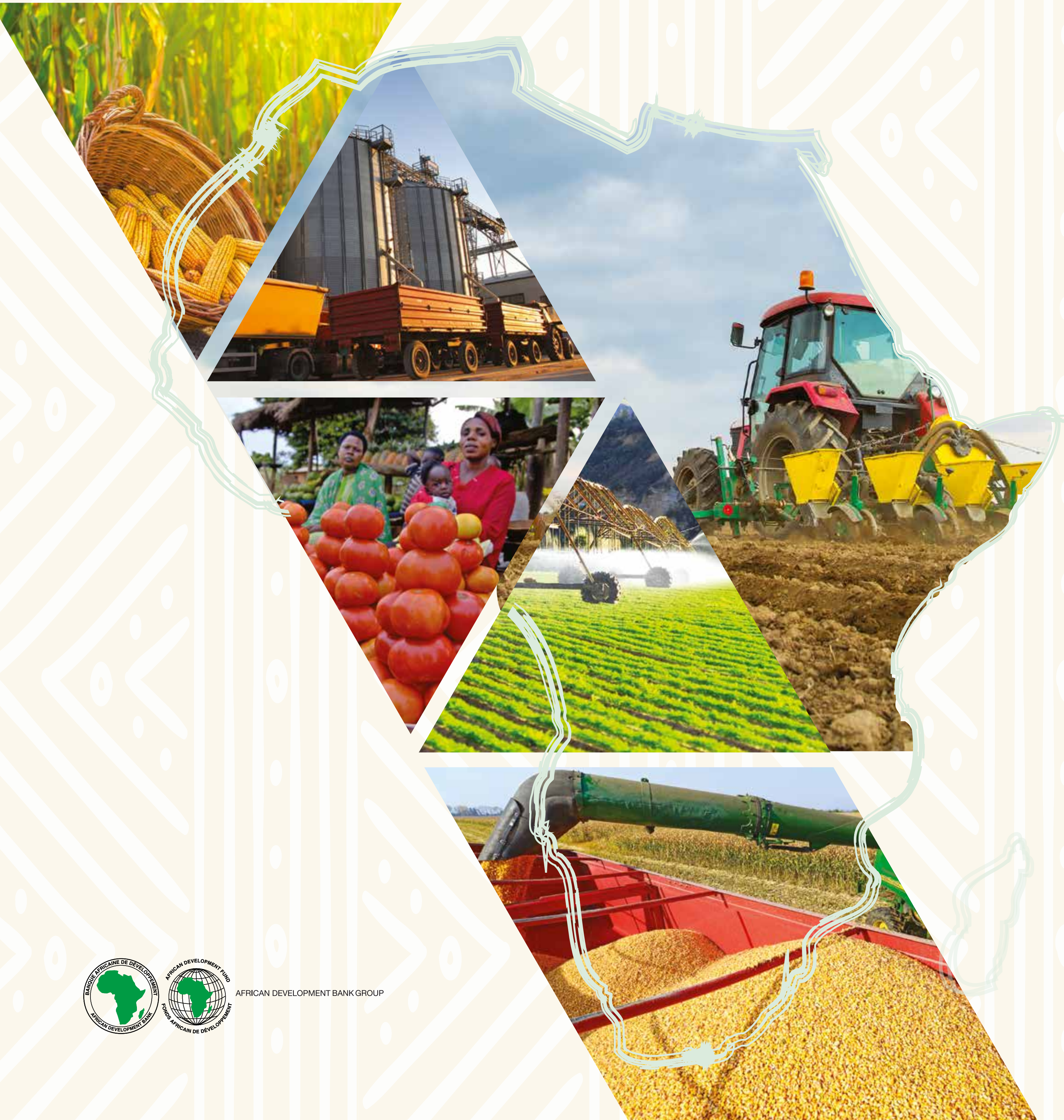
AFRICAN DEVELOPMENT BANK GROUP

Annual Report 2016



AFRICAN DEVELOPMENT BANK GROUP

African Development Bank Group Member Countries

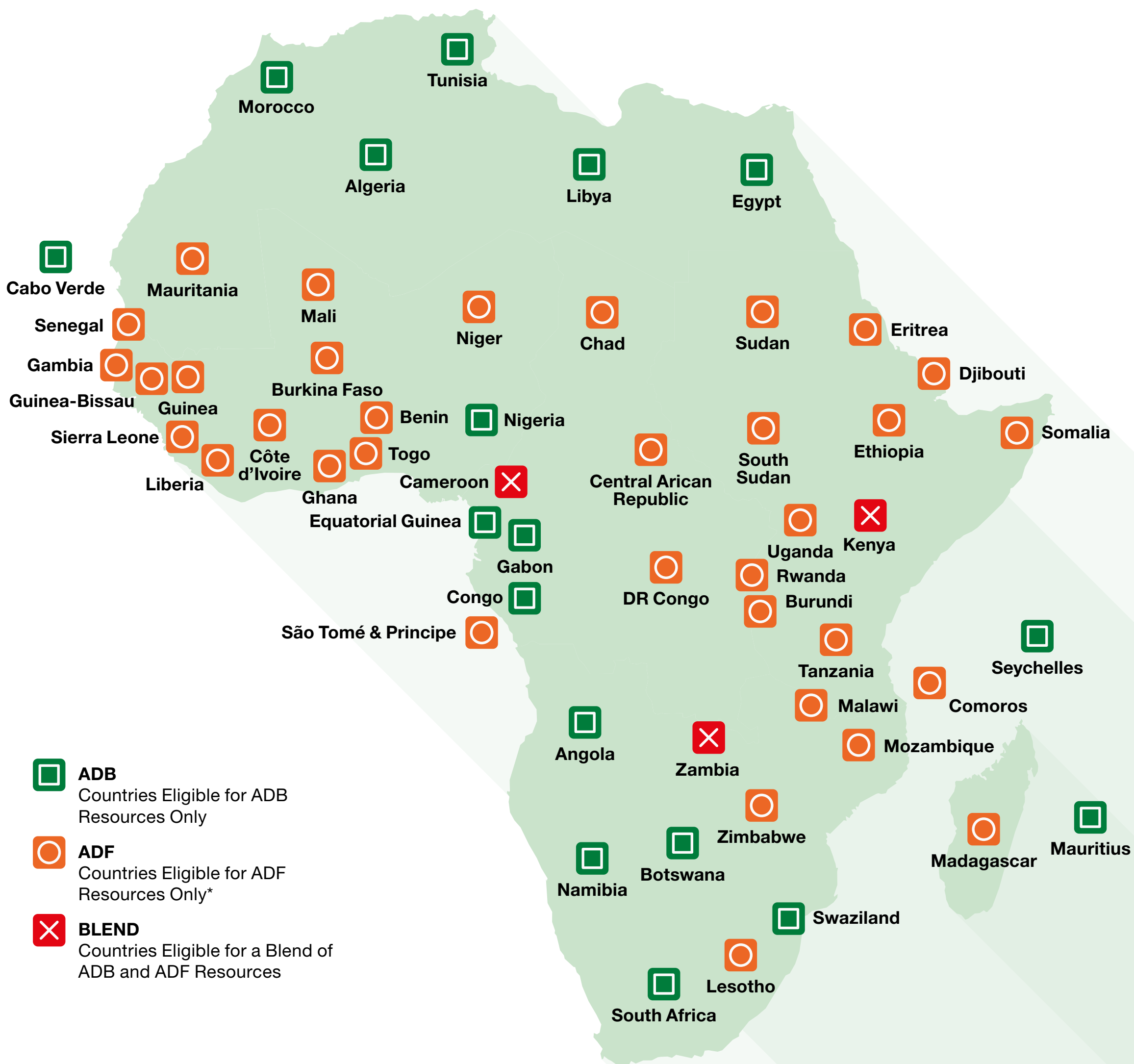
Regional Member Countries

Algeria, Angola, Benin, Botswana, Burkina Faso, Burundi, Cabo Verde, Cameroon, Central African Republic, Chad, Comoros, Congo, Congo Democratic Republic of, Côte d'Ivoire, Djibouti, Egypt, Equatorial Guinea, Eritrea, Ethiopia, Gabon, Gambia, Ghana, Guinea, Guinea Bissau, Kenya, Lesotho, Liberia, Libya, Madagascar, Malawi, Mali, Mauritania, Mauritius, Morocco, Mozambique, Namibia, Niger, Nigeria, Rwanda, São Tomé & Principe, Senegal, Seychelles, Sierra Leone, Somalia, South Africa, South Sudan, Sudan, Swaziland, Tanzania, Togo, Tunisia, Uganda, Zambia, Zimbabwe.

Non-regional Member Countries

Argentina, Austria, Belgium, Brazil, Canada, China, Denmark, Finland, France, Germany, India, Italy, Japan, Korea, Kuwait, Luxembourg, Netherlands, Norway, Portugal, Saudi Arabia, Spain, Sweden, Switzerland, Turkey, United Arab Emirates (member of the ADF only), United Kingdom, United States of America.

Classification of Regional Member Countries by Resources Entity



Note: * Some ADF-only countries may be eligible to access the ADB sovereign entity on a case-by-case basis in line with the policy on "Diversifying the Bank's Products" approved in 2014 to provide ADF-only eligible countries access to the ADB sovereign entity.
Source: AfDB.

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Acknowledgments

The Annual Report 2016 was prepared by the Macroeconomic Policy, Forecasting and Research Department of the Vice Presidency for Economic Governance and Knowledge Management Complex. The Boards' Committee on External Communications and Preparation of the Annual Meetings (ECAM) provided overall guidance.

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Message from the President

After I took office in September 2015, the first full year of my presidency—2016—was a year of major changes for the world, for Africa, and for the African Development Bank. Global growth in 2016 was lackluster. Economic shocks included weak investment, low commodity prices, and slow-moving trends in demographics and productivity growth. Financial conditions tightened in some regions, and some currencies have already experienced very large depreciations. And non-economic factors such as Brexit, geopolitical uncertainties, and the rising tide of populism contributed to a decline in global trade.

Against this background, Africa's growth declined to 2.2 percent in 2016, the lowest in over a decade. The story was not uniform, however. The commodity-exporting countries faced some difficult challenges and had to rely on higher levels of external financing. But most non-resource-intensive economies remained resilient, with some posting impressive growth.

The mixed economic performance among African countries underscores the urgency for structural economic transformation on the continent—to build resilience and drive sustainable, inclusive growth. Fulfilling its role and mandate, the Bank stepped up its support to Regional Member Countries (RMCs) through higher levels of lending and more policy-relevant knowledge.

The Bank's five strategic priorities—the High 5s—and the strategies for implementing four of them were approved and are being executed. Bank operations in 2016 supported economic recovery and reform, through budget support and lending to RMC banks, while continuing to implement major programs and investments across all sectors. Bank Group approvals in 2016 peaked at USD 10.80 billion, an increase of 27 percent on the previous year. Disbursements in 2016 reached USD 6.3 billion, the highest in the Bank's history. Yet there is room for further improvement, in both disbursement rates and approvals, as the Bank strives to meet its targets.

