintenance	882	747	85%	11,882
● Transport-People educated in road safety, etc.	663,243	859,400	130%	1,505,760
● Transport-People with improved access to transport	13,151,387	13,705,720	104%	26,863,870
of which women <sup>2</sup>	6,671,578	6,952,790		9,538,950
● Energy-Power capacity installed (MW)	141	141	100%	2,248
of which renewable (MW)	128	128	100%	917
● Energy-Staff trained/recruited in the maintenance of energy facilities	-	-		3,982
● Energy-People with new or improved electricity connections	1,796,794	1,800,750	100%	20,951,170
of which women <sup>2</sup>	912,794	914,810		6,708,620
● Energy-CO <sub>2</sub> emissions reduced (tons per year)	183,000	254,680	139%	5,294,260
● Water-Drinking water capacity created (m <sup>3</sup> /day)	69,763	55,335	79%	310,490
● Water-Workers trained in maintenance of water facilities	5,391	5,234	97%	86,871
● Water-People with new or improved access to water and sanitation	3,998,953	4,228,100	106%	26,454,060
of which women <sup>2</sup>	2,513,492	2,657,520		17,609,040
● ICT-People benefiting from improved access to basic ICT services	2,769	2,769	100%	344,370
<b>REGIONAL INTEGRATION</b>				
● Transport-Cross-border roads constructed or rehabilitated (km)	695	680	98%	5,279
● Energy-Cross-border transmission lines constructed or rehabilitated (km)	...	...	...	1,215
<b>PRIVATE SECTOR DEVELOPMENT</b>				
● Government revenue from investee projects and sub-projects (US\$ million)	790	783	99%	283
● SME effect (turnover from investments) (US\$ million)	216	256	119%	100
● Microcredits granted (number)	14,687	12,447	85%	50,607
● Microfinance clients trained in business management	312	311	100%	34,327
● Jobs created	886,016	894,070	101%	1,039,140
of which jobs for women <sup>2</sup>	...	219,200		252,590
● People benefiting from investee projects and microfinance	2,021,008	2,066,830	102%	27,258
of which women <sup>2</sup>	...	621,960		...
● Agriculture-Land with improved water management (ha)	73,511	49,590	67%	165,078
● Agriculture-Land whose use has been improved: replanted, reforested (ha)	452,090	441,270	98%	238,808
● Agriculture-Rural population using improved technology	1,188,682	2,305,670	194%	1,254,887
● Agriculture-People benefiting from improvements in agriculture	9,726,101	9,659,470	99%	40,909,321
of which women <sup>2</sup>	4,203,882	4,175,080	99%	19,139,698
<b>SKILLS &amp; TECHNOLOGY</b>				
● People benefiting from vocational training	8,695	5,435	63%	58,747

	of which women <sup>2</sup>	5,868	3,669		25,370
●	Classrooms and educational support facilities constructed	1,805	1,412	78%	964
●	Teachers and other educational staff recruited/trained	37,067	30,424	82%	12,029
●	People benefiting from better access to education	2,190,852	2,153,460	98%	1,023,921
	of which female <sup>2</sup>	1,044,137	1,026,320		460,764
●	Primary, secondary and tertiary health centres	807	755	94%	250
●	Health workers trained	13,879	14,661	106%	29,781
●	People with access to better health services	46,638,477	39,658,120	85%	12,930,393
	of which female <sup>2</sup>	26,679,661	22,686,530		6,933,422
<b>GOVERNANCE AND ACCOUNTABILITY</b>					
●	Countries with improved quality of budgetary and financial management	17	14	82%	...
●	Countries with improved quality of public administration	5	5	100%	...
●	Countries with improved transparency, accountability and corruption mitigation in the public sector	17	11	65%	...
●	Countries with improved procurement systems	3	3	100%	...
●	Countries with improved competitive environment	12	6	50%	...

... = data not available; ha = hectares; km = kilometres; MW = megawatts; m<sup>3</sup> = cubic metres; SME = small or medium-sized enterprise; US\$ = United States dollars; ICT = information and communication technology

1 The performance indicator for governance applies different thresholds. Given the nature and attribution distance, the levels for the traffic lights are different from other indicators: green, 75% and above, amber, 50%–75%, and red, below 50%.

2 Gender-disaggregated figures are extrapolated from a subset of projects that have available data with baseline and actual data built in. As more projects have started to include gender-informed design, these data are expected to become increasingly robust and complete.

Note: UA figures from material converted at 1 UA = \$1.53.

