African Development Bank Group

BUSINESS OPPORTUNITY SEMINAR

Strategy and Operational Policies Department (SNSP)

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AfDB Headquarters, Auditorium
About This Presentation

1. AfDB Overview
   • AfDB in Numbers
   • Strategic Framework
   • Financing Needs
   • Business Delivery Model
   • Main Financing Instruments
   • Key Deliverables

2. Investment Opportunities & Challenges in Africa
   • Encouraging Facts
   • Challenges
AfDB Overview
AfDB IN NUMBERS

**ADB Shareholders**
- 54 African countries
- 26 Non-African countries
= 80 Nations

**Capital** (as of 31 December 2016 (ADB) (in UA))
- Subscribed Capital: 65.49B
- Authorized Capital: 66.98B
- Paid-up Capital: 4.90B
- Callable Capital: 60.59B
- TOTAL RESERVES: 2.75B

**Approved operations 2016** (in UA)
- Source of financing:
  - ADB: 6.34B
  - ADF: 1.52B
  - NTF: 18.5M
  - SPECIAL FUNDS: 160.3M
- TOTAL APPROVALS: 8.04B

**Total Approvals by High 5 Grouping 2016**
- Light Up and Power Africa: UA 968.8M (12.1%)
- Feed Africa: UA 968.3M (10.9%)
- Industrialize Africa: UA 482.4M (6.7%)
- Integrate Africa: UA 1.51B (15.7%)
- Improve the Quality of Life for the People of Africa: UA 4.20B (52.3%)

**Total Cumulative Approvals 1967–2016**
- OPERATIONS: 5,279
- IN TOTAL: UA 96.10B

*Mission*
To promote sustainable economic growth and reduce poverty in Africa

*Source: AfDB Annual Report, 2016*
AfDB STRATEGIC FRAMEWORK

UN Sustainable Development Goals (SDGs)

AfDB Ten Year Strategy 2013–2022
Twin objective: inclusive growth and transition to green growth

Operational priorities
- Infrastructure development
- Regional integration
- Private sector development
- Governance & accountability
- Skills & technology

Areas of special emphasis
- Fragile States
- Agriculture & food security
- Gender

AfDB ‘High 5’ priority areas
- Light up & power Africa
- Feed Africa
- Industrialise Africa
- Integrate Africa
- Improve the quality of life for the people of Africa
## Financing Needs

<table>
<thead>
<tr>
<th>Category</th>
<th>Average Annually</th>
</tr>
</thead>
<tbody>
<tr>
<td>Light up &amp; power Africa</td>
<td>USD 65 - 90 billion</td>
</tr>
<tr>
<td>Feed Africa</td>
<td>USD 32 - 40 billion</td>
</tr>
<tr>
<td>Industrialise Africa</td>
<td>USD 40 billion</td>
</tr>
<tr>
<td>Integrate Africa</td>
<td>USD 10 billion</td>
</tr>
<tr>
<td>Improve the quality of life for the people of Africa</td>
<td>USD 5.5 billion</td>
</tr>
</tbody>
</table>

Approx. USD 170 billion per annum

Source: AfDB estimations
BUSINESS DELIVERY MODEL

- Move closer to our clients to enhance delivery
- Reconfigure HQ to support the regions to deliver better outcomes
- Strengthen the performance culture to attract and maintain talent
- Streamline business processes to promote efficiency and effectiveness
- Improve financial performance & increase development impact

Vice Presidency Power, Energy, Climate and Green Growth

Vice Presidency Agriculture and Social Development

Vice Presidency Private Sector, Infrastructure and Industrialization

Vice Presidency Agriculture and Social Development

Chief Economist/Vice Presidency for Economic Governance and Knowledge Management

Vice Presidency Regional Development and Business Delivery

- Five Regional Development & Business Delivery Hubs (Central, East, North, South and West) led by Director Generals
- Fiduciary Safeguards, Procurement Policy and Inspection
- Transition States Coordination
FINANCING INSTRUMENTS & INITIATIVES

- Performance-Based Allocation
- Regional Operations Envelope
- Transition Support Facility
- Guaranty & credit enhancement products

ADF

MAIN BANK GROUP’S FINANCING WINDOWS

NTF

ADB

- Sovereign
- Non-Sovereign
- Guaranty products, Syndication

Bilateral & Thematic Funds

Special Initiatives (e.g. ALSF, RBF,...)

Africa50, Africa Investment Forum
KEY DELIVERABLES

Delivering impact in the Bank’s five priority areas

This map plots the 1300 geographic locations of the 227 Bank operations that were completed between 2014 and 2016 in each of the High 5s.

