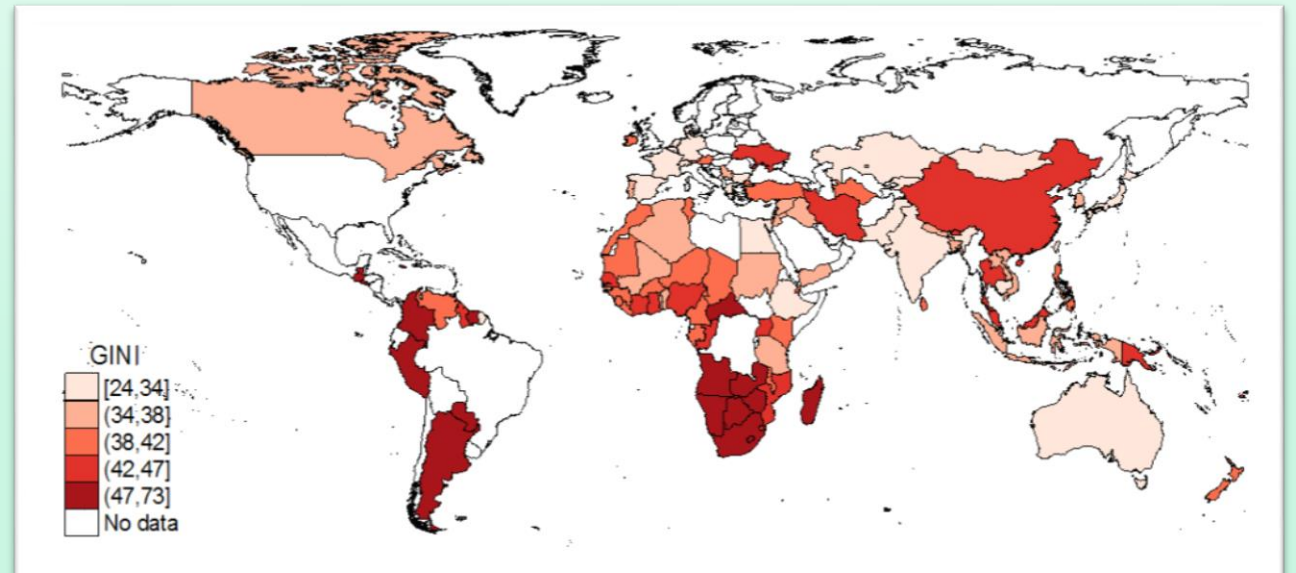
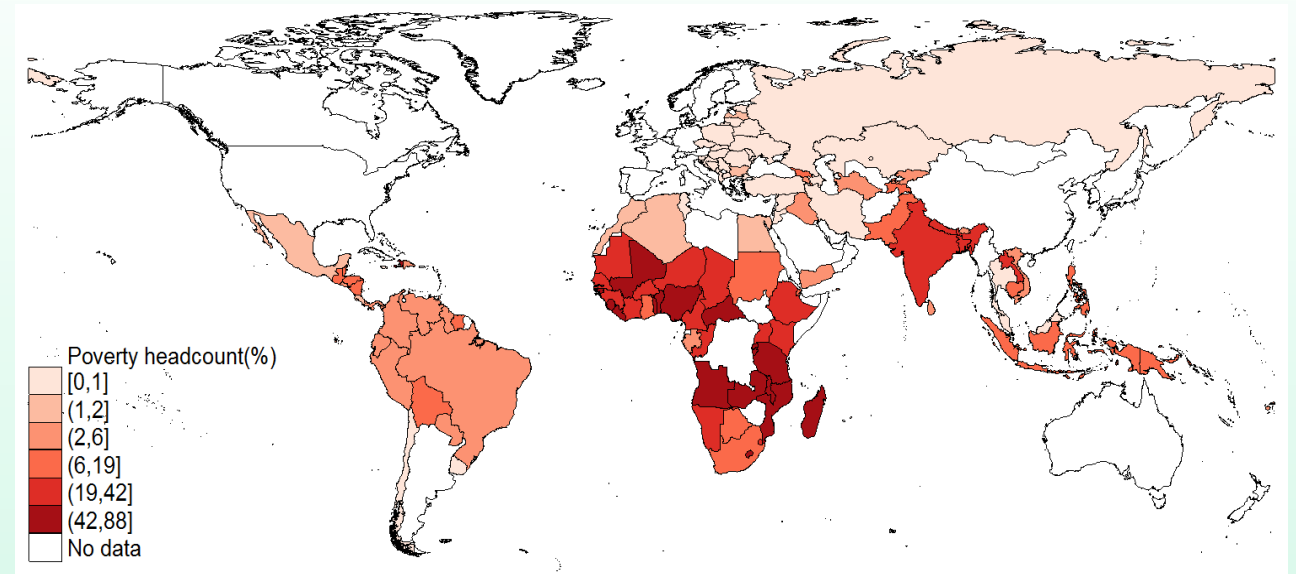


# Strategic Direction for ADF-14

**ADF-14 First Replenishment  
meeting  
March 2016  
Abidjan, Cote d'Ivoire**

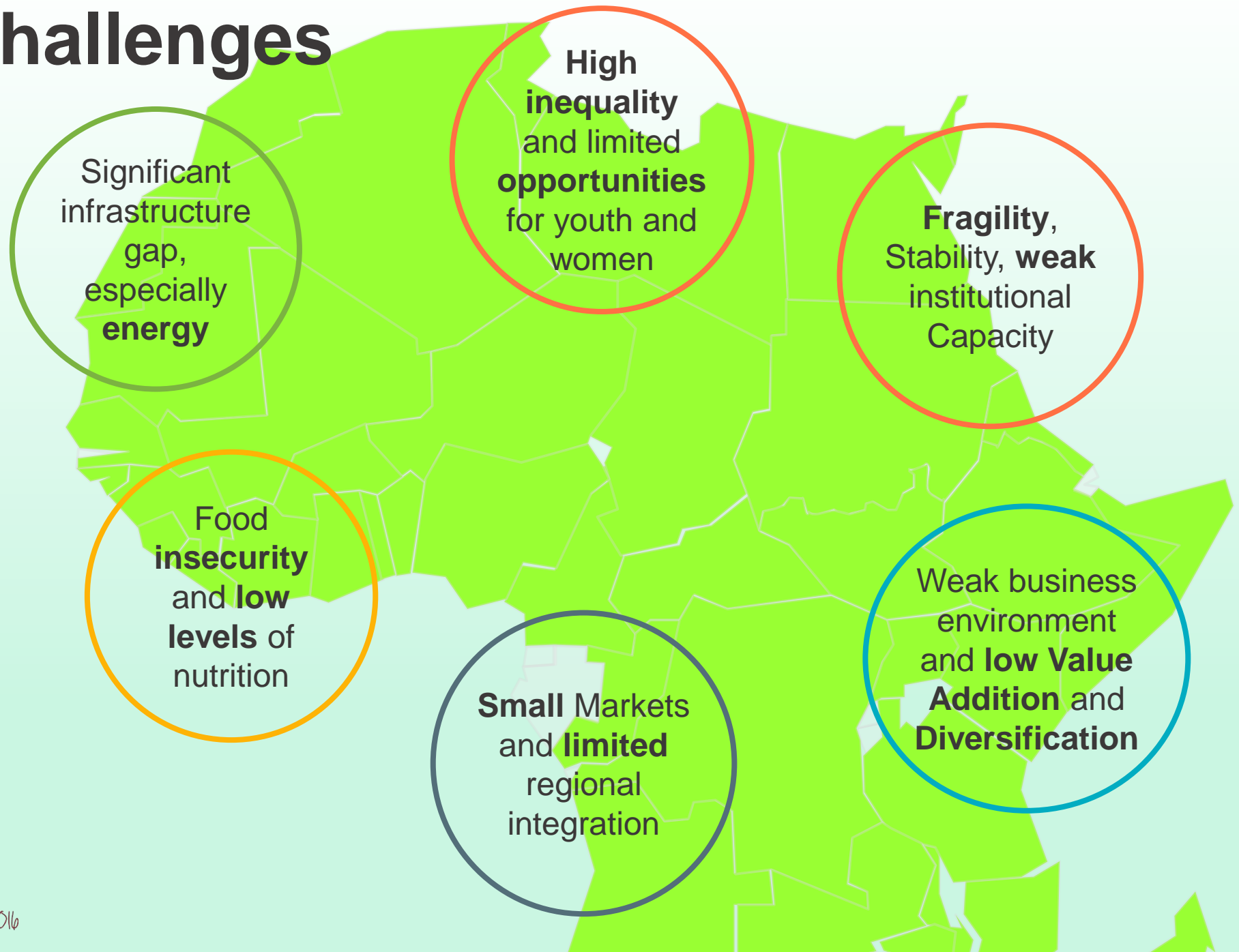
# Africa: Poverty and Inequality

- An estimated 42% of Africans lived below the \$1.25 poverty line in 2015
- Six of the World's most unequal economies are in Africa