Bank operations are estimated to have created about 630,000 jobs last year alone, many of them for entrepreneurial youths and "agripreneurs" and a fair share for women. Our operations have interconnected African cities, provided electricity, water and sanitation to millions of people, connected rural farmers to markets and warehouses, and sharply reduced trade costs and travel times. More important, our interventions have saved lives and sustained livelihoods in crisis situations. There is little doubt that the Bank made a difference to the quality of life for the people of Africa. In the years ahead, we will accelerate these efforts.

The Bank's flagship knowledge products have become increasingly important in shaping regional and global discourse on Africa's emerging development imperatives. Notably, the African Economic Outlook on Sustainable Cities and Structural Transformation was a valuable reference point for the design of a Pan-African urbanization agenda during the Habitat II Conference, providing new possibilities for urbanization policies to help Africa benefit from an "urbanization dividend." Relatedly, the high-level roundtable discussions at the Korea-Africa Economic Cooperation Ministerial Conference drew solely from the results of studies conducted under the project on Structural Transformation of Agriculture and Rural Spaces (STAARS).

We continued implementing the new business delivery model to make operations leaner, more efficient and more effective. We are revamping processes and systems, and are taking the Bank closer to our clients. We have reconfigured the organizational structure, created five regional hubs, and filled all the leadership positions.

Thanks to our proactive risk management strategy and bold but prudent financial decisions, the Bank Group consolidated its top ratings from international rating agencies—Standard and Poor's, Fitch, Moody's, and Japan Credit Rating Agency—with a stable outlook. This confirms the Bank's strong financial position, buttressed by unwavering membership support. Armed with a solid financial performance in 2016 and a new delivery and business plan that will boost both the Bank's income and operations, we stand ready to continue bettering the lives of the people of Africa.

I wish to express my sincere appreciation to our Boards of Directors, Management, and staff for their support throughout 2016, and I count on their continued support in achieving the African transformation that we have pledged to deliver. The Bank is now fit for purpose, and we are set to deliver on our transformation agenda—to transform African economies and better the lives of the African people.

Akinwumi Ayodeji Adesina
President of the
African Development Bank Group
Chairperson of the Boards of Directors

The President and the Executive Directors

Front Row, from left to right:
Ms. K. ISAKSSON;
Mr. D. FANIZZA;
Mr. H.S. TSE;
President A. A. ADESINA;
Mr. T. AL-TUSHANI;
Mr. M. ZAGHLOUL; and
Mr. D. LEBASTARD.

Second Row, from left to right:
Mr. R. OBAM NLONG;
Mr. A. MELLOUKI;
Ms. M. MABIALA;
Ms. M.E.P. LEKHETHE;
Ms. S. MELLALI;
Mr. R. MEYER; and
Mr. B. OKOGU.

Third Row, from left to right:
Mr. P. ZIMPITA;
Mr. N.C. WEGGORO;
Mr. H. OZAWA;
Mr. K.B. OKU-AFARI;
Mr. M. TURNER (US Chair);
Mr. H.M. GAOMAB; and
Mr. A. KONE.

Letter of Transmittal

In accordance with Article 32 of the Agreement establishing the African Development Bank and Articles 8, 11, and 12 of the General Regulations adopted thereunder, and pursuant to Article 26 of the Agreement establishing the African Development Fund and Articles 8, 11, and 12 of the General Regulations adopted thereunder, the Boards of Directors of the Bank and of the Fund hereby submit to the Boards of Governors the Annual Report and Financial Report of the African Development Bank and the African Development Fund for the financial year ended 31 December 2016.

The Annual Report includes a review of developments in the operational activities of the Bank Group during 2016. The Financial Report contains the full set of audited financial statements of the Bank and the special purpose financial statements of the Fund, together with the approved administrative budget for 2017 and the review of financial management and financial results. These reports are available electronically on the Bank Group's web page at www.afdb.org/annualreport.

Quick Facts

The African Development Bank Group, Africa's premier multilateral development finance institution, remains financially strong, as confirmed by its AAA/Aaa and AA+/Aa1 ratings.

In 2016, the Bank Group focused on five development priorities—the "High 5s"—Light Up and Power Africa, Feed Africa, Industrialize Africa, Integrate Africa, and Improve the Quality of Life for the People of Africa within the framework of its Ten-Year Strategy (2013–2022) aimed at promoting inclusive and green growth.

Total approvals in 2016 peaked at UA 8.04 billion, 27 percent higher than in 2015. Over half of the lending volume went to the Improve the Quality of Life priority. Other allocations were as follows: Light Up and Power Africa 19%, Feed Africa 11%, Industrialize Africa 12%, and Integrate Africa 6%.

Disbursements increased by 55 percent from 2015 to UA 4.68 billion in 2016, exceeding their target for the year.

Financial Snapshot of 2016

Mission
To promote sustainable economic growth and reduce poverty in Africa

ADB Shareholders

54 African countries
Regional member countries

+26 Non-African countries
Non-regional member countries

=80 Nations

Capital
as of 31 December 2016 (ADB)
(in UA)

65.49 B Subscribed Capital

4.90 B Paid-up Capital

66.98 B Authorized Capital

60.59 B Callable Capital

TOTAL RESERVES **2.75 B**

Approved operations 2016
(in UA)

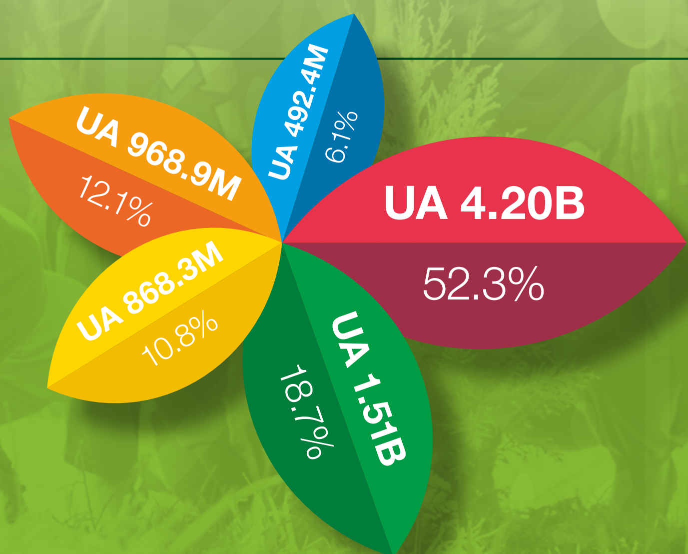
ENTITIES

ADB	NTF
6.34 B	18.5 M
ADF	**SPECIAL FUNDS**
1.52 B	160.3 M

TOTAL APPROVALS **8.04 B**

Total Approvals by High 5 Grouping 2016

- Light Up and Power Africa
- Feed Africa
- Industrialize Africa
- Integrate Africa
- Improve the Quality of Life for the People of Africa



Total Cumulative Approvals 1967–2016

OPERATIONS **5,279**

IN TOTAL **UA 96.10 B**

On the road to Africa's transformation

2013 2016 2063

High 5s targets 2025

1 Light up & power Africa
+162 GW electricity generated
+130 million on-grid connections
+75 million off-grid connections

2 Feed Africa
130m lifted out of extreme poverty
Zero hunger and malnutrition
Africa's net trade balance – USD 0 billion
Africa share of market value for processed commodities up 40%

3 Industrialize Africa
Industrial contribution to GDP increased by 130%
35 special economic zones supported
30 PPPs developed and strengthened

4 Integrate Africa
Intra-African trade representing 52% of total trade
USD 172 billion saved in transportation cost
No visa requirements for Africans travelling across Africa

5 Improve the quality of life for the people of Africa
25 million jobs created
USD 30 billion in income gains for the African economy
Improving access to water & sanitation
Strengthening heath systems

UN Sustainable development Goals

AU Agenda 2063

Aspirations

1 A Prosperous Africa, based on inclusive growth and sustainable development

2 An integrated continent, politically united, based on the ideals of Pan Africanism and the vision of Africa's Renaissance

3 An Africa of good governance, democracy, respect for human rights, justice and the rule of law

4 A Peaceful and Secure Africa

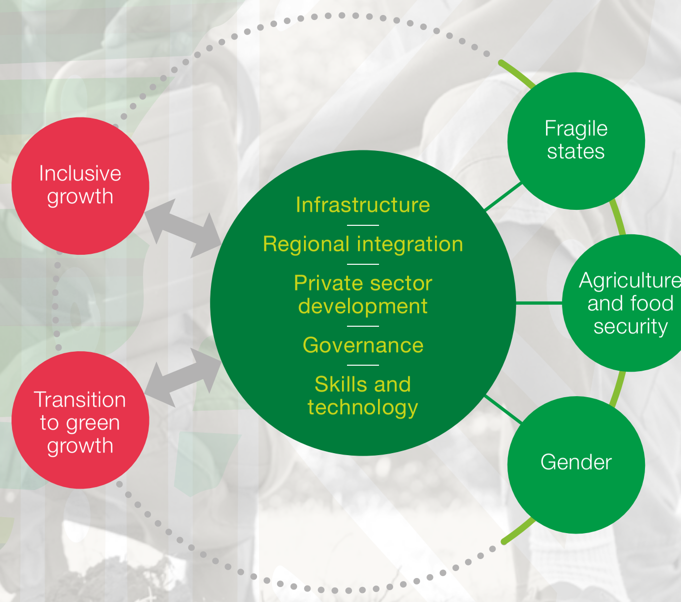
5 Africa with a strong cultural identity, common heritage, values and ethics

6 An Africa whose development is people driven, relying on the potential offered by people, especially its women and youth and caring for children

7 An Africa as a strong, united, resilient and influential global player and partner

AfDB Ten Year Strategy 2013-2022

Two objectives to Support Transformation | Core Operational Priorities | Areas of Special Emphasis



1. Repositioning the Bank Group

Modjo Meki Expressway, Ethiopia.

Africa has come a long way. Before the turn of the century, poverty was rampant, economies were faltering, infrastructure was in disrepair, and political and economic governance was weak. Africa as a continent was fragile. Things changed as Africa grew rapidly over the next two decades. Extreme poverty in Africa declined from 56 percent of the population in 1990 to 41.5 percent in 2015. Economic policies, political stability, and the business environment all improved, making the region a target for foreign direct investment, which reached USD 56.5 billion in 2016. Africa is on the rise.

Despite these achievements, poverty remains a challenge in Africa, with an estimated 400 million poor, in 2015, up from 350 million in 1990, largely because of rapid population growth. Income inequality remains high, youth unemployment is rising, and gender equality remains elusive. The benefits of growth in Africa have not reached the masses.

More important, Africa continues to be at the mercy of boom-bust cycles dictated by trends in the global economy. Global growth slowed to 3.1 percent in 2016 (from 3.2 percent the previous year). The loss of momentum in the economic recovery of the United States (where growth dipped to 1.6 percent in 2016 against 2.6 percent in 2015), the uncertainty following Brexit and the slowdown in China, where growth is converging to a “new normal” after declining continuously from its 2010 level, are the key factors weighing on Africa’s growth. The weak global environment has hit African economies mainly through low commodity prices and depressed export demand for African goods. Economic growth in Africa plunged to 2.2 percent in 2016, the lowest in over a decade.