Africa is making progress towards the High-5 goals
and the Sustainable Development Goals*

- **Light up and power Africa**: 45% of people connected to electricity in 2015, 70% in 2025
- **Feed Africa**: 24% of stunting prevalence among children under 5 in 2015, 17% in 2025
- **Industrialise Africa**: 43% of population with access to finance in 2015, 60% in 2025
- **Integrate Africa**: 15% of intra-Africa trade in 2015, 25% in 2025
- **Improve the quality of life for the people of Africa**: 13% youth unemployed in 2015, 7% in 2025

*The High-5s are 86% congruent with the SDGs. UNDP

AfDB’s performance: Heading in the right direction

- **Enhance operations’ speed**: 20 months from concept note to first disbursement in 2015
- **Improve projects’ quality**: 80% of new operations with climate-informed design in 2015
- **Manage procurement effectively**: 3.5% of the value of procurement contracts are managed using national system in 2015
- **Move closer to clients**: 65% of projects managed from country offices in 2015
- **Mobilise resources**: $3.8 billion in resources mobilised from private sector entities in 2015

The Bank remains committed to increase transparency of its operations. MapAfrica, its geocoding tool, has been revamped with a focus on five critical areas of the Ten-Year Strategy: Light up and power Africa, Feed Africa, Industrialise Africa, Integrate Africa and Improve the quality of life for the people of Africa. Explore our 7600 project locations through the High 5s by visiting mapafrica.afdb.org.
**KEY DELIVERABLES**

- 210,000 small businesses with access to financial services
- 5.7 million beneficiaries from investee projects and microfinance
- 3 million jobs created of which 800,000 for women
- 4.4 million people with improved access to electricity
- 1,400 MW of new electricity capacity installed, of which 72 MW renewable
- 8.3 million people with improved access to water and sanitation
- 136,630 ha of land with improved water management
- 14 million Africans with improved access to transport
- 9,000 km of roads built, rehabilitated or maintained
- 4.5 million people with access to improved health services
- 1.1 million people benefited from better access to education
Investment Opportunities
ENCOURAGING FACTS – A RISING CONTINENT
ENCOURAGING FACTS – DEMOCRACY

85% of population lives in relatively stable countries

- More than 100 elections in the last 5 years
- Several encouraging democratic transitions; e.g. Burkina Faso, Angola, etc.
- Clear transition from military coup to civilian uprising as a way of enforcing leadership change and expressing dissatisfaction

Source: World Bank, 2017
ENCOURAGING FACTS – SUSTAINED GROWTH

Sustained economic growth in most countries (17 countries with growth rates above 5% in 2017) and sometime outperforming the rest of the world (7 countries among the 20 world’s fastest growing economies in the world)

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
<th>Real GDP Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Macao SAR</td>
<td>13.4</td>
</tr>
<tr>
<td>2</td>
<td>Ethiopia</td>
<td>8.5</td>
</tr>
<tr>
<td>3</td>
<td>Côte d’Ivoire</td>
<td>7.6</td>
</tr>
<tr>
<td>4</td>
<td>Nepal</td>
<td>7.5</td>
</tr>
<tr>
<td>5</td>
<td>Myanmar</td>
<td>7.2</td>
</tr>
<tr>
<td>6</td>
<td>Bangladesh</td>
<td>7.1</td>
</tr>
<tr>
<td>7</td>
<td>Djibouti</td>
<td>7</td>
</tr>
<tr>
<td>8</td>
<td>Cambodia</td>
<td>6.9</td>
</tr>
<tr>
<td>9</td>
<td>Lao P.D.R.</td>
<td>6.9</td>
</tr>
<tr>
<td>10</td>
<td>China, People’s Rep. of</td>
<td>6.8</td>
</tr>
<tr>
<td>11</td>
<td>Senegal</td>
<td>6.8</td>
</tr>
<tr>
<td>12</td>
<td>Guinea</td>
<td>6.7</td>
</tr>
<tr>
<td>13</td>
<td>India</td>
<td>6.7</td>
</tr>
<tr>
<td>14</td>
<td>Philippines</td>
<td>6.6</td>
</tr>
<tr>
<td>15</td>
<td>Tanzania</td>
<td>6.5</td>
</tr>
<tr>
<td>16</td>
<td>Turkmenistan</td>
<td>6.5</td>
</tr>
<tr>
<td>19</td>
<td>Burkina Faso</td>
<td>6.4</td>
</tr>
<tr>
<td>20</td>
<td>Vietnam</td>
<td>6.3</td>
</tr>
</tbody>
</table>

Source: IMF, WEO, 2017
ENCOURAGING FACTS – EXPORTS & DIVERSIFICATION

Part of this growth due to commodity prices, yet many other performers without oil or other mineral wealth: e.g. Cote d’Ivoire, Ethiopia, Rwanda, Senegal, etc.