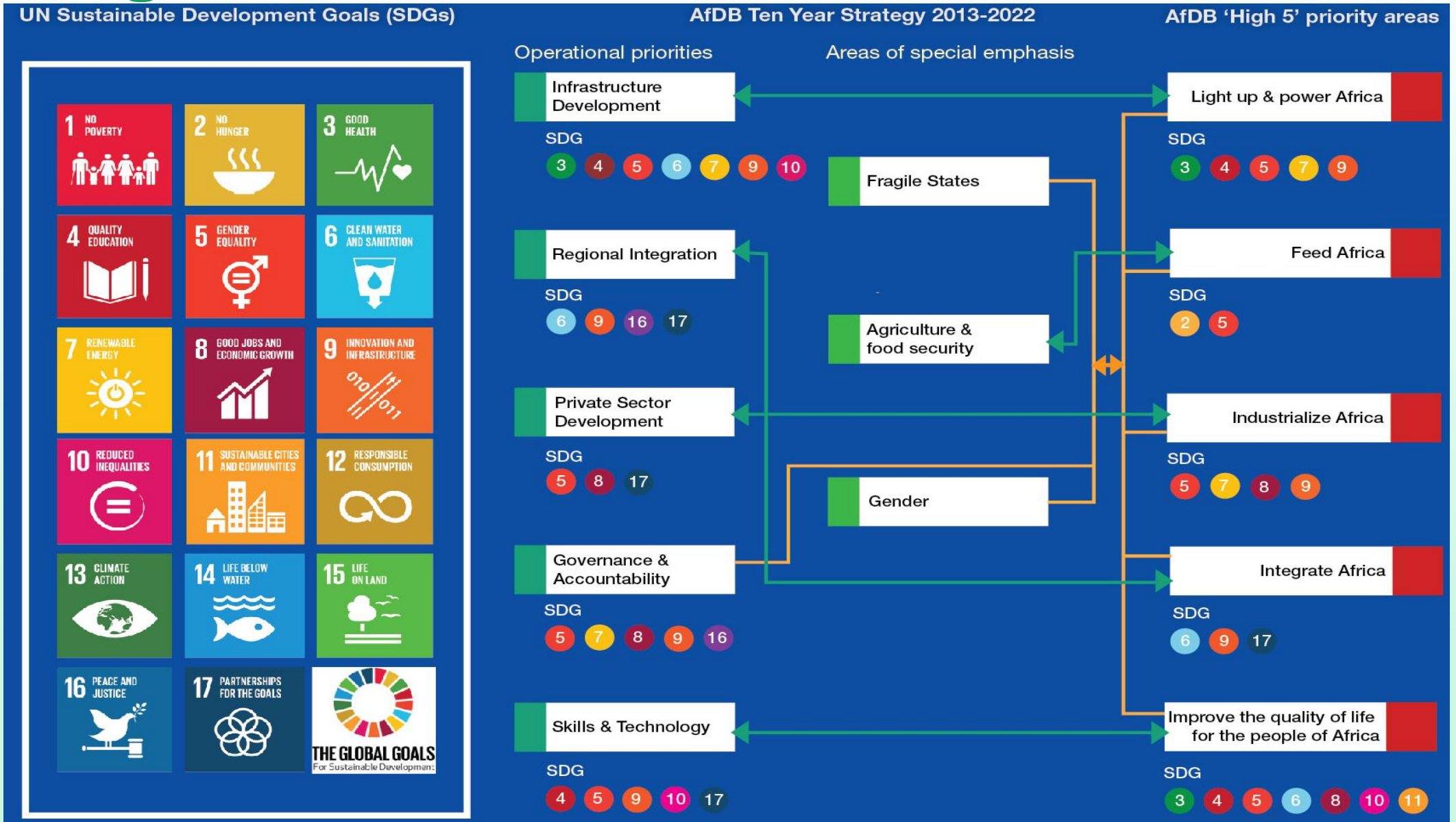


Source: African Development Bank, based on data collected from the World Income Distribution Database, 2014

# Africa: Challenges



# Strategic Framework

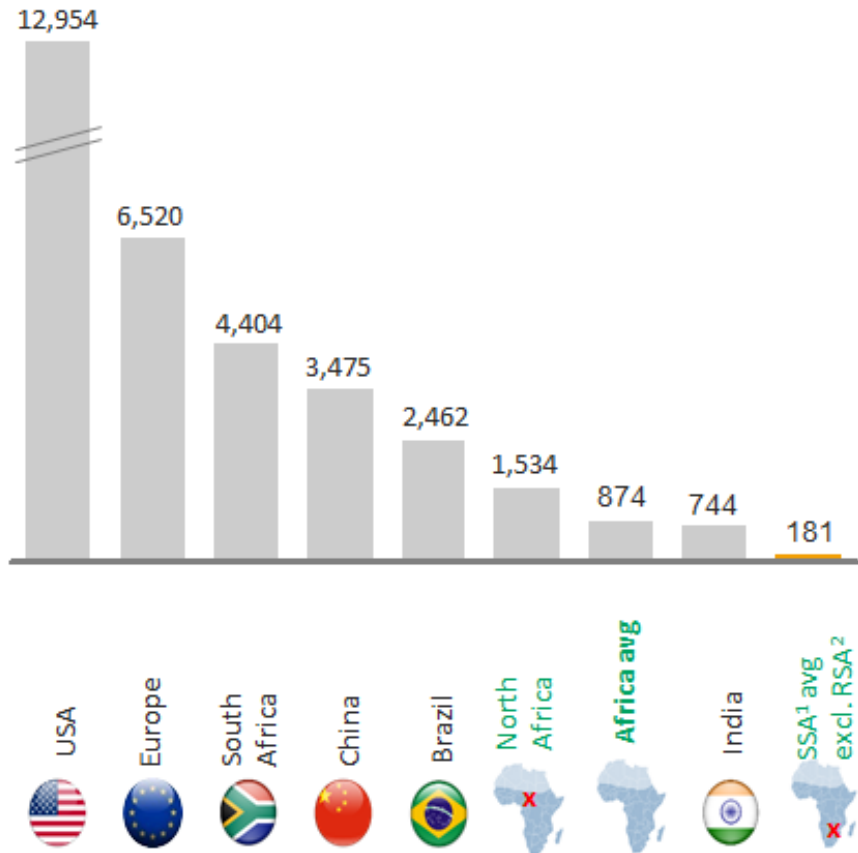




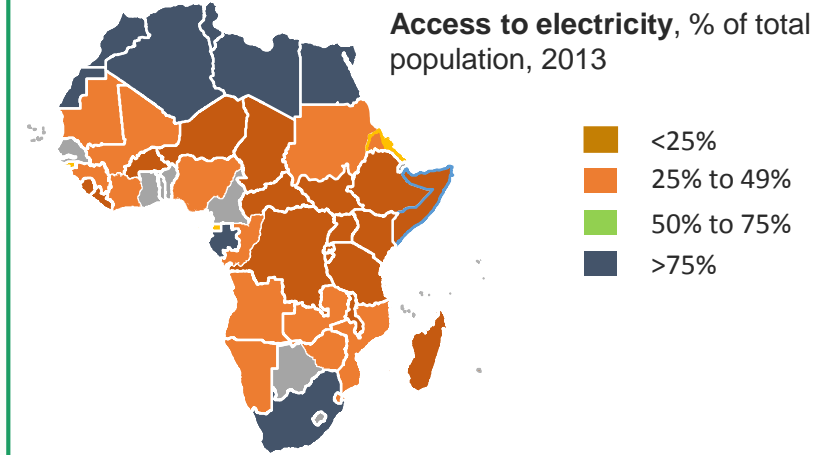
# Light up and Power Africa: The Challenge

Power consumption per capita in Africa remains very low, especially in Sub-Saharan Africa

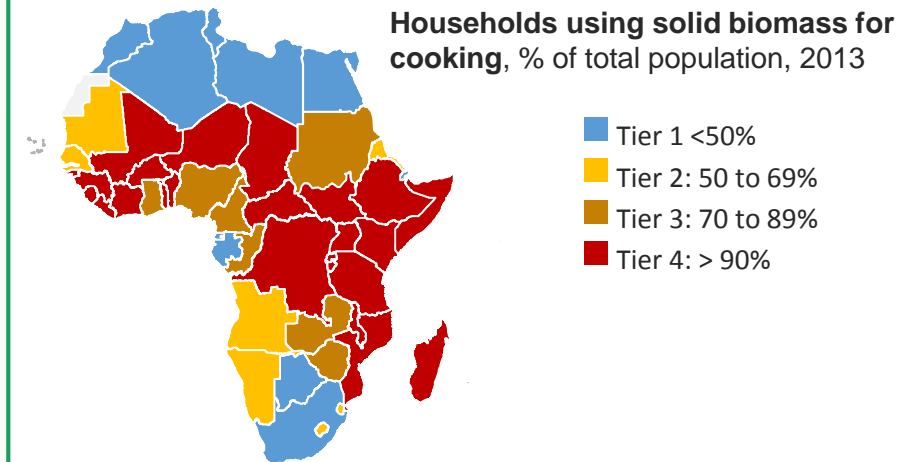
Power consumption, Kilowatt hours/capita, 2012



640 million of Africans (53%) still have no access to electricity



730 million people in Sub-Saharan Africa rely on the traditional use of solid biomass for cooking



