

Strategic Directions for ADF-14:
Operationalising the High 5 Strategic Priorities

Discussion paper

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Executive Summary

The year 2015 was a landmark year, with global agreements reached on an ambitious set of Sustainable Development Goals and the Climate Change agenda. To respond to this ambitious development mandate, the global community has tasked the Multilateral Development Banks with significantly scaling up their activities. There is global recognition that the SDGs will be realised only if they can be achieved in low-income countries in Africa, and particularly in those countries in fragile situations.

To continue delivering on its value proposition and help Africa meet the SDGs, the Africa Development Fund (ADF or the Fund) will continue to be guided by the objectives of the Bank Strategy and the sharper focus on the High 5 priority areas: Light up and Power Africa; Feed Africa; Industrialise Africa; Integrate Africa; and Improve the Quality of Life for the people of Africa. The Fund will also pay special attention to the following four cross cutting areas critical for inclusive and sustainable growth, namely fragility, governance, gender; and climate change. The Fund will continue its transformative role as the financier, convener and voice of Africa's low-income countries and countries in fragile situations, by ramping up its focus on results, collaborating with key development partners and playing a greater catalytic role to attract private investment and leverage its scarce resources.

In addition, the Bank Group's new Development and Business Delivery Model (DBDM)¹ will enhance the effectiveness of the Fund's business processes and its delivery over the next cycle. The new organisational structure will allow the Bank Group, and the Fund in particular, to increase its focus and accountability and deliver results in an efficient and cost effective manner. These actions will ensure that scarce ADF-14 resources are utilised optimally to generate jobs, reduce inequality and promote well-being across the continent in a sustainable manner, helping to ensure that the ambitious global goals can be achieved.

¹ A Proposal to Redesign the Bank's Development and Business Delivery Model, ADF/BD/WP/2016/16/Rev.1/Final

Table of Contents

1. Introduction.....	5
2. ADF-14 and the Implementation of the High 5 Priorities.....	6
3. Implementing Cross Cutting Priorities	14
4. ADF-14 Prospective Pipeline	18
5. The Capacity to Deliver on ADF Commitments	18
6. Conclusion	21
Annex I: Results Measurement Framework for Tracking Results	22
Annex II: Statistical Annex	23

Abbreviations

ADF	African Development Fund
AFAWA	Affirmative Finance Action for Women
ATA	Agricultural Transformation Agenda
CAHR	Committee on Administrative Affairs and Human Resource
CAR	Central Africa Republic
COP	Conference of the Parties
CERD	Communication & External Relations Department
CPIA	Country Policy and Institutional Assessment
CSP	Country Strategy Paper
DAM	Delegation of Authority Matrix
DAPEC	Delivery Accountability and Process Efficiency Committee
DBDM	Development and Business Delivery Model
DST	Delivery Support Team
ECON	Chief Economists' Vice Presidency
GDP	Gross Domestic Product
GW	Giga Watts
High 5s	The Five Operational Priorities of the Ten Year Strategy
HQ	Headquarters
IOP	Indicative Operations Program
IT	Information Technologies
JfYA	Jobs for Youth in Africa
KPI	Knowledge Performance Indicator
LICs	Low Income Countries
MDB	Multilateral Development Bank
MIC	Middle Income Countries
MSMEs	Micro, Small and Medium enterprises
MTR	Mid-Term Review
MW	Mega Watts
ODA	Overseas Development Assistance
PIDA	Program for Infrastructure Development in Africa
PSF	Private Sector Credit Enhancement Facility/Private Sector Facility
RDIDC	Regional Development, Integration, and Delivery Complexes
REC	Regional Economic Communities
RIS	Regional Integration Strategy
RMC	Regional Member Country
RMF	Result Measurement Framework
SDGs	Sustainable Development Goals
TSF	Transition Support Facility
TYS	Ten Year Strategy
UA	Unit of Account
UNECA	United Nations Economic Commission for Africa
VfM	Value for Money
WTO	World Trade Organisation

1. Introduction

1.1. Consultations for the Fourteenth General Replenishment of the African Development Fund (ADF-14) come at a very significant time. The Third International Conference on Financing for Development in Addis Ababa in July 2015 was an important milestone in the global effort to achieve universal and sustainable development. The conference underpinned the adoption of the Sustainable Development Goals (SDGs) at the UN Special Summit for Sustainable Development in September 2015, during which world leaders agreed to an ambitious set of goals with the objective of eliminating extreme poverty from the world by 2030. Collectively, the Addis Ababa Action Agenda and the SDGs constitute the 2030 Agenda. Its trajectory continued with the 21st Conference of the Parties (COP21) to the United Nations Framework Convention on Climate Change in Paris in December 2015 and saw a new international agreement on climate change. These developments in 2015 created a solid platform to support Africa's own global development aspirations for the next 15 years. In addition, the African Union adopted its 2063 Strategy in 2014, which also aims to transform and industrialize Africa.

1.2. To respond to this ambitious 2030 Agenda, the global community has tasked the Multilateral Development Banks (MDBs) to significantly scale up their activities. This will require leveraging and crowding in financial resources and moving from 'billions to trillions', as articulated at the Third International Conference on Financing for Development in Addis Ababa.

1.3. As ADF-13 comes to an end, unanticipated circumstances in the global economic and financial environment are challenging both donors and ADF countries. Increased demands on development finance require all parties to make the best use of limited resources. Although most ADF countries showed economic resilience in 2015, the global economic headwinds have slashed the outlook for many ADF economies over the period of the Replenishment. Most ADF countries are straining to manage fiscal deficits sustainably and mobilise the enormous additional financing needed to meet national and global development goals. Likewise, donors are also facing multiple domestic and external demands, with several replenishment exercises for international financial institutions taking place in 2016. Yet Africa still faces huge financing gaps compared to other continents, and requires substantial investment to enable it to make progress in the near term, achieve the development goals in the ambitious timeframe and reach its potential.

1.4. Against this backdrop, the Fund embarked on ADF-14 consultations well positioned to deliver high-quality assistance to the continent's low-income countries. As confirmed by the documentation and discussions around the ADF-13 Mid-Term Review (ADF-13 MTR), ADF-13 implementation to date has underlined the Fund's focus, adaptive abilities and capacity to deliver assistance to client countries as well as meet the expectations of donors. Deputies recognised the progress made towards achieving the various commitments under ADF-13, particularly in light of the move from Tunis to Abidjan. The ADF-13 MTR demonstrated the Fund's ability to respond flexibly, rapidly and effectively, highlighting its critical role as both a financier for Africa's development and as a credible convener and voice for Africa's low-income countries, particularly those in fragile situations. By the end of 2016, the resources available under ADF-13 will be fully committed. High demand and quickly growing commitments reflect both the continent's large financing needs in the ADF's areas of strategic focus and the Fund's improved performance. The Fund's achievements and confidence in its capacity to deliver results prompted Deputies at the MTR to reiterate their strong support for the Fund's continued role as a strategic African institution.

1.5. The Fund's ambitions are firmly anchored to the Bank Group's Ten Year Strategy 2013-2022 (TYS) - the long-term vision for the African Development Bank Groups (the Bank Group). The Bank Strategy's twin objectives are to support the transition of the Bank Group's Regional Member Countries (RMCs) towards more inclusive and green growth. In order to proactively and effectively

respond to Agenda 2030 and African countries' pressing development priorities, the Bank Group, including the Fund, will selectively scale-up results in five priority areas of the Bank Strategy. The five priorities or 'High 5s' are: lighting up and powering Africa; feeding Africa; industrialising Africa; integrating Africa; and improving the quality of life for Africans. The Bank Group is undertaking a reorganisation to equip the Fund to respond nimbly and with agility to the demands of its ADF RMCs.

1.6. During the first meeting of ADF-14 negotiations, Deputies urged the Fund to continue strengthening the strategic focus of the 14th Replenishment, its institutional capacity as well as its results-focus. Management committed to push those expectations and is actively implementing various key steps of its institutional reform agenda. The ADF Deputies also asked for additional information on the Bank Groups' operational priorities and pipeline.