The biggest commodity-exporting countries saw a sharp drop in growth, but several oil-importing countries continued to enjoy reasonably rapid growth. Nigeria’s economy, the largest in Africa, contracted in real terms by 1.5 percent. South Africa and Angola narrowly escaped recession. South Sudan suffered a deep economic contraction (of 13.1 percent), while growth in other oil-exporting countries remained negative (Chad and Equatorial Guinea). Only Egypt (4.3 percent) and Algeria (3.5 percent) were able to maintain reasonably good economic performance in the face of declining oil prices. In contrast, non-resource-intensive economies generally fared well, led by Côte d’Ivoire (8.4 percent) and Senegal (6.7 percent) in Western Africa, and by Tanzania (7.2 percent) and Kenya (6.0 percent) in Eastern Africa. Economic growth in Africa is expected to rebound to 3.4 percent in 2017—but still below the average for the past 10 years.

The diversity of economic performances in the face of global headwinds underpins Africa's heterogeneity as a region, as illustrated by the resilience of non-commodity-intensive economies. There is also evidence—from Africa's response to the financial crisis—that the most regionally integrated countries are able to better weather external economic shocks. Together, this points to the need for African countries to diversify their economies in terms of both the basket of goods and services that they produce and the markets. Urgent and bold economic transformation is more than ever a priority for the continent. The opportunities to pursue it abound.

Africa's enormous development potential—in almost all sectors—has yet to be tapped. In agriculture, African countries remain food insecure, spending billions of dollars on food imports every year to feed their people. Yet Africa has 65 percent of the world's untilled arable land to meet the food needs of the planet's 9 billion people by 2050. In energy, Africa has the lowest electrification rate across world regions, with more than 645 million people lacking access to electricity. Yet the continent's potential in renewable energy is huge, and largely unexploited.

Moreover, many African countries are stuck at the low end of the agricultural value chain, exporting raw commodities that are subject to price and climatic fluctuations. Industrialization efforts have faltered, mainly because of poor policies and a lack of support services. Even so, agriculture can form the basis for industrialization in Africa, and African countries can position themselves to integrate into global value chains and move up along them through agro-processing. Harnessing the private sector—by facilitating access to finance for innovative enterprises, incentivizing entrepreneurship, and providing the right business environment—will be critical to maintaining industrial impetus.

Lastly, Africa's intraregional trade is among the lowest in the world, held down by fragmented markets owing to poor policies, little economic diversification, and weak infrastructure. Regional integration remains an imperative for a continent where 16 countries, with one-third of Africa's people, are landlocked, and 19 countries have populations of less than 5 million.

All these challenges have persisted for too long. Therefore, business as usual will not be enough to drive sustainable growth and alleviate poverty in Africa. A new development approach is in order. This is needed because the Bank, as Africa's leading financial institution, continues to face challenges in meeting the development agenda of its Regional Member Countries (RMCs)—despite its track record of delivering development impacts across the continent for over half a century. While the Bank Group remains financially strong, as confirmed by its AAA/Aaa and AA+/Aa1 ratings, there is an urgent need to augment its revenues, which have declined significantly in recent years. Moreover, to improve the development impact of its operations, the Bank must get closer to its clients and reform its processes to speed up disbursement and project implementation, all while cutting costs and enhancing productivity. In short, the Bank must transform itself to deliver more effectively. Piecemeal, incremental reforms have not worked.

In 2016, the Bank Group embraced a bold transformation agenda—a promise to transform Africa by transforming itself, by becoming a more efficient and effective institution, by rallying its people and partners behind this cause, and by leveraging and scaling up development finance to catalyze development.

Evolving with the New Business Development Landscape

At the center of the Bank's transformation agenda are the High 5s—Light Up and Power Africa, Feed Africa, Industrialize Africa, Integrate Africa, and Improve the Quality of Life for the People of Africa—that the Bank Group adopted in late 2015. In 2016, the Bank Group sharpened its focus on the High 5s as it rolled out the strategies needed to implement them. It adopted in April 2016, a new Development and Business Delivery Model (DBDM) to realign its organizational structure with the strategic objectives of the Ten-Year Strategy 2013–2022 for achieving inclusive and green growth and the High 5s priorities to accelerate delivery and development impacts. The new structure also aims to bring the Bank closer to its clients and improve organizational effectiveness to meet the growing needs of RMCs and their private sector.

During the year, the Bank Group initiated several reforms as part of a transformative agenda to restructure the organization to build regional capabilities, change the Bank's culture, and streamline its processes. It approved The Update of the Decentralization Action Plan with a view to adjusting the ongoing decentralization process with the new DBDM. The Update seeks to strengthen the presence of the Bank at the regional level; right-size offices at country and regional levels; reconfigure the role, functions, and relations of the sector departments at Headquarters; and establish the Regional Development, Integration, and Business Delivery hubs. The strategies to operationalize four of the five priorities were swiftly developed and approved by July 2016, along with initiatives to implement these strategies (Table 1). For the Integrate Africa priority, the Bank Group has, for now, retained the existing Regional Integration Policy and Strategy 2014–2023 but is working on a new strategy that will reflect emerging priorities.

The new strategies entail major financial commitments and active engagement by the Bank over the next ten years. Their implementation will require investments of about USD 100 billion, and the Bank will leverage several times this amount through strategic partnerships, including those with the private sector.

In 2016 the Bank Group's operations laid the foundation to unleash an agricultural transformation in Africa, create jobs for thousands of youth, empower young entrepreneurs including many women, and bring electricity to several million Africans—improving their quality of life.

TABLE 1

New Strategies to Drive the High 5s

High 5s Priority Areas	Strategy	Objectives	Selected Key Actions	Funding Requirements	Selected Initiatives
Light Up and Power Africa	New Deal on Energy for Africa 2016–2025	Achieve universal energy access for Africa by 2025	Improve the policy environment to attract private investment; support reforms in the utility sector; and accelerate major regional projects and country-specific energy transformation plans	Invest USD 34 billion and leverage about four times that amount between 2016 and 2025	Africa Renewable Energy Initiative (AREI) — Sustainable Energy for All (SE4All) — Sustainable Energy Fund for Africa (SEFA) — Transformative Partnership on Energy for Africa
Feed Africa	Strategy for Agricultural Transformation in Africa 2016–2025	Contribute to eliminating extreme poverty and end hunger and malnutrition in Africa; make Africa a net food exporter, and move African countries up in export-oriented global value chains	Promote and strengthen a range of priority agricultural value chains based on agro-ecological zone capabilities	Invest USD 24 billion and catalyze investments of USD 315–400 billion over the 10-year horizon	Technologies for African Agricultural Transformation — ENABLE Youth — Agro-poles, and agro-industrial processing zones and corridors — Leadership for African Agriculture — Affirmative Financing Action for Women in Africa (AFAWA) — Risk-Sharing Finance Mechanisms
Industrialize Africa	Industrialization Strategy for Africa 2016–2025	Increase capacity of African firms to compete with imported products in local markets; boost regional trade; support development and expansion of small and medium enterprises (SMEs)and industry clusters	Pursue six flagship programs aimed at fostering industrial policies, catalyzing funding in infrastructure and promoting private sector development	Invest USD 35 billion over the next 10 years and mobilize cumulative investment of USD 56 billion	Boost Africa Initiative — African Financial Markets Initiative — African Investment Forum
Improve the Quality of Life for the People of Africa	Jobs for Youth in Africa 2016–2025	Generate 25 million jobs and affect 50 million young people over the next 10 years by creating better opportunities for entrepreneurship and self-employment	Mainstream job creation into Bank-financed projects; support policies and institutions in RMCs for inclusive jobs; implement flagship programs in agriculture, information and communications technology, and industry aimed at strengthening skills and stimulating entrepreneurship	Mobilize USD 4.7 billion over the next 10 years to support youth entrepreneurship in Africa	Boost Africa Investment Fund — ENABLE Youth Program — Affirmative Financing Action for Women in Africa (AFAWA)

Note: The current strategy to drive the Integrate Africa priority—the Bank Group's Regional Integration Policy and Strategy 2014–2023—is not included in the table because it is not a new strategy.

On the Road to Africa's Transformation

The transformation process—launched by the Bank to align its organizational structure and business delivery model with its Ten-Year Strategy and its High 5s priorities—rests on five pillars (Figure 1).

Following approval by the Boards of Directors of the new DBDM in April 2016, a Transformation Management Team (TMT) was set up to lead the internal transformation. The Team focused on seven critical change-management areas (Figure 2) and made key recommendations for implementing the Bank's transformation agenda. In particular, the Bank's complexes were reconfigured to better align them with the High 5s priorities (Appendix 6). The new Power, Energy, Climate, and Green Growth Complex will lead the Light Up and Power Africa priority. The Agriculture, Human, and Social Development Complex will lead the Feed Africa and Improve the Quality of Life for the People of Africa priorities. The Private Sector and Infrastructure Complex will lead the implementation of the Industrialize Africa priority. The Regional Development, Integration, and Business Delivery Complex (decentralized across five hubs) will drive Integrate Africa. The Economic Governance and Knowledge Management Complex will provide leadership for macroeconomic policy, economic governance, and knowledge management. By the end of the year, all Vice Presidents (to lead the complexes), all five Director-Generals (to lead the Regional Hubs), and the Director for the Nigeria Country Office had been appointed.

In addition to the TMT, a Delivery, Accountability and Process Efficiency Committee (DAPEC) was set up to review the Bank's business processes, procedures, and systems and to propose changes to make the Bank more nimble and efficient. This Committee will complete mapping the Bank's current processes in the first quarter of 2017, and will then focus on designing more efficient "to be" processes. Throughout the year, management also continued to engage and communicate with staff on the reform priorities as part of its change-management efforts.

Implementing a process reform agenda, alongside Presidential directives among other factors, has led to a sharp increase in total disbursements of the Bank Group (up 55 percent from 2015) as the time from approval to first disbursement was reduced by 96 days. Shorter delays were also registered in procuring goods and works (by 9 days) and services (by 6 days). These efficiency gains have occurred at an early stage of implementation of the reforms, and within a relatively short period of time, showing that substantial room for improvement exists as the Bank continues to roll out the reform agenda (Figure 3).

The Bank Group continued to make progress toward its decentralization targets. In 2016, as in the preceding year, 65 percent of projects were managed from the field—against a target of 60 percent. The number of operations staff at professional level remained below the target of 50 percent, with 42.1 percent based in field offices, up from 40.6 percent in 2015. These statistics are expected to improve as the Bank rolls out the updated plan in tandem with its DBDM.

