

African Development Bank Group

At the Center of Africa's Transformation

Strategy for 2013–2022



AFRICAN DEVELOPMENT BANK GROUP
GROUPE DE LA BANQUE AFRICAINE
DE DEVELOPPEMENT

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African Voices

“Let me say to you that Africa is rising! Africa is transitioning! Africa continues to be committed to those processes that will lead to rationalization of its own natural resources to accountability, transparency, to mutuality and responsibility.”

Ellen Johnson Sirleaf, President of the Republic of Liberia and Nobel Prize Winner, 2013

“What makes us so confident that Africa’s time has arrived and that we can achieve our dream within 50 years, or even less? Six of the world’s 10 fastest growing economies are African, and the continent has been growing at an average of 5% per annum for over a decade, despite the global financial and economic crisis. We have a growing, vibrant, resourceful and youthful population, who are being equipped with critical skills that would be necessary to drive Africa’s transformation.”

Nkosazana Dlamini Zuma, Chairperson of the African Union Commission, 2013

“Africa is once again being seen as a continent of opportunity—the last emerging investment frontier. We see this optimism in the number and diversity of businesses and countries flocking to invest in the continent. It is an optimism based on strong economic growth which even the global financial crisis was only able to reverse briefly. And increasingly, this growth is being used to diversify economies and invest in the bedrock of successful societies—in education, in health and vital infrastructure.”

Kofi Annan, Seventh Secretary-General of the United Nations, 2011

“It has become fashionable to talk about ‘Africa Rising’. ‘The Hopeless Continent’ has become the next investment frontier, as investors consistently make returns impossible elsewhere. . . . Over the past ten years, the general trend across African governance is positive. We have seen a marked decline in conflicts, sustained economic development, and significant gains in Human Development. We are more peaceful, prosperous, healthy and well-educated than at the turn of the millennium.”

Mo Ibrahim, Founder of Mo Ibrahim Prize for Achievement in African Leadership, 2012

“It is in this respect that I see Africa as a hope for the world; Africa holds a lot of promise for the world. And, in my view, Africa might simply be the world’s ticket out of the current international economic crisis. The continent’s resources, youthful age structure and growing population, and increasing middle class and consumers are major resources for the world. The continent can be a source of ideas and innovative solutions. As such, Africa must be placed at the center to resolve the current international crisis.”

Cristina Duarte, Minister of Finance and Planning, Cape Verde, 2012

“Africa is now the new frontier, an important growth pole for economic recovery and an attractive business destination for capital. The perception gap is closing and there are serious investors who are seriously interested in Africa. It is now Africa’s time!”

Ngozi Okonjo-Iweala, Finance Minister of Nigeria, 2011

“The balance of evidence suggests that the next half century in Africa offers good prospects for realizing the African vision of a dynamic, diversified and competitive economic zone in which extreme poverty is eliminated within peaceful, stable and vibrant societies.”

African Development Bank Group, 2011

Foreword



In 2006 a Panel of Eminent Persons helped the Bank chart a vision for the African continent and a path for this organization. *Investing in Africa's Future—The African Development Bank in the 21st Century* in turn inspired the strategic choices that guided the Bank's work from 2008 to 2012. The focus on infrastructure, economic integration and private sector development coincide with the needs of a growing Africa and remain as relevant as ever.

Africa is now the world's second fastest-growing continent. In this decade of seismic shifts in the global economy, Africa has defied the pessimists, accelerating its economic pulse and seeing significant improvements in its Human Development Indicators. But these positive developments have been tempered by a crisis in jobs, youth unemployment and growing inequality. These are now the challenges. Growth must bring jobs and opportunities for all. That will happen if growth is sustained and leads to the structural change and economic transformation that will enable the continent to join global value chains. It will do this by closing the infrastructure gap, speeding up economic integration, dealing with conflicts old and new, and developing human capital.

This is what makes the next decade so decisive. This is what makes this new Bank Strategy for 2013–2022 so vital.

It is a strategy that reinforces the choices of the last five years, building on lessons learned and addressing the challenges of tomorrow. It is a strategy that provides a response not only to sustainable growth, but also to the sustainable management of natural resources. Africa's development is so closely tied to nature, and economic growth is not sustainable without preserving the continent's natural capital, land, water, marine, forests and energy resources. These were the commitments made at Rio+20.

The Strategy also addresses the issue of development finance. New global patterns of finance and capital flows, and the discovery of significant oil and gas resources, now make it possible for Africa to mobilize its own savings through, among other things, better management of natural resources. This is an area where the Bank will play a catalytic, leveraging role.

Underpinning this Strategy are a resilient, robust institution and its staff, who are committed to delivery and excellence.

I would like to thank all those inside and outside the Bank who have played their part in developing this Strategy, our compass for the next decade.

Donald Kaberuka
President

Acknowledgments



The Strategy was prepared by a team led by Kapil Kapoor, Director for Strategy, African Development Bank Group. Mthuli Ncube, Chief Economist and Vice President, provided overall guidance. The core team consisted of Cecile Ambert, Dennis Brougham, Khadija Dhaouadi, Bitsat Yohannes Kassahun, Seliatou Kayode-Anglade, Alan Lukoma, Mateus Magala, Geoffrey Manley, Carlos Molinedo, Alex Mubiru, John Phillips, Preeti Sinha, Ravi Dhananjayen Soopramanien, Frank Sperling, Kate Tench, and Aminata Camara Traore.

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Milestones for the African Development Bank Group

1966—Côte d'Ivoire	The African Development Bank begins operations with a capital base of USD250 million, 33 African member countries and 10 staff members.
1972—Algeria	The Bank and 13 non-regional countries establish the African Development Fund. This concessional window for low-income countries mobilized USD327 million for the first cycle.
1976—Nigeria	The government of the Federal Republic of Nigeria and the Bank establish the Nigeria Trust Fund with an initial contribution of USD80 million.
1982—Zambia	Capital is opened to non-regional member countries. The Bank's authorized capital increases to about USD3.4 billion in 1983 and to USD22.3 billion in 1987, following the 200% Fourth General Capital Increase.
2003—Tunisia	The Bank temporarily relocates operations from Abidjan to Tunis.
2010—Côte d'Ivoire	The Sixth General Capital Increase triples the Bank's authorized capital, which now stands at USD101.4 billion, with 77 member countries (53 African and 24 non-African) and 1,900 staff.
2010—Tunisia	The 12th three-year replenishment of the African Development Fund mobilizes USD9.5 billion, the highest in the fund's history. Extended for 10 years in 2008, the Nigeria Trust Fund's resources stand at USD241.3 million in 2010.
2012—Tanzania	South Sudan joins the Bank, becoming its 54th regional member country.

Executive Summary



The African Development Bank’s Strategy for 2013–2022 reflects the aspirations of the entire African continent. It is firmly rooted in a deep understanding and experience of how far Africa has come in the last decade, and where it wishes to go to in the next.

Africa has embarked on a process of economic transformation. This process has seen solid and sustained growth over a decade, but it has been uneven and without a sufficiently firm foundation, and it is not—by any estimation—complete.

This Strategy is designed to place the Bank at the center of Africa’s transformation and to improve the quality of Africa’s growth. It aims to broaden and deepen that process of transformation, mainly by ensuring that growth is shared and not isolated, for all African citizens and countries, not just for some. It also aims to bring about growth that is not just environmentally sustainable, but also economically empowering. When growth is inclusive as well as “green”, it creates the jobs that the continent needs now and that it will need in ever greater numbers as millions more young people enter the job market, with energies and aspirations to match.

The Bank’s vision is thus Africa’s vision, and its future is Africa’s future. The Bank’s many successes reflect the successes of the continent it serves—while the gaps in its achievements reflect the impediments to true transformation across its regional member countries. The goal of a regionally integrated and economically diverse Africa—determined to include young and old, women and men, rural and urban communities alike, while being increasingly green—will establish Africa as the next global emerging market. The

African Development Bank will be its development voice and its development partner of choice.

The Strategy is built around two objectives, supported by five operational priorities in which the Bank has unmatched advantage, expertise, access and trust.

Two objectives

This ten-year Strategy will focus on two objectives to improve the quality of Africa’s growth: inclusive growth, and the transition to green growth.

Inclusive growth

The first and overarching objective is to achieve growth that is more inclusive, leading not just to equality of treatment and opportunity but to deep reductions in poverty and a correspondingly large increase in jobs.

Unlocking the continent’s great potential—and increasing its chances of reaping a demographic dividend—inclusive growth will bring prosperity by expanding the economic base across the barriers of age, gender and geography. The Bank will invest in infrastructure that unlocks the potential of the private sector, championing gender equality and community participation. It will help improve skills for competitiveness, ensuring that those skills better match the opportunities and requirements of local job markets.

Green growth

The second objective is to ensure that inclusive growth is sustainable, by helping Africa gradually transition to “green growth” that will protect livelihoods, improve water, energy and food security, promote the sustainable use of natural

The first objective is to achieve growth that is more inclusive. The second objective is to ensure that inclusive growth is sustainable

resources and spur innovation, job creation and economic development.

The Bank will support green growth by finding paths to development that ease pressure on natural assets, while better managing environmental, social and economic risks. Priorities in reaching green growth include building resilience to climate shocks, providing sustainable infrastructure, creating ecosystem services and making efficient and sustainable use of natural resources (particularly water, which is central to growth but most affected by climate change).

Five operational priorities

The Strategy outlines five main channels for the Bank to deliver its work and improve the quality of growth in Africa. First recommended by the High Level Panel review of 2007, and later enshrined in the Medium Term Strategy for 2008–2012, these are areas in which the Bank has the greatest comparative advantage and proven track record. Over at least a decade, Bank and other research has repeatedly confirmed that they provide a compelling and consistent framework for the Bank's operations. The 2011 review of the Medium Term Strategy showed that the focus on these priorities had served its clients well, but that a longer planning horizon and a longer term strategy were needed—underpinned by three-year rolling action plans.

Infrastructure development

Africa still has massive infrastructure needs. It invests only 4% of its GDP in infrastructure, compared with 14% in China. Bridging the infrastructure gap could increase GDP growth by an estimated 2 percentage points a year. The Bank has made significant contributions to infrastructure development in Africa, and tens of millions of Africans are now better off thanks to Bank investments in transport, energy and water. The Bank intends to scale up infrastructure financing to the continent significantly—not just through its own lending but by leveraging its financial resources.

Regional economic integration

Integration is essential for Africa to realize its full growth potential, to participate in the global economy and to share the benefits of an increasingly connected global marketplace. Having 54 individual countries, often without the physical and economic machinery to act in tandem, seriously limits this possibility. The Bank is well positioned to play a leading role in fostering Africa's economic integration to create larger, more attractive markets, to link landlocked countries, including fragile states, to international markets and to support intra-African trade.

Private sector development

The dynamics of wealth and job creation in Africa—and a number of the tasks of government—are increasingly driven by private rather than public funds. Working both directly and indirectly with governments, the Bank will continue to be an increasingly active partner and facilitator for private investment in Africa. Delivering finance and providing advice and technical assistance, it will design activities that respond to the specific needs, opportunities and challenges of the private sector. It will focus on African entrepreneurship, addressing the constraints that face women and young entrepreneurs and supporting micro, small and medium enterprises. In strengthening the financial sector, it will stimulate lending to micro, small and medium-size enterprises, help develop local capital markets, promote better governance and risk management of financial institutions and promote the adoption and implementation of financial standards and regulations.

Governance and accountability

Economic growth can only be built on the firmest foundations of just, transparent and efficient governance and institutions administered by the capable state. Responding to demands in Africa for better governance and basic services, the Bank will assist institutions that support inclusion and promote accountability—for

The Strategy outlines five main channels for the Bank to deliver its work and improve the quality of growth in Africa

example, by strengthening the capacities of parliamentarians, the media and civil society organizations. To improve public financial management, the Bank will do more to support fiscal decentralization and domestic resource mobilization.

Skills and technology

Unemployment across Africa is unacceptably high, especially among young people. To increase the supply of skilled workers, the Bank will step up its support for technical and vocational training linked to specific needs in the labor market. The aim is to equip young people with the right skills for both the formal and informal sectors, including the skills to create small businesses.