Increasing exports flows towards emerging markets (e.g. China, India, Turkey, Brazil…) and within Africa (17% of Africa’s total exports in 2015, up from 10% in 1995)
ENCOURAGING FACTS – DEMOGRAPHICS

Potential demographic dividend:

- Today: 1 billion youth
- By 2050: close to 2 billion youth
- In the meantime, labor force in others parts of the world will decline
- 2/3 of 2.6 billion Africans will live in urban areas

Source: Visual Capitalist, 2016

Created by Twitter user @simongerman600 based on data from the UN Population Division
ENCOURAGING FACTS – THE RISE OF THE MIDDLE CLASS

- Average income increased by about 30% over the past 10 years (as compared to 20% of decrease between 1980 and 2000)

- By 2060, 43% of Africans will belong to the middle or upper classes, up from 39.6% in 2013, implying considerably higher demand for goods and services

Source: Pwc, 2017
Source: Brookings 2016
ENCOURAGING FACTS – RETAIL & CONSUMPTION

2017 Global Retail Development Index

African retail value “stages”

Source: Global Retail index, 2017

Source: Global ATKearney, 2017
ENCOURAGING FACTS – RETAIL & CONSUMPTION

- By 2030, household consumption and African business-to-business spending are expected to reach $2.5 trillion ($1.1 trillion in 2015) and $4.2 trillion ($1.6 trillion in 2015), respectively.

- All critical economic sectors will experience strong growth and generate value, e.g. food and beverages, education, transportation, housing, hospitality and recreation, health care, financial services, and telecommunications.

- Land availability (60% of the world’s unused arable land) and demographics dynamics will boost growth in the agriculture and agricultural processing sectors.

- The recently adopted Continental Free Trade Area, which creates a single market for goods and services, is an important milestone for harnessing the potential of Africa’s investment opportunities.
ENCOURAGING FACTS – DIGITAL & MOBILE TECHNOLOGY

Africa Mobile Technology Growth Forecast

Source: AT Kearney, 2013
ENCOURAGING FACTS – AIR TRANSPORTATION TRAFFIC

- African aviation currently supports 6.8 million jobs and contributes $72.5 billion in GDP

- Over the next 20 years, passenger demand is set to expand by an average of 5.7% annually

- Africa will be a market of 350 million airline passengers by 2035

Source: IATA, 2017

PASSENGERS (MILLION)
Challenges
CHALLENGES – FRAGILITY & VULNERABILITY

People in humanitarian need and displaced

- 73m

Ebola epidemic (2014/2015)

- 5 countries hit and $6bn economic losses for SSA

Terrorism

- Killed more than 22000 people across Africa

Source: World Bank, 2017

Favorable weather, ample supply, and low prices do not guarantee food availability everywhere:

- Drought conditions have caused crops failures in parts of Ethiopia, Somalia and Kenya and led to severe food shortages
- Conflicts in South Sudan, Yemen and Nigeria have left millions in need of emergency food
Poverty decreased in relative terms but not in nominal terms, i.e., the number of poor in Africa is close to 500M.

Sub-Saharan Africa HDI average still low at 0.523; over 60% of African countries have a low HDI.
Risk of missing the demographic dividend:

- Between 12-14m youth enter the labor market each year
- Only 75% of those find a formal job
- Professional training and education not properly designed
- Impact of 4.0 Industrial Revolution?

Source: Visual capitalist, 2016
CHALLENGES – BUSINESS ENVIRONMENT

- Progress in overall ease of Doing Business Rankings remains slow
- Power outages among the highest in the world
- Attracting FDI into diversified and higher value-added sectors still a challenge
- African firms are some of the most highly taxed in the world

CHALLENGES – ACCESS TO INFRASTRUCTURE

- Still low access to basic infrastructure
- Several critical corridors for regional integration still to be accomplished
Thank You
Light out and Power Africa

Electricity access in Africa, population %

Source: WEO 2014; Brighter Africa report

- New Deal: Universal access in 2025
- SDG7: Universal access in 2030
- Africa Power Initiative: 80% access in 2040
- No change: 45% access in 2025

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

Low Productivity – Average Yields in Africa vs. Best Practices
(Tons/Hectare or Animals, 2013)

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

36% of African children are stunted

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

Low value addition to agricultural commodities and primary production

Action Plan for African Agriculture Transformation
Industrialise Africa

Share of the global manufactured added value

- Share of processed products in exports

Targets for 2025

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

Limited intra-African trade

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

**Annual cost for the economy (%GDP)**
- 1% to 1,5%

**Transportation cost**
- 70% > than in Asia;
- 50% > than in Latin America
Improve the quality of life for the people of Africa

**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
  - New Entrants: 11M
  - Wage Jobs: 3M
  - Demand: 11M
  - Supply: 3M
  - Shortage: 8M

**31% of African youth are unemployed or discouraged**

- Employment status in Africa, by age
  - % of age group, 2015
  - Youth (age 15-35): 31%
  - Adult (age 36-64): 11%
  - Unemployed or Discouraged: 32%
  - Economically Inactive: 41%
  - Vulnerable Employment: 17%

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

- Distribution of employment in sub-Saharan Africa
  - % of total labor force, 2010
  - Unemployed: 4%
  - Wage Industry: 13%
  - Wage Services: 20%
  - Non-Wage Industry & Services: 39%
  - Agriculture: 50%

**Lack of opportunity affects youth in every country**

- Youth unemployment, by country
  - %, 2015
  - 0-7: 11.1-22
  - 7.1-11: 22.1

**Targets for 2025**

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