1.7. The paper provides the framework for the other documents prepared for the second ADF-14 negotiations meeting.² It presents the strategic directions for ADF-14 and the proposed operational objectives of the Fund in helping deliver the Bank Group's agenda over the medium term.³ Specifically, it sets out how the ADF-14 pipeline of operations for 2017–2019 responds directly to clients' demands as well as being closely aligned with the Bank's operational priorities, as set out in the Bank Strategy and the High 5s. The pipeline is a result of a filtering process that respects countries' development needs, exploits the areas of intervention where the Fund enjoys a comparative advantage, and meets the Fund's expectations. Alignment to countries' poverty reduction strategies is ensured through a consultative process led by the regional departments and Field Office representatives. Anticipated operations are consolidated in the Bank's work program to give Senior Management a 3-year outlook and the opportunity to align the proposed list of projects to institutional objectives.

1.8. The paper also discusses the set of concomitant institutional reforms being implemented by Management through the newly adopted Development and Business Delivery Model (DBDM). The DBDM is aimed at improving the Bank Group's proximity to clients, achieving greater cost efficiency in its operations, and, most importantly, maximizing its development impact on the ground.

1.9. In summary, this paper presents a snapshot of the strategic direction and operational priorities that will guide the Fund's engagement with its low-income countries during the ADF-14 (2017-2019) period. Following this introduction, Section 2 briefly discusses how the High 5s relate to ADF countries and the role of the Fund in implementing them. Section 3 discusses how the cross-cutting areas relate to ADF countries and how ADF-14 will contribute to achieving key goals in each area. Section 4 briefly describes the various institutional reforms underway, which will ensure that the Bank Group is fit for purpose in delivering the High 5s. Section 5 describes the ADF-14 prospective pipeline. Conclusions follow in Section 6.

2. ADF-14 and the Implementation of the High 5 Priorities

2.1. ADF countries' demand for medium and long-term development financing is driven by their determination to attain the SDGs (Agenda 2030) in addition to other national and continental goals. Yet, achieving Agenda 2030 will be a particularly difficult task since levels of deprivation are acute, infrastructure is inadequate and financial resources are scarce. The majority of the people in ADF countries still live in extreme poverty (based on the \$1.90 a day or less poverty line). Indeed, ADF countries are intrinsically vulnerable to economic and environmental shocks and are less able to mobilise and attract the significant amount of finance needed to implement the 2030 Agenda, as

² This paper will address the strategic issues and the ADF-14 indicative pipeline, while other papers will focus on the ADF-14 indicative pipeline; the results framework; resource allocation framework; innovative finance instruments; ADF liquidity policy; options to promote private sector development and the ADF-14 Financing framework and capacity.

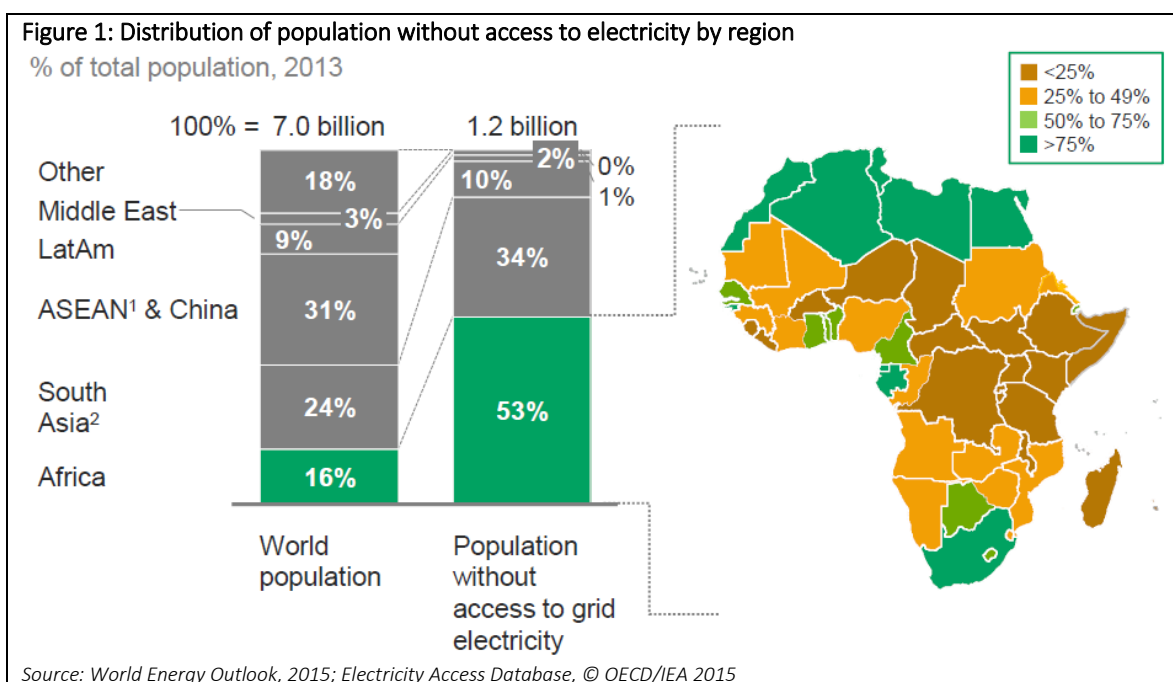
³ Key crosscutting themes include: assisting countries addressing fragility; improving governance and accountability; promoting gender equality and empowerment of women as well as youth inclusion; and helping regional member countries (RMCs) adapt and respond to climate change effects.

compared to other developing countries in Africa and elsewhere. Tax revenues are weak and private investment is limited. Where private investment does exist, it remains heavily concentrated in a few sectors and in resource-rich countries. This combination of challenges means that many ADF countries will remain heavily reliant on ODA to make meaningful progress on the 2030 Agenda.

2.2. The Bank Group's High 5s and the cross cutting priorities are intrinsically linked to the global Agenda 2030. In the case of SDGs in particular, the High 5s cover fifteen of the seventeen global goals directly or indirectly, so progress on the High 5s is crucial for the achievement of the ADF's overarching objectives of supporting inclusive and sustainable growth in recipient countries.

Light up and Power Africa

2.3. Africa has the lowest access to electricity in the world. Over half of the population lack access to electricity, compared to 34% of the population in South Asia and only 2% in Latin America. This situation is worse in ADF countries, where the average access rate is around 25% and 450 million people lack electricity. As shown in Figure 1, only five out of the thirty eight ADF eligible countries have electricity access rates exceeding 50%, whereas in 19 ADF countries access rates are under 25%. Global comparisons highlight that the average power consumption each year in ADF countries is less than 200 kilowatt hours per capita as compared to 12,954 in USA and 6,520 in Europe. Power shortages cost ADF countries between 2-4% in lost economic growth annually, undermine employment prospects and compromise health and education outcomes. An estimated 600,000 Africans, mainly in ADF countries, die annually due to indoor air pollution associated with the use of fuel wood for cooking. Energy poverty can be a catalyst for unrest and instability and increased energy access can contribute significantly to security and opportunity in fragile economies while enhancing state-society relationships.



2.4. Under the Light up and Power Africa initiative, the Bank announced the 'New Deal on Energy' to contribute to the transformation of Africa's energy sector and achieve universal access to electricity by 2025. To achieve this goal, the Bank's recently approved energy strategy⁴ sets out five inter-related and mutually reinforcing principles to guide ADF-14's work: (i) raising aspirations to solve Africa's

⁴ Bank Group Strategy for the New Deal on Energy for Africa 2016-2025, ADB/BD/WP/2016/23/Rev.2

energy challenges; ii) establishing a Transformative Partnership on Energy for Africa; (iii) mobilising domestic and international capital for innovative financing in Africa's energy sector; (iv) supporting African governments in strengthening energy policy, regulation and sector governance; and (v) increasing the Bank's investments in energy and climate financing.