Three areas of special emphasis

In implementing its ten-year Strategy, and as an integral part of the two objectives, the Bank will pay particular attention to fragile states, agriculture and food security, and gender.

Fragile states

Supporting fragile states can strengthen these economies, which house a fifth of the continent's people and a significant proportion of its poverty. Fragility is contagious as well as episodic—it calls for support tailored to diverse needs and a continuum and regional approach built around dialogue, local ownership and the celebration of success.

Agriculture and food security

Strengthening agriculture and food security through an integrated value chain approach can improve the livelihoods of Africans who live in rural areas. Many are reliant on subsistence farming, and a sizable proportion is chronically vulnerable to climatic uncertainty. Africa lives off its land, and more than 70 percent of Africans work on the land, which too often fails to provide for their needs. By continuing to invest in rural infrastructure (such as rural roads, irrigation, electricity, storage facilities, access to markets, conservation systems and supply

networks), the Bank will help countries increase agricultural productivity and competitiveness. By investing in regional infrastructure and engaging in policy dialogue to remove trade barriers to importing food and inputs such as fertilizers, it will help restrict food price volatility and reduce food insecurity.

Gender

Increasing the capabilities and opportunities of women and girls can boost the productivity and participation of half the African population. A focus on knowledge, skills development and legal and property rights is the precursor to empowering women's enterprise. Women and girls bear significantly more than half of the continent's burdens, but they also carry disproportionately high potential as generators of income.

Financing the Strategy—mobilizing and leveraging new sources of development finance

The Bank's financial resources will always be a small fraction of Africa's requirements. Current fiscal constraints in donor countries suggest that official development assistance could well be largely stagnant in the coming years. The Bank will therefore seek new and creative ways of mobilizing resources to support Africa's transformation, especially by leveraging its own resources.

The Group will of course continue to build on and expand the size and the practical operations of both the African Development Bank and the Africa Development Fund. But with the changing global economic landscape, it will explore options for attracting additional investment from emerging economies and from new funders and donors, including sovereign wealth and pension funds. It will use its existing instruments better, while developing new ways of ensuring that a dollar invested by the Bank unlocks significantly more from other investors. Wider use of public-private partnerships, co-financing arrangements and risk-mitigation instruments will draw in new investors.

In implementing its ten-year Strategy, the Bank will pay particular attention to fragile states, agriculture and food security, and gender

Transforming to support transformation

The Bank is a unique proposition: as an African organization serving Africans, it is a motor for economic progress and integration, and the voice of Africa and African development across the continent—and far beyond. It is already well on the way to increasing its development effectiveness through increased decentralization to field offices, strategically focused areas of engagement and a strong balance sheet with a high risk-bearing capacity. All this has contributed to consistently maintaining the AAA rating by which its African and global reputation is assured.

This Strategy reflects Africa's vision for itself—a vision of transformation that is achievable

The Bank must continue to evolve to stay relevant. It has to become more decentralized, integrated, efficient, effective and results-oriented, measuring its progress by real improvements on the ground. It must also continue to streamline its business processes—operational, institutional and budgetary. And it must strengthen its roles as an adviser, knowledge broker, catalyst and convener.

This, then, is the ten-year Strategy of the African Development Bank—of Africa's bank. It reflects Africa's vision for itself—a vision of transformation that is achievable. "At the center of Africa's transformation", the Bank will measure success by the lasting changes it brings to the lives of the African people.

Africa's Transformation



The past decade of unparalleled growth and stability has changed perceptions about Africa for the better. Between 2000 and 2010, six of the world's 10 fastest growing economies were in Africa, and economists project growth to remain strong. High commodity prices have played a role but so have improved macroeconomic policies and sustained reform, as well as stronger governance and better conditions for private sector development. Conflict remains a concern, but its incidence has declined—reducing the contagion for neighboring countries and boosting investor confidence in many regions. And many countries are advancing toward meeting the Millennium Development Goals.

With new investments and faster growth, Africa has an opportunity over the next decade to become the next emerging market and global growth pole (Figure 1). Growing external

demand for Africa's exports—and growing internal demand—could bring this about, if Africa can seize its potential in water, agriculture, renewable energy and other sectors, especially oil, gas and minerals.

Africa's vision

Africa sees itself becoming a prosperous continent with high-quality growth that creates more employment opportunities for all, especially women and youth. In this vision, sound policies and better infrastructure will drive Africa's transformation by improving the conditions for private sector development and by boosting investment, entrepreneurship and micro, small and medium enterprises. In this context, transformation means diversifying the sources of economic growth and opportunity in a way that promotes higher productivity,

Africa sees itself becoming a prosperous continent with high-quality growth that creates more employment opportunities for all, especially women and youth

Figure 1 Upside—The number of FDI-financed greenfield projects in Africa is on a par with individual BRIC countries . . . as is its real GDP growth



Source: UNCTAD 2011 (left); AfDB using IMF data 2012 (right).

A critical element in the continent's growth will be boosting agricultural productivity on a sustainable platform of water security

resulting in sustained and inclusive economic growth. It also means supporting the development of industries that increase the impact of the existing sources of comparative advantage and enhance Africa's global competitive position.

In this transformation—indeed driving it—growth will become much more inclusive, extending beyond some countries, some sectors and some workers. Many of Africa's fragile states will be on a path to growth and recovery. Stronger institutions of governance (domestic and regional) will reinforce the rule of law, facilitate transparency and accountability and peacefully resolve conflicts. Africa will attract greater private investment from foreign sources. Faster growth, more formal economic activity and improved wealth management will greatly increase domestic resource mobilization, reducing the dependence on donor aid. And more of Africa's capital will be invested domestically, not parked offshore. But successful transformation requires visionary and determined leadership.

Africa will seize opportunities for greener, more sustainable growth to become more resilient in the face of climate change. By incorporating green principles in development plans, African countries will extend access to water, energy and transport, boost agricultural productivity and create new jobs and expertise. They will also build sustainable cities and develop their natural resources while reducing waste. They will chart their own green growth paths—reinforcing, not compromising, their development efforts.

Africa as a continent will be much more integrated. Goods, services and people will move across countries and regions—creating larger markets, increasing companies' competitiveness and expanding intra-African trade opportunities. Fostering cooperation within trans-boundary basins will support growth, peace and stability. Such regional approaches will also make resource use more efficient.

This vision reflects what the Bank heard during its widespread consultations with

governments, private sector actors, academics and representatives of civil society. It coincides with the ambitions of African leaders and the vision of the African Union's New Partnership for Africa's Development as a continent where growth is inclusive—embracing the continent's youth, its women, its fragile states—and sustainable. It also coincides with the ambitions of regional members as set out in their long-term poverty reduction and development strategies.¹

What Africa must do to realize the vision

Realizing this vision will not come easily (Box 1). Several economies on the continent remain fragile, and infrastructure remains underdeveloped, hindering regional integration and reducing enterprise competitiveness (Figure 2). Many African economies rely on raw materials, with limited diversification of their productive structures. Poverty rates remain unacceptably high. Inequality is also high: six of the 10 most unequal countries in the world are African. Recent global food crises and ongoing struggles with hunger in some parts of Africa, particularly in the Horn, emphasize the need for greater food security. Africa must also harness more of its own capital—human, natural and financial—to invest in future development.

Overcoming such formidable challenges will require a new mindset where Africa's leaders and people fully assume ownership for their development—much in the way China, India, the Republic of Korea and Singapore have done. And it will require continuing support from the international community to reinforce Africa's efforts and resources and build capable states with robust public administrations.

A critical element in the continent's growth will be boosting agricultural productivity on a sustainable platform of water security. Africa is the only continent where per capita food production has declined over the past 30 years. And unemployment must be significantly reduced. In 2009 the unemployment rate

Box 1

Drivers of change

Core drivers of change, internal and external, are changing the development landscape for Africa, with profound implications for the continent.

Demography. Africa's population is young and growing, and a rapidly expanding number of job-seekers must be incorporated into labor markets (see figure below). The number of graduate students tripled in Sub-Saharan Africa between 1999 and 2009, yet young people account for about 60% of the region's unemployed. Population growth rates are even higher in cities, where an estimated 40% of Africa's population lives. By 2030 urban populations will increase by an additional 300 million people.

Governance. Governments, along with regional and continental institutions, have taken responsibility for resolving conflicts and strengthening institutions of accountability and the rule of law, thus fostering economic stability. Many African countries are also implementing policy reforms to improve the business environment.

Water security. Africa's water resources are abundant but unevenly distributed in time and space—only 5% of Africa's available water resources are developed. Massive investments in integrated water development and management are central to sustainable water, food and energy security for green and inclusive growth.

Climate. Climate variability and climate change are straining economic and social infrastructure and land productivity and threatening rural livelihoods, with adverse implications for water, food and energy security.

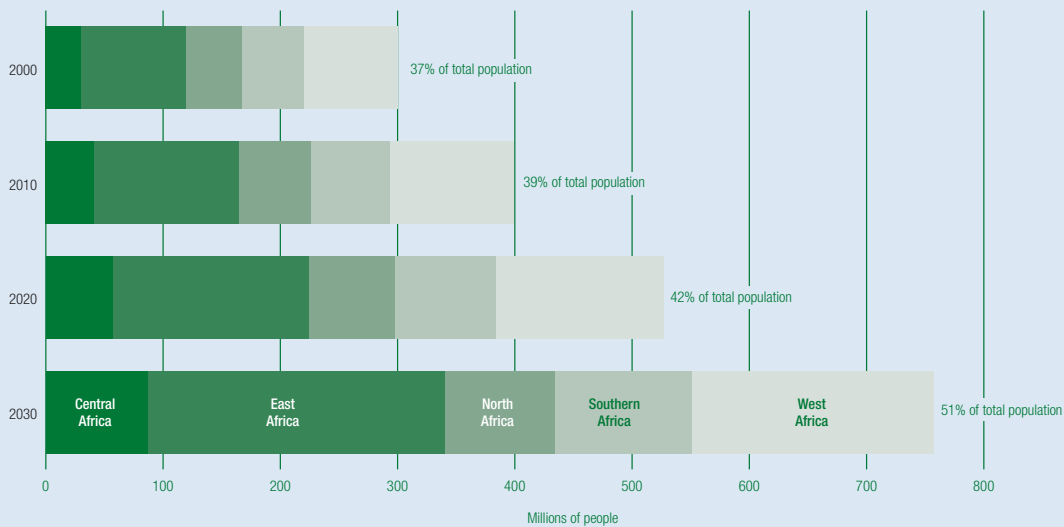
Development finance. The aid landscape has changed with new partners and the entry of the emerging economies, not only as trading partners and investors but also as development partners. Private investment is growing relative to aid, with greater reliance on market-based financing. More countries are financing their development with their own resources, including taxes, remittances and royalties from extractive industries.

Shifting trade and investment patterns. Major shifts in trade and capital flows to and from Africa are game-changing, and emerging economies, such as the BRICs, are influencing Africa's growth.

Science, technology and innovation. The new broadband infrastructure and the proliferation of mobile banking and other wireless applications can be harnessed to "leap-frog" older ones and accelerate growth and job creation.