Beyond lending, the Bank Group aspires to strengthen its position as a premier knowledge-driven institution on the continent, providing demand-driven, evidence-based policy and advisory services to RMCs and the private sector. This vision is reflected in the expanded mandate of the Economic

FIGURE 1

Five by Five—Five Foundations to Drive the High 5s

FIGURE 2
Transformation Management Team Focal Areas 2016

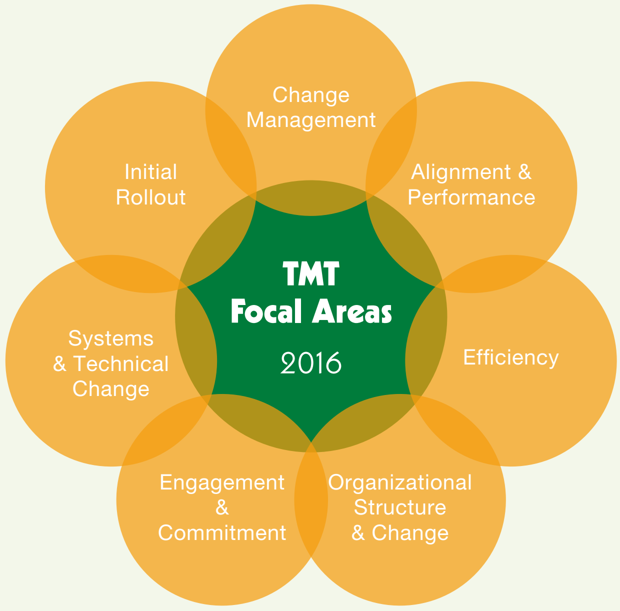
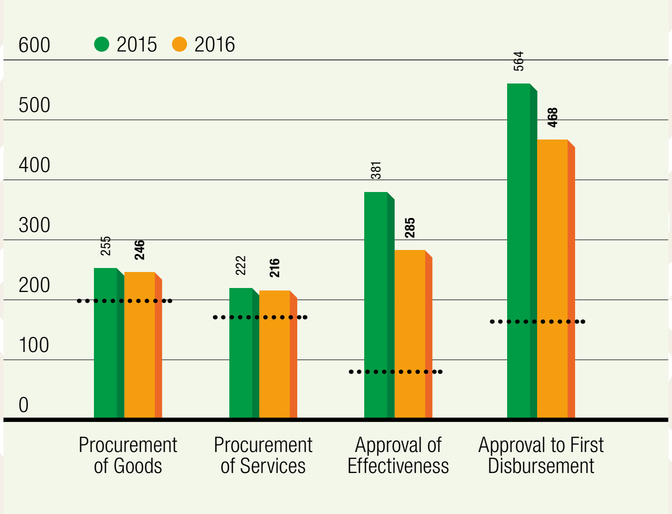


FIGURE 3
Steady Progress but Remaining Challenges in Process Efficiency (days)



Note: Dotted lines represent targets (in days).

Governance and Knowledge Management Complex, which places greater emphasis on the Complex's role as a leader in macroeconomic policy management, economic governance, and knowledge management.

The Complex's knowledge activities will inform and support operations and drive the Bank Group's policy advocacy work while its capacity-building activities will continue to help improve policymaking in RMCs. These activities are aimed at positioning the Bank at the heart of macroeconomic surveillance in Africa and as a premier institution of choice for advisory services. The Bank Group's work in this area includes mainstreaming measurement, tracking, and impact evaluation in Bank Group operations; supporting improvements in public financial management and quality of statistics; assisting African countries in managing their natural resources; supporting RMC capacity for development effectiveness and sustainability; and generating knowledge that is transferrable, replicable, and scalable.

In sum, the implementation of the reform agenda has moved ahead and progress has been significant. But as is common for reforms of this scale, the Bank faced some challenges. While most of the challenges have been addressed by Management to ensure that the transformation effort remains on track, some remain for the year ahead.

First, to handle the depth of the transformation while maintaining services to the Bank's clients, management has applied a flexible approach that allows Senior Management to continue running day-to-day activities while implementing the reforms. This approach offered the best opportunity for achieving meaningful, inclusive, and successful transformative change. Nonetheless, the challenges of continuing normal operations while undergoing deep-rooted transformation became evident early in the process. This was mainly due to the ongoing and yet unfinished replenishment of human resources following the Bank's return to HQ. Management responded by reprioritizing the main areas of reform and supporting the Transformation Management Team with internal and external resources.

Secondly, uncertainty among staff—concerned about possible changes to their careers, while still being expected to deliver on their regular work—introduced another layer of challenges for implementing the Development and Business Delivery Model. Management handled these challenges in several ways. It introduced a newsletter to communicate major areas of change, launched the "Ask Frannie" forum, where staff could ask questions about the reforms, held town hall meetings at critical times to address staff concerns, and made more information available to bridge the communications gap.

In 2017, Management will deal with remaining challenges. It will ensure that staff mapping is completed and that the Bank is staffed with the right talent to drive the transformation agenda going forward.

2. Focusing Bank Group Operations on the High 5s

Port of Walvis Bay, New Container Terminal on Reclaimed LandProject, Namibia.

The implementation of the High 5s builds on the Bank Group's Ten-Year Strategy and offers a compelling opportunity to transform the lives of the African people. The year 2016 was the first full year working to deliver on these priorities.

Accordingly, the Bank Group ended 2016 with a record UA 8.04 billion (USD 10.8 billion) in approvals. Actual disbursements amounted to UA 4.68 billion (USD 6.3 billion), 55 percent higher than the year before. Through a High 5s lens, approved Bank Group operations in 2016 are expected to create about 630,000 jobs, many for youths and a fair share for women. These approvals aim to bring electricity to previously dark areas, unlock growth potential for small businesses, nourish thousands of children (curbing the incidence of stunted growth), nurture young entrepreneurs, and strengthen connectivity between African regions and cities.

These impacts will be delivered through enhanced dialogue with RMCs as the Bank gets progressively closer to its clients, in line with its new business model.

Bank Group Operations by High 5s

There is no perfect mapping between the High 5s priorities and the operational sectors for which approvals data is recorded. Most sector operations have an impact on more than one High 5s priority area. However, the following convention is adopted in this Report in mapping sectors to the High 5s:

- Finance is treated as a cross-cutting sector and is mapped to each of the High 5s, depending on the specific operation and its intended impact. For example, housing finance, an emerging area of Bank intervention, is mapped to Improve the Quality of Life; lines of credit to financial institutions are mapped to Industrialize Africa when such funds are meant for on-lending to firms in the productive sectors, etc.
- Energy supply is mapped to Light Up and Power Africa.
- Agriculture and rural development is attributed to Feed Africa.
- Industry, mining, and quarrying is mapped to Industrialize Africa.
- Multinational components of Communication and Transport are assigned to Integrate Africa.
- Social services, Water Supply and Sanitation, domestic components of Communication and Transport, Urban development, Environment, and Multisector operations are mapped to Improve the Quality of Life for the People of Africa.

> More than 600 million people in Africa live without access to electricity; 24 out of 26 countries with a high incidence of stunting and wasting among children are in Africa; agriculture in Africa for long has been an activity that managed poverty, instead of being a source of wealth creation… This needs to and must change.
>
> Akinwumi Ayodeji Adesina
>
> President / African Development Bank Group

Total approvals crossed the UA 8 billion mark—27 percent higher than in 2015

FIGURE 4

Bank Group Approvals by High 5s Priority

The Bank is crafting a mapping methodology for monitoring progress on the High 5s, to be finalized and implemented in 2017.

Bank Group operations in 2016 saw increases in approvals across all but one of the High 5s. Disbursements increased sharply, exceeding their target for the year.

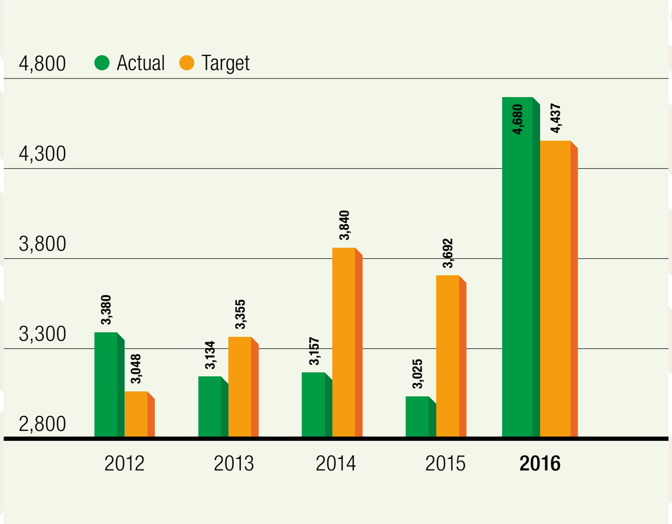
The main highlights (Figure 4 and Appendixes 1 and 2):

- Total approvals reached a historical high of UA 8.04 billion, a 27 percent increase over the previous year. The largest share of approvals (UA 4.20 billion, or 52.3 percent) went to the Improve the Quality of Life priority, an increase of 14.5 percent over 2015.
- Total approvals for Light Up and Power Africa rose sharply by 72.8 percent to UA 1.51 billion, representing 18.7 percent of Bank Group approvals.
- Operations targeting the Feed Africa priority increased 66 percent to UA 868.3 million, taking its share past the 10 percent mark.
- Approvals for Industrialize Africa increased 43.5 percent to UA 968.9 million, lifting its share of approvals to 12.1 percent.
- With 492.4 million in approvals, 17.7 percent lower than in 2015, the Integrate Africa priority had the smallest share of total approvals (6.1 percent).

UA 4.68 billion was disbursed in 2016, well above target

FIGURE 5

Bank Group Disbursements Exceeded Their Targets in 2016 (UA million), 2012–2016



Bank Group loan and grant disbursements (excluding equity participations, guarantees, and special funds) came to UA 4.68 billion in 2016, up 55 percent from 2015. Disbursements exceeded their annual target, reversing the trend since 2012 (Figure 5).

Several factors explain the hike in disbursements in 2016. There was a sharp increase in disbursements for policy-based operations (accounting for 48 percent of total disbursements) to some countries in the aftermath of the commodities slump. Conversely, disbursements for private sector operations achieved only 67 percent of the target for the year, which nevertheless was an improvement on the previous year's level (by 15 percent). This was due in part to delays in meeting conditions precedent to disbursement. On the whole, the increased volumes of disbursements highlight better portfolio management efforts through closer monitoring with executing agencies following a Presidential Directive, and enhanced disbursement effectiveness arising from process reforms.