# Light up and Power Africa: Strategy based on 7 Themes

Objectives	Themes	Flagship Programmes championed by AfDB	
Enabling the system	Set up enabling policy environment	1 IPP procurement programme	9 Transformative Partnership for Energy in Africa
	Enable utilities for success	2 Power utility transformation programme	
Getting projects financed	Dramatically increase number of bankable projects	3 Early stage project support facility	
	Increase funding pool to deliver new projects	4 Funding catalyst programme	
Scaling up access	Fund bottom of the pyramid energy access programmes	5 Bottom of the pyramid financing facility	
		6 Mobile payment programme	
Delivering execution	Accelerate regional power integration	7 Regional projects acceleration programme	
	Roll out waves of country-wide turnarounds	8 Country-wide energy sector turnarounds	

# Light up and Power Africa: Transformative Partnership

New Deal's  
building  
blocks

On-grid  
generation

On-grid  
connections

Off-grid  
connection

Clean  
cooking

Activity

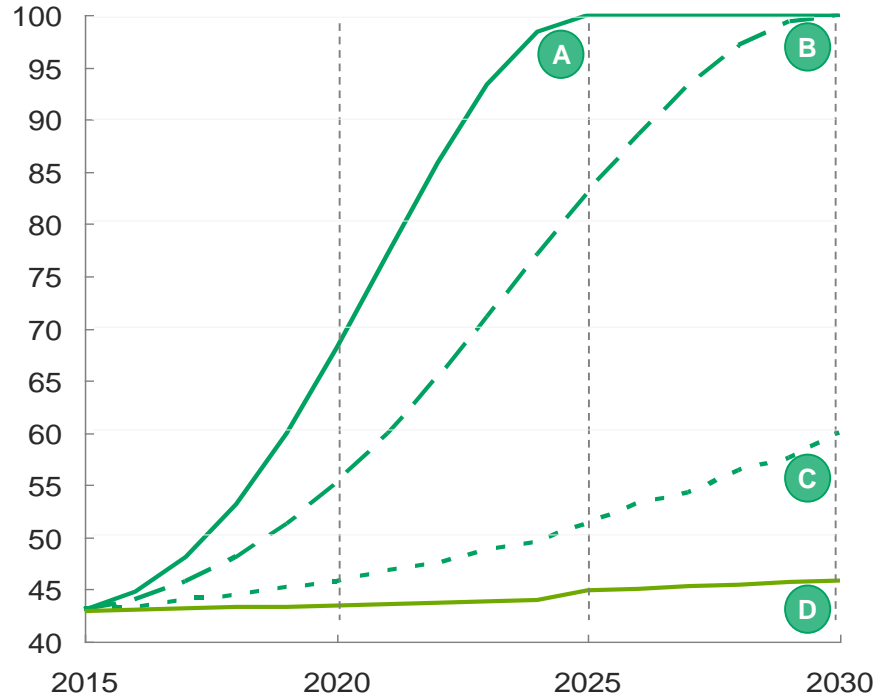
Regulation reform & sector structuring    Project Preparation    Financing    Implementation

Funding



# Light up and Power Africa: The Results

The New Deal on Energy has set the aggressive target to achieve Universal Access to energy by 2025



- A** The New Deal vision: Universal Access by 2025
- B** SDG7: Universal Access by 2030
- C** Africa Power Vision Scenario: ~80% by 2040
- D** Business as usual: ~45% access by 2025

Universal Access to electricity by 2025 means connecting 190 Mn Households, and doubling grid generation capacity

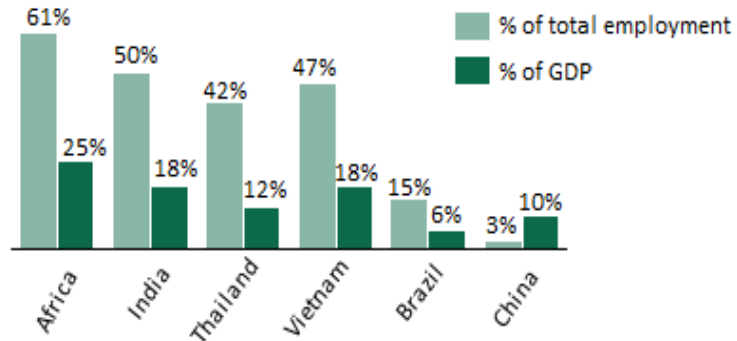
		From current situation in Africa		To Universal Access <sup>1</sup> in 2025	
Power	Population, M	1 174	x1.3	1 499	
	GDP, \$ bn	2 175	x1.7	3 742	
	Electrification rate, %	43%	x2.3	97%	
	Households <sup>2</sup> connected, M	87	x3.6	292	+130 M
	Grid	83	x2.6	213	
	Off-grid	4	x20	79	+75 M
	Grid capacity, GW	170	x1.9	332	+160 GW
Clean cooking	Consumption kWh/capita	613	x1.5	941	
	Penetration rate, %	31%	x3.3	100%	
	Households using clean cooking, M	70	x3.1	220	+150 M



# Feed Africa: The Challenge

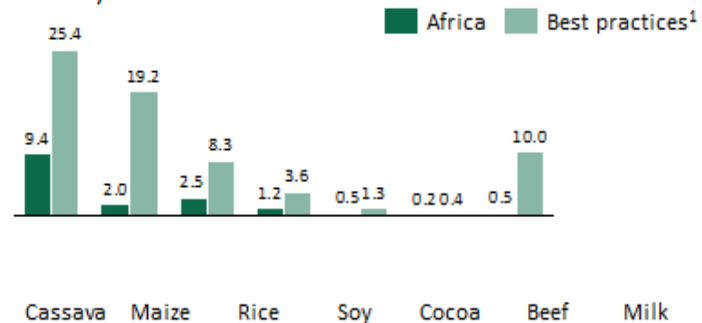
## Gap between employment and income...

Agriculture as a share of employment and GDP; % 2014



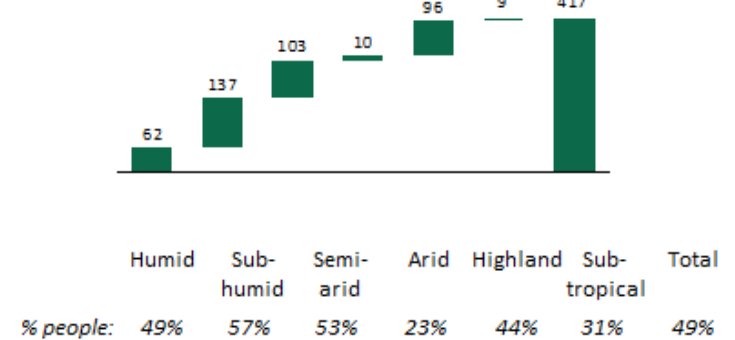
## Relatively low productivity...

Average yields across Africa versus best practice<sup>1</sup>; Tonnes/(hectares or animals) 2013