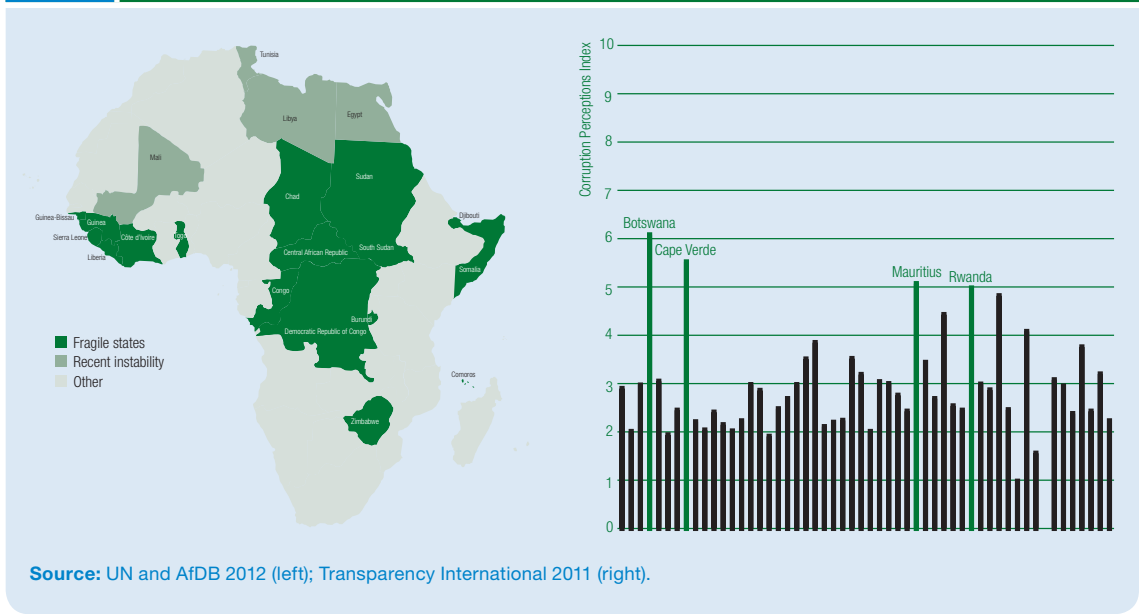
Global demand for resources. Continuing strong global demand for water, energy, minerals and agricultural commodities will offer new opportunities for growth and pose significant policy and resource management challenges.

The economically active population is growing



Source: Africa Progress Panel, Jobs, Justice and Equity: Seizing Opportunities in Times of Global Change, 2012, using AfDB data.

Figure 2 Downside—Fragility is a concern . . . and the majority of African countries score below 5 (out of 10) in Transparency International's 2011 Corruption Perceptions Index



Strengthening regional economic communities and other regional partnerships will facilitate regional planning and economic integration

was 23.4% in North Africa and 12.1% in Sub-Saharan Africa.² Efforts to support productive safety nets and to increase the participation of women, young people and disadvantaged or marginalized groups must be strong and sustained. Africa must make growth more inclusive.

Africa must also seize the many opportunities in its gradual transition to green growth, responding to the challenges of climate change and reducing the ecological footprint on its natural capital, as a springboard for development. The green agenda reinforces the continent's development path and the efforts of individual countries. First-movers such as Ethiopia, Rwanda and South Africa—aware that greening their economies creates opportunities for growth and job creation—are already showing the way.

Africa must, in addition, redouble efforts to build efficient, resilient and capable states—founded on functioning institutions—which have key roles in private sector-led growth. It has to improve the investment climate, measured by the ease of doing business for all types of enterprise, domestic and foreign, formal and informal. It has to link skills development and

education systems to labor markets. And it has to strengthen regulatory, institutional and financial frameworks, leading to more effective rule of law and reduced corruption. Only politically stable states can promote greater inclusion, as their citizens have more voice in decision-making.

With the support of the African Union and regional economic communities, Africa needs to integrate—to draw on its human resources more effectively, to consolidate its internal markets and to make resource use more efficient through regional approaches. Building transport and communications infrastructure will improve physical and virtual connectivity. Strengthening regional economic communities and other regional partnerships will facilitate regional planning and economic integration, making it easier for goods and people to cross borders, creating larger, more attractive regional markets and boosting intra-African trade. Only capable regional economic communities can truly accommodate Africa's diverse populations.

To drive sustainable growth, Africa must develop and manage its vast natural resources sustainably, with water central

to agriculture, energy, industry and mining. Whether endowed with water, oil, land or minerals, African countries must put in place frameworks to attract the necessary investment and expertise and to install the right governance structures. They should ensure that

substantial benefits go to local populations and national economies through safeguarding the environment and providing basic social services.

If Africa does all these things, it can be the next global emerging market.

The Bank's Strategic Approach

PART
TWO



This Strategy will position the Bank as the partner of choice, as a catalyst, adviser and knowledge broker—and as Africa's premier development institution

The Bank will build on its achievements and comparative advantages as a resilient and trusted continental institution with a unique African character and high franchise value. Over the next decade it will respond to the many changes in Africa's development landscape. With a new strategic orientation, this Strategy will position the Bank as the partner of choice, as a catalyst, adviser and knowledge broker—and as Africa's premier development institution.

The guidance of the High Level Panel and lessons from the Medium Term Strategy

In 2007 the High Level Panel set out the fundamentals for the Bank's Medium Term Strategy for 2008–2012. It also provided a compelling framework for the Bank's operations in the continent over the longer term.³

To support Africa's development, the Bank would become a voice for Africa in international discourse, engaging in strategic partnerships, with greater capacity to disseminate knowledge and lead new policy initiatives. Selectivity would be a cornerstone for effective development assistance, with an ambitious agenda focusing on growth and economic integration.

The 2011 review of the Medium Term Strategy showed that the Bank's selectivity and focus on core areas of comparative advantage had served clients well, but that it needed a longer planning horizon and a long-term strategy. Core operational priorities highlighted for continuing support included private sector development, regional integration, governance, and skills development, with infrastructure identified as a strong area of the Bank's comparative advantage and a good sectoral entry point for delivering results. Also identified as priorities

were mainstreaming gender into all activities, scaling up interventions in fragile states and helping Africa deal with climate change and food insecurity.

These operational priorities and focus areas remain the main elements of this Strategy. What is new, after a year of consulting with clients, donors and beneficiaries, is the explicit adoption of inclusive growth and the transition to green growth as the Strategy's two objectives. Also new is pursuing new and creative ways of mobilizing resources to support Africa's transformation—and the many ways the Bank will work differently to streamline its business processes for greater efficiency and flexibility in responding to the needs of individual countries.

Two objectives—inclusive growth and the transition to green growth

The Strategy will pursue two objectives aimed at improving the quality of growth in Africa. The first and overarching objective is to make growth inclusive by broadening access to economic opportunities for more people, countries and regions, while protecting the vulnerable.

The second is to make growth sustainable by helping the continent to transition gradually to green growth. Improving the quality of growth can put Africa on the path to structural transformation—to moving from primary products to value-added manufacturing and services. In supporting this quest, the Bank will maintain its strategic focus while responding to the many new challenges.

Inclusive growth

Inclusive growth has four elements: economic inclusion, social inclusion, spatial inclusion and political inclusion. Despite increases in GDP

over the past decade, African growth has been narrowly concentrated in a few sectors and geographic areas. It has not been inclusive enough, nor has it led to deep reductions in poverty and inequality. That is why the Bank's Strategy emphasizes wider access to economic opportunities for Africans across age, gender and geographic divides.⁴ It will help countries address the constraints that limit the participation of women and youth in the economy and help fragile states acquire finance and knowledge to build capable institutions. The Bank will assist African member countries in building safety net programs to reduce vulnerability and increase the integration of disadvantaged and marginalized groups. Safety net programs, as part of a broader social protection agenda, would address the risks, vulnerability and social exclusion that these groups normally face.

- *Broadening the economic opportunities for women.* This is important in its own right and as a driver of economic competitiveness, because economies that harness the energy and talent of women will outperform those that do not. Studies show that a level playing field for women can boost productivity, particularly in agriculture, and reduce inequality.⁵ Providing basic services will ease the burden of women and free their time for more productive activities. Giving women more voice is also associated with better outcomes for children.
- *Broadening the economic opportunities for youth.* A large majority of young people in Africa are out of work, accounting for up to 60% of unemployment in the region.⁶ Even if working, most young people engage in low-productivity and poor-quality jobs, mostly in the informal economy. According to International Labor Organization estimates, roughly 90% of the region's jobs are in the informal economy. Hampering the productivity of young workers is their lack of technical and entrepreneurial skills—and of information about jobs and market needs.
- *Broadening the economic opportunities for fragile states.* Africa's fragile states, home to

more than 200 million people, face a daunting array of challenges, with as much as 80% of their population surviving on subsistence agriculture and more than 50% living on less than USD1.25 a day. Poor infrastructure depresses their productivity by an estimated 40%. Their limited social cohesion, weak governance institutions and processes, and high unemployment, poverty and inequality can also be sources of insecurity and instability in neighboring countries. All this makes close attention to fragile states imperative.

- *Supporting countries as they build safety net programs.* Safety nets are inextricably linked with inclusion and poverty reduction in the most vulnerable and disadvantaged groups. They cushion economic and social shocks, thus helping to include the excluded and vulnerable in the benefits of broad economic opportunities.

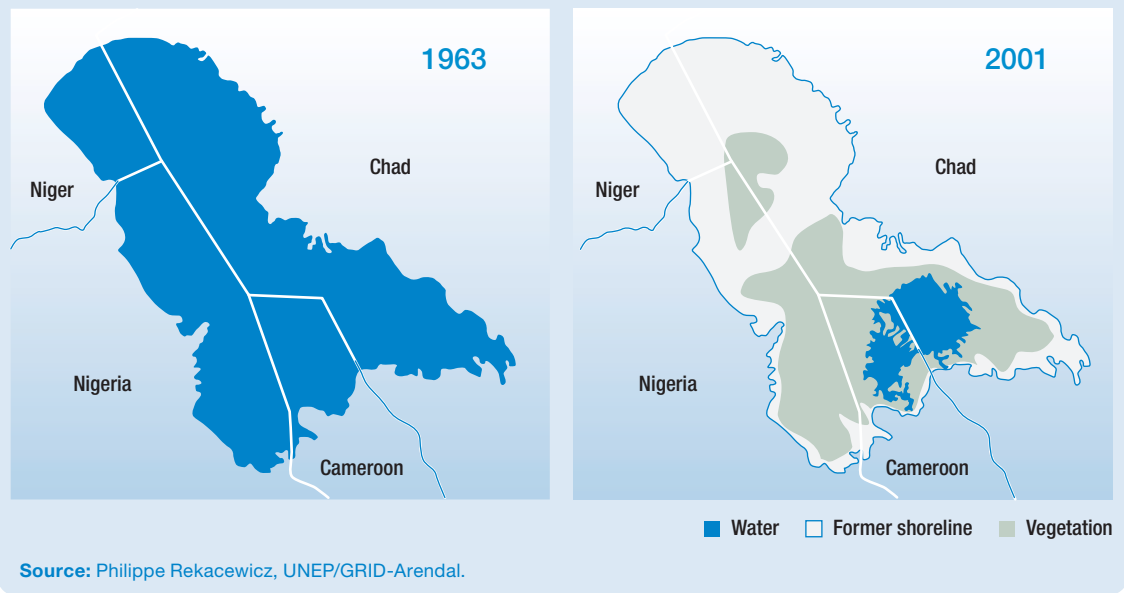
To improve transparency, accountability and reporting, the Bank will develop an index to measure and track progress on inclusive growth in Africa.

The transition to green growth

The ecological footprint of Africa increased 240% between 1961 and 2008—a result of growing populations and rising per capita consumption. Some of the resulting environmental degradation is visible (Figure 3). Looking ahead, and assuming that resource constraints do not limit growth, Africa's ecological footprint is projected to double by 2040. In July 2011 in Malabo, Equatorial Guinea, the African Union Heads of State and Government urged member states to ensure that Africa's interests on green economy issues within the context of sustainable development, poverty eradication and institutional frameworks for sustainable development would be defined and taken into account at the 2012 United Nations Conference on Sustainable Development (Rio+20). They further called on the Bank, and other partners, to support this position. Rio+20 affirmed the different paths available to each country, in

The Bank will assist African member countries in building safety net programs to reduce vulnerability and increase the integration of disadvantaged and marginalized groups

Figure 3 The drying up of Lake Chad



By improving food security and reducing water stress, greener growth can improve the livelihoods of millions of Africans

accord with national circumstances and priorities, to achieve sustainable development. It defined green growth not as an end in itself but as an important path for sustainable development and wealth creation in the context of inclusive growth.

Africa's interest in transitioning to a green economy is clear from the support its leaders gave to participating in that conference. And in July 2012 in Addis Ababa the African Union Summit of Heads of State and Government asked the Bank and other partners to continue working with countries implementing the Rio+20 outcomes.