Source: African Development Bank Group

## Annex II: List of ADF-13 Approved Operations

Project Name and Sector	Country	ADF-13 Financing PBA, FSF, RO (including surcharges)*	Financing from Cancellations	TOTAL Approved Projects
<b>Agriculture and Food Security</b>				
Drought Resilience and Sustainable Livelihoods Programme 2 (DRSLP 2)	Multinational	79.52		79.52
Kariba Dam Reconstruction	Multinational	51.12		51.12
Lakes Edward and Albert Integrated Fisheries and Water Resources Management Project (LEAF II)	Multinational	12.06		12.06
Le projet Pôle de croissance de Bagré	Burkina Faso	22.06		22.06
Projet de réhabilitation et extension du périmètre irrigué de Bas Mangoky - II	Madagascar	40.14		40.14
Programme de renforcement de la Résilience à insécurité alimentaire et nutritionnelle au Sahel (P2RS)	Multinational	171.37		171.37
Drought Resilience and Sustainable Livelihoods Program in the Horn of Africa (DRSLP III)	Multinational	23.27		23.27
Projet de Réhabilitation des Infrastructures d'appui à la sécurité Alimentaire II ( PRIAS II)	Sao Tome & Princ.	11.50		11.50
<b>Human Capital Development</b>				
East Africa's Centre of Excellence for Skills and Tertiary Education in Biomedical Sciences Phase I	Multinational	66.25		66.25
Strengthening West Africa's Public Health Systems Response to the Ebola Crisis (SWAPHS)	Multinational	41.81		41.81
Multinational - Exceptional and Emergency Assistance to Fight the Ebola Haemorrhagic Fever Epidemic in Guinea and Neighbouring Countries	Multinational	2.35		2.35
Projet d'appui à la réalisation des infrastructures socio- économiques et à la promotion des activités économiques dans les régions	Djibouti	7.50		7.50
Support to thachnical, Vocational , Education and Training for relevant Skills Development-Phase II - Centers of Excellence Tivet (Phase II)	Kenya	41.00		41.00
Projet de développement des compétences et des ressources humaines (PDCRH)	Congo, Rep. of	7.50		7.50
Programme d'appui au renforcement de l'inclusion et de la cohésion sociale (PARICS)	Côte d'Ivoire	30.40		30.40
Skills development for job creation	Eritrea	14.54		14.54
Malawi - Protection of Basic Services Programme	Malawi	22.35		22.35
Programme d'appui à la formation et à l'emploi des jeunes (PAFEJ)	Mauritania	2.35		2.35
Skills, Employability and Entrepreneurship Programme (SEEP) II	Rwanda	49.00		49.00
Capacity Building for Improved Quality of the Education System and Skills Development Project	Sudan	15.30		15.30
Support to Technical Vocational Education and Training and Teacher Education Project	Tanzania	34.00		34.00
<b>Governance (PBOs)</b>				
Programme d'Appui à la Promotion du secteur privé (PAPSP)	Burkina Faso	20.00		20.00
Projet d'Appui à la Transformation de l'Economie et à la Création de l'Emploi (PATECE)	Burkina Faso	11.76		11.76
Energy Sector Budget Support Programme	Burkina Faso	23.53		23.53
Programme d'Appui aux Réformes de la Gouvernance Economique Phase I (PARGE I)	Burundi	7.00		7.00
Programme d'urgence d'appui à la sortie de crise et la reprise économique (PUASCRE)	Central African Rep.	15.41		15.41
Programme d'appui à la reconstruction des communautés de base (PARCB) Phase 1	Central African Rep.	10.88		10.88
Energy Sector Reform and Financial Governance Support Programme - Phase II	Comoros	4.00		4.00
Projet d'appui au recensement général de la population et au renforcement des bases de données sociales	Congo DRC	15.00		15.00
Projet d'appui au développement du secteur privé et à la création de l'emploi	Congo DRC	44.71		44.71
Ebola Secor Budget Support - Fight back program	Multinational	103.31		103.31
Economic and Financial Reforms Support programme Phase II (PAREF II)	Guinea	13.13		13.13
Institutional Support Project for Public Private Partnership (ISP-PPP)	Ethiopia		1.17	1.17
Guinea-Bissau - Emergency Economic and Financial Reform Support Programme	Guinea-Bissau	5.00		5.00
Madagascar - Emergency Economic Recovery Programme (PURE)	Madagascar	25.00		25.00
Madagascar - Investment Promotion Support Project	Madagascar	7.00		7.00
Programme d'Appui à la Gouvernance et au Développement du Secteur Privé	Mali	15.72		15.72
Governance Support Project for Inclusive Growth Promotion (PAGOCI)	Mauritania	2.35		2.35
Economic Governance and Inclusive Growth Reform Program	Mozambique	22.75		22.75
Multinational Statistical Capacity Building Program for Managing for Development Results	Multinational	11.76		11.76
Inclusive Economic Management Program (IEMP) - Phase I	Sierra Leone	4.00		4.00
Public Financial Management Improvement Consolidation (PFMIC) Project	Sierra Leone	2.71		2.71
Building Capacity for Inclusive Service Delivery	Sudan	32.93		32.93
Projet d'appui à la mobilisation des ressources et au renforcement des capacités institutionnelles (PAMOCI)	Togo	5.00		5.00
Strengthening Institutions of Transparency and Accountability Project	Zimbabwe	2.35		2.35