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

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

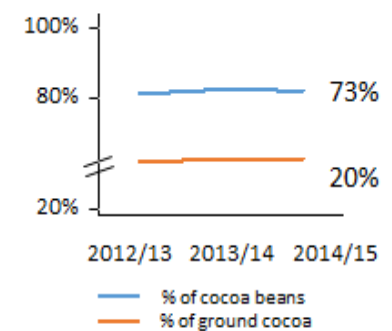


## ... rapidly rising imports, and poor performance in exports

Imports vs Exports<sup>2</sup>; billion USD

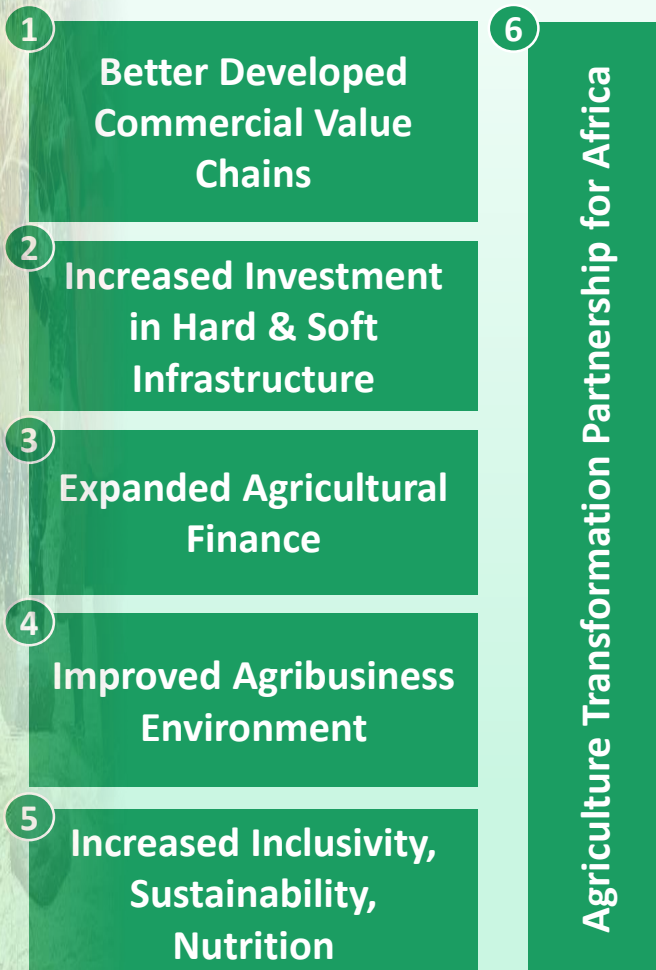


Africa's share of cocoa, %

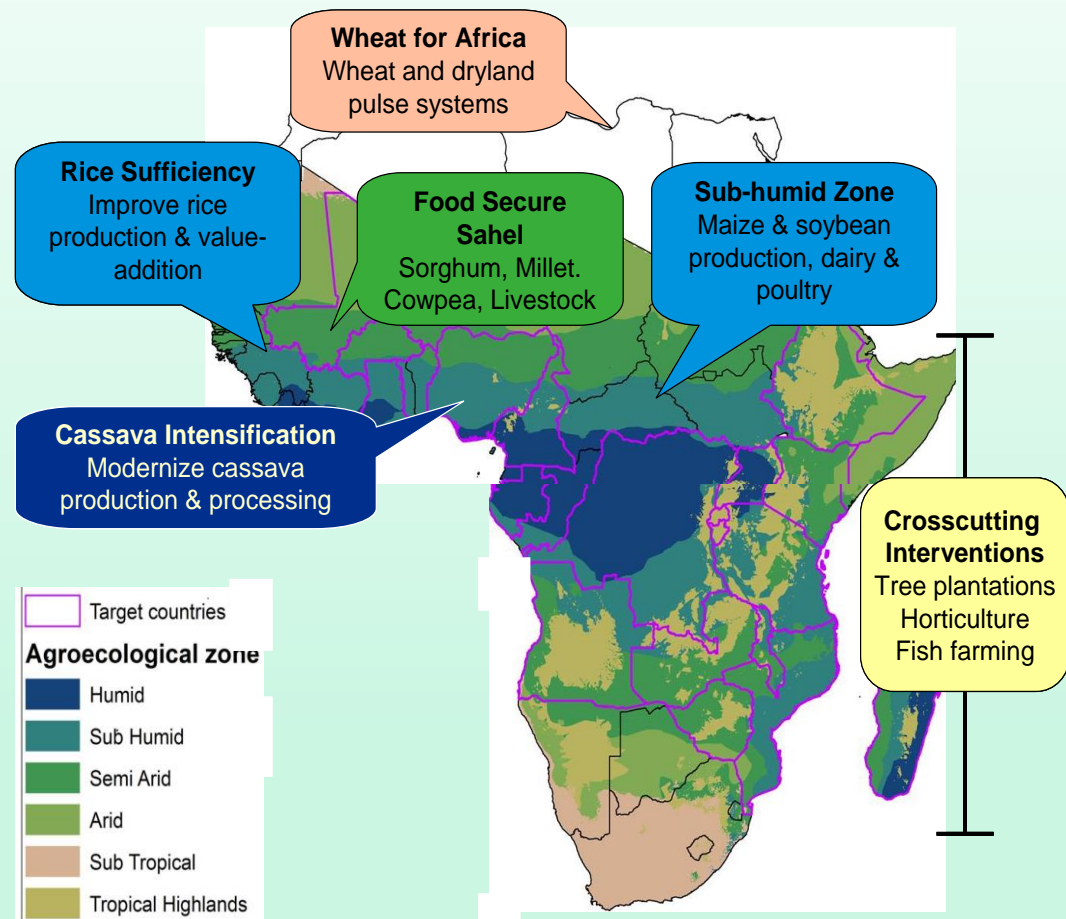


# Feed Africa: Strategy for Agricultural Transformation

## ATA<sup>1</sup> Enablers



## Commodity value chains and agro-ecological zones targeted by the Agricultural Transformation Agenda

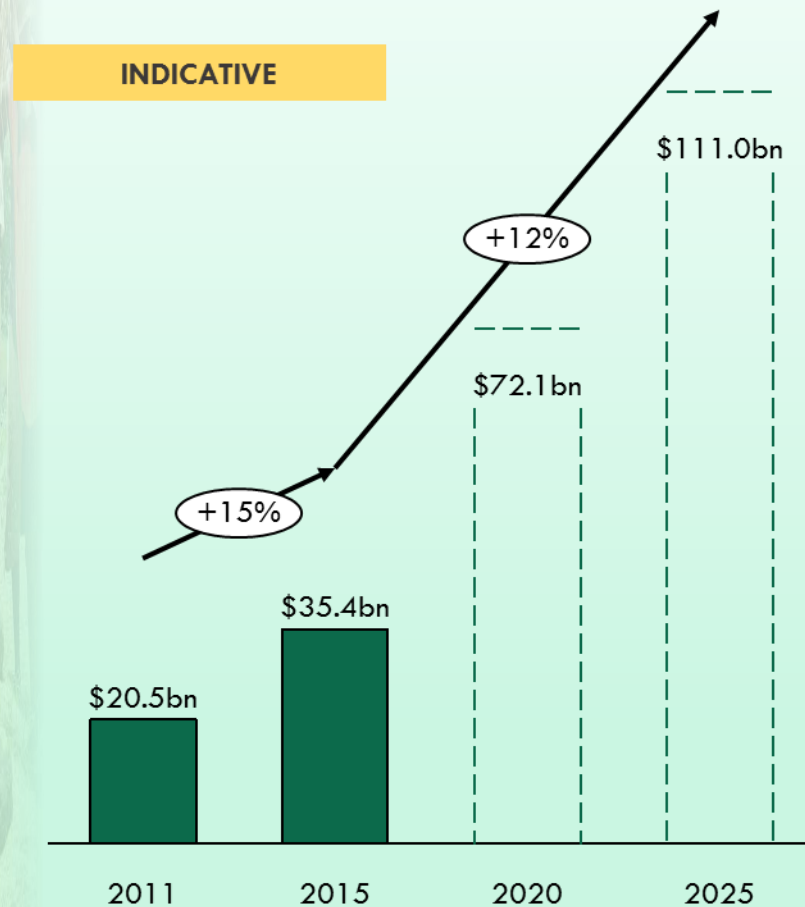


- Notes: (1) Agriculture Transformation Agenda.
- Source: CGIAR “Technologies for African Agricultural Transformation (TAAT)” proposal; Dalberg analysis