African leaders have acknowledged the efforts of several African countries in identifying opportunities and challenges in the gradual transition to a green economy. By improving food security and reducing water stress, greener growth can improve the livelihoods of millions of Africans. Indeed, transitioning to a green economy is about creating jobs, not limiting them. It can also ease the pressure on natural assets by managing environmental and social and economic risks. It is thus about sustaining natural capital, not just managing the use of water, gas, oil and coal. But it will be achieved on the continent only through a

gradual transition, tailored to national circumstances, supporting national development strategies and providing policy options without becoming a barrier to investment.

The Africa Consensus Statement notes that the transition to green growth will require greater investments, greater access to green technologies and considerable capacity building. The Bank will therefore be proactive in mobilizing additional resources from the international community to supplement national resources and ensure that investments in green growth do not lead to new conditionality.

Green growth in Africa means promoting and maximizing opportunities from economic growth through:

- *Building resilience.* Africa's people and economies must become more resilient in the face of shocks, whether triggered by environmental or socioeconomic events. This requires identifying adaptation and mitigation measures to reduce climatic, economic and social risks and avoid the loss of lives, incomes and productive assets. Options include climate-proofing infrastructure, developing stronger insurance schemes, establishing productive safety nets and managing risk to counter price volatility.

- *Managing natural assets efficiently and sustainably.* Africa can use its abundant water, forest and mineral resources for growth while maintaining its biodiversity and ecosystems. Innovation in green technologies offers new opportunities for growth and for productive employment.
- *Promoting sustainable infrastructure.* Africa can develop transport systems compatible with environmental concerns. It also needs to build integrated water infrastructure to support agriculture, energy, transport and industry and to promote health and hygiene. And in the face of rising urbanization, it can reduce pollution, improve the provision of basic services and build sustainable cities to minimize disaster risk. It can also do more to improve its water and energy security through harnessing wind, solar and hydro energy.

In supporting the transition to green growth, the Bank will tailor its work to the specific circumstances of African countries and seize opportunities to help countries ease the pressure on their natural capital. Minimizing the negative environmental and social consequences of operations consistent with its safeguard policies, it will also seek opportunities consistent with national priorities and inclusive growth. But again, it will not impose green conditionality in its portfolio.

Core operational priorities

The Bank's interventions will support the two objectives of inclusive growth and the transition to green growth to deliver on Africa's vision as a stable, integrated and prosperous continent. It will improve the quality of growth in the continent by limiting its engagement to five core operational priorities.

- *Infrastructure development.* The Bank will invest in infrastructure that unlocks the growth and development potential of the private sector, encourages value addition and structural transformation, improves agricultural productivity and food security and enhances community participation.

Infrastructure development has the greatest benefits for fragile states, and it impacts upon the chances of young people and women.

- *Regional integration.* The Bank will leverage its financial support by using its knowledge and convening power to help countries mobilize additional resources, either domestic or foreign, and through public-private partnerships where possible. Africa's trans-boundary water basins provide a unique opportunity to facilitate regional integration. The Bank will support trans-boundary basins and basin organizations to foster cooperation and improve integration across Africa.
- *Private sector development.* The Bank will increase support to micro, small and medium enterprises and social businesses⁷ as engines for job creation and inclusion.
- *Governance and accountability.* The Bank will support the development of capable states founded on effective institutions, good governance and regulation for economic growth—specifically, property rights, equal access to effective justice and greater participation in decision-making.
- *Skills and technology.* The Bank will invest in skills for competitiveness and ensure that those skills better match the opportunities and requirements of local job markets.

The Bank will engage only in sectors where it has a demonstrated comparative advantage.

Infrastructure development

The Bank will continue to narrow the gap in Africa's huge infrastructure needs. Inadequate water and sanitation infrastructure is costing Africa the equivalent of 5% of GDP. High transport costs add 75% to the price of African goods, and about 30 countries have chronic power outages. Bridging these gaps could add 2 percentage points to Africa's annual GDP growth.

Since 2008 the Bank has helped build and rehabilitate 25,000 kilometers of main roads

In supporting the transition to green growth the Bank will tailor its work to the specific circumstances of African countries

The Bank will allocate a significant proportion of its new commitments to infrastructure development

and feeder roads, linking rural areas to transport corridors and markets, benefiting more than 10 million people. It has also helped increase power generation by 3,000 megawatts and build, rehabilitate and install 15,000 kilometers of transmission and distribution lines, benefiting more than 13 million people. And it has helped increase access to clean drinking water with 24,000 wells, boreholes and sanitation facilities, benefiting more than 12 million Africans. It has supported the development of multi-purpose water storage infrastructure and irrigation systems to enhance agricultural productivity, produce energy and mitigate floods and droughts. And it has promoted cooperation in trans-boundary basins. Such improvements cut across sectors by contributing to regional integration, private sector development and better governance in fragile states—all contributing directly to inclusive growth.

Africa requires nearly USD100 billion to meet its annual infrastructure investment needs, but the investments so far made cover about half that amount. As the High Level Panel noted, “The Bank’s role in infrastructure must be seen in its broadest sense, as an enabler of productivity and growth, contributing directly to results in other sectors.” A road becomes the market space for rural populations to sell their goods and earn income, boosting intra-regional trade and reducing spatial inequalities not only between countries but also within national boundaries. Rural electrification creates jobs and increases energy security, reducing rural poverty. Infrastructure built to support agricultural value chains increases food security.

This Strategy envisages scaling up infrastructure investments substantially, with a view to increasing productivity and competitiveness, to deepening physical, economic and social integration, to creating opportunities and promoting inclusion and to contributing to sustainable economic transformation.

The Bank will allocate a significant proportion of its new commitments on infrastructure development to improve transport and logistics chains, meet the rising demand for energy,

enhance water resources development and expand broadband telecommunications. It will help to manage urban growth and develop sustainable urban infrastructure systems, particularly urban transport and urban water, sanitation and waste management. In addition to physical infrastructure, the Bank will support policy, institutional and regulatory reforms to promote private participation and enhance the efficiency and sustainability of infrastructure investments. And to maintain its leadership role in continental infrastructure initiatives, such as the New Partnership for Africa’s Development and the Infrastructure Consortium for Africa, it will expand its analytical and advisory capabilities in infrastructure.

Regional integration

Given the many small African economies, regional integration is essential for the continent to realize its potential for sustainable and inclusive growth, to participate in the global economy and to share the benefits of an increasingly connected global marketplace.

Since 2009 the Bank has financed more than 70 multinational operations for a total of USD3.8 billion, resulting in the construction of 467 kilometers of cross-border roads and the construction and rehabilitation of 776 kilometers of cross-border transmission lines. It has supported the reform and modernization of customs, the strengthening and development of one-stop border posts, the implementation of trade facilitation agreements at the World Trade Organization and the development of logistics services. These interventions contributed to a significant increase in intra-African trade, which more than doubled from USD47 billion in 2005 to USD108 billion in 2011. Similarly, Africa’s share of global trade has risen from 2.5% in 2005 to 3.1% in 2011.

The Bank is well positioned to foster Africa’s economic integration to create larger, more attractive markets, link landlocked countries to international markets and support intra-African

trade. With infrastructure a key impediment to trade, the Bank will take a regionally integrated approach to infrastructure development. Africa has about 80 trans-boundary water basins, which hold tremendous opportunity for fostering cooperation between riparian states for jointly developing large infrastructure, for sharing benefits equitably and for promoting peace and development. Roads, ports, transmission lines and ICTs will be essential to facilitate this process. National infrastructure investments will be critical building blocks for regional infrastructure development that will help Africa form large, connected and competitive markets to replace today's small, isolated and inefficient ones (Box 2).

Africa also needs to address the "soft" aspects of regional integration. According to the World Trade Organization, the value of Africa's exports grew 11.3% a year between 2000 and 2009, compared with the world average of 7.6%.⁸ But only 12% of this trade is intraregional, the lowest in the world. For goods to move and results to show, countries have to simplify and harmonize complex and lengthy trade and customs procedures and regulations, rationalize restrictive rules of origin and tackle corruption and other informal trade barriers.

Across fragile states and across the entire continent, regional integration connects Africa's people and allows them to cross borders and explore trading opportunities and markets. The Bank will promote legal and regulatory frameworks that help labor and capital move easily, tailoring its interventions with regionalism in mind. In addition to policy dialogue, it will

invest in one-stop border posts and national immigration offices with well trained and motivated officials. It will also help Africans develop the skills to take advantage of more integrated economies.

The Bank will help governments and regional institutions ensure that infrastructure projects are integrated and inclusive, providing access to rural areas and poor households, creating links to micro, small and medium enterprises, increasing the share of local skilled workers and transferring knowledge to local companies and authorities. It will also help them ensure that projects are sustainable and developed through a consultative process that reflects international environmental and social standards. And to develop more bankable infrastructure projects, it will increase financing for regional project preparation. These efforts, articulated in the Bank's new Regional Integration Framework, will help countries boost their trade within Africa.

Private sector development

The Bank's members see the private sector as the main engine for growth and job creation. So the Bank will help Africa significantly expand domestic and foreign investment and promote African businesses and entrepreneurs, by supporting the development of a conducive policy environment and providing a range of financial and non-financial services.

There is a broad consensus that growth in Africa will be led by the private sector working

The Bank is well positioned to foster Africa's economic integration to create larger, more attractive markets, link landlocked countries to international markets and support intra-African trade

Box 2

Infrastructure to integrate the region

With a clear mandate from the African Union, the Bank will help lead the continent-wide Program for Infrastructure Development in Africa (PIDA). Adopted by the African Heads of States in January 2012, PIDA frames the continent's efforts to develop key regional infrastructure. For these efforts to work, Africa needs engagement and commitment at the highest levels of government as well as financial

leadership at the national and continental levels. The responsibility for preparing "bankable" projects and driving implementation rests with the regional economic communities, project preparation facilities and implementing agencies. But national governments (supported by institutions such as the Bank) will control the regulatory and legal environment to attract financing.

Growth in Africa will be led by the private sector working in close partnership with the public sector

in close partnership with the public sector. The African private sector contributes about 80% of the continent's GDP and creates about 90% of all jobs. Micro, small and medium enterprises, 65% of them informal, create 70–80% of jobs and contribute 30–35% of GDP. But there is a “missing middle,” with medium-size enterprises employing only 20–30% of the workforce. And base-of-the-pyramid micro and small enterprises operate outside the formal economy, inhibiting their access to finance, markets, and services—and thus their ability to grow and create value and jobs.

Over the past five years the Bank has become a partner and facilitator of private investment in Africa, and this will continue. Between 2009 and 2011 it invested more than USD5 billion in the private sector, 61% of it in low-income countries, resulting in foreign exchange savings of USD2.8 billion and generating government revenues of USD1.9 billion. With a catalytic multiplier of 5 to 7, these investments are expected to mobilize over USD30 billion in investment from other sources. To help develop small and medium enterprises in Kenya, Cameroon, and the Democratic Republic of the Congo, the Bank helped at least 200,000 such enterprises get small loans to support work in the informal sector. These investments have generated USD650 million in new turnover and created or maintained around 350,000 new jobs.

Advisory services and institutional support at the policy and project levels are critical enablers of private sector development, and the Bank will support the ongoing continent-wide effort to improve the business environment. It will emphasize innovative financial instruments with strong credit enhancement features, such as guarantees and other risk-mitigation instruments. It will expand its syndication and resource mobilization activities, tapping both public and private resources. It will develop co-financing opportunities and integrated approaches through greater internal collaboration among sector departments. To catalyze additional investment beyond its resource

envelope for a country, it will pursue integrated infrastructure development that combines concessional resources with non-sovereign guaranteed financing. When feasible, it will position its knowledge and financing solutions to support private and commercially operated initiatives and institutions and not substitute for them, so that operations crowd in commercial operators, rather than crowd them out.