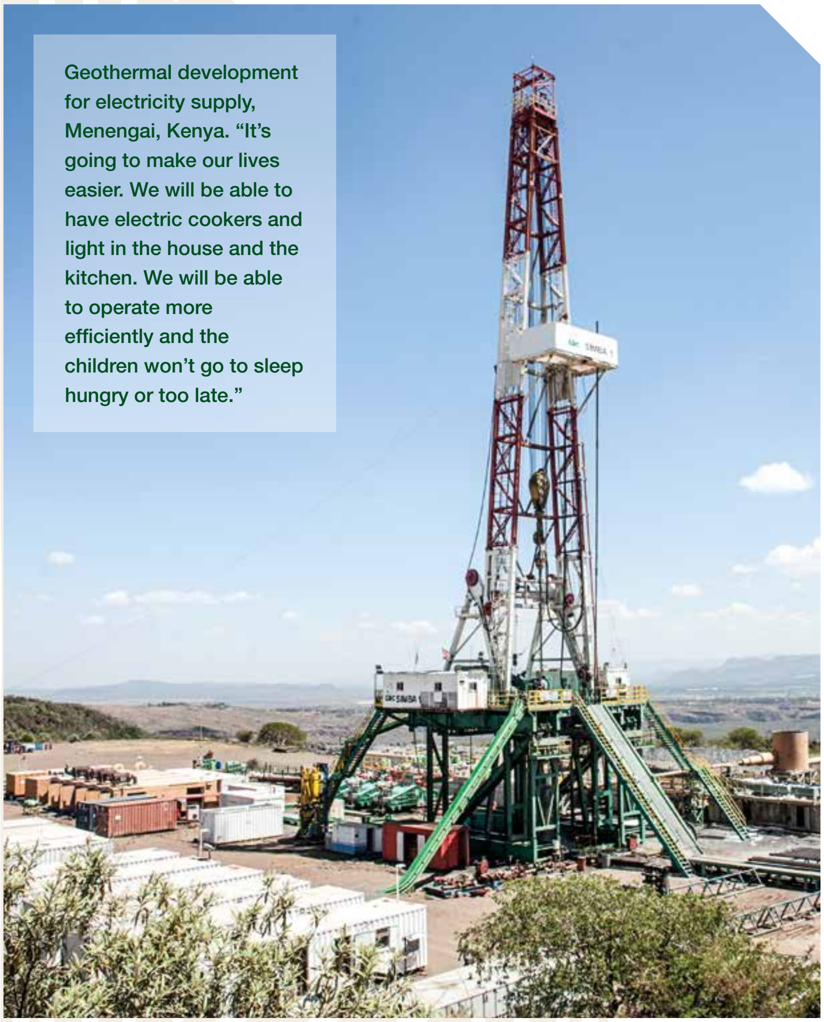
UA 1.51 billion was invested to Light Up and Power Africa in 2016

Notwithstanding the positive performance, disbursement delays continue to impact the Bank's portfolio. They arise from delays in signing loan agreements, delays in ratification by Parliaments, capacity weaknesses at the level of executing agencies, and political transitions. The Bank Group is in the process of implementing a rigorous approach to project readiness, design, and procurement to ensure faster disbursement of approvals while cancelling all non-performing operations. The rollout of the Updated Decentralization Action Plan will also help accelerate disbursement by reinforcing field presence.

Light Up and Power Africa

Africa has the lowest electrification rate of world regions. More than 645 million people, the majority of them in rural areas, have no access to electricity. More than 30 countries report regular power outages that result in loss of working days (and income, including worker earnings), and economic output. More than 700 million people rely on biomass and fuelwood for cooking, with indoor smoke causing thousands of deaths every year, especially among women and children. Africa's energy poverty persists despite the continent's enormous potential in renewable energy: 325 days of strong sunlight, 15 percent of the world's hydropower potential, and good potential in wind and geothermal energy.

The Bank Group's goal for the Light Up and Power Africa priority is to achieve universal access to energy for Africa by 2025. This will be realized by expanding grid power by 160 GW, by connecting 130 million people to grid power and an additional 75 million people to off-grid systems, and by providing 150 million households access to clean cooking energy. The New Deal on Energy for Africa signals the Bank Group's commitment to address Africa's energy deficit—by increasing energy production, scaling up energy access, and improving the affordability, reliability, efficiency, and sustainability of energy systems (Box 1). The Bank Group is investing about USD 34 billion of its own resources in energy sector operations in 2016–2025 and will leverage about four times this amount through partnerships, especially with the private sector.

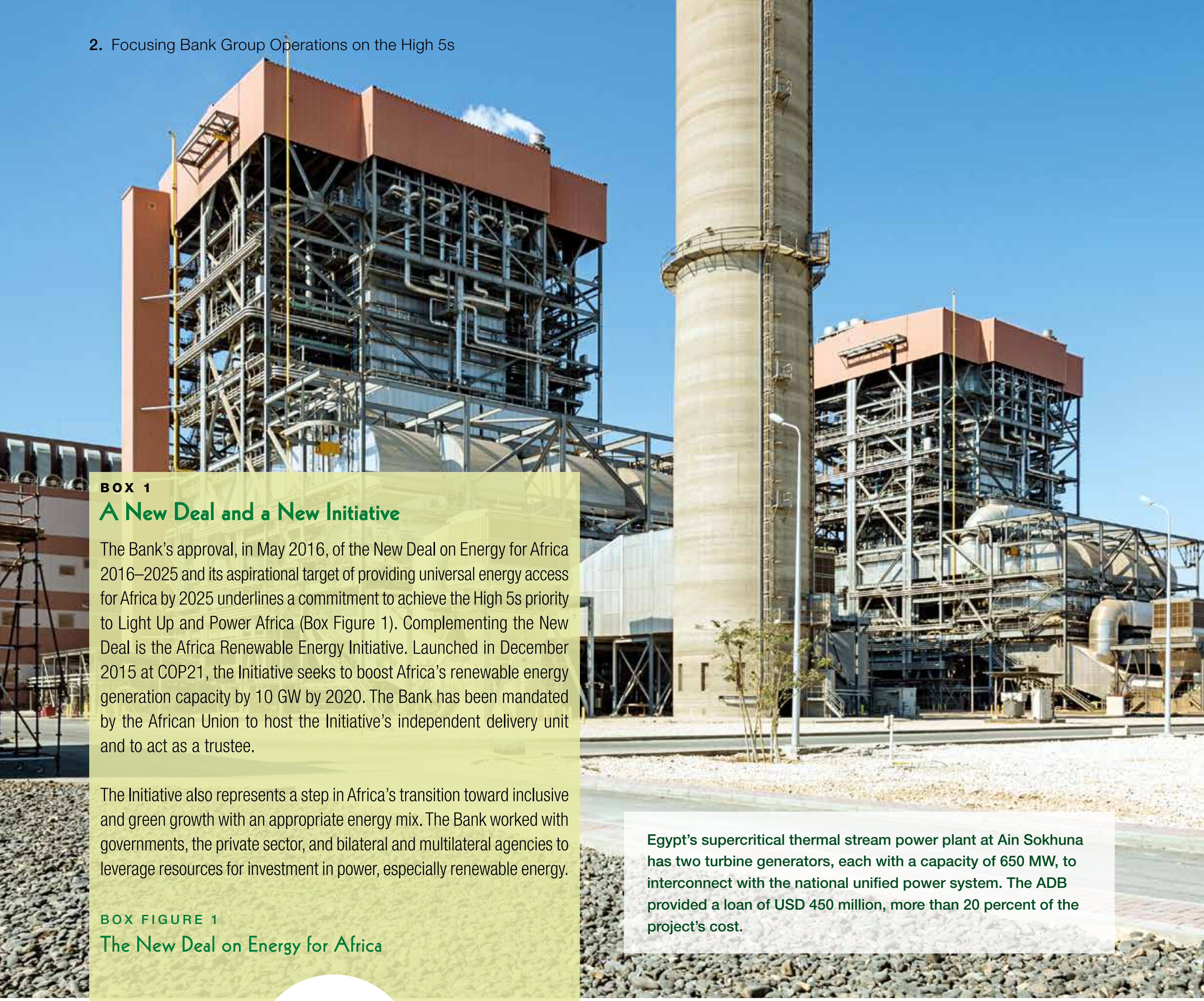


Geothermal development for electricity supply, Menengai, Kenya. "It's going to make our lives easier. We will be able to have electric cookers and light in the house and the kitchen. We will be able to operate more efficiently and the children won't go to sleep hungry or too late."

Light Up and Power Africa (2014–2016)

The Bank expanded the continent's total installed power capacity by 1,500 MW, benefiting some 10 million people.

About 10 percent of total installed power capacity comes from renewable sources, reducing CO_2 emissions by 175,000 tons a year.



Egypt's supercritical thermal stream power plant at Ain Sokhuna has two turbine generators, each with a capacity of 650 MW, to interconnect with the national unified power system. The ADB provided a loan of USD 450 million, more than 20 percent of the project's cost.

BOX 1

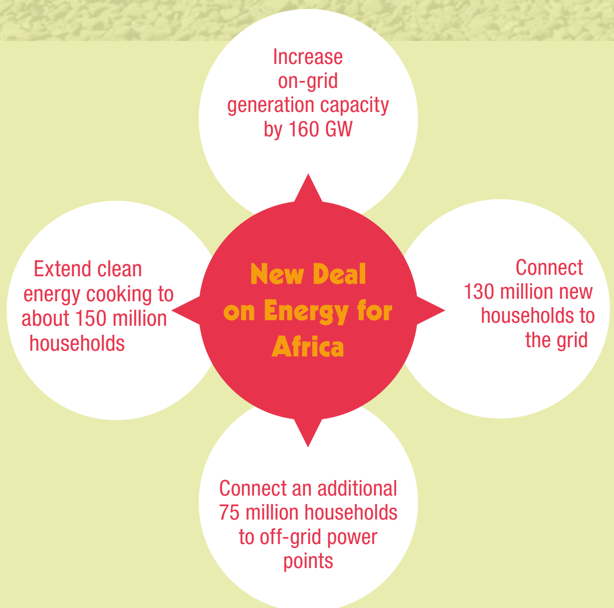
A New Deal and a New Initiative

The Bank's approval, in May 2016, of the New Deal on Energy for Africa 2016–2025 and its aspirational target of providing universal energy access for Africa by 2025 underlines a commitment to achieve the High 5s priority to Light Up and Power Africa (Box Figure 1). Complementing the New Deal is the Africa Renewable Energy Initiative. Launched in December 2015 at COP21, the Initiative seeks to boost Africa's renewable energy generation capacity by 10 GW by 2020. The Bank has been mandated by the African Union to host the Initiative's independent delivery unit and to act as a trustee.

The Initiative also represents a step in Africa's transition toward inclusive and green growth with an appropriate energy mix. The Bank worked with governments, the private sector, and bilateral and multilateral agencies to leverage resources for investment in power, especially renewable energy.

BOX FIGURE 1

The New Deal on Energy for Africa



Bank Group approvals for the Light Up and Power Africa priority in 2016 (UA 1.51 billion) were 72.8 percent higher than in 2015, with the bulk of the financing coming from the ADB (non-concessional) entity. In addition, external financing of UA 41.5 million was channeled by the Bank, mainly from the Climate Investment Funds (UA 20.0 million), the Global Environment Facility (UA 8.2 million), and the European Union–Africa Infrastructure Trust Fund (UA 7.8 million).

Close to 35 projects were approved in the energy sector in 2016, with the largest ones also having cross-sectoral components, such as governance. An operation for strengthening the power transmission and distribution network in Côte d'Ivoire, financed by an ADB public loan of UA 109.8 million in 2016, aims to provide electricity to 252 rural communities, catalyze the development of mining and agro-processing, and ultimately create more than 3,000 direct jobs.

Another project, Kenya's Last Mile Connectivity Program (at a total cost of USD 900 million, financed in part by ADF loans of UA 90 million in 2014 and USD 134.64 million in 2016), exemplifies the international cooperation to mobilize financing to connect 614,200 new customers to the grid.

To tackle joblessness among African youth, the Bank through its Enable Youth Program will spur 250,000 agribusiness enterprises and 1.25 million jobs over the next 10 years.