# Feed Africa: The Results

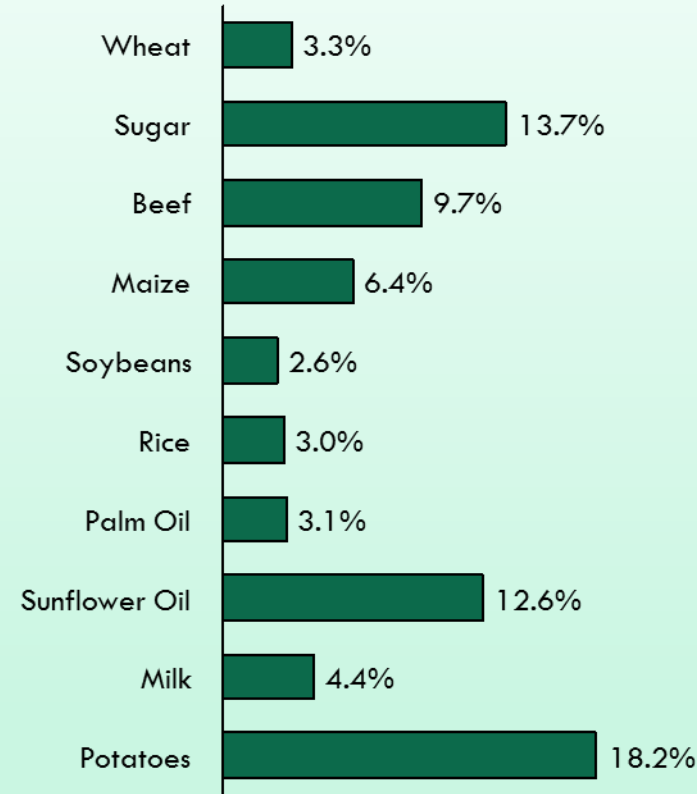
## Eliminate the negative trade balance

\$bn, 2010-2025\*



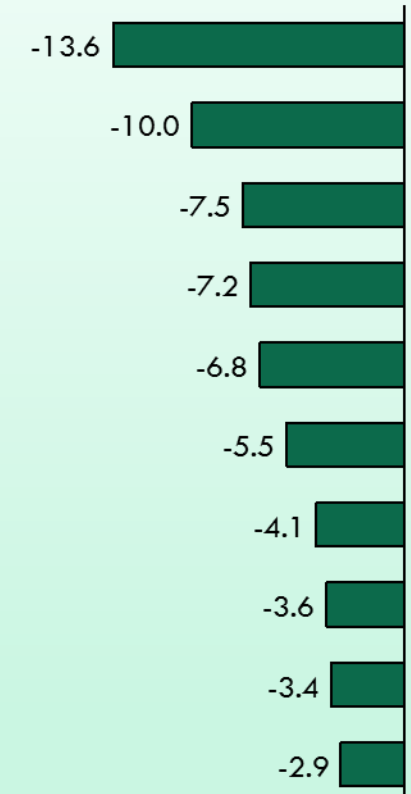
## Growth to 2025

Top 10 Imports by value in '25, CAGR %, 2015-'25<sup>4</sup>



## Value of Imports, 2025

Top 10 Imports by Value, \$bn, '25\*

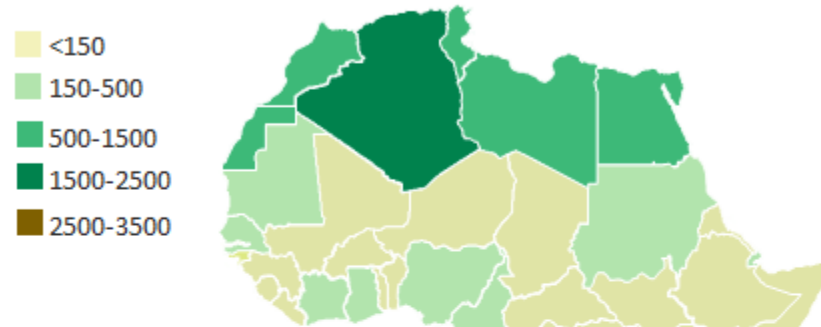




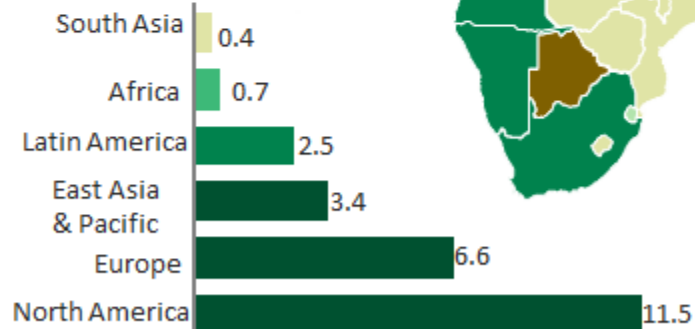
# Industrialize Africa: The Challenge

Per capita industrial GDP remains below 1500 USD in ~45 African countries, lower than in most other regions

Industrial GDP per capita, USD, 2014

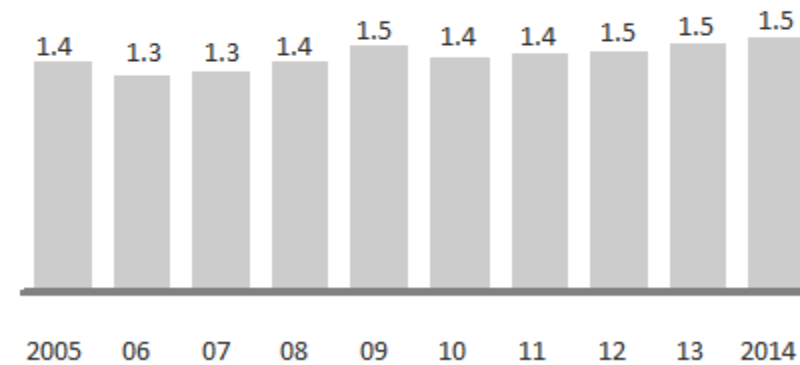


Average by region



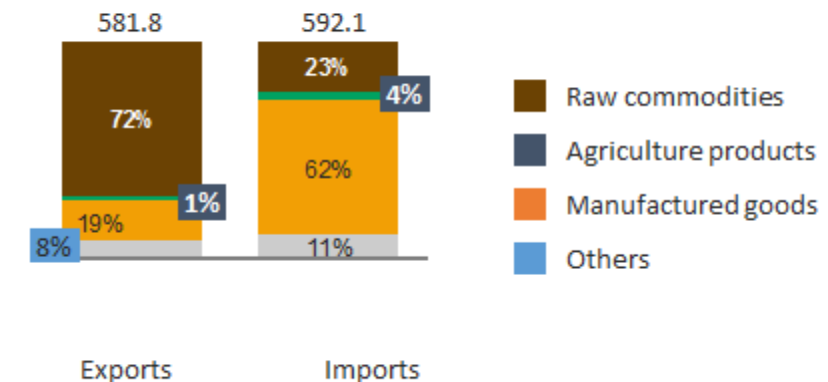
Africa's share of Global Manufactured Value Added has remained flat over the last decade, at ~1.5% of the total

Africa's contribution to Global Manufactured Value Added, %



Africa remains largely dependent on commodities, that still represent 70% of its total exports

Africa merchandise trade by type, USD Bn 2011-2013



Source: WTO 2014, ECA, Global Insight



# Industrialize Africa: Strategy and Programs

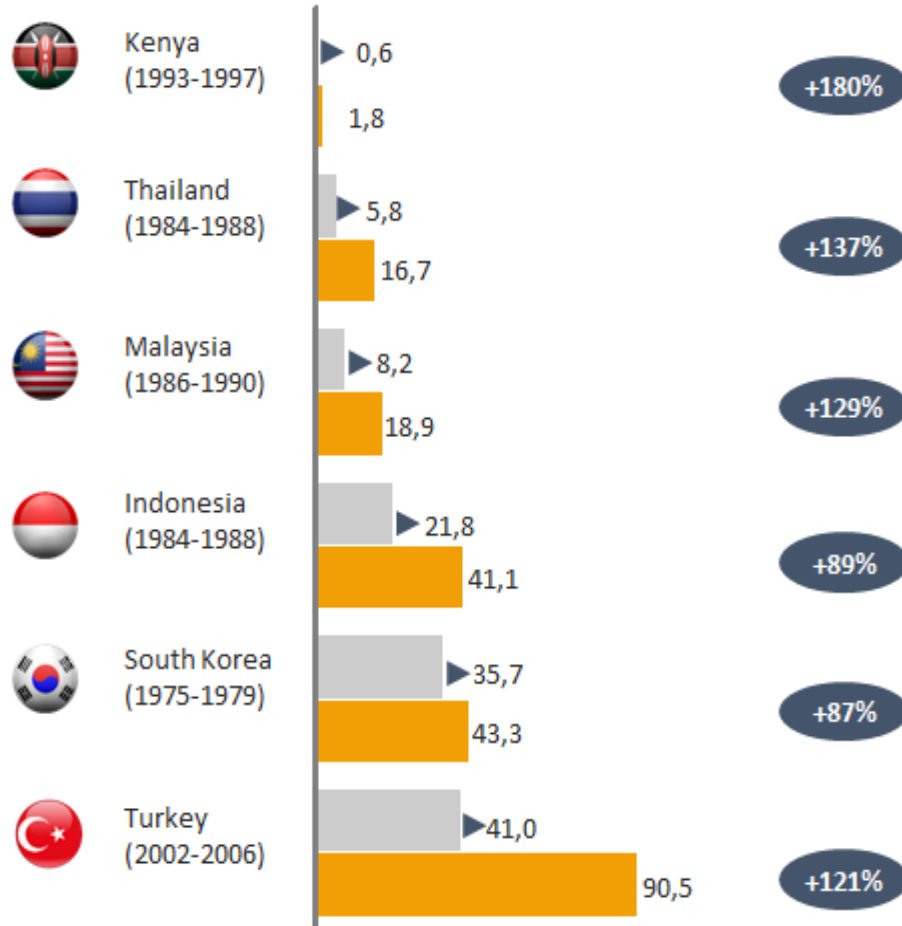
Industrialisation enablers	Industrialise Africa Flagship programmes	Description of Industrialise Africa Flagship programmes
Supportive policy, legislature and institutions	Develop industrial policies	Provide <b>Policy Advisory, Technical Assistance and Budget Support</b> to governments (regulatory and institutional framework, implementation and monitoring) and foster <b>catalytic PPP projects</b>
Conducive economic environment and infrastructure	Catalyse funding into industry and infrastructure projects	<b>Increase and channel funding</b> into GDP catalytic programmes (infrastructure and industrialisation projects, public and private operators) <ul style="list-style-type: none"> <li>▪ Raise own investment, including from managed funds</li> <li>▪ Foster investment by others (domestic and foreign) as strategic investor or MLA<sup>1</sup></li> </ul>
Access to capital	Grow liquid and effective capital markets	Improve <b>access to market finance</b> for African enterprises <ul style="list-style-type: none"> <li>▪ <b>Advise governments, stock exchanges and regulators</b> on development of liquid capital markets</li> <li>▪ Invest directly in capital markets to increase <b>liquidity</b></li> </ul>
Competitive talents, capabilities and entrepreneurship	Promote and drive enterprise development	Drive <b>development of enterprises of all sizes in Africa</b> <ul style="list-style-type: none"> <li>▪ Scale-up <b>investment and financing</b> to lend to SMEs</li> <li>▪ <b>Technical Assistance support</b> to strengthen SME-focused entities</li> <li>▪ <b>Establish linkages of SMEs</b> to domestic projects/companies and provide training of a <b>strong talent pool</b></li> </ul>
	Develop efficient industry clusters across the continent	<b>Support governments</b> in developing <b>efficient industry clusters<sup>2</sup></b> across Africa, through Technical Assistance and funding in implementation and monitoring
Access to markets	Promote strategic partnerships in Africa	<b>Link up African enterprises</b> and major projects with potential partners and investors, through <b>promotional activities</b> , notably African investment forum, and ensure facilitation and management of investor relations (e.g. contract negotiations)