<b>Finance</b>				
Development Bank of Nigeria PLC (DBN)	Nigeria	32.59		32.59
<b>Environment</b>				
Multinational - Programme de réhabilitation et de renforcement de la résilience des systèmes socio-écologiques du bassin du lac Tchad	Multinational	37.05		37.05
<b>Infrastructure</b>				
<b>Energy</b>				
Kenya - Tanzania Power Interconnection	Multinational	102.79		102.79
African Centers of Excellence for skills and Governance in Electricity	Multinational	9.76		9.76
Kenya - Geothermal Development Company (GDC) Menengai 105 MW Independent Power Producers Partial Risk Guarantee	Kenya	2.06		2.06
Access Scale-Up Through Last Mile Connectivity and Transmission Improvement Project	Kenya	90.00		90.00
Power Sector Reform and Governance Support Program (PSRGSP)	Tanzania	50.00		50.00
Projet de renforcement de réseau de distribution électrique	Guinea-Bissau	14.38		14.38
Energie renouvelable - Centrale hydroélectrique de Jiji & Murembwe	Burundi	14.34		14.34
<b>Transport</b>				
Project transport urbain Parakou	Benin	23.80		23.80
Complément Projet de transport urbain de Parakou	Benin	11.53		11.53
Projet d'aménagement et de bitumage de la RN 18: Nyakararo-M waro-Gitega	Burundi	22.85		22.85
Programme d'appui au secteur des transports: Phase I : Aménagement de la route Batchenga-Ntui-Yoko	Cameroon	12.46		12.46
Projet de bitumage de la route Kyabe-Singako	Chad	15.11		15.11
Projet d'aménagement de la route Tshikapa-Mbuji Mayi (Section Tshikapa-Kamuesha) et de réhabilitation des infrastructures rurales et agricoles connexes.	Congo DRC	87.06		87.06
Programme d'aménagement des routes et de Facilitation des Transports au sein de l'Union du Fleuve Mano (Phase II)	Multinational	65.76		65.76
Programme d'aménagement des routes et de Facilitation des Transports au sein de l'Union du Fleuve Mano (Phase I)	Multinational	140.93		140.93
Trans-Gambia Corridor Preparatory Studies Project – Phase II / Keur-Ali Farafenni-Senoba section	Gambia	1.18		1.18
Support Programme for the Air Transport Sector in Central Africa and Western Africa (PASTA-CO)	Multinational	9.41		9.41
Mombasa – Mariakani Highway Project	Kenya	80.00		80.00
Transport Sector Support Project: Route dinguiraye-Nioro-Keur Ayib	Senegal	23.77		23.77
Road Sector Support Project V	Uganda	70.00		70.00
Projet d'aménagement de la route Batshamba-Tshikapa - Section Lovua-Tshikapa	Congo DRC	65.36		65.36
<b>Water</b>				
Sustainable Rural Water and Sanitation Infrastructure Project for Improved Health and Livelihoods	Malawi	15.00		15.00
Urban Water Sector Reform and Port-Harcourt Water Supply and Sanitation Project	Nigeria	3.30		3.30
Appui au Programme National unique pour l'eau, l'assainissement et l'hygiène (OWNP)	Ethiopia	60.00		60.00
Projet sectoriel eau et assainissement	Senegal	20.00		20.00
<b>FSF Pillar III Capacity Building Support &amp; Technical Assistance</b>				
8 Projects		8.843		8.843
	<b>TOTAL Approved Operations</b>	<b>2 240.02</b>	<b>1.17</b>	<b>2 241.20</b>

Notes: The data are as at end of August 2015. Only data related to TSF Pillar III (last row) are as at end-June 2015.

- (i) Technical Vocational Education, Training and Teacher Education Project in Tanzania (USD47 million);
- (ii) the East Africa's Centers of Excellence for Skills and Tertiary Education in Biomedical Sciences (USD 97 million),
- (iii) Support to Skills Development for Employability and Entrepreneurship in Eritrea (USD 19 million) and the Social Cohesion and Enhancement Support Program in Cote D'Ivoire (USD 41 million to support Côte d'Ivoire in its effort to restore social cohesion, improve social inclusion so as to address the social and psychological damage caused by the past conflict.

**Annex III: Regional Operations Distribution of by region and by sector for ADF-13**