2.5. Providing universal access to electricity in ADF countries implies that 145 million households will need to be connected, of which approximately 90 million will be on-grid and 55 million off-grid. ADF resources will be used to develop projects and crowd in resources from bilateral, multilateral and private sector partners to help generate the 70 GW of new capacity and the associated transmission and distribution needed to connect all households. Around 40 GW of additional generation capacity in ADF countries is expected to be provided by Independent Power Providers and the private sector is expected to provide the technology and distribution for the vast majority of the new off grid connections in ADF countries. To eliminate the negative health, economic and environmental effects of traditional cooking methods, around 105 million households will need access to clean cooking solutions in ADF countries over the next decade. Given the gender aspects of energy poverty, clean energy access will have a transformative effect on the lives of women and girls, not just by reducing their workload and improving livelihoods, but also by enhancing their health, safety and quality of life. Crowding in private sector investment and technological know-how will be pivotal to achieving this ambitious agenda.

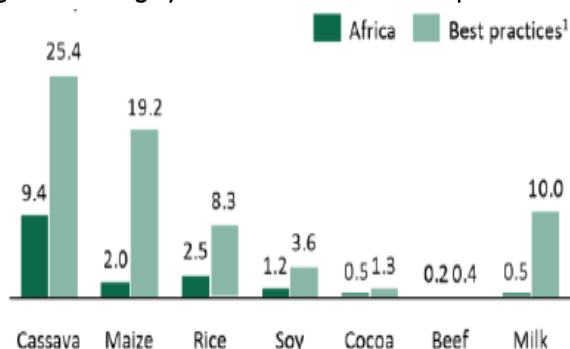
2.6. Overall, the ADF expects to invest approximately UA 2.1 billion in the energy sector in ADF countries over the ADF-14 (2017-2019) period. This will help install up to 4,600 MW of power capacity, providing up to 23.6 million people with new or improved electricity connections and delivering health, education and employment outcomes. These results would not be possible without support from the ADF.

Feed Africa

2.7. Agriculture accounts for over 60% of jobs across the continent and yet contributes only about a quarter of the continent's income. This is due to low levels of productivity, which is associated with high levels of rural poverty and inequality in Africa. Cereal yields have increased by less than 40% since 1990, compared to 164% in Brazil and 81% in Uruguay. Africa's average yields are only 56% of the international average and significantly lower across essential commodities compared to international best practice, as illustrated in Figure 2. While production is predominantly private, the private sector is underdeveloped in upstream activities including seed and fertilizer distribution, as well as downstream activities such as dry and cold storage and agro-processing. The low levels of productivity contribute to high levels of malnutrition across the continent, resulting in 58 million children being stunted and 14 million wasted. Out of the 224 million people undernourished on the continent, 70% or an estimated 158 million people are in ADF countries.⁵ Despite its wealth of arable land and water resources, Africa is a net food importer and around a third of all calories consumed on the continent are imported. Net food imports amounted to \$35 billion in 2015 and the Bank's analysis shows that, without action, these could increase to \$111 billion by 2025, as shown in Figure 3.

⁵ FAO's State of Food Insecurity (SOFI) 2015 Report.

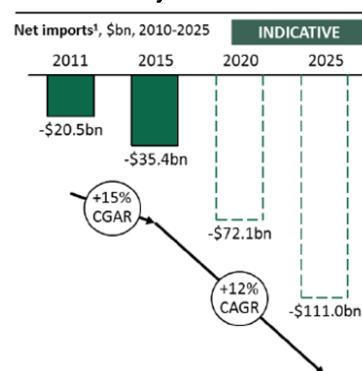
Figure 2: Average yields across Africa vs. best practices¹



(1) Best practices = average of top 10 countries in the world by yield in the commodity;

Source: FAO Stat; World Bank; IFPRI; IITA; ICCO; AfDB "Agriculture and Agribusiness Strategy", Dalberg Analysis

Figure 3: Africa: Projected net food trade balance



2.8. To respond to these challenges, the Bank is finalising a new strategy document setting out the Bank Group's Agricultural Transformation Agenda ('ATA'). The goals of the ATA are consistent with, and reinforce, the goals of CAADP and the Malabo declaration, and include: (i) contributing to the end of poverty; (ii) ending hunger and malnutrition in Africa; (iii) making Africa a net food exporter; and (iv) moving Africa up along export-orientated value chains in which it has a comparative advantage. Reaching these goals will have a transformative impact on women, who are responsible for a large part of the African food chain.⁶

2.9. ADF-14 will be extremely crucial for the successful implementation of ATA. Significant ADF-14 resources will be deployed to undertake three sets of mutually related activities in eligible countries:

- (i) supporting the development of priority agricultural value chains within specific agro-ecological zones, that straddle all ADF countries to varying degrees. Focus will be given to value chains, which could add value and create jobs especially for youth and women, who play a predominant role in the agriculture sector but have limited access to resources;
- (ii) supporting substantial increases in productivity, creating markets to realise the value of increased production, and ensuring that there is a well-funded private sector capable of taking emergent successes to scale; and
- (iii) supporting improvements in the broader enabling environment for agribusiness. Promoting 'agropoles' in rural areas will be an important element, as a means to address structural economic, social and gender based inequalities.

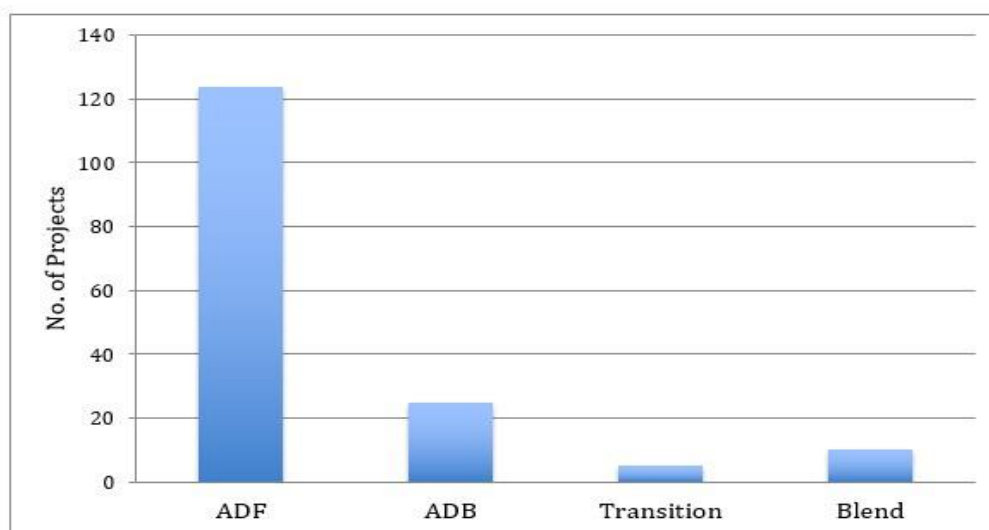
Over the past decade, the Bank's agriculture and agribusiness portfolio has focused mostly on ADF countries. Between 2006 and 2014, 124, or approximately 69% of sovereign projects have been allocated to ADF-classified countries with a value of UA 3.1 billion (Figure 4). For ADF-14, Management proposes to use blended financing to crowd in private sources of financing in order to support the scale of investments required.