# Industrialize Africa: The Results

Top performers have achieved a 90% to 190% growth in 5 years

Industrial GDP, USD Bn, 2014

Year 1 Year 5

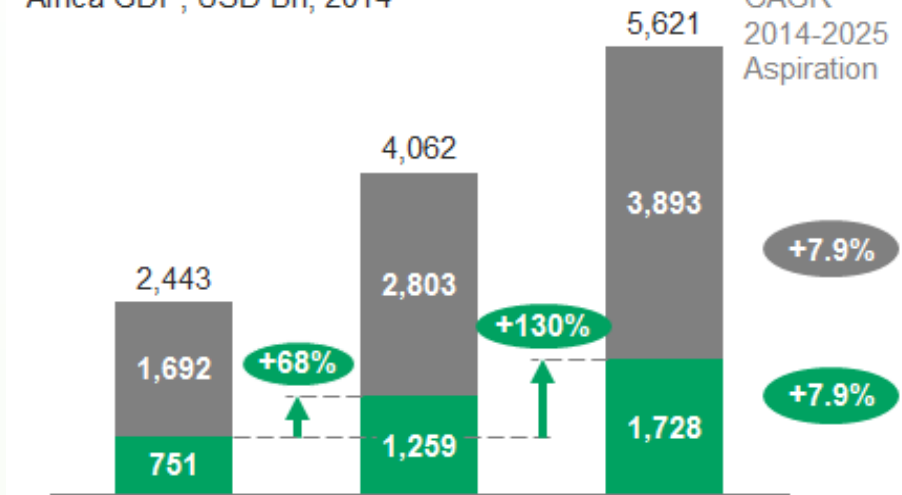


Other Industrial GDP GDP per capita

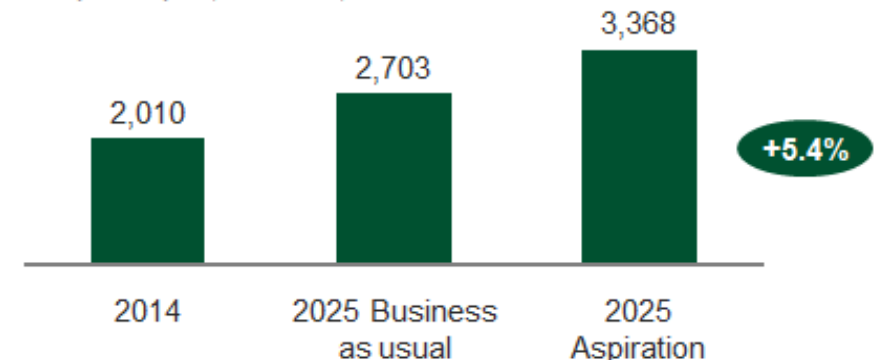
Increase in Africa's industrial GDP would drive growth of overall GDP and GDP per capita

Africa GDP, USD Bn, 2014

CAGR  
2014-2025  
Aspiration

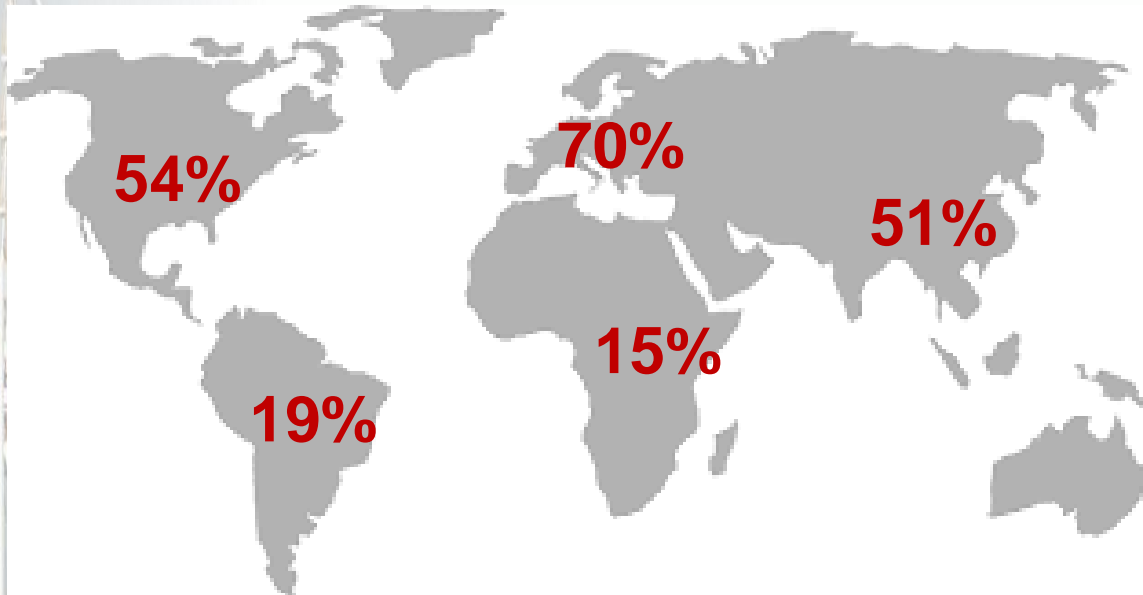


GDP per capita, USD Bn, 2014



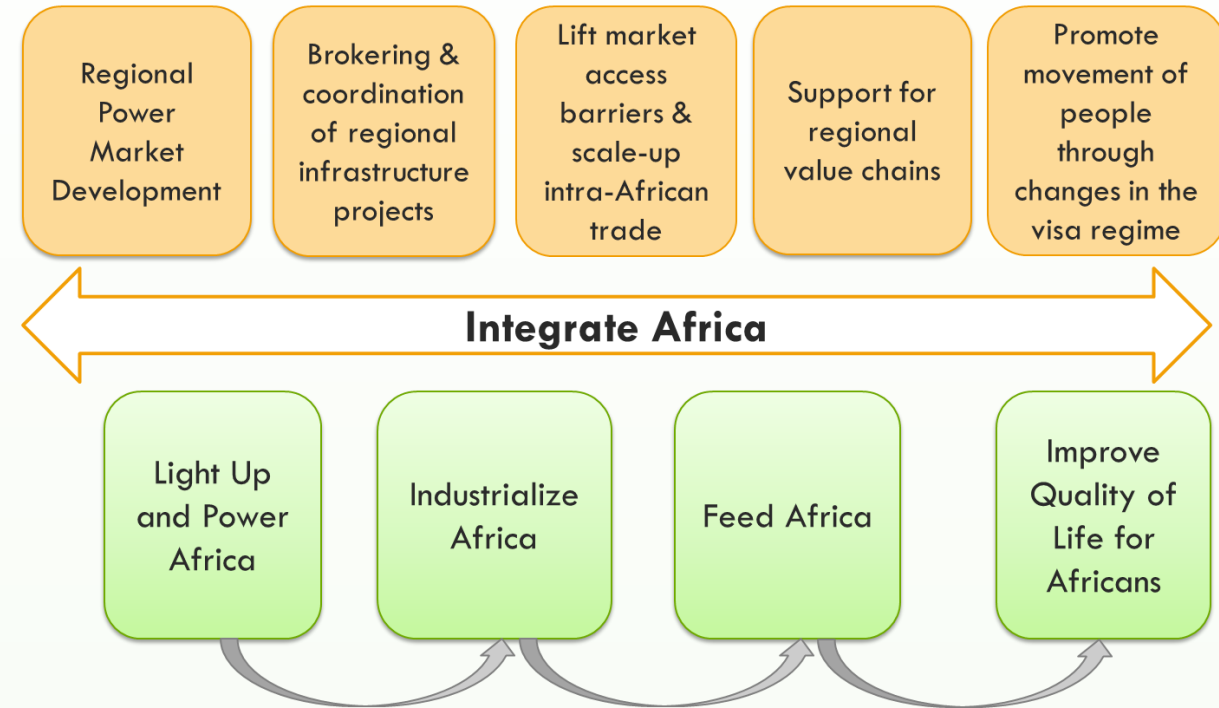
# Integrate Africa: The Challenge

## Limited amount of intra-African trade



## Constraints to intra-African trade:

- Lack of infrastructure
- Cumbersome policy and regulatory frameworks
- Significant non-tariff trade barriers
- Limited capacity of regional economic communities

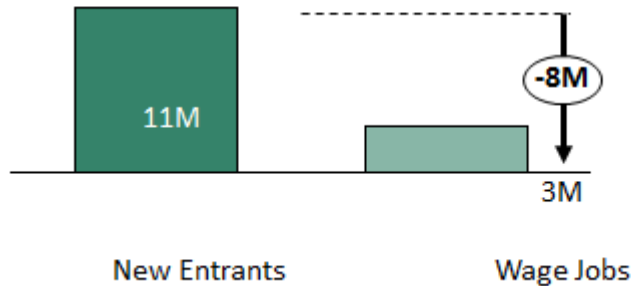




# Improve Quality of Life for Africans: The Challenge

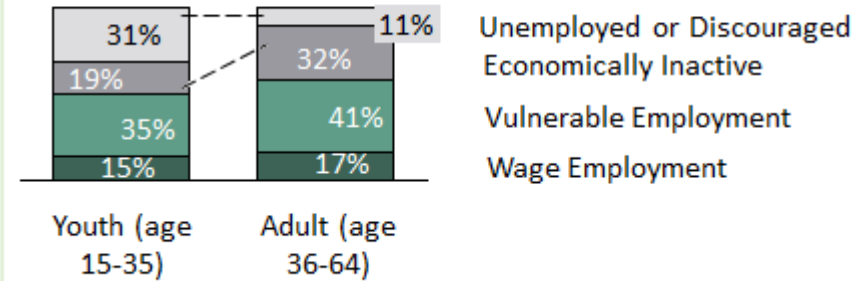
## Demand for jobs exceeds supply by 8M jobs each year