Two important operations in the renewable energy sector were approved in 2016. The 33 MW Segou Solar Independent Power Producer (IPP) project, Mali's first utility-scale solar project, financed by an ADB senior loan of USD 8.5 million along with a Climate Investment Funds senior loan of USD 25 million, will generate 53 GWh annually, about 10 percent of the country's current capacity. The 42 MW Achwa 2, IPP project in Uganda will generate about 162 GWh of hydropower annually. The Bank Group provided a senior loan of USD 20 million toward the investment cost of USD 110 million.

The year also marked the completion of two energy projects approved in 2007 and 2009. A project to scale up electricity production, transmission, and distribution on the island of Santiago, Cabo Verde—financed to the tune of UA 4.76 million through the ADF window—increased the installed capacity of the Palmarejo power plant by 22 MW. It improved access to electricity for households and businesses from 61 percent of the population in 2006, to an estimated 95 percent in 2015, reducing the country's energy import bill. A similar project in Lesotho, financed by an ADF mix of loans and grants totaling UA 10.85 million, helped extend connections to 6,230 consumers.

Feed Africa (2014–2016)

The Bank has directly served over 16 million farmers, and extended improved farming technologies to nearly 2 million rural farmers.

It expanded access to agricultural land with improved access to water management by 112,000 hectares.

Feed Africa

Agriculture—the mainstay of the African economy—employs more than 60 percent of the African workforce and accounts for roughly a third of the continent's Gross Domestic Product (GDP). Yet Africa is the world's least food-secure region, with agriculture vulnerable to climate change-induced events such as drought, water scarcity, and other extreme weather events. A fundamental paradox: a continent that boasts more than 65 percent of the world's uncultivated arable land, to help meet the food needs of the 9 billion people on the planet by 2050, is itself a net importer of food, spending billions on what could be grown or made at home.

The Bank Group's vision for 2025 is that Africa feeds itself; ends extreme poverty, hunger, and malnutrition; becomes a net exporter of agricultural commodities; and industrializes by diversifying its agri-exports and moving to the top of global value chains. The Feed Africa Strategy for Agricultural Transformation in Africa 2016–2025 was approved in May 2016 to drive the Feed Africa priority. It seeks to transform African agriculture into a competitive and inclusive agribusiness sector that creates wealth and improves lives while preserving the environment.

The strategy builds on the commitments in the Maputo (2003) and Malabo (2014) Declarations, both in furtherance of the Comprehensive African Agricultural Development Program agenda. It will prioritize projects for underserved rural, female, and youth populations, and promote climate-smart agricultural practices among farmers. The strategy targets eight priority areas for investment (such as rice, cassava, horticulture, wheat, and fish), through seven mutually reinforcing enablers: increased productivity; higher value addition; greater investment in infrastructure; expanded agricultural finance; improved agribusiness environment; increased inclusivity, sustainability, and nutrition; and enhanced partnerships.

BOX 2

Beckie's Online Vegetable Basket

Beckie Nakabugo traces the origins of the Online Vegetable Basket to the miseries sustained by Ugandan farmers at the hands of unscrupulous middlemen, who extract huge profit at their expense. "In Uganda, you cannot sell any perishables without going through a middleman. So it was stressful selling our products", lamented Beckie. "So we sat down and asked what can really change in our life in order to make agriculture interesting? We came up with the Online Vegetable Basket."

The Basket is a platform that sends order forms to offices, collects orders, then prepares and delivers them—all on a Friday—and "receives cash instantly and happily." "It is so enjoyable," says Beckie, "that it has reduced post-harvest losses." The small group of youth who pioneered the idea has now grown to a dynamic enterprise of 30 officers.

Beyond providing direct jobs to youth, the enterprise has given a boost to local farming. "We have created 100 farmer groups and the farmers are enjoying agriculture," says Beckie. "We have become a better middleman!"

Transforming Africa's agriculture requires coordinated action among key stakeholders and an enabling agribusiness environment to catalyze investment in the infrastructure needed to build commodity value chains and agro-ecological zones. Transforming Africa's agriculture as foreseen by Feed Africa will cost about USD 30 billion a year for the next 10 years and generate revenues of about USD 85 billion a year if fully implemented. The Bank will invest USD 2.4 billion annually over the 10 years of the Feed Africa Strategy and will leverage the balance through partnerships and from commercial banks.

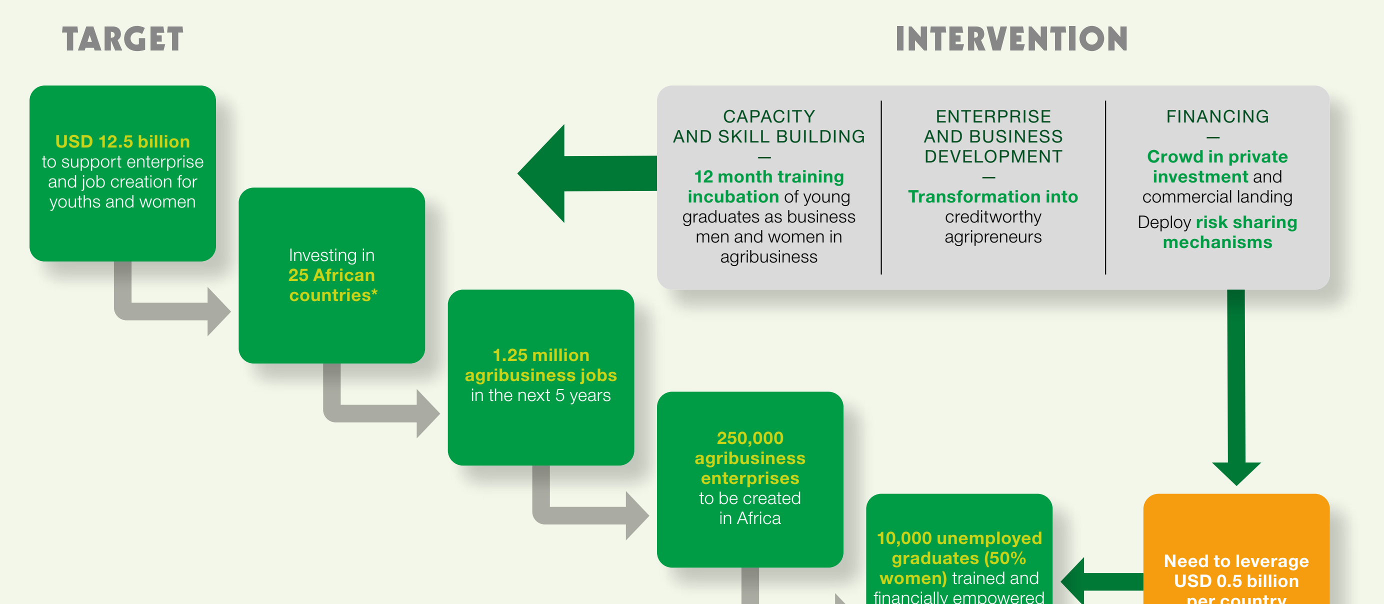
The Bank will also use its convening power to mobilize technical assistance from a range of stakeholders, and work closely with RMCs, providing policy advice and building capacity, also with local farmers and civil society groups.

Several flagship programs were launched to implement Feed Africa in 2016, including:

- Agro-poles and agro-processing zones; 10 countries had expressed interest as of December 2016.
- ENABLE Youth—a joint program with the International Institute of Tropical Agriculture to create business opportunities and decent employment along priority agricultural value chains by training and empowering agripreneurs, such as Beckie Nakabugo (Box 2 and Figure 6). Six projects in the program were approved, with total funding of UA 443 million in 2016.
- Technologies for African agricultural transformation.
- Leadership for Agriculture, supported by a USD 1 million grant from the Rockefeller Foundation.
- Risk-sharing finance mechanisms.
- Innovative financing instruments, such as diaspora bonds—an alternative to borrowing in the international capital market by appealing to the sense of patriotism of the diaspora in their destination country. Three pilot countries have been selected for scoping missions.
- Affirmative Financing Action for Women in Africa (AFAWA). A UA 9.8 million project for the 50 million members of the African Women Speak Networking Platform across the continent has been set up.
- African Leaders for Nutrition, a high-level panel that champions policies and interventions to address malnutrition through agriculture. A USD 3 million grant has been received from the Bill & Melinda Gates Foundation for this initiative.

Food security support project in Louga, Matam and Kaffrine regions, Senegal. "This project helped us. They told us to grow rice and we did it, and that allowed change. Before, life was hard. We went to the forest to look for wood and sell coal. We are now able to enroll our children in school." Yacine Sall, a woman farmer.

FIGURE 6
Agribusiness Can Empower and Employ Africa's Youth



* Benin, Burkina Faso, Burundi, Cameroon, Côte d'Ivoire, DRC, Ghana, Guines Bissau, Kenya, Liberia, Madagascar, Malawi, Mali, Mauritania, Morocco, Mozambique, Nigeria, Rwanda, Senegal, Sierra Leone, Sudan, Tanzania, Tunisia, Uganda and Zambia.

Forty-five operations related to agriculture and rural development, climate-proofing and adaptation, and two financial sector operations (worth UA 122.9 million) were approved during the year—with total financing of UA 868.3 million, a steep 66 percent increase from 2015 and 10.8 percent of total approvals in 2016. Bank interventions in this area will, among other things, support farm income and forestry conservation in Uganda; catalyze development of the blue economy in Cabo Verde; provide irrigation in Morocco and Swaziland; and develop agricultural value chains in Cameroon, Côte d'Ivoire, and Gambia. They will also support youth entrepreneurship in agriculture and agribusiness in the Democratic Republic of the Congo, the ENABLE Youth programs in Nigeria and Sudan, and several activities related to climate change adaptation and emergency food relief.