2.10. In implementing the strategy, priority will be given to countries that demonstrate 'readiness to transform'. Based on plans received so far, a set of 21 ADF countries have been classified either as Segment 1 - Lead Transformation Countries (9) or Segment 2 - Tactical Opportunity Countries (12).⁷

⁶ According to UN's Food and Agricultural Organisation, women are responsible for up 70% of crop production, 50% of animal husbandry and 60% of marketing, yet they have limited access to land and other productive assets

⁷ Feed Africa: Strategy For Agricultural Transformation In Africa 2016-2025

Figure 4: Sovereign projects in agriculture by country classification (2006–2014)



Source: OSAN pipeline

2.11. The ADF-14 replenishment will allow the Fund to invest up to UA 1.5 billion in the agriculture sector in ADF countries, based on the Bank's projected pipeline over the ADF-14 (2017-2019) period.⁸ This investment will finance the development of agropoles and agricultural corridors in countries such as Benin, Burkina Faso, Congo Democratic Republic, Cote d'Ivoire, Ethiopia and Zambia. The pipeline also includes operations to support the development of rural infrastructure, agricultural lines of credit and the development of gender-sensitive agricultural value chains, which will contribute to the elimination of the projected \$111 billion net food import bill by 2025.⁹ In ADF countries, up to 280,000 additional hectares of land will benefit from improved water management and around 49.9 million people will have access to new technology in agriculture, resulting in significantly higher rural production and income and so reducing rural poverty.

Industrialize Africa

2.12. Africa's share of global manufactured value added is approximately 1.5%, a number that has remained virtually constant over the past decade (Figure 5). Of the continent's \$590 billion in exports during the 2011-2013 period, 72% consisted of commodities, while manufactured goods accounted for just 19%. This situation is even more extreme for ADF countries, many of whom are over-reliant on commodity exports which contributes to their low levels of income. For example, manufacturers contribute to only 21% of ADF countries exports compared to 69% for Middle-Income Countries (MICs). This makes ADF countries particularly vulnerable to global fluctuations in international commodity prices, which adversely impact their fiscal and balance of payments situation and macroeconomic stability. The value added of industry represents 21% of GDP, far below the level of some African middle-income economies.¹⁰ In several ADF countries, the share of industrial GDP is a mere \$100 per capita.

⁸ Additional requests are expected especially for 2019.

⁹ Feed Africa: Strategy For Agricultural Transformation In Africa 2016-2025

¹⁰ For example, in Egypt, the value added of industry represents 39% of the GDP.

Figure 5: Africa's Contribution to Global Manufactured Value Added (in %)

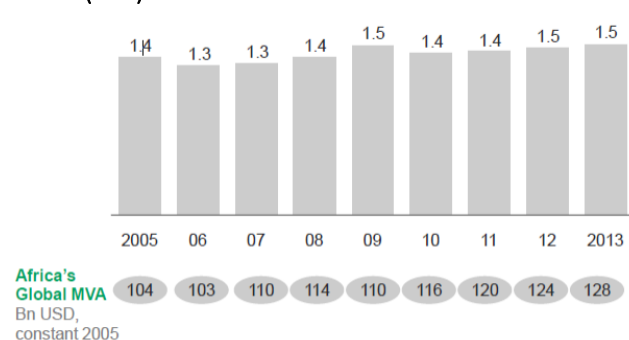
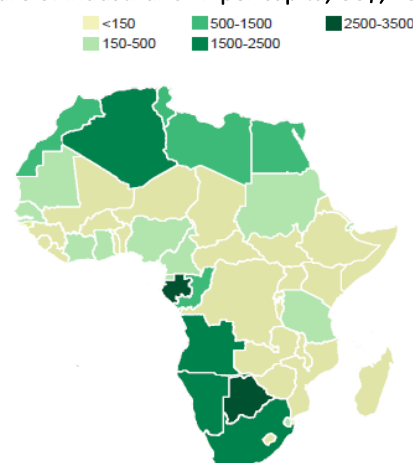


Figure 6: Industrial GDP per capita, US\$, 2014



Source: World Bank

2.13. Through the proposed Industrialise Africa strategy, the Fund will address a diversity of challenges encountered by the private sector and support value addition, resulting in increased regional trade, improved balance of payments and an expansion of formal employment. The implementation of the strategy will be through six key Flagship programmes to support value chain development that will accelerate ADF countries' industrialisation. The implementation of the Industrialisation strategy is expected to have a strong impact on the creation and expansion of micro, small and medium enterprises (MSMEs) and job creation, especially for youth and women. The strategy will support productivity enhancement through automation, quality management, improved processes and training. GDP catalytic projects and SMEs linkage programmes to address the bottom of the pyramid needs will be prioritised, to enable ADF countries to sustain inclusive growth led by the private sector. To ensure that nobody is left behind, particular attention will be given to fragile states, where 'business as usual' cannot promote private sector development in high risk environments.

2.14. The role of concessional finance to be provided by the ADF will be crucial to the industrialization agenda. This will not only be for fiscally sustainable resources for direct public interventions, but also to draw private sector investment into riskier, low income countries, through a combination of de-risking and blending instruments. These will enable the Fund to significantly scale up resources in currently under-served segments.¹¹ A combination of guarantee products, risk participation and other innovative mechanisms to be developed will be deployed to crowd in additional funds to bridge the financing gap. The current pipeline of non-sovereign operations in ADF countries exceeds UA 9.7 billion over the 2016-2019 period, much greater than the lending capacity of the Bank for such operations.

2.15. Industrialization operations in ADF countries during the ADF-14 (2017-2019) period are estimated at over UA 1.2 billion. These include operations in the financial sector aimed at increasing access to capital and supporting enterprise development, by facilitating effective and efficient trade across borders and providing greater access to domestic and regional markets, especially for SMEs. The Bank aims to finance the creation of 35 industry clusters across the continent, which will contribute to raising industrial contribution to GDP by 130% by the year 2025. Operations in ADF countries will help create up to 1.4 million microenterprises and benefit 17.9 million people through investee projects and expansion of microfinance.

¹¹ See ADF Paper "ADF-14 and the Private Sector"

Integrate Africa

2.16. Intra-African trade is limited. At approximately 15%, intra-African trade compares to 54% in North America, 70% within the European Union countries and 51% in Asian countries, as shown in Figure 7. African markets remain highly fragmented and it is estimated that the lack of integration costs Africa 1-1.5% in GDP annually.

Figure 7: Intra-Africa trade vs. other regions intra-regional trade



Source: ADF-14 Economic Perspectives Paper

2.17. The Integrate Africa priority will focus on addressing the barriers separating African countries, creating regional value chains and leveraging complementarities, in order to exploit the continent's huge market potential. Working with regional institutions, the Fund will implement operations to connect regions and countries through the development of transport infrastructure. It will also support the harmonisation of cross border policies that address challenges including those faced by cross-border traders and that help facilitate cross-border trade. As these economies are often small and isolated, the Fund will increasingly invest in regional energy pools and link these countries to regional markets through transport corridors.¹²

2.18. The ADF regional envelope has been the principal financial instrument dedicated to the implementation of the Bank's regional integration objectives. Over the years, ADF has built a comparative advantage in bringing key infrastructure, regional public goods and institutional support interventions to financial closure and implementation. However, there are still funding gaps to meet high-quality demand in ADF countries. As a result, the proposed increase of the regional envelope will enable the Fund to further scale up its regional operations to help integrate the region's markets, building on the lessons learned from previous cycles. In addition to investments in Programme for Infrastructure Development in Africa (PIDA) infrastructure priorities, the Fund will continue to support regional financial and capital market integration and to strengthen regional economic communities' (RECs) and national authorities' capacities to eliminate non-tariff trade barriers, including harassment of women cross-border traders. These actions will expand the size of ADF countries' regional markets and reduce the costs of movement of goods, services, and people, sparking a phenomenal boost in intra-African and global trade, and reducing inequalities between regions and countries.

2.19. The ADF-14 pipeline includes regional integration operations valued at UA 2 billion (and an additional UA 1.1 billion in other infrastructure projects) over the projected three-year (2017-2019) period. These operations will support regional integration through hard infrastructure projects, such as roads and railways, transboundary water resources projects, and soft infrastructure projects. Our support to soft infrastructure will include capacity building in RECS, promoting information and payment systems, harmonizing investment and engineering codes, quality assurance and certification standards, changing the visa regime to assist the free movement of people, and supporting the implementation of WTO trade facilitation agreements. During the ADF-14 cycle, these interventions

¹² An example of this is the Mali-Côte d'Ivoire Road Infrastructure project, which is a \$60 billion funding package announced in January 2016.

will provide over 73 million people with improved access to transport and over 16 million people with training in road maintenance and safety.