New entrants to the labor market and wage jobs created annually  
Millions, average per year



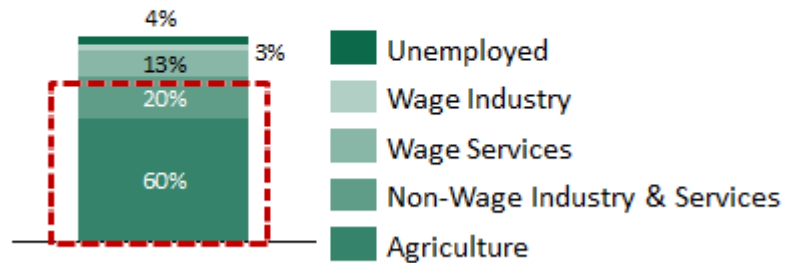
## 31% of African youth are unemployed or discouraged

Employment status in Africa, by age  
% of age group, 2015



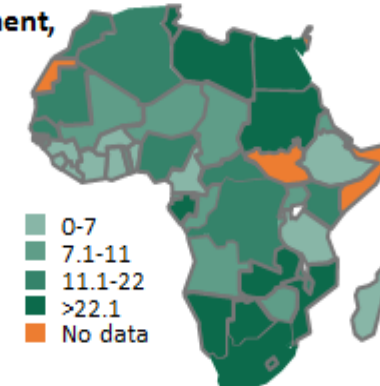
## For those employed, 80% are in the informal sector

Distribution of employment in sub-Saharan Africa  
% of total labor force, 2010



## Lack of opportunity affects youth in every country

Youth unemployment, by country  
%, 2015



## The costs and consequences of youth unemployment are significant

- Without systemic change, 50% of African youth will be unemployed, inactive, or discouraged in 2025
- This can lead to increased unrest, with 40% of those joining rebel movements being motivated by lack of jobs, and outward migration which cost Europe 10x annual border control budgets in 2015



# Strategy: Jobs for Youth in Africa

## Strategic Pillars

1

**Integrate:** Reorient Bank operations to transform impact on youth employment

2

**Innovate:** through partnership and flagship programs in agriculture, industry and ICT

3

**Invest:** in SMEs, business development services, job matching platforms



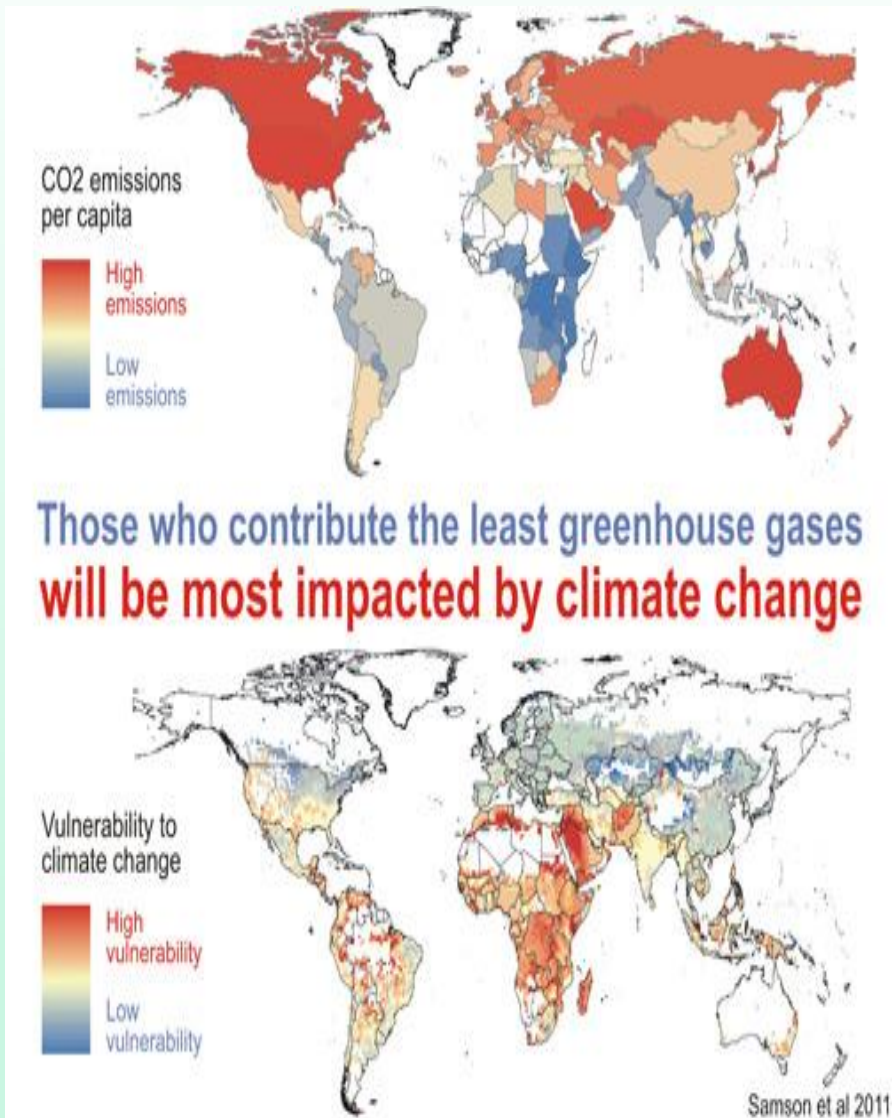
# Jobs for Youth in Africa: **The Results**

Jobs for Youth aims to raise \$5 billion over the next ten years in order to:

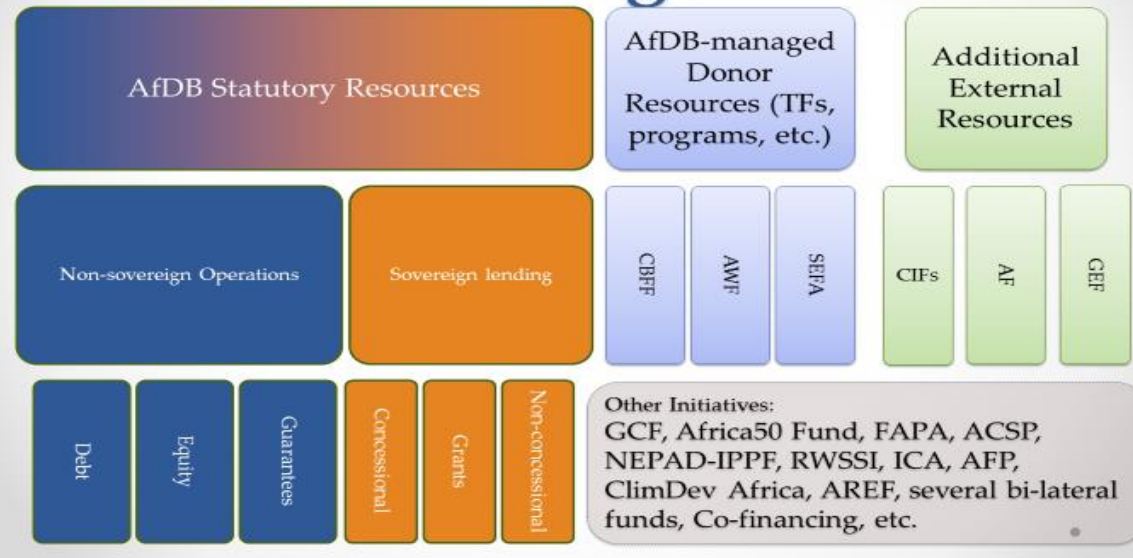
- 1 Create at least **25 million new jobs** for young Africans
- 2 **Reach over 50 million youth**, enhancing opportunity and employability
- 3 **Generate \$30 billion in income gains** for the African economy, a return of 6x the investment required

# Cross Cutting Area: Climate Change

- Investing in clean energy; sustainable water resources management; climate resilient agriculture
- Committed to raising climate finance to \$5 billion by 2020 or 40% of new approvals
- Implementing Agency for the Green Climate Fund