The Bank also supports private enterprise through its investments and institutional support. By investing in infrastructure, skills development and the enabling environment, it will help create a more conducive business climate. By providing institutional support, it will help governments strengthen the quality and effectiveness of administrative services to enterprises. It will also support value-chain links and clusters, particularly in agribusiness and extractive industries. It will channel equity and debt financing through multi-country private equity funds to inject long-term resources. On a limited basis it will directly finance medium-size enterprises, particularly in fragile states and low-income countries. And it will deploy risk-sharing instruments through such financial intermediaries as commercial banks, micro-finance institutions and national and regional development finance institutions.

Africa's formal financial sector is in the early stages of its development and faces problems of scale, volatility, long-term liquidity and adverse risk perception from global counterparts. To deepen and expand financial and capital markets, the Bank will support initiatives that encourage a range of financial institutions and services (such as venture capital and leasing); new regulatory frameworks developed in close coordination with other international financial institutions, including in cross-border regulation; and financial instruments such as bonds, equities, and warrants that can mobilize term finance and schemes aimed at increasing local currency borrowing to fund private sector projects. It will support initiatives to improve Africa's financial infrastructure, including collateral registries, credit bureaus, credit

ratings, and payment and settlement systems, all of which are needed to foster financial stability and to operate modern integrated financial markets. A healthy, efficient and stable financial sector remains the cornerstone of a private sector-led development strategy.

African firms need affordable trade credit. In response to the collapse of commercial financing since the global financial crisis, the Bank piloted a trade finance initiative. Its lessons, and those of other multilateral institutions with similar initiatives, have informed an operational trade finance program focusing on agriculture, smaller enterprises and higher risk markets as primary beneficiaries.

While there is broad support for this multi-pronged approach to delivering finance and developing local financial capacity, there are calls for the Bank to do more, especially to help micro, small and medium enterprises. Social businesses—as a recognized movement that promotes inclusion, private sector development, social innovation and entrepreneurship—can be combined with microfinance to broaden its effectiveness, development impact and sustainability. They present new areas of opportunities that can be piloted to provide demonstration effects in increasing the provision of much needed basic services and ecosystem services. Social entrepreneurs have already established a track record as alternative providers of microfinance, education, health, drinkable water, energy and other social needs, mainly to disadvantaged communities, including women and youth. But successful direct lending to micro, small and medium enterprises requires specialized human resources and a strong local presence. It also requires an appetite for risk and processes that are not compatible with the Bank's current credit and due diligence policies. The Bank will thus consider other options to provide or scale up support to such enterprises and to initiatives that enhance financial inclusion, complemented by initiatives aimed at providing guarantees and insurance mechanisms, such as the African Guarantee Fund. The Bank will also explore supporting initiatives

that enhance financial inclusion. To this end, it will leverage this opportunity to support micro-finance activities and enhance the support it provides to social business in the context of inclusive growth, private sector development and innovative finance for development.

Assembling a resource pool to finance economic and sector work and specific technical assistance will help to deliver knowledge operations. The Private Sector Development Strategy will guide it in achieving all these objectives, including how the Bank intends to operationalize its range of financial and non-financial services.

Governance and accountability

Continuing gains in governance will improve the ability of the capable state to ensure the quality of growth. The Bank, with other donors, will support initiatives that increase accountability for the provision of essential services and help countries manage their natural resource wealth better to finance greater diversification, competitiveness and productive employment.

Between 2008 and 2011 the Bank channeled more than 22% of its resources to governance operations, designed to strengthen the capacity and capability of state institutions. This was above the target of the Medium Term Strategy, and investments in governance are set to continue in the coming years. Improving governance and accountability will underpin the Bank's country and regional strategies. The recent client assessment indicated that the Bank has an important role in this area, especially in helping regional member countries build capacity in government agencies and in other institutions of voice and accountability.

Across the 14 countries where the Bank invested in strengthening revenue systems, tax revenue as a share of GDP rose from 10.5% to 14.7%, while tax rates for business fell from 93.6% of commercial profits to 53.9%. In the 24 countries where the Bank supported public financial management reforms, the average

By investing in infrastructure, skills development and the enabling environment, the Bank will help create a more conducive business climate

As part of its inclusive growth strategy, the Bank will scale up governance work for extractive industries and investment in related infrastructure

Country Policy and Institutional Assessment score for quality of budgetary and financial management rose from 3.22 out of 6 in 2005 to 3.78 in 2011, indicating more credible budgets and an improved capacity to direct resources into development programs and basic services. Across the 18 countries where the Bank supported private sector reforms, the time required to start a business fell from 43 days in 2005 to 23 in 2011, and net foreign direct investment rose from 4% of GDP to 6%.

As an African institution with credibility across the continent, the Bank will support African initiatives for monitoring transparency and good governance, as well as greater involvement in the African Peer Review Mechanism. It will support citizen initiatives that hold governments and service providers accountable for better service delivery. It will work to strengthen the capacity and reach of parliamentarians, particularly the committees responsible for public accounts and budgets. It will do the same for government and civil society organizations that focus on anti-corruption, extractive industry transparency and accountability for public spending and service delivery. As part of its capacity-building work, the Bank will assist regional member countries in building debt management capacity, to enable them to formulate, adopt and implement prudent borrowing policies that ensure the long-term sustainability of public debt.

Public financial management remains a major challenge for many regional member countries, and the Bank can add value in procurement and auditing, especially in fragile states where other donors have difficulty providing predictable financing. This support will be coordinated with other donors, to ensure a comprehensive approach without duplicating effort. The Bank will broaden its approach to public financial management to address:

- *Demand-side governance.* The Bank will pay more attention to empowering non-state actors to engage in accountability mechanisms.

- *Fiscal decentralization.* To improve local governance, the Bank will support the growing demand for strengthening sub-national public financial management.
- *Domestic resource mobilization.* The Bank will help governments mobilize additional domestic resources and develop healthy public financial management systems.

As part of its inclusive growth strategy, the Bank will scale up governance work for extractive industries (mining, water and forestry) and investment in related infrastructure (water, energy, roads and transportation). Doing more in advising the extractive industries on contracts, local value addition and the sustainable use of resource flows will require working on policy and institutional reforms and strengthening environmental and social management. It will also require partnerships and strategic engagement with civil society, the private sector and regional and international institutions for improved natural resource governance.

To support transparency in the management of natural resources, fair deals and accountability, the Bank will strengthen the capacity and reach of its African Legal Support Facility. The Extractive Industries Transparency Initiative has been a good first step, but regulatory frameworks and the capacity for contract negotiations need to be bolstered to ensure current and future generations will enjoy lasting benefits from Africa's vast resource base.

The Bank's new Governance Framework articulates how it will support Africa's efforts to improve governance and use resources for inclusive development.

Skills and technology

To promote inclusive growth, the Bank will help African youth develop the skills to find jobs.

By 2020, 250 million Africans will be between 15 and 24 years old. Africa's challenge is not only to create jobs fast enough to keep pace with this population growth but also to equip

everyone with the skills to join a productive workforce.

There is a disconnection between the skills the education system produces and the ones the private sector wants. Educational quality is often low. African students rank lowest internationally in reading and computational skills. To support the rapidly changing demands in African economies, the education system needs to build skills in traditional professions—such as teachers, nurses and lawyers—and in science, technology, engineering and mathematics. Also urgent is the need to develop skills for micro, small and medium enterprises.

Investment in technology and science will be at the center of the Bank's skills development agenda. To increase the supply of skilled workers, the Bank will step up its support for technical and vocational training linked to specific needs in the labor market, in both the formal and informal sectors, including the skills to create small businesses. It will also support programs for women studying in technical and scientific areas.

The Bank will create a Governance Framework to support education, emphasizing innovation and entrepreneurship. New approaches will focus on better education and better matching the supply and demand for skilled workers to address youth unemployment.

To help countries overcome barriers to trade and mobility, the Bank will strengthen scientific research and innovation through African networks of excellence. It will help create dynamic innovation networks with global links and develop mentorship programs (using the diaspora) to prepare the next generation of entrepreneurs.

As a knowledge broker, the Bank will support African governments in developing skills in traditional professions as well as in such areas as engineering, research, and science and technology to support the continent's rapidly changing political, social and economic development. Universities and regional vocational training institutions will be at the center of this effort. To operationalize this agenda, the Bank's

new Human Capital Development Framework is consistent with the objectives and focus in this Strategy.

Areas of special emphasis

For its work on each of the five core operational priorities, the Bank will emphasize fragile states, agriculture and food security, and gender.

Fragile states

The 2007 Principles of Good International Engagement in Fragile States guide the Bank's work. Although fragility varies across countries, the major features remain the same: a legacy of conflict, violence and insecurity, weak institutions, poor economic and administrative governance and an inability to deliver public goods adequately, efficiently or equitably. Adverse economic and social spillovers to neighboring countries can enflame entire regions, as in the Sahel and the Horn of Africa. So, addressing fragility from a regional perspective is often more useful than a country-centered approach.

In 2008 the Bank developed a corporate strategy for enhanced engagement in fragile and conflict-affected states, tailoring operations to their needs. It has since opened offices in another five fragile states, bringing the total to 11. It has provided financial assistance of about USD2.5 billion, building 850 kilometers of feeder roads, rehabilitating 1,100 rural markets, improving 26,000 hectares of agricultural land, drilling and rehabilitating 3,000 boreholes and training 6,000 farmers—60% of them women—in agricultural technology and land use. Micro-finance programs have helped create 120,000 microenterprises, benefiting more than 2.7 million people in fragile economies.

Drawing on its experience, the Bank will refine its approach in fragile states to provide more comprehensive support beyond finance and employ a “continuum approach” that goes beyond a pre-identified pool of countries. That will make it easier to support fragile situations rather than fragile states alone—building capable states bolstered by

Investment in technology and science will be at the center of the Bank's skills development agenda

strong, effective, trained, transparent institutions (both of government and of its partners in the delivery of services) that can marshal the delivery of inclusive growth. The Bank will explore options to broaden its analytical framework for understanding state fragility and its regional dimensions and spillovers, assess the different development goals and peace-building and state-building needs of fragile states and design support programs that respond to these needs effectively and efficiently. The Bank's analytical studies and knowledge products will contribute to greater understanding of the causes of fragility and the ways to build resilient states.

In dealing with fragile states and fragile situations, the Bank will stay closely engaged in the field and be quicker to exploit windows of opportunity for change. It will be more sensitive to the dynamics of political economy and conflict and share more cross-country experiences. It will take a hands-on approach to strengthening weak institutional capacity. Key priorities will include security, capacity building, employment creation and the provision of basic infrastructure. The Bank will pay special attention to donor coordination in order to facilitate its work with fragile states. It will also review procedures to ensure that fragile states benefit

most from support, while it maintains the best possible risk management.

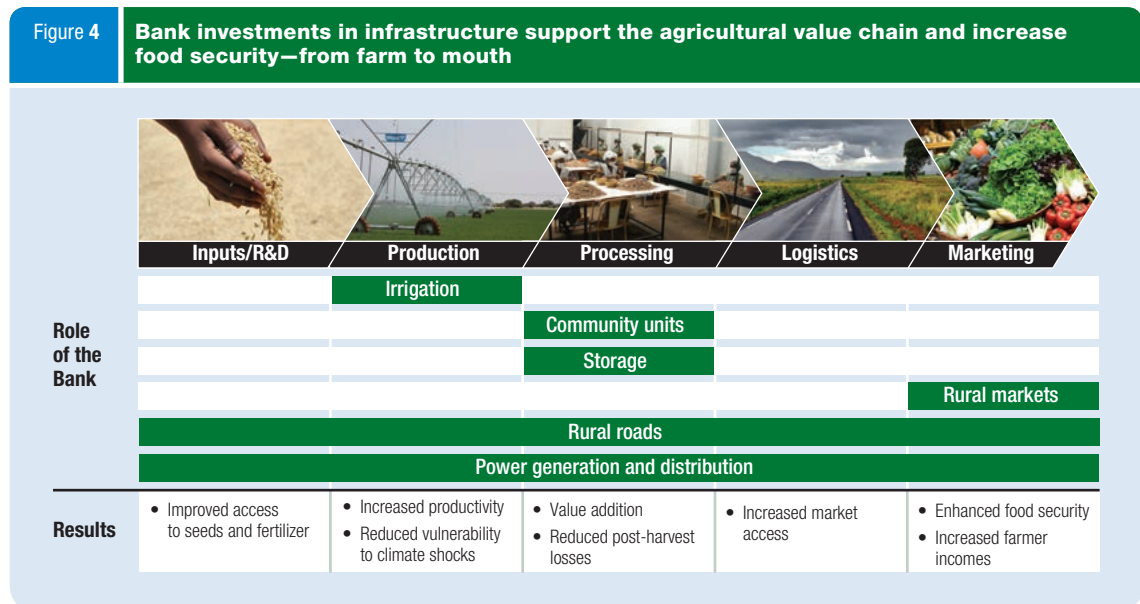
Agriculture and food security

Unlocking Africa's agricultural potential and tackling food insecurity will require sustained multi-sectoral interventions, using an integrated value-chain approach (Figure 4). Agriculture is Africa's backbone, and it holds great promise for future growth and job creation. It employs 65–70% of the African workforce and accounts for roughly a third of the continent's GDP. Women make up more than half of Africa's farmers and produce up to 90% of the continent's food. Promoting agricultural production is therefore one of the most effective ways to drive inclusive growth and reduce poverty.