Improve the Quality of Life for the People of Africa

2.20. Despite relatively high economic growth rates in ADF countries over the past decade, poverty is widespread and inequality rates between women and men and between rural and urban areas remain high, with slow progress in health and education indicators. One of the central focus areas of this High 5 will be to address high levels of poverty by focusing on the creation of quality jobs, with special emphasis on youth and women, in order to lift people's living standards.

2.21. New entrants to the labour market are estimated at approximately 11 million annually whereas the continent presently has the capacity of generating only 3 million jobs, leaving an annual employment gap of about 8 million. For those employed, approximately 80% work is in the informal sector. It is estimated that a third of Africa's youth are unemployed or underemployed, with youth unemployment rates reaching 50% in some fragile ADF countries. Africa has the youngest population on the planet which could translate into a significant demographic dividend, but the increase in the working age population, if not properly harnessed, could result in increased poverty and fuel conflict and instability. The lack of economic opportunity also has global implications since it can contribute to large-scale migration. This is a problem where the solution lies first and foremost in a thriving and prosperous Africa. This is the rationale for a strong ADF.

2.22. To respond to this challenge, the Bank's Jobs for Youth in Africa (JfYA) Strategy¹³ aims to support inclusive growth across the continent by equipping youth with the skills needed to realise their economic potential. Working in unison with demand side interventions proposed in the other High 5 priorities, in particular the Feed Africa and Industrialise Africa strategies, the Jobs strategy will promote entrepreneurship, strengthen know-how and skills, and create durable labour market linkages. Implementation will be multi-pronged and include: support to the Fund's projects; setting up flagship programmes to provide RMCs with advice and financial support; establishing an Innovation Lab; and enabling private sector investment through reducing the risk and cost of financing, which is particularly pronounced in ADF countries. In order to deliver truly inclusive growth in low-income countries, it is crucial that development finance is expanded to reach higher-risk, under-served groups such as SMEs and women-headed businesses. Concessional finance from the ADF can provide the foundation for innovative financing instruments that mitigate the high risk and cost of doing business with these segments. The Jobs Strategy is expected to contribute to the creation of 17.5 million jobs in ADF countries and, in addition, provide 50 million youth across the continent with economic skills by 2025.

2.23. In addition to the Jobs Strategy, the Fund will continue lending its support to other critical areas which contribute to improving the quality of life of the African people. The Fund will scale up its support to health systems strengthening across Africa, drawing from important lessons from the Ebola crisis. It will promote dialogue and capacities to enhance value for money in social spending. The Fund will also step up support to Science, Technology and Innovation.¹⁴ Through targeted operations, the Fund will support the strengthening of safety nets programmes in RMCs, particularly focusing on youth and women, and will link safety nets with jobs and entrepreneurship.

2.24. The Fund will also accelerate efforts to address the infrastructure gaps that directly affect water security, impacting well-being and undermining overall socio-economic development. The Fund

¹³ Bank Group Strategy for Jobs for Youth in Africa, 2016-2025 ADB/BD/WP/2016/39/Rev.1

¹⁴ This work will build critical skills in several sectors of the economy, particularly in Science, Technology, Engineering and Mathematics (STEM) with an emphasis on energy, industry and agriculture to enhance competitiveness. The Fund will also promote a regional approach to human capital development, through the building of regional knowledge networks and centres of excellence and enhancing skills portability across borders. The Fund will step up its support to foster transformation in TVET to promote innovative entrepreneurship and productivity and to latch on to value chains, particularly in agriculture.

plans to scale up its work in this area, and specifically to increase access to safe drinking water and sanitation. This remains a challenge with serious adverse effects on women and children, particularly girls, who bear the brunt of doing household chores and caring for sick family members. In ADF countries, about 333 million people do not have access to clean and safe water and 772 million people do not have access to sanitation. Supporting ADF countries to realize the human right to water and sanitation for these large numbers of people will create significant additional health, education and employment impacts. Africa loses 5% of annual GDP due to poor access to drinking water and sanitation and 5-25% to droughts and floods in affected countries.¹⁵ Improving water security, through integrated water resources management both at national and regional levels, will further create the basis for agricultural development, energy production, industrialization and regional integration.¹⁶

2.25. Under ADF-14 (2017-2019), UA 1.33 billion in investments in ADF countries is expected to finance an ambitious pipeline of projects aimed at improving quality of life, across areas such as water and sanitation,¹⁷ skills development, support to youth employment through internships and women entrepreneurship programmes. These investments will provide up to 9.5 million textbooks and teaching materials and benefit 6.6 million people by giving them better access to education. In addition, the investments will train almost 5,000 health workers and provide 17 million people with access to improved health services.

3. Implementing Cross Cutting Priorities

Fragility

3.1. The ADF-14 replenishment comes at a crucial time for African countries in fragile situations, which are home to about 300 million people. ADF countries in situations of fragility encounter disproportionate economic, social, gender and environmental costs that exacerbate already existing structural constraints, such as lack of economic diversification and limited human and institutional capacity. Humanitarian catastrophes are an extreme symptom of fragility and over the past two years, more than 56 million people in Africa have required humanitarian assistance. It is estimated that more than 17 million Africans are displaced across the continent, with women and children being the most vulnerable and at risk. Current trends suggest that poverty will be increasingly concentrated in countries in fragile situations, which will require more attention and resources to achieve the SDGs and break the fragility trap.

3.2. Nevertheless, official development aid numbers show that many of these countries continue to be 'aid orphans', with their combined aid representing around half of the amount received by non-fragile countries. With the number of fragile situations increasing over the past few years, the Fund will need to play a major role in reversing this trend and boost its interventions in order to reduce the risk of reversal and manage risk.¹⁸ Since 2008, the ADF Transition Support Facility (TSF) has invested UA 1.8 billion of additional resources into fragile situations. As at 31 March 2016, it is notable that 42% of ADF-13 resources had been allocated to fragile situations. As agreed at the ADF-13 Replenishment,

15 Africa Regional Paper - Bridging Divides in Africa's Water Security: An Agenda to Implement Existing Political Commitments, AfDB 2009

16 For example, the Kigali Action Plan is a regional initiative to provide Water and Sanitation Services to 5 million people in 10 fragile countries, leveraging RMC funding and knowledge from countries that have achieved significant improvements in Water and Sanitation services.

17 Approximately UA 130 million is expected to be invested annually in ADF countries for some 3.9 million beneficiaries, to provide water supply for domestic and industrial water supplies, and for small scale agriculture. In addition, ADF-14 resources will leverage additional financing from climate change funds, the private sector and other donors for increased access; and will support the strengthening of country systems and processes for inclusive and sustainable services.

18 These risks have emanated from a diverse set of macro-economic and political challenges, which are leading to regional spill overs, humanitarian crises, displacement and migration.

the Fund deepened its engagement in these countries and its engagement is defined within the context of the Bank's new Strategy for addressing Fragility and Building Resilience in Africa.