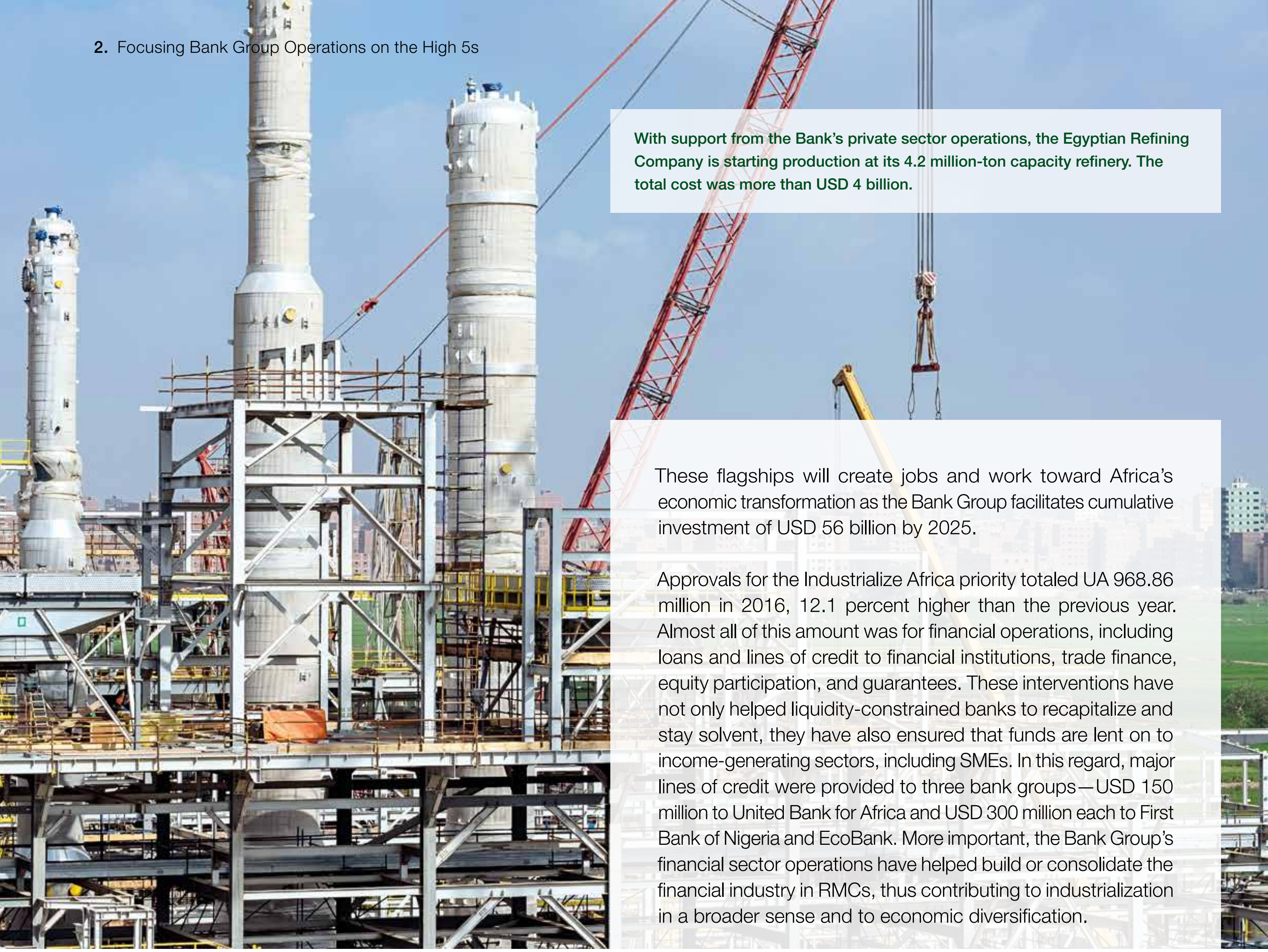
Several of the operations in the Feed Africa priority area aim at promoting food security, building climate change-resilience and creating equitable jobs, and as such cut across the High 5s, most notably the Improve the Quality of Life priority. For example, the ENABLE Youth in Sudan will train 2,000 agricultural entrepreneurs, who could in turn employ five support workers, thus creating 12,000 jobs for young men and women in the project's first five years.

Bank Group vision: Double industrial GDP to USD 1.72 trillion by 2025

Industrialize Africa

The Bank Group sees industrialization in the broader context of structural transformation and economic diversification—consistent with the view that services can allow Africa to leapfrog to a superior and sustainable development path by bypassing the often-elusive manufacturing stage. Africa's potential in services, especially in sectors aided by modern technology—such as ICT, finance, business, and trade—is yet to be fully harnessed. This potential is amply demonstrated by the fact that Africa's current share of global service exports is a meager 2 percent while services remain the largest contributor to GDP growth in Africa in recent years. Evidence also points to services as generating better jobs and higher value added in manufacturing value chains—and to service-led growth as greener and more inclusive.

Industry's share of GDP—an indicator of the scale of industrial activity—has hovered around 35 percent and tended to decline in recent years. More specifically, manufacturing value added remains under 15 percent of GDP in Africa, the lowest across all regions. Poor policies, inadequate infrastructure, lack of access to finance, and an unattractive business environment impede the development of the private sector and the growth of small and medium enterprises (SMEs). This limits the capacity of African economies to diversify, to create jobs, especially for



With support from the Bank's private sector operations, the Egyptian Refining Company is starting production at its 4.2 million-ton capacity refinery. The total cost was more than USD 4 billion.

youths and women, to generate higher incomes through greater value addition, and to drive inclusive growth.

The Bank Group's approach to industrialization in Africa underscores the need to promote industrial development and diversification through supportive policy, institutions, and infrastructure, through access to capital and markets, and through capacity building and entrepreneurship. The vision is to double industrial GDP to USD 1.72 trillion by 2025 by supporting the development of the private sector and unlocking the potential of SMEs. In 2016, the Bank Group adopted its Industrialization Strategy 2016–2025 to guide its engagement to Industrialize Africa, in line with the African Union's Industrial Development Agenda. The strategy champions six flagship programs:

- Catalyze funding in infrastructure and industry projects.
- Expand liquid and effective capital markets.
- Promote and drive enterprise development.
- Promote strategic partnerships.
- Develop efficient industry clusters.
- Foster successful industrial policies.

These flagships will create jobs and work toward Africa's economic transformation as the Bank Group facilitates cumulative investment of USD 56 billion by 2025.

Approvals for the Industrialize Africa priority totaled UA 968.86 million in 2016, 12.1 percent higher than the previous year. Almost all of this amount was for financial operations, including loans and lines of credit to financial institutions, trade finance, equity participation, and guarantees. These interventions have not only helped liquidity-constrained banks to recapitalize and stay solvent, they have also ensured that funds are lent on to income-generating sectors, including SMEs. In this regard, major lines of credit were provided to three bank groups—USD 150 million to United Bank for Africa and USD 300 million each to First Bank of Nigeria and EcoBank. More important, the Bank Group's financial sector operations have helped build or consolidate the financial industry in RMCs, thus contributing to industrialization in a broader sense and to economic diversification.

Specifically in relation to industrialization, the Bank Group launched its flagship Boost Africa Initiative in 2016 aimed at promoting entrepreneurship and creating new and innovative SMEs (Box 3). In manufacturing, the Bank made a private equity investment of UA 14.3 million in the African Industrialization Fund, which targets investment for developing industrial value chains and human capital in line with the Bank Group's Industrialization Strategy. Notably, the Bank launched the Fashionomics initiative in 2015 to support micro, small, and medium enterprises in the fashion industry—based around textiles, apparel, and accessories—by helping them access finance, markets, and technology. In 2016, Fashionomics set up an online platform to connect key actors of the industry with banks and potential investors (including alternative finance sources such as crowdfunding), and to enhance capacity development and market intelligence.

Integrate Africa

Africa's unique geographic characteristics—small markets, scattered and far from major markets in Europe and the United States, and the number of landlocked countries—make regional integration an imperative. At less than 15 percent of Africa's total

BOX 3

Boost Africa Initiative

Jointly designed by the AfDB and the European Investment Bank, this initiative provides support to the earliest and riskiest stage of the entrepreneurial value chain. Launched in November 2016 in Abidjan, it addresses the first hurdles facing entrepreneurs in three ways.

- A Boost Africa Investment Fund, a fund of funds, invests in the entire venture segment from seed to venture capital funds, which themselves invest in innovative early-stage companies. Targeting EUR 200 million, the fund is expected to leverage three to five times the amount of local capital invested. The Bank provided EUR 45 million in equity participation.
- A technical assistance facility boosts intermediaries' investment readiness, trains investee companies, and builds the capacity of commercially viable incubators and accelerators that provide "pipeline" SME deals to the various funds.
- An Innovation Lab will foster a vibrant entrepreneurial ecosystem, connect stakeholders, and stimulate innovation among Fund-supported SMEs.

trade, intra-African trade is hampered by poor infrastructure, overlapping membership of regional trading blocs, and partial implementation of regional commitments. Capital flows are obstructed by poorly developed financial markets, and labor mobility remains a sensitive issue. The ongoing negotiations for the Continental Free Trade Area demonstrate the will of African member countries to tackle some of these issues, but much remains to be done to address the infrastructure constraints, including transport and communications.

The Integrate Africa priority focuses on creating larger, more attractive markets, linking landlocked countries to international markets, and supporting intra-African trade to drive growth. It is motivated by the view that regional integration can boost cross-border trade, benefiting especially the thousands of women involved in such trade; stimulate industrialization; and foster regional cooperation in other areas. The Bank Group's Regional Integration Policy and Strategy 2014–2023 remained the main guiding document for the Bank's regional integration interventions in 2016. The Bank is developing a new strategy.

Working with the African Union and the United Nations Economic Commission for Africa, the Bank Group launched two instruments to track progress on regional integration: The Visa Openness Index and the Regional Integration Index. The first measures how easy or difficult it is for African citizens to move across countries in the continent. The 2016 edition revealed that the majority of African countries (55 percent) require visas from other African nationals while 25 percent of them issue such visas on arrival. The launch by the African Union of the African Passport in 2016 marked a milestone in Africa's move toward continental integration (Box 4).

The second instrument—the Africa Regional Integration Index—is a composite measure based on such indicators as regional infrastructure, intra-African trade, productive integration, free movement of people, and macroeconomic integration. The index shows how well each regional bloc is performing on regional integration. The 2016 Report highlighted best practices, lessons, and challenges in driving integration.

The Bank Group continues to support Regional Economic Communities (RECs) to meet their integration aspirations. It has undertaken trade facilitation projects (including national and regional aid for trade strategies, export strategies, customs reforms, and harmonization of standards and policies) with funding from the Africa Trade Fund.

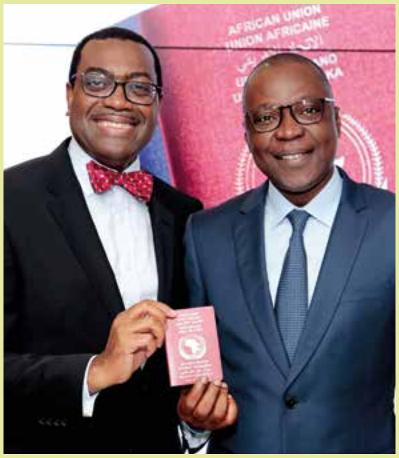
In 2016, the Bank Group approved a UA 8.3 million capacity-building project for the network of centers of excellence in electricity—to improve the power sector's performance and boost regional trade through building core competencies. Also approved in 2016 was a project for facilitating financial integration in the West African Economic and Monetary Union, valued at UA 4.6 million.

BOX 4

Visa-free Travel for African Citizens across the Continent

Free movement of persons is one area of African regional integration where progress has been particularly slow and uneven. Still, initiatives are under way. The Economic Community of West African States (ECOWAS) is one of the rare regional economic communities in Africa to include a Protocol on Free Movement of Persons, Residence, and Establishment. The first of the three phases foreseen by the Protocol—90-day visa-free entry—has been implemented by all ECOWAS countries, and the proposal for a common passport has been adopted by about half the membership.

At continental level, the African Union moved closer to its goal of achieving visa-free travel for African citizens across the continent by 2020 when it launched the African Passport in 2016. Receiving his African Passport in October 2016, the President of the Bank Group said that the document "will reduce the cost of doing business on the continent" and expressed hope that "all the walls that separate us will go down."



The Mombasa-Nairobi-Addis Ababa corridor, part of the Trans-Africa Highway network, received UA 241.6 million in Bank support.