The Bank contributes primarily by developing agricultural infrastructure through investments in rural roads, irrigation, storage facilities and markets, its areas of comparative advantage. It works in partnership with specialized agencies such as the Food and Agriculture Organization, the International Fund for Agriculture Development and others better positioned to intervene in other parts of the value chain, such as seeds, fertilizer, and research and extension. It is also a leading financier of private investment in agriculture and agribusiness.

Drawing on its experience, the Bank will refine its approach in fragile states to provide more comprehensive support beyond finance

Figure 4 Bank investments in infrastructure support the agricultural value chain and increase food security—from farm to mouth



For example, in 2012 it launched the Agvance Africa Fund of Funds, the continent's first agricultural value-chain fund, to scale up private financing dramatically.

By continuing to invest in rural infrastructure (such as rural roads, irrigation, electricity, storage facilities, access to markets, conservation systems and supply networks), the Bank will help countries increase their agricultural productivity and competitiveness. By investing in regional infrastructure and engaging in policy dialogue to remove trade barriers to importing food and inputs such as fertilizers, it will help dampen food price volatility and reduce food insecurity, so that excess production in some countries can offset shortfalls in others. The Bank will also strengthen partnerships and complementarity with other donors and financing institutions through such programs as the Comprehensive Africa Agriculture Development Program.

Gender

Gender inequalities persist in most African countries, and data on gender outcomes show a complex canvas of gains and missed opportunities in women's social and economic development and in their political and legal status. Africa must address gender disparities to capture the demographic dividend of its young population and the energies of its women. Women and girls carry the burden of fetching water over long distances for long hours, resulting in forgone opportunities for girls to attend school and for women to participate in more productive economic activities. The lack of adequate sanitation facilities in schools also results in high rates of school dropout for girls. Gender segregation in economic activities and earnings remains pervasive throughout the continent—for example, women in agriculture operate smaller plots and have less access to inputs. Disparities in voice and agency persist—for example, fewer than one in five members of parliament are women, and in many countries women suffer pervasive legal discrimination.

To reduce gender inequalities, the Bank will focus on promoting women's economic empowerment, strengthening women's legal and property rights and enhancing knowledge management and capacity building. For example, the Bank will invest in infrastructure such as water, energy and transport, particularly in rural areas, that frees time for women to pursue economic activities and increase their productivity. Through its private sector programs it will work to level the playing field for women and improve their economic opportunities and incomes. This means improving access to finance and building skills in science, technology and entrepreneurship. Through its governance programs, the Bank will promote justice sector reforms that strengthen women's legal status and voice in public affairs, reduce gender-based disparities and violence and improve land tenure rights for women.

In line with its role as a knowledge hub and broker, the Bank will support gender-specific analytical work and gender-disaggregated statistics that underpin results tracking and measurement. The Bank is developing a Strategic Gender Framework to guide its activities in gender and development. The framework will promote gender equality and women's empowerment across the full range of its operations. Internal capacity will be strengthened to equip the Bank to mainstream gender across its activities and Bank teams will undertake gender impact assessments to identify opportunities for helping countries address gender disparities.

The post-2015 Millennium Development Goals agenda

The Bank's operational priorities and focus areas will assist the continent in accelerating progress toward achieving the Millennium Development Goals, which are increasingly an African agenda. Africa has made progress in reaching some of the goals, but it still lags behind the rest of the world on many others. For example, in 1990 only a sixth of the world's poor lived in Africa, while today the

Africa must address gender disparities to capture the demographic dividend of its young population and the energies of its women

figure is more than half, and potentially rising to five-sixths by 2025. The United Nations Secretary-General is leading a global exercise to formulate a consensus around the post-2015 agenda, which will build on the foundations of the goals and maintain a strong focus on results. The African Development Bank, Economic Commission for Africa, Africa Union Commission and United Nations Development Programme's Regional Bureau for Africa have

initiated regional and national consultations of all key stakeholders, to articulate a common African position on the post-2015 development framework, with a focus on access to infrastructure, inclusion and sustainability. The Bank and the main Pan-African organizations will play a coordinated role in supporting Africans not only to shape the development agenda beyond 2015 but to enable Africa to close its development gap.

The Bank's operational priorities and focus areas will assist the continent in accelerating progress toward achieving the Millennium Development Goals

Financing the Strategy— Mobilizing and Leveraging Resources



The Bank's financial resources will always be a small fraction of Africa's substantial needs. The fiscal pressures confronting many traditional donors are changing international development capital flows, just as new sources of development capital from emerging economies and the private sector are becoming more important.

Innovating in existing windows

The Bank Group will continue to strengthen its role as the development financier for Africa through its Bank and Fund windows. But with the changing models of development finance and the new circumstances in many African countries (including those graduating to middle-income status), the Bank will leverage its different financing instruments in ways driven by African needs and priorities, not corralled by separate windows and resource envelopes.

Blending Bank and Fund resources could mean reclassifying countries for lending purposes, with instruments linked to country needs, and with more flexible resources for regional projects without compromising the principles of performance-based allocation and debt sustainability. It could also mean fostering synergies between the Bank's public and private sector windows, particularly through more coordinated public-private partnership transactions. This would bolster the vision of a nimble institution that can adapt to changing circumstances.

The Bank will continually explore new ways to mobilize resources within the changing development landscape. Perhaps expanding the Bank's membership, options must be considered within the context of the Bank maintaining its identity and credibility as an African institution. Other possibilities could include

low-interest loans from partners' funds or co-financing facilities that invest in Bank-supported projects.

Trust funds mobilize additional resources for capacity building, project preparation, knowledge and analytical work and for enhancing the development impact of Bank projects. Growing contributions in recent years from Australia, Brazil, India and the Republic of Korea bring added resources from non-traditional partners. To make trust funds more effective, the Bank will seek ways to consolidate and rationalize them, emphasizing the ease of access.

Expanding the sources of financing

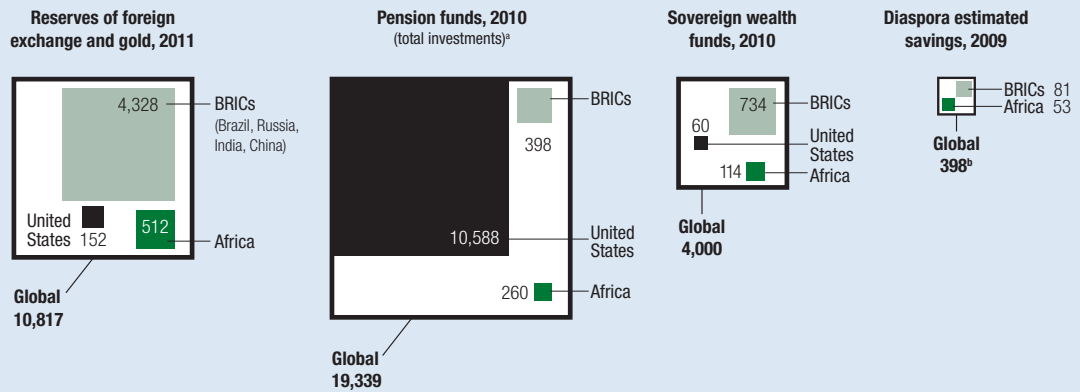
Along with its current finance pools, the Bank will improve its ability to tap new sources in innovative ways. This is an opportune time for bold and pioneering approaches to development finance in Africa, particularly in infrastructure, where an African Infrastructure Finance Facility could help the continent bridge its wide gap. It will also assist all aspects of the project value chain, including project preparation. A recent study polling major institutional investors found that Africa has the greatest investment potential of all frontier markets globally.⁹ Figure 5 illustrates the sources of finance the Bank could target to mobilize additional financing.

Africa's own resource mobilization

Because the continent has substantial natural resources, countries with extractive industries can tap this important source of revenue. With political determination to create appropriate governance mechanisms, Africa's extractive revenues should drive the continent's transformation by investing in competitiveness, diversification and efficient resource use.

The Bank will continually explore new ways to mobilize resources within the changing development landscape

Figure 5 Potential sources of finance



Note: All values are USD billions.
a. Except for Africa, estimated assets under management.
b. Diaspora from developing countries.
Source: OECD (2011), Africa Investors, AfDB Triki and Faye (2011), Deutsche Bank (2010), IMF International Financial Statistics (2012), World Bank Mohapatra and Ratha (2011).

Africa's extractive revenues should drive the continent's transformation by investing in competitiveness, diversification and efficient resource use

African solidarity will grow as countries graduating to middle-income status contribute more to reducing poverty in low-income countries and fragile states. Egypt and South Africa already contribute to the African Development Fund, but other countries with large pools of liquidity could also contribute.

The Bank will build on its experience in issuing local currency bonds. By identifying and tackling barriers to bond market development, the Bank's African Financial Markets Initiative will broaden the market for and deepen the liquidity of domestic fixed-income markets. The goal is to help African financial markets build the capacity to raise long-term finance for infrastructure development and the private sector efficiently and effectively.

As countries develop and can borrow more from external sources, they will be more able to issue bonds, including infrastructure and diaspora bonds, opening new sources of finance in both international and local markets. With growing savings pools and the institutions to manage them—statutory and non-statutory pension funds, asset management firms and sovereign wealth funds—a core domestic investor base should appear. This will support the long-term development and sustainability

of resource mobilization from local capital markets.

The Bank's country strategies will lay out a domestic resource mobilization plan for each country and also advise governments on how illicit capital flows can be reversed and used as resources for development.

Climate finance

An array of financial vehicles can provide additional liquidity for Africa's gradual transition to green growth, including the Global Environment Fund, the Climate Investment Fund and the Green Climate Fund, soon to become operational. The Bank's Sustainable Energy Fund for Africa provides development capital for small and medium-size clean energy projects. Green bonds recently issued by the Bank could set the stage for attracting a new class of investors. The Bank also hosts the African Water Facility, the Rural Water Supply and Sanitation Initiative, the Multi-Donor Water Partnership Program and the NEPAD Infrastructure Project Preparation Facility.

Emerging economies

In the changing global economic landscape, the Bank can be a trusted broker in mobilizing

resources from emerging economies, especially from the BRICs. And with the Bank's help, the labor, environment, governance and debt sustainability concerns linked with these modes of financing can be managed more effectively in the interests of regional member countries. As South-South investment increases, the Bank will develop innovative capital market instruments, such as infrastructure bonds for Africa. It will also design comprehensive and multi-dimensional relationship-based coordination plans for these new development partners.

Co-financing

The Bank will connect and coordinate co-financing arrangements with partners on both public and private sector projects and especially with partner development institutions such as the World Bank, the European Union and major bilateral development agencies working on the continent. The Bank's African Financing Partnership coordinates co-financing among private development finance institutions so that one partner can take the lead on a given project while others follow, avoiding any duplication of effort and doing more projects more efficiently.