3.3. The principle of 'leaving no one behind' is at the core of the High 5s. This is of particular concern to fragile situations in Africa where poverty is increasingly and disproportionately entrenched. To scale up its impact and sustain the results that have been achieved, the Fund will adapt its business model under ADF-14 in a number of ways. First, the Fund will strengthen partnerships with other development actors including MDBs, the UN system, AU, RECs and non-state actors, particularly in states like Central Africa Republic (CAR) and Somalia. Second, with the adoption of the new Development and Business Delivery Model by the Bank Group, the Fund will be strengthened by greater country presence, including in fragile situations. Third, the Fund will improve portfolio performance by drawing on the flexibility of the 2015 procurement policy and on the upcoming Bank Group and UN fiduciary principles agreement. Fourth, the Fund will put forward, for Deputies' consideration, a proposal to modify the resource allocations within the TSF pillars.¹⁹

3.4. These actions will be facilitated by the implementation of financial instruments like the PSF which already exhibiting positive results in fragile situations. The increase in resources in the Regional Operations (RO) envelope will further consolidate gains achieved in ADF-13, for example by scaling up the Fund's capacity to build drought resilience in the Horn of Africa, as well as rolling out much needed transport corridors to unlock the economic potential in a number of fragile states in West Africa.²⁰ Roughly half of the ADF projects in the Bank's pipeline target fragile situations.²¹

Governance

3.5. Most African countries, including those facing situations of fragility, have improved their governance since the beginning of the millennium. Many countries have taken important strides to improve fiscal frameworks and public financial management systems. Despite this progress, governance issues such as corruption, lack of transparency, and accountability, remain pervasive concerns in many ADF countries, undermining social, economic and political progress at many levels. According to the Bank Group's Country Policy and Institutional Assessment (CPIA), most ADF countries have only registered marginal improvement over the past decade. The average CPIA score in ADF countries increased from 3.21 in 2006 to 3.32 in 2015, on a scale of 1 to 6. While the policy and regulatory environment for businesses has improved, significant challenges remain. For example, only 8 ADF countries rank among the top 100 in the Doing Business 2016 rankings. Mobilising additional domestic revenues also remains a challenge, resulting in excessive reliance on external resources, including non-concessional finance that can compromise debt sustainability if not properly managed. ADF has invested in improving tax administration and management systems, especially in fragile states, and seen an improvement in ADF countries' tax to GDP ratio from an average of 13.5% of GDP in 2007 to 15.8% in 2015.²² However, considerable more progress is needed if ADF countries are to create the fiscal space needed to invest into the SDGs

3.6. During the ADF-14 (2017-2019) period, the Fund is expected to allocate almost UA 1 billion to Governance related interventions. ADF-14 will prioritise governance related interventions in strategically important areas, notably through supporting the 'soft infrastructure' needed to achieve the High 5s. ADF will scale up its support towards improvements in public financial management at

¹⁹ See details in the ADF-14 Discussion Paper on: 'Leaving no one behind: The role of ADF-14 in Supporting Fragile Situations'

²⁰ 'The ADF-14 and the Fragility Agenda' paper contains additional information regarding the challenges faced in fragile states and the approach proposed by the ADF.

²¹ Broadly, 46% (in volume) of the prospective pipeline addresses at various levels and in different geographical contexts Fragility and/or Transition situations.

²² AfDB African Economic Outlook 2016

both national and decentralised levels, with increased focus given to strengthening oversight institutions with a view to improving transparency and accountability in the use of public resources, and promoting citizens' participation in decision-making. A continued focus will also be given to strengthening domestic revenue mobilisation efforts, including through scaling up initiatives to combat illicit financial flows and improving governance of natural resources. Given the scale of the Fund's investment and its experience of the importance of an enabling policy and operational environment for infrastructure and social services delivery, the Fund's Governance work will continue to give particular attention to addressing governance issues in high priority sectors, especially infrastructure. Finally, promoting a business-enabling environment, through establishing appropriate policy and regulatory framework for private-public partnerships and for SME growth, addressing issues of access to credit, streamlining business processes and enhancing contract enforcement, will remain a core part of the ADF's Governance work and focus during the ADF-14 (2017-2019) period.

Climate Change

3.7. A combination of factors makes ADF countries, particularly in the Sahel, particularly vulnerable to climate change. These include the structure of their economies, which are primarily rural and highly dependent on rain-fed agriculture for food and income but also have limited human, institutional, financial and technological capacity. Changing climatic conditions have the potential to act as a 'risk multiplier' in situations of fragility and can exacerbate food insecurity. The cost of climate change for the continent is estimated to reach \$45-50 billion per year by 2040 and up to 7% of Africa's annual GDP by 2100. Poor households and vulnerable populations will bear the brunt of this, as a vicious cycle links climate impact to rural poverty and fragility.

3.8. ADF countries will require a greater amount of additional resources to adapt to the effects of climate change, which are expected to hit low-income countries the hardest. As part of the efforts of MDBs to meet the COP21 agenda, the Bank has committed to trebling its climate finance to \$5 billion a year by 2020. A key part of implementing this agenda will be in the form of interventions by ADF-14, aimed at leveraging additional financing from both public and private sources.

3.9. The pipeline for climate change operations during the ADF-14 (2017-2019) period is estimated at UA 315 million. Operations will target climate-resilient, low-carbon development that boosts growth, bridges the energy deficit, and reduces poverty. The Fund will enhance the capacities of ADF countries to access global climate finance and achieve their commitments to climate change adaptation and mitigation. In addition, the Bank Group has joined the Inclusive Green Growth Partnership, which is a new collaboration between the Global Green Growth Institute (GGGI), multilateral development banks and United Nations agencies. It aims to address policy barriers and promote social inclusion at country level to accelerate financing for green growth projects. Furthermore, the Sustainable Energy Fund for Africa (SEFA) blends concessional and non-concessional resources, including those directly accessible to private sector entities.

Gender

3.10. ADF-14 will ensure that gender equality and women's economic empowerment remains a top priority in all projects and operations. When implementing the High 5 priorities, the Fund will ensure that gender is mainstreamed in new and on-going budget and investment interventions and will provide a more systematic assessment of gender issues in country strategy papers and sector strategies. The Bank has reformed its country gender profiles to better address the following needs: (i) to inform the Country Strategy Paper (CSP); (ii) to inform upstream sector analysis and lending operations; and (iii) to document macro-economic and inclusive growth issues from a gender perspective. The Bank will also pursue special initiatives, such as the implementation of the Affirmative Finance Action for Women (AFAWA) Programme, an African-wide programme with an overarching objective of broadly addressing the access to finance challenges faced by women in business,

specifically women entrepreneurs and women small-scale, commercial farmers in Africa. ADF concessional resources could possibly play a key role in reaching out to women entrepreneurs, both by providing the foundation for business environment reforms to establish a level playing field, and to act as a catalyser to lower the cost and risk of finance to a group that has proved hard to reach through traditional, non-concessionary finance.

3.11. The Bank's Gender Strategy 2014-2018, set out how the Bank is taking forward the institutional commitment, articulated in the Bank Strategy 2013-2022, to reduce gender inequalities by 'strengthening women's legal status and property rights, promoting women's economic empowerment, and enhancing knowledge management and capacity building' on gender equality. Halfway through the implementation of the Gender Strategy, the mid-term review will allow further alignment of the pillars of the Bank's Gender Strategy to the High 5s, to ensure that sharper focus is placed on gender accountability in all projects and operations. The Fund will continue its work towards designing and delivering programmes and projects that meaningfully contribute to gender equality goals. A monitoring and evaluation system will be designed to start tracking, gathering and analysing evaluative knowledge on gender, which in turn will be used to improve gender programming. Formulating and measuring relevant indicators for each of the High 5 areas is key for strengthening gender mainstreaming in the Fund.

3.12. One of the flagship knowledge products proposed in the Bank Group Action Plan for Operationalising Gender Mainstreaming was the first African Gender Equality Index, launched in 2015. This Index has been influential in promoting the gender agenda, providing cross-country data on key gender indicators and giving a more robust picture of gender inequalities across Africa. The Fund will continue working, together with UN Economic Commission for Africa (UNECA), towards an updated joint Africa Gender Index.

3.13. In response to the increasing demand for gender data and statistics, the Fund will ensure that primary data sets at the country level include sex-disaggregated data and that its analytical work can contribute to meaningful policy dialogue on gender issues. The Fund will contribute to and invest in in this area including through investments in data collection to fill critical gender statistics gaps particularly as they relate to the High 5's priority areas. To date, only a handful of countries have disaggregated statistics by sex and age on informal sector employment, on asset ownership at the individual level, entrepreneurship (ownership, management, and type of industry), income/earnings, pension, unpaid work. A Gender Statistics Data Portal will be developed to capture new data from the Fund's supported household and other population based surveys at country and sub-regional levels. The portal will be able to provide both country and project specific gender disaggregated data.