## How AfDB Finances Climate Change

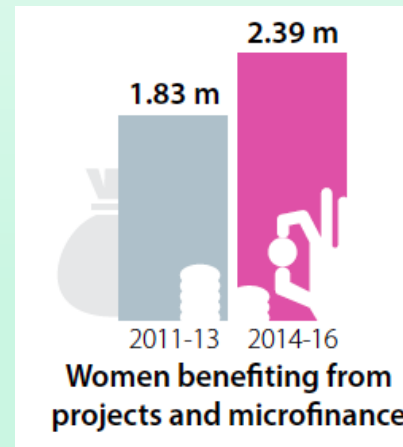
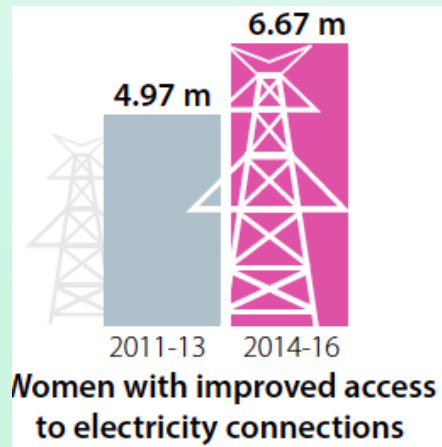
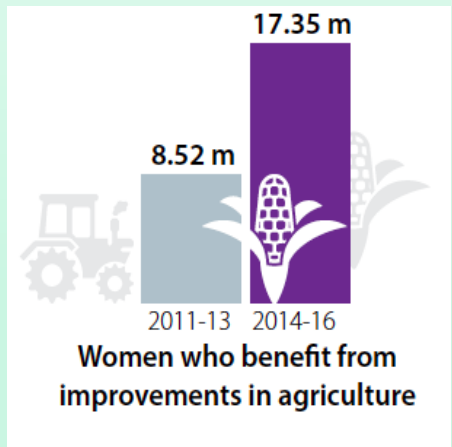
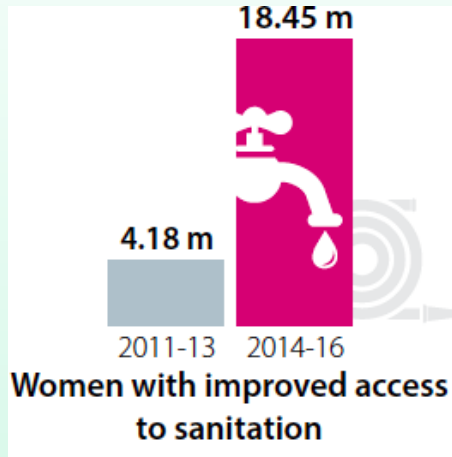




# Cross Cutting Area: Gender

✓ Ebola Social Investment Fund

✓ Affirmative Finance Action for Women in Africa



*New projects incorporating “gender-informed” design has increased to 91 percent*



# Cross Cutting Areas: Addressing Fragility

Constant monitoring of fragile situations on the continent

## Category 1

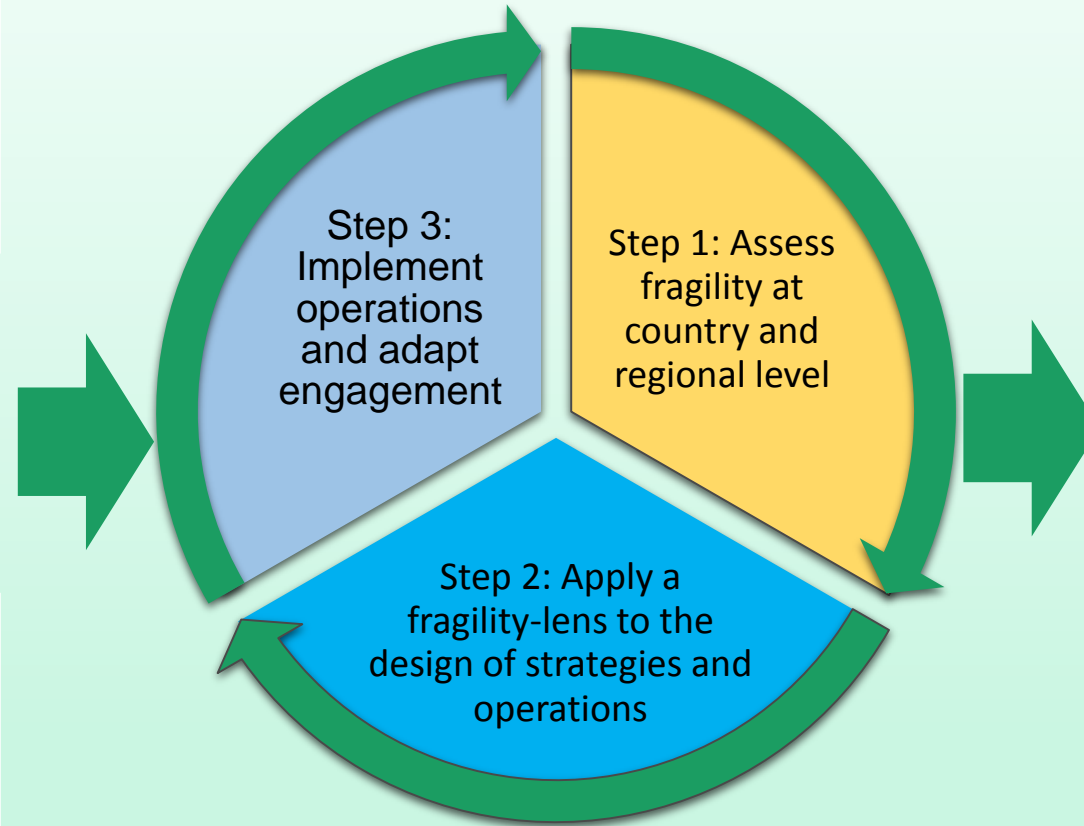
High risk in countries and regions

## Category 2

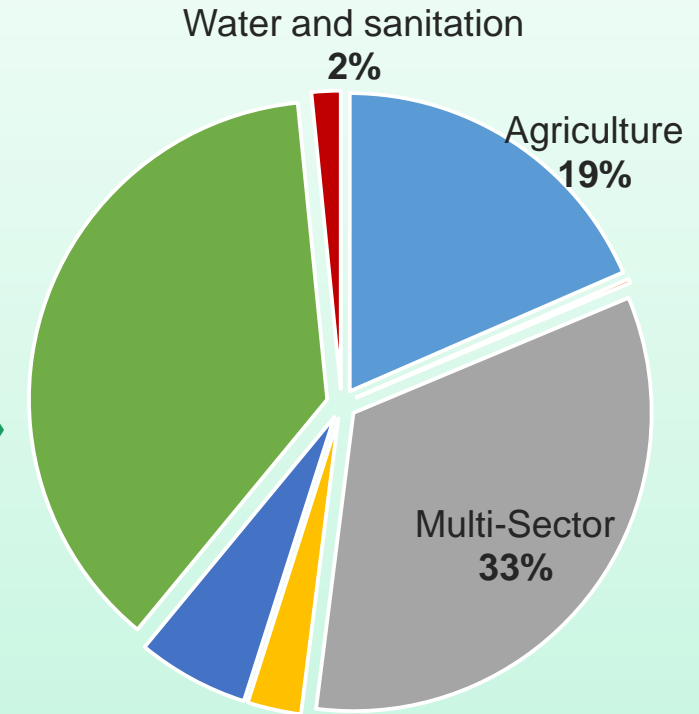
Medium risk through regional spill-overs or national deterioration

## Category 3

Low risk with stable outlook



Approved resources by sector in fragile situations (UA 950m)



# Cross Cutting Areas: Governance



**A key partner of EITI**



**A dedicated structure to support natural resource management**



**Supporting negotiation of complex commercial contracts**

# Achievements under ADF 11, 12 & 13

- ADF has **transformed** the lives of millions of Africans by **improving their access** to better infrastructure and social services;
- The Bank is **transforming** to become a more effective and efficient partner both for the ADF and our clients on the continent



**Energy**  
3.3m  
beneficiaries



**Transport**  
42.2m  
beneficiaries



**Water & Sanitation**  
13.5m  
beneficiaries



**Private Sector  
Development**  
1.1m jobs created



**Regional Integration**  
1320 km  
Cross-border roads



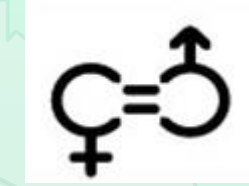
**Health, education,  
training**  
65.8m  
beneficiaries



**Agriculture & food  
security**  
46.1m beneficiaries



**Governance**  
30 countries with  
stronger public  
management  
systems



**Gender equality**  
23.1m female  
agriculture  
beneficiaries

# Scaling up Outcomes



## UNIVERSAL ACCESS TO ELECTRICITY

**+162 GW** electricity generated  
**+130 million** on-grid connections  
**+75 million** off-grid connections

## AGRICULTURAL TRANSFORMATION

**+150m** people adequately fed  
**+100m** people lifted out of poverty  
**+190m** hectares with restored productivity

## ECONOMIC DIVERSIFICATION

Industrial contribution to GDP increased by 130%  
35 special economic zones supported  
30 PPPs developed & strengthened

## REGIONAL MARKETS

Building regional infrastructure  
Boosting intra-African trade & investment  
Facilitating movement of people across borders

## ACCESS TO SOCIAL & ECONOMIC OPPORTUNITIES

Creating 80 million jobs  
Building critical skills  
Improving access to water & sanitation  
Strengthening health systems



# Conclusion

- The ADF-14 replenishment is taking place at a critical moment.
- Commendable progress but ADF countries remain vulnerable to critical challenges and threats.
- Achieving SDGs will require significant scaling up in resources and this will not happen without a significant increase in ADF resources.
- The Bank is restructuring itself and introducing a new Business Development Model to deliver this scaling up and improve its financial health.
- Scaling up contributions and allowing innovative use of ADF resources will transform the continent.