Sovereign wealth and pension funds

Looking for long-term assets, these funds increasingly view Africa as an attractive investment destination, with infrastructure as a prime candidate. African sovereign wealth funds are being established in Angola, Botswana, Kenya, Mauritius, Nigeria and other countries to manage inter-generational wealth better. These funds are mandated to invest in their own and other African economies. The Bank convened the first Africa Sovereign Wealth Funds Conference in 2010.

Social and philanthropic investors

New philanthropic foundations are emerging, and with about 2,000 high net worth individuals in Africa, their number is the fastest growing in the world.¹⁰ The Bank could partner with global foundations, social investors and philanthropic

funds and leverage resources for development, particularly to fund projects at the country level. The Social Business Fund, in which the Bank is participating, complements this activity.

Leveraging Bank capital and new instruments

With its resources, the Bank can deploy current instruments better and leverage new ones. Examples include more use of public-private partnerships, risk-mitigation instruments (guarantees) that draw in new investors, and syndications with commercial financial institutions.

The Bank's financial strength and continental mandate will underpin its role as a risk mitigator to catalyze further investment. But to do this, the Bank must be prepared to deploy its risk capital fully and move away from an overly conservative approach to risk. Risk-mitigation instruments such as guarantees can leverage additional finance—but only if they carry lower capital charges than loans. Other structures, such as first-loss provisions, can create a multiplier effect for the Bank's funds and attract private capital. Proposals for using concessional capital for risk mitigation to leverage larger amounts of commercial capital are ready for G-20 countries and other partners to consider. In partnership with selected donors, the Bank launched the Africa Guarantee Fund to provide guarantees for financial institutions that finance small and medium enterprises.

The Bank will evaluate the merits of financing sub-sovereign and municipal entities that have a direct and inclusive impact on the quality of life.

The Bank will deliver more advisory services on a cost-recovery basis. This will increase its relevance to all regional member countries, particularly those with less need for resources. As countries develop, financing will move from aid and grants to lines of credit and structured finance and to bond and equity financing. Since the Bank has proven expertise in issuing bonds in international capital markets, it will advise African governments seeking access to international debt markets.

The Bank's financial strength and continental mandate will underpin its role as a risk mitigator to catalyze further investment

Transforming to Support Transformation



The Bank will be judged not only on lending volume but also on how it best supports the continent's development

A year short of its 50th anniversary in 2014, the African Development Bank mirrors the imagination of its founders when they conceived it in Monrovia in June 1962—as an African organization, serving Africans. To its uniquely African character, it adds the wisdom, wherewithal and political will of its 24 non-African member countries, who have chosen to advance the shared vision of a peaceful, prospering Africa.

For Africans and non-Africans alike, the Bank's legitimacy lies in its African character and central place in the African architecture. With an African president and a largely African staff drawing on the best African talent and experience, with universal African membership and an exclusive focus on African development, and with a strong presence across the continent, the Bank is set to be a motor for economic progress and integration and the voice of Africa and African development across the continent—and far beyond. The Bank has successfully operated in the most fragile of environments, establishing a solid track record of responding to emergencies.

The Bank is well on the way to increasing its development effectiveness through increased decentralization to field offices, strategically focused areas of engagement and a strong balance sheet with a high risk-bearing capacity. All this has contributed to it consistently maintaining its AAA rating.

Tested over half a century, and with a cumulative investment in Africa of more than USD100 billion, the Bank is already the partner of choice for African governments—a fact revealed by an independent research survey in 2012 by Development Finance International and the University of Oxford (the first ever commissioned by a multilateral development bank).

While there is clear recognition of the Bank's advantages and its legitimacy within Africa, the changes in the global environment require the Bank to evolve and adapt to remain relevant and to support Africa's transformation. It must become more flexible, responsive and results-focused, while maintaining the highest standards of integrity and quality. And it must revisit its business model to generate more leverage from its limited financial resources.

In the future the Bank will be judged not only on lending volume but also on how it best supports the continent's development. Delivering knowledge, innovation and advice will be as important as lending, especially given the challenges of mobilizing resources in a tighter international fiscal environment.

To catalyze Africa's transformation over the next decade, the Bank will systematically leverage its own resources and become a catalyst for significantly scaling up development finance for Africa and for mobilizing domestic resources. To reinforce Africa's emerging dynamism, it will expand its operations and services—including more non-sovereign financing and advisory and knowledge services—better tailored to the demands of a sharply differentiated client base.

The partner of choice

To leverage its capacity, it will emphasize collaboration, coordination, harmonization and information-sharing with other development actors, with a view to maximizing synergies and complementarities. Partnerships will thus become central to the Bank's ability to serve clients (Box 3). The Bank will focus on developing more effective partnerships with its regional member countries, regional economic communities and African and international knowledge centers. Partnerships

Box 3

Working with partners

The Bank is scaling up its transformational agenda through regional partnerships. One example is the Bank's work with the African Union and the secretariat of the New Partnership for Africa's Development to implement the Program for Infrastructure Development in Africa. Another is the work with African energy ministers and senior officials to coordinate regional energy infrastructure development initiatives to amplify and better articulate Africa's voice on the green agenda at the Rio+20 Earth Summit 2012 and its follow-up. A third is the Bank's work with the Economic Community of West African States to develop a framework for mainstreaming trade facilitation in West Africa. And a fourth is the African Ministerial Council on Water to deliver on the Africa Water Vision 2025, including support to river and lake basin organizations to promote the equitable share of benefits from the joint development of water infrastructure among riparian states.

By collaborating with regional economic communities, the Bank is supporting regional payments systems in the West African Monetary Zone, building on earlier experiences with the West African Economic and Monetary Union. Similarly, the Bank is supporting capacity building and information technology systems to harmonize trade policy and further consolidate trade integration in partnership with the Economic Community of Central African States and the West African Economic and Monetary Union. The Bank is also contributing to the development and harmonization of public procurement systems within the Common Market for Eastern and Southern Africa as well as financing a multi-year capacity-building program to support the implementation of the planned tripartite free trade area set to combine the Southern African Development Community, the Economic Community of Central African States and the East African Community.

The Bank has selectively engaged in several catalytic initiatives, including Making Finance Work for

Africa, the African Bond Market Initiative, the African Investment Climate Facility, the African Peer Review Mechanism and the Collaborative Africa Budget Reform Initiative. It also lends its support to the African Organization of Supreme Audit Institutions, the Africa Regional Technical Assistance Centers and the African Tax Administration Forum.

Equally, the Bank works with the United Nations Economic Commission for Africa as a member of the Bank's tripartite partnership, along with the African Union. It is also working with bilateral, multilateral and non-traditional partners to leverage its development contribution in Africa, through co-financing, thematic trust funds and bilateral initiatives, such as the Korea-Africa Ministerial Conference. In 2012, to foster dialogue and partnerships and strengthen the Bank's advocacy role on African development issues in the Asia and Pacific region, the Bank opened an External Representation Office for Asia in Japan.

The EU is Africa's biggest donor, within the Joint Africa EU Strategy. Through the African Peace Facility, the EU is supporting the African Union's role in preventing and resolving conflicts. It also contributes to the Infrastructure Consortium for Africa and the African Water Facility AWF and established the EU-Africa Infrastructure Trust Fund in 2007. The Bank also works closely with sister institutions, including the World Bank, the Asian Development Bank, the Organisation for Economic Co-operation and Development, the United Nations Development Programme and the International Monetary Fund, as well as with other international and regional organizations, bilateral donors, the private sector, foundations, non-governmental organizations, civil society organizations and academia. The Bank has also entered into co-financing arrangements with several strategic partners such as India, France, Japan, Korea and the Islamic Development Bank.

The Bank will be a catalyst for development finance and solutions by leveraging its partnerships to convene and connect the right players

will also promote increased co-financing and leveraging of the Bank's scarce resources. The Bank will provide advice and support on social and economic issues, with a focus on effective implementation of programs and projects. It will also work with more developed regional member countries to move away from dependence on aid and toward more market-based financing. The private sector and civil society will be key development partners.

A catalyst, convener and connector

The Bank will be a catalyst for development finance and solutions by leveraging its partnerships to convene and connect the right players, taking the lead when appropriate. It is uniquely positioned to catalyze regional cooperation and integration and public-private partnerships in Africa. It will play an increased role in preparing projects, identifying partners with the right capacity and expertise and bringing them

together to provide comprehensive solutions to development challenges as a powerful complement to its own investments. And it will increasingly view those investments as levers for mobilizing capital from a range of partners—new and traditional, public and private.

A credible knowledge broker

In a changing landscape where donor resources are shrinking, knowledge can empower regional member countries to build on past lessons and make better use of new sources of finance. Consultations confirm that Africa wants the Bank to develop its role as an honest and credible knowledge broker. The Bank will connect clients to relevant knowledge in partnership with African institutions, such as the United Nations Economic Commission for Africa and the New Partnership for Africa's Development, and international knowledge centers, such as the United Nations and the World Bank, with the Bank acting as a knowledge hub on African development issues. This will require stronger knowledge management within the Bank to ensure that operational lessons are identified and shared.

As a product line, the Bank's knowledge of Africa will provide a good entry point for engagement with Africa's new partners. It will also strengthen the Bank's authority in regional policy debates and the links and exchanges of experience among African governments and the private sector, as well as other multilateral institutions. The Bank will promote the creation of national and regional research institutions and centers of excellence. This will underpin knowledge partnerships and help build institutions that can improve national policy formulation and implementation. It will also enhance the skills and capabilities of Africa's workforce through links between research and the supply of skilled graduates.

A trusted adviser

Building on its role as a knowledge hub, the Bank will also increase its ability to provide advice and analysis to clients. To maximize its

development contribution, it will help regional member countries make the most of their opportunities, such as their abundant natural capital, by providing advisory services for negotiating fair concessions and using revenues wisely. Already a strong partner, the Bank will do more to build trust and credibility among its members as well as external actors.

A voice for development in Africa

As a pan-African development finance institution, the Bank has a unique role as the voice for Africa in the development community. With national and regional leaders, the Bank will further develop its voice for Africa on development issues, sharing its views and experience. It will also confidently present the African voice at multilateral forums on development, financial architecture, commodities, trade and other issues relevant to African economic and development interests.

Enhancing institutional effectiveness

The Bank has made much progress implementing a number of institutional reforms and policies since 2006 and, as the results of the recent client assessment reveal, it has substantially improved its brand value. Being Africa's premier development institution will require that the Bank become even more responsive, more efficient and more effective, particularly in fragile states. While maintaining standards of quality and integrity and strengthening external audit and integrity functions, the Bank aims to position itself as the employer of choice in Africa, with a highly performing staff, working together as One Bank to deliver excellence. Reforming international organizations—encouraging culture change, improving human resource management and streamlining business processes—is inherently difficult. The problems and potential solutions are well known, but it is the execution of reform that drives success or failure. Consultations with staff show an appetite for change. The Bank will carefully sequence institutional reforms, starting with “quick wins” to strengthen initiatives already

Being Africa's premier development institution will require that the Bank become even more responsive, more efficient and more effective

under way, coupled with a sharper focus on delivery and results.

Workforce capability

The Bank has grown and decentralized quickly, and it needs new staff with new vocational, behavioral and leadership skills. In the light of the Strategy, it will thoroughly assess its workforce and develop a plan to align the demand and supply of workforce skills and competencies. More will be done to improve management, with a focus on performance priorities, talent management and succession planning. The Bank will continue the 360-degree evaluation program and other programs to identify strengths and weaknesses in management capabilities.

The Bank will promote a culture of teamwork and collaboration, encouraging initiative and innovation, clearly specifying accountability for action and delegating the authority to do so. Senior leaders are ready to promote an institutional culture focused on results—a culture that is less risk averse and hierarchical and that values and supports people endeavoring to do the right things. The links between the Bank’s work in infrastructure and such sectors as agriculture and human development are clear, but better coordinated delivery could yield more comprehensive solutions. And by coordinating sovereign and non-sovereign interventions in public-private partnerships, the Bank could catalyze major national and regional infrastructure investments. More effective country teams and more detailed and results-driven country and regional strategies will be the platforms for identifying and coordinating collaborative programs and projects.