3.14. The absence of a systematic approach to gender mainstreaming in projects has resulted in gender being treated as an 'optional extra', often addressed superficially and dependent on the conviction of task managers. In response to this, the Fund will introduce a Gender Marker System, which will classify projects with specific sets of requirements for each category of projects. Operational procedures and sector-specific guidelines have been developed to guide task managers in gender analysis, project design, implementation, and monitoring. The ADF recognises that gender mainstreaming is not a resource-free process, and will therefore leverage existing resources to support a stronger focus on gender in projects. In the context of the new approved DBDM, the gender agenda will have a deepened and more operational mandate. With the retirement of the mandate of the Special Envoy on Gender and the establishment of a Gender, Women and Civil Society Department, the Fund will ensure strategic placement of gender experts to influence design of projects and policy dialogue.

4. ADF-14 Prospective Pipeline

4.1. The ADF-14 pipeline consists of 219 operations worth UA 10.5 billion, which are at various stages of preparation. UA 4.4 billion is programmed for 72 regional operations, while UA 6.1 billion is for 147 national operations. The current pipeline is geared towards supporting the structural transformation of ADF countries' economies on a path towards inclusive and green growth. The pipeline also responds to the Bank Strategy's cross cutting priorities, namely fragility, gender, governance and climate change. In particular, 92 national and regional operations, worth UA 4.75 billion, are to support countries and situations in transition. The pipeline envisages specific support to transition situations, in terms of institutional capacity building and addressing the critical causes of fragility, to create a sufficient level of resilience.

4.2. The ADF-14 pipeline is the reflection of the Bank Group's support to RMCs, identified through Country Strategy Papers (CSPs) and Regional Integration Strategy Papers (RISPs), which are the outcomes of a participatory process involving all stakeholders. Sector and regional departments collaborate fully in choosing which projects access the pipeline. Management has put in place a robust process, as follows: (i) an enhanced role of the Country Offices/Regional Hubs as business developers; (ii) intense dialogue with RMCs and development partners; (iii) establishment of an Operational Delivery Support Team (DST), devoted to monitor and report on the lending program; and (iv) Bank wide regular consultations on portfolio management matters.

4.3. The ADF-14 pipeline is at a relatively robust level of preparation. Close to 49% of the pipeline operations have either been identified, prepared or can be prepared in a very short period of time (see Annex 1, table 1). This level of readiness is adequate to cover the first year of the ADF-14 cycle, while the rest is being prepared especially for the outer years. The usage of the Projects Preparation Facility will be fully exploited to enhance Quality at Entry of operations in pipeline for the ADF-14 cycle (2017-2019).

4.4. As was the case for ADF-13, the ADF-14 pipeline is a clear continuation of emphasis in a number of key areas. In line with the priorities of the Bank Strategy and the High 5s, infrastructure accounts for the bulk of the pipeline and supports all High 5 priorities. The infrastructure gap in the continent is currently estimated at over \$95 billion per year, most of which is unfunded.

4.5. With a pipeline estimated at UA 10.5 billion, Management is confident about the level of demand, which strongly calls for a sizeable ADF-14 replenishment. The expected development outcomes, which the current pipeline envisages, may have to be scaled down. While the ADF-14 can make – as in previous cycles – a significant contribution to Africa's economic transformation, its achievement will be constrained should the replenishment be inadequate to cover the pipeline. This forecasted pipeline calls for a substantial ADF replenishment, to continuous to keep ADF resources at the centre of Africa transformation.

5. The Capacity to Deliver on ADF Commitments

5.1. To accelerate ADF development impact and reinforce Bank Group capacity to effectively and efficiently implement the High 5 agenda, the Board recently approved a new Development and Business Delivery model (DBDM). This is driven by Management's recognition that the current structure of the Bank needs to be refined in order to meet both the development demands of its regional member countries and reverse the declining trend in the Bank's net income. These reforms will allow the Fund to continue the progress in improving its delivery capacity, its institutional effectiveness, and its focus on quality and development results. The document 'A Proposal to Redesign the Bank's Development and Business Delivery Model', approved by the Board in April 2016, provides more details.²³

²³ ADF/BD/WP/2016/16/Rev.1/Final

5.2. According to the DBDM, a new structure has been created with five Regional Development, Integration and Business Delivery Hubs.²⁴ In addition to senior leadership and managerial capacity, the regional hubs will have a critical mass of sector experts as well as functions such as disbursement and procurement to support clients in country. The regional hubs will be under the leadership of the Regional Development, Integration and Business Delivery Vice Presidency. The new structure will also have three sector Vice Presidencies that will be mandated to develop sector strategies to help implement and achieve specific objectives in each of the Fund's priority areas. All four Operations Vice Presidencies, the ECON Vice Presidency, and Corporate Vice Presidency, are based at the Bank's Headquarters and will be coordinated by a Senior Vice President. Management will ensure that the complexes operate as a single brand and will pursue a unified approach to enhance overall effectiveness. The DBDM provides a strategic opportunity for the Fund to optimise its impact not only on the High 5s but also on the cross cutting themes. Increasing responsibility in country offices will continue to bring the ADF closer to its clients and allow it to regain clients.

5.3. The Delegation of Authority Matrix (DAM) will be revised to further clarify roles, as well as enhance the overall effectiveness of the ADF on the ground. The new DAM will also instil a culture of management for results, by introducing accurate measures of performance to strengthen accountability. This will remove the need to constantly refer to headquarters and thus enable staff to focus their time on delivering results on the ground. It will also help to shorten the project cycle from Board approval to disbursement.

5.4. Furthermore, to help in achieving the objectives of the Bank Strategy and the operational priorities of the High 5s, the Bank Group is elaborating a new Results Measurement Framework (RMF), a management tool to plan, track, assess and manage its performance in delivering its development mandate. The RMF, which will measure the performance of the Bank Group including the Fund, has the following four levels: Level 1 uses socioeconomic indicators to measure Africa's overall development progress; Level 2 tracks the results of Bank and Fund-supported operations in countries, presenting its aggregate outputs in areas such as agriculture, the private sector, water and sanitation sector and infrastructure development; Level 3 assesses the effectiveness and quality of the Bank's operations, and; Level 4 measures the Bank's efficiency as an organisation.

5.5. The Bank is implementing a new procurement policy to ensure increased country focus and accountability and reduced project delays in order to achieve optimal Value for Money (VfM). The new framework envisages greater accountability for country managers and regional Vice Presidents, within the context of an accelerated and rigorous approval system supported by appropriate procurement teams on the ground.

5.6. Management is taking decisive actions to address delays in disbursements. In this regard, a Presidential Directive PD 02/2015 was issued in the last quarter of 2015. Management will reinvigorate the mandate of the new regional business development and delivery departments to identify delays and address issues relating to projects at risk.

5.7. The ADF will continuously seek ways to speed up execution while maintaining high standards of quality at entry and portfolio management, with a goal to reduce processing time by at least 50% across each of the Fund's key processes. A new Delivery Accountability and Process Efficiency Committee, comprised of Directors, Managers and Task Managers, will oversee this process.

5.8. The success of the new DBDM can only be realised with complementary changes in the management of the Bank Group's most important resource – its human resources. The Bank is committed to creating the space for employee inclusion in decision making, ownership and accountability, with a view to attracting, developing and retaining the best-in-class talent, investing in

²⁴ Southern Africa, North Africa, West Africa, East Africa, and Central Africa

training and providing opportunities for career growth. The immediate focus will be to re-design the organisation for outstanding performance. This will include re-aligning the HR structure, systems and processes to the DBDM, driving higher employee engagement and filling vacancies. Current vacancies are those due to the hiring freeze and those arising from the new way of working and new skills and competencies requirements. For the Managerial, Professional and General Service level positions the gross vacancy rate is 15.3%, while the net vacancy rate was at 14.1% as end of May 2016.

5.9. Furthermore, the institutional reforms will be underpinned by an institution wide culture change process focused on empowering staff, accompanied by greater accountability for results, innovation and creativity. New performance contracts will be signed with Vice Presidents, Directors and Managers, with clear responsibilities for each employee. These will be accompanied with a few high impact SMART KPIs (key performance indicators) that are focused on development impact, enhanced revenue generation, shorter lead-times for approvals and disbursements and astute cost management. In May 2016, the Board approved a salary increase for internationally recruited staff and general support staff at HQ. Salary reviews were already done for locally recruited professional and general support staff in field offices. The delivery methodology for the said salary increase has been designed on our 'pay for performance' principles, with a view to differentiate better and offer superior increases to the top performers.

5.10. To ensure successful implementation of the DBDM, the Bank Group's budget will be designed to deliver development effectiveness, improve institutional performance and strengthen the financial capacity of the Fund. The key cost drivers over the ADF-14 (2017-2019) period will include support to operations to increase the quality of the Fund's lending portfolio and accelerate project implementation, programmes and initiatives emerging from the High 5 priorities, and the cost of operating from Côte d'Ivoire, where the cost of living is higher than in Tunis. The capital budget will be guided by activities related to occupational health and safety standards, studies on energy efficiency and efforts to strengthen IT capacity and digitalisation of the business processes of the Fund.

5.11. The Fund will proactively monitor a targeted category of the budget by regularly examining every element of its expenditure structure, in order to ensure value for money and intensify cost savings. The Fund will also implement and monitor efficiency related KPIs at all levels in the Fund's structure, to ensure optimal use of resources and to strengthen accountability. The cost of the organisational restructuring exercise will be spread over three years to reduce the burden on annual budgets.

5.12. Last but not least, the Fund will transform its way of doing business, by seeking new and creative ways of mobilising additional resources and systematically leveraging scarce ADF resources to attract further donor and private sector investments. This will happen through wider use of public-private partnerships, expanding co-financing arrangements and risk-mitigation instruments and the Bank Group's amended credit policy. It will also happen by scaling up instruments, such as the Private Sector Facility and Partial Risk Guarantees, which have already enabled the Bank to ensure that a dollar invested by the Bank unlocks significantly more from other investors. The ADF will also continue exploring options for attracting additional investment from emerging economies and from new funders and donors,²⁵ including sovereign wealth and pension funds. The ADF has a crucial role to play in this leveraging, co-financing, blending and de-risking effort, providing sustainable concessional finance that can address risks and execution bottlenecks in low-income countries, while maintaining debt levels at a sustainable level. In order to maximise the multiplier effect of the ADF and respond to an increasingly diverse group of client countries, the ADF will also consider new ways to support private sector clients and lending terms to fit the varying needs of governments.

²⁵ The Fund is proactively targeting new blended finance instruments by the European Commission. For instance, under European Union Africa Investment Facility (AfIF), the Bank has already mobilised EUR96 million for West Africa operations in the first quarter of 2016.

6. Conclusion

6.1. The ADF should be seen as an essential instrument to ensure that growth in Africa is truly inclusive and sustainable, and no socio-economic group or country is left behind. It provides sustainable finance to governments and catalyses external resources, while decreasing risk and costs in order to reach out to the under-served.

6.2. As we enter ADF-14, Management is keenly aware of Deputies' endorsement of the actions and results achieved under ADF-13. Building on the Fund's and RMCs' accomplishments, Management proposes to consolidate these achievements but also to pursue innovations that will support Africa's resilience, while giving ADF-eligible countries the tools and confidence they need to achieve the 2030 Agenda.

6.3. In order to fully realise the potential of the Continent, the ADF-14 (2017–2019) period will deepen the Fund's strategic role and consolidate its operational engagement in the High 5 priority areas. The Fund will scale up its operations significantly in these sectors, building on initial investments from ADF-13 and investing increasingly in selected cross cutting areas. The ADF-14 prospective pipeline is worth UA 10.5 billion and is well aligned to the Bank Group's core operational priorities identified in the Bank Strategy and is a substantial indication of the High 5s importance.

6.4. The Fund will continue its transformative role as a key financier alongside others for Africa's low-income countries. This will be achieved by ramping up the Fund's focus on results, systematically and increasingly partnering with key development partners, and playing a greater catalytic role to attract private investment and leverage its scarce resources. Furthermore, the new DBDM of the Bank Group introduces a new institutional structure that will allow for greater accountability of decision making at all levels.

6.5. These changes will ensure that scarce ADF resources are utilised effectively to deliver development results for the people of Africa, in particular, to make growth inclusive and sustainable.

6.6. Deputies are invited to share their views on this paper and provide guidance with respect to Management's proposals.

Annex I: Results Measurement Framework for Tracking Results

OUTPUTS (ADF DATA)			
Output indicator Name	Outputs - 3 ADF Scenarios		
	Baseline	Central	Upper
LIGHT AND POWER AFRICA			
Power capacity (MW)*	3,920	4,360	4,600
People with new or improved electricity connections	19,951,000	22,192,000	23,600,000
FEED AFRICA			
Land with improved water management (ha)	236,500	263,000	280,000
People benefiting from improvements in agriculture**	42,215,000	46,956,000	49,932,000
REGIONAL INTEGRATION — TRANSPORT			
Paved Roads constructed, rehabilitated or maintained (km)	4,150	6,610	4,900
People with improved access to transport	61,880,000	68,830,000	73,190,000
INDUSTRIALISE AFRICA — MICROFINANCE			
Microcredits provided to enterprises	1,209,000	1,345,000	1,430,000
People benefiting from investee projects and microfinance	15,205,000	16,910,000	17,985,000
QUALITY OF LIFE — WATER AND SANITATION			
People with new or improved access to water and sanitation**	6,709,000	7,462,000	7,935,000
QUALITY OF LIFE — EDUCATION			
Classrooms and educational support facilities (#)	5,230	5,800	6,140
People benefiting from better access to education	5,210,000	5,800,000	6,613,000
People with access to better health services**	12,477,000	16,103,000	17,123,000

*ADF+ADB data

**expected results from projects to be completed between 2016-2020

Annex II: Statistical Annex

Table 1: The Level of Readiness of the ADF-14 Pipeline

	ADF	# Projects	(%)
Under Preparation	430.5	13	4%
Already Identified	3,340.4	68	32%
Fast Track Identification and Preparation	1,324.0	34	13%
To be Prepared	5,405.1	104	51%
Total	10,500	219	100%

Regional Distribution of the ADF-14 pipeline

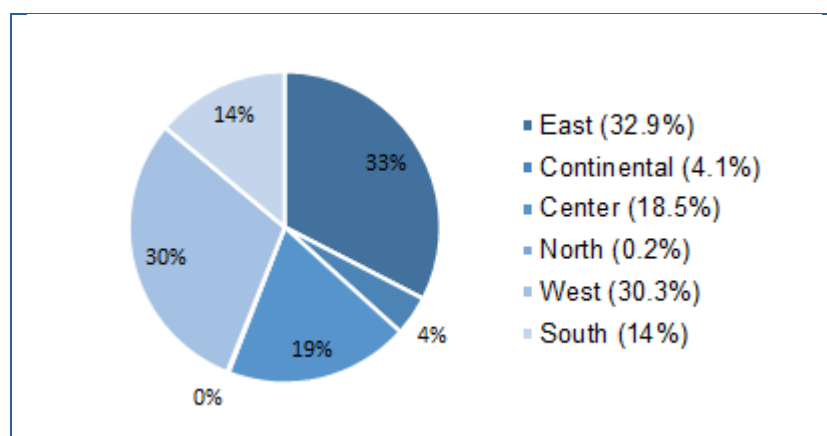


Table 2: Pipeline size in respect to National/Multinational operations and related to Countries in Transition