Decentralization

The Bank’s decentralized business model enhances its field presence, allowing it to help regional member countries achieve real results. Decentralization calls for greater field office participation in carrying out lending programs and preparing robust project pipelines. As decentralization continues, the capacity to

deliver in-country services will grow not only in country offices but also in new regional resource centers, which will act as knowledge hubs and provide a critical mass in the field. Staff in field offices will have more authority within a clear accountability framework. And improvements in human resource management and information and communications technology will support a more mobile staff, particularly in operations.

Business processes and budgets

The Bank’s recent client survey highlights the need to further improve response times, particularly for procurement but also for project preparation, appraisal, approval and disbursement, so that projects and programs deliver results faster.¹¹ The Bank will continue to streamline its operational, institutional and budgetary processes, weighing time and resource costs against added value and needed safeguards. The goal will be greater efficiency, flexibility and responsiveness.

Budgets will be more flexible and linked to outcomes and results rather than inputs and compliance controls. Budget decision-making and management will be further decentralized, with managers given more discretion and held to account for the use of resources through performance and accountability agreements. Better cost accounting will strengthen the links between resources and results. Annual budgets will become part of a three-year rolling fiscal framework to ensure consistency and predictability over the period of the Strategy.

Corporate infrastructure

The program to improve corporate infrastructure will help staff perform their duties and give the institution the processes, systems and technologies to deliver effective operations. New information and communications technology will provide a robust connectivity platform available “anywhere, anytime.” The Bank will explore outsourcing some communications and other corporate services where that is more cost-effective.

The Bank will continue to streamline its operational, institutional and budgetary processes, weighing time and resource costs against added value and needed safeguards

The Bank will measure success by the lasting changes it brings to the lives of African people

The details of these processes of business change will be captured in a series of strategies including the Bank's 2013 People Strategy, Information Technology Strategy and new Human Resources Strategy. These efforts will ensure that the Bank's considerable human and financial resources are targeted to delivering inclusive growth and helping the transition to green growth across its regional member countries. They respond to the calls of our regional member countries and donor countries to be more responsive, closer to our clients and more efficient in delivery. In short, the combined effect of the reform program will be to promote better ways of working, leading to better results—for the Bank and for the continent.

Focusing on results

A regional member country's advance from ADF grants to ADB loans is the most immediate and visible sign of success. The Bank will continue to encourage, monitor and implement this phased graduation process. Meanwhile to keep moving in the right direction and meet its goals, the Bank must be a learning organization committed to continually improving its performance. Monitoring progress and measuring results and impact on development can identify where action is needed.

Each year the Bank reports to management and stakeholders on all four levels through its *Annual Development Effectiveness Review*, supplemented by special thematic reviews, such as the recently completed *Development Effectiveness Reviews* for regional integration and fragile states.

The Annex presents a set of Level 1 indicators to be monitored during the implementation of the Strategy. A more disaggregated set of results covering all four levels will be presented in the three-year rolling plans prepared to operationalize the Strategy. Monitoring these indicators regularly will let the Bank continue to improve institutional efficiency and effectiveness. The Bank will also do more impact evaluations at the country level and undertake

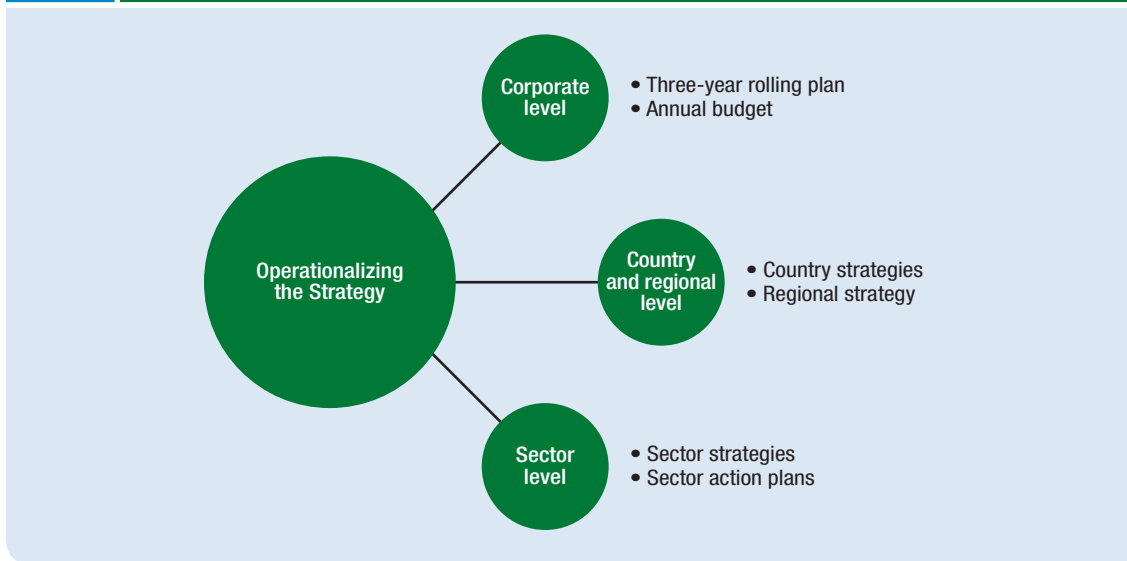
analytical monitoring to better capture the results and lessons of programs and projects. It will also strengthen its independent evaluation function.

Operationalizing the Strategy

Operationalizing the Strategy and ensuring that the Bank's program remains selective and focused in the areas of its comparative advantage will occur at three levels: corporate, country and regional, and sector (Figure 6). The Bank will limit operations to its five core priorities, each informed by the three areas of special emphasis. Three-year rolling programs and results-based budgets will prevent strategic drift. The rolling plans will set out operational and institutional objectives for each three-year period, along with the resource requirements and expected results. Each year the Board will approve the three-year rolling program but release the budget only for the first year. Guided by the Strategy's objectives and priorities, country strategy papers—developed in consultation with sector departments—will be at the heart of the planning and budgeting process and the basis for defining priorities and carrying out country programs. Sector strategies, serving as technical foundations for country programs, will ensure that the Bank keeps its comparative advantage in the core operational areas.

Indicators covering all four levels of the Results Management Framework will monitor progress over the three-year planning horizon reflected in the rolling plan and assess the development effectiveness of the institution. Work program execution and budget performance will be evaluated at the end of each year and will inform the preparation of subsequent plans and budgets, allowing them to reflect any changes in circumstances or client needs. Beyond translating the ten-year Strategy into operational plans, the Bank will align itself to the Strategy and make necessary changes in leadership and staff. All of this will be reviewed annually, in addition to a planned medium-term review of the Strategy.

Figure 6 Operationalizing the Strategy at three levels



Conclusion

The goal of the Bank’s Strategy, then, is to support Africa’s ambitions to be a stable, integrated and prosperous continent with competitive, diversified and growing economies participating fully in global trade and investment—and aspiring to become a future growth pole and

the next global emerging market. The Strategy reflects Africa’s vision for itself—a vision that is achievable. The Bank will measure success by the lasting changes it brings to the lives of African people. “At the center of Africa’s transformation”, this is the Strategy of the African Development Bank—of Africa’s bank.

Notes



1. Lower income countries are targeting middle-income country status, with significantly improved human development indicators, as captured by the Millennium Development Goals. Africa's middle-income countries are aspiring to converge with the more advanced emerging economies.
2. International Labour Organization, *Global Employment Trends 2011*, 2011.
3. The Bank convened a High Level Panel of Eminent Persons in 2007 to consider the future of Africa's development and the role of the Bank. Co-chaired by President Joaquim Chissano of Mozambique and Prime Minister Paul Martin of Canada—with Soumaila Cisse, Francois-Xavier de Donnea, Timothy Lankester, Emmanuel Tumusiime-Mutebile, Poul Nielson, Wiseman Nkhulu, Ndi Okereke-Onyiuoke, Judith Rodin, Jean-Michel Severino, Joseph Stiglitz and Paul Yuma Morisho as members—the panel issued a report setting out an ambitious long-term agenda for Africa's development and the role of the Bank up to 2030, which laid the foundations for both the Bank's Medium Term Strategy for 2008–2012 and this Strategy for 2013–2022.
4. AfDB, *Inclusive Growth: An Agenda for the Bank*, 2011.
5. World Bank, *World Development Report 2012: Gender Equality and Development*, 2012.
6. ILO, *Key Indicators of the Labour Market*, 2011.
7. Social business refers to a business that is driven by social objectives but operates as a profit-making business. The profits are used to expand the company's reach and improve its products and services. Social businesses have a good track record of reaching disadvantaged communities, including women and youth.
8. World Trade Organization database.
9. Invest AD/Economist Intelligence Unit, *Into Africa: Institutional Investors Intentions to 2016*, 2012.
10. Capgemini, *World Wealth Report 2011*, 2011.
11. M. Martin and N. Woods, "The Preferred Partner? A Client Assessment of the African Development Bank," 2012.

Results Indicators for the Strategy



Level 1 Results: Monitoring Africa's Progress

Indicator	Unit of measurement	Baseline value (2011)	Source
Inclusive growth			
Population living below USD1.25 a day (PPP)	%	39	AfDB
GDP per capita	USD	953	AfDB
Income inequality (Gini Index)	%	46	AfDB
Total unemployment rate	index	11.3 ^a	ILO
Youth unemployment rate	index	15.6	AfDB
Women unemployment rate	index	17.4 ^a	ILO
Fragile countries	%	31	AfDB
Green growth			
Ecological footprint	gha	1.4	Global Footprint Network
People affected by natural disasters (including deaths)	millions	22.6	Centre for Research on the Epidemiology of Disasters
Infrastructure			
Access to modern infrastructure	% of total roads; road density; railway density; port throughput tonnage; airport capacity	23.4	AfDB
Access to electricity	% of population with access	41.8	AfDB
Access to improved water sources	% of population with access	66.0	WHO/UNICEF Joint Monitoring Programme
Access to improved sanitation facility	% of population with access	41.0	WHO/UNICEF Joint Monitoring Programme
Water resources development	% of annual renewable water resources mobilized	5.0	AMCOW
Increased access to mobile-cellular telephony	telephone subscriptions per 100 people	61.4	International Telecommunication Union
Access to telephone services	per 1,000	559	International Telecommunication Union
Broadband access	subscribers per 100 people	3.95	ITU, GSMA and Internet World
Regional integration			
Intra-Africa trade	% of total African trade	10.4	AfDB
Africa's share of global trade	%	3.1	AfDB
Private sector development			
Africa global competitiveness index ranking	1 to 7	3.6	Center for Global Competitiveness
FDI into Africa	% of global FDI	2 ^b	Ernst & Young
Private sector share of total investment	%	63	AfDB
Domestic credit to private sector (share of GDP)	%	78	AfDB
Time required to start a business	days	33	World Bank, Doing Business
Governance and accountability			
Worldwide governance indicators average score	-2.5 to 2.5	-0.6 ^c	World Bank
Safety and the rule of law	1 to 100	53	Mo Ibrahim Foundation
Participation and human rights	1 to 100	45	Mo Ibrahim Foundation
Skills and technology			
Share of higher education students in science, technology, engineering and mathematics	%	29.9 ^c	UNESCO
Internet users	%	16	AfDB

Note: This set of indicative Level 1 results tracks Africa's progress on key development indicators. The Bank monitors these results through the four-level results framework that is currently being revised and that will be presented for each three-year rolling plan. A strong Results Management Framework helps the Bank capture its contributions to Africa's development across many dimensions. It allows the Bank to manage against objectives and to adjust course when necessary for greater effectiveness. In line with international good practice, the Bank monitors and reports on results using a four-level framework. Level 1 monitors progress in Africa toward achieving the long-term priorities of inclusive and green growth. Level 2 measures how the Bank's operations contribute to development results in Africa. Level 3 measures the quality and effectiveness of the Bank's operations. And Level 4 measures the Bank's efficiency as an organization in supporting and implementing operations. The selection of indicators is based on having regularly measurable and robust results from credible sources. These results are also monitored and updated regularly by the various sources.

a. Data are for 2008. b. Data are for 2009. c. Data are for 2010.

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