Integrate Africa (2014–2016)

More than 1,500 km of roads built or rehabilitated

Approvals for Integrate Africa came to UA 492.4 million in 2016, about 18 percent lower than in 2015 (UA 597.9 million). They consisted of multinational projects in the transport and communication sectors (representing 54.3 percent and 12.5 percent of approvals, respectively) and relevant financial sector operations (33.2 percent of approvals). Approvals for Integrate Africa are set to increase as the mapping methodology is fine-tuned and the Bank Group adopts an updated strategy in 2017 to drive this High 5s priority.

Transport

Transport is important to all High 5s, and especially critical to the Integrate Africa and Industrialize Africa priorities. Poor road networks and inefficient transport systems lead to high trade costs, one of the major constraints to African firms' competitiveness in regional and global markets. Indeed, for landlocked countries, trade costs are about 1.5 times higher than for coastal countries. Improved transport infrastructure, alongside stronger and better enforced transport policies will contribute directly (and indirectly) to intra-African trade and movement of labor, jobs, and growth. It can also help reduce Africa's carbon footprint.

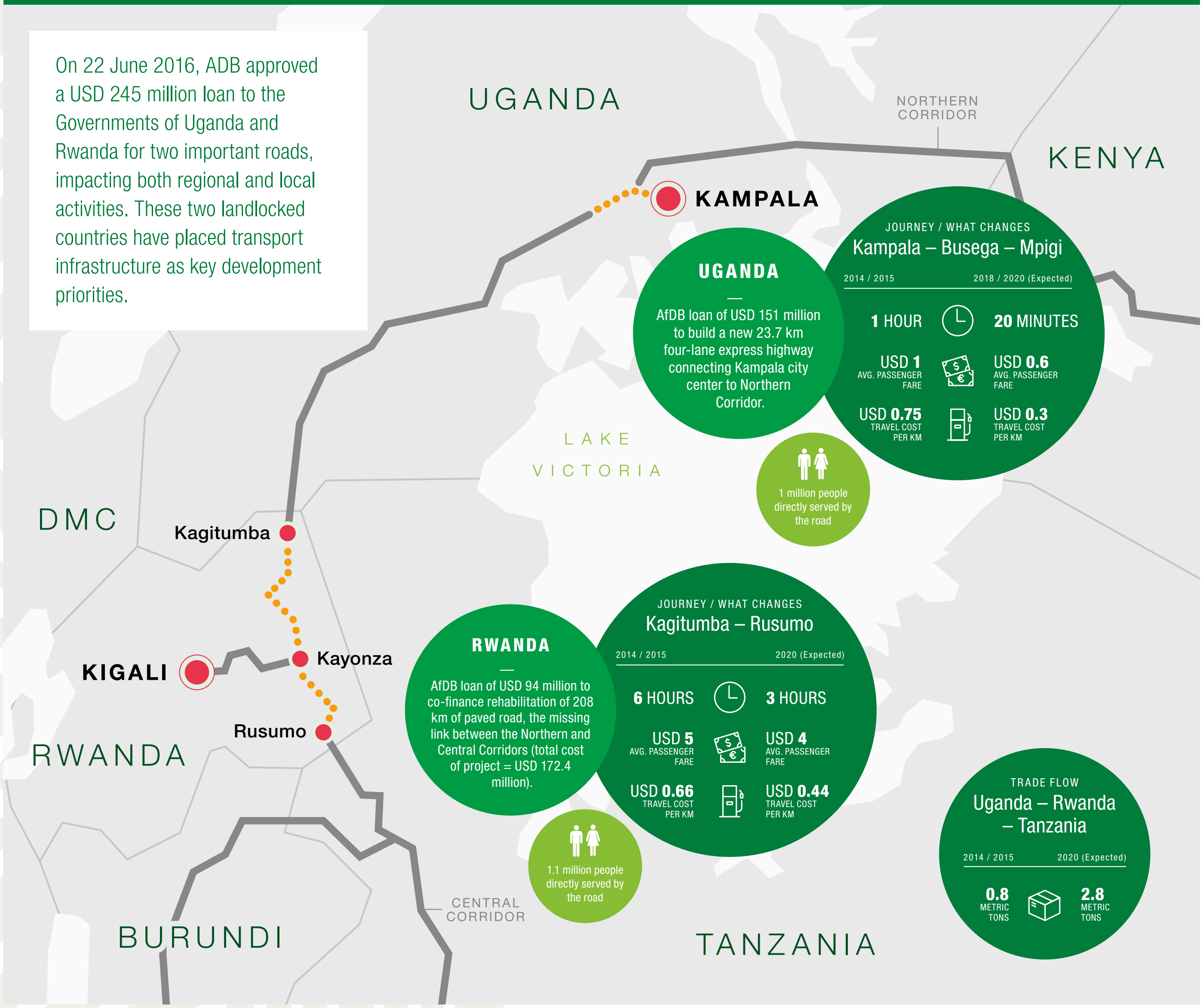
Among the 11 Bank-approved transport operations totaling UA 1.24 billion in 2016 were four multinational transport corridor projects valued at UA 267.2 million, and a major study for the design of a highway link on the Abidjan–Lagos corridor (UA 9 million). These projects involve building or rehabilitating more than 260 km of roads, linking Rwanda and Uganda (Figure 7), the capital cities of Lomé and Cotonou, and a bridge on the Senegal River between Senegal and Mauritania. In addition, a UA 165 million loan to the Government of Kenya for rehabilitating a 172 km strategic road linking the inland town of Ahero to Isebania on the Kenya–Tanzania border will facilitate trade between the two countries.

Other approvals in the transport sector include a major investment in railways in Morocco, the financing of 100 km of urban roads and highways in Abidjan, Accra, and Kampala, and the construction or upgrading of roads in Cameroon, Ethiopia,

Tassili n'Ajjer port, Algeria.

FIGURE 7

Uganda – Rwanda Transport Project



and Mozambique. Altogether, Bank approvals in 2016 will help build or rehabilitate 1,120 km of roads, benefiting an estimated 17 million people.

The Bank Group also continued its strategic engagement with key partners, including the Program for Infrastructure Development in Africa (PIDA) and the Presidential Infrastructure Champion Initiative (PICI). The Priority Action Plan under PIDA comprises 51 programs and 433 actionable projects (mainly in transport), and calls for cumulative investments of USD 68 billion, the bulk for energy (59 percent).The PICI is an effort by Heads of State and Government to support priority regional and continental infrastructure projects under the aegis of PIDA. In 2016, the Bank Group committed USD 250,000 in support of coordination and secretariat activities at the New Partnership for Africa's Development (NEPAD) Agency.

Information and Communications Technology

Better regional connectivity among African countries can boost regional trade and integration. Good information and communications technology (ICT) infrastructure and services support access to information, and are critical to skills development, innovation, job creation and, ultimately, economic growth and a better quality of life. The Bank has traditionally supported ICT development through regional (such as Connect Africa) and national initiatives, and in 2016 it continued to do so through its lending activities.

Four operations in the ICT sector were approved for a total of UA 103.26 million, up 19 percent from 2015. Three of these were multinational projects amounting to UA 61.4 million, including the Trans-Saharan Optical Fiber Backbone. This project seeks to extend high-speed broadband access to the citizens of Chad and Niger by establishing links and consolidating interconnections with neighboring countries. It will strengthen the capacity for data exchange and reduce the cost of broadband, with significant spin-offs for the development of the digital economy in the sub-region. It is estimated that, on completion of the project in 2020, the penetration rate of internet services in Niger will double to 30 percent. The ICT sector's contribution to Niger's GDP is also expected to double—from 2.5 percent to 5 percent—contributing to economic diversification and jobs, especially for young graduates.

Improve the Quality of Life for the People of Africa

Despite high rates of economic growth over the past decade or so, poverty and inequality remain pervasive in Africa, more so among women. Unemployment, especially among the rising youth population, remains a prime cause of poverty, with African labor markets characterized by skills mismatches, low labor productivity, underemployment, informality, and job insecurity. Along with limited access to basic services, unemployment reduces the quality of life for the people of Africa.

This priority cuts across social sectors, water and sanitation, urban development, (domestic) transport and communication, finance, environment, and multisector operations. Total approvals in this area were UA 4.2 billion in 2016, a 14.5 percent rise from the previous year.

In line with the Ten-Year Strategy and the Human Capital Strategy 2014–2018, the Bank Group supports human development in all its core dimensions, including education, health, and nutrition. In May 2016, it approved the strategy for Jobs for Youth in Africa, aimed at harnessing Africa's demographic dividend to drive robust and inclusive economic growth. Mobilizing UA 3.5 billion over the next 10 years, the strategy will help create about 25 million jobs and have an impact on 50 million young people over the next decade, by strengthening human capital, creating durable labor market linkages, and creating better opportunities for self-employment and entrepreneurship.

Water and Sanitation

Water security, as articulated in the Africa Water Vision 2025, is an overarching goal of the Bank's activities.

A new water treatment plant in Nansio, Tanzania—part of a larger project to improve water supply and sanitation—will increase access to clean water, improve people's health and well-being, and support livelihood activities.

Operations totaling UA 877.1 million—a steep 120 percent increase from the 2015 level and far exceeding the year's target of UA 525 million—were approved in 2016. Three of the largest operations were Kenya's sustainable town water supply and sanitation program (UA 284.3 million); Nigeria's inclusive basic service delivery and livelihood empowerment integrated project, aimed at rebuilding the northeast for shared prosperity (UA 114.7 million); and Tunisia's rural drinking water supply project, phase II (UA 99.56 million). Nine projects were implemented under the African Water Facility, five of them related to preparing projects for water supply in agriculture.

A rehabilitated water treatment plant in Mozambique, completed in April 2016 with an ADF loan of UA 18 million, brought immediate benefits to more than 250,000 people, improving health and the quality of life (Box 5).

A new African Water Facility Strategy for 2017–2025, approved by the Facility's Governing Council in December 2016, will guide governments in setting up policies, and institutional and regulatory frameworks, for Public–Private Partnerships (PPPs). It will also initiate PPP transactions and promote smaller enterprises as service providers.

BOX 5

Water for a Better Life: Niassa Provincial Town Water Supply and Sanitation Project in Mozambique

The newly rehabilitated water treatment plant in Cuamba, on the strategic Nacala trade corridor in northern Mozambique, financed by an ADF loan of UA 18 million, was commissioned in April 2016. The project has improved the quality of the water supply, reducing the incidence of diarrheal diseases by 30 percent. Other impacts include:

- Extending coverage from 10 percent to 70 percent of the local population.
- Reducing time for fetching water from an average of 1.5 hours a day in 2009 to 0.5 hours a day.
- Lowering water loss (leaks, theft) from more than 50 percent in 2009 to 25 percent.
- Increasing daily hours of water supply from 1.5 hours in 2009 to 24 hours.

Maria Semoko, an inhabitant of Cuamba, and a beneficiary from the project, said: "Our situation is difficult. My sister and I fetch water three times a day. Walking 2 km with more than 8 liters of water is tiring... In one month's time, we will have tap water! Our life will be easier and our children will be cleaner."

Human and Social Development

The Bank Group continued to implement the Human Capital Strategy, with its vision to harness the potential of a billion Africans by building skills, creating jobs, and promoting equal opportunities. Operations in this area were guided by the Ten-Year Strategy's focus on skills and technology and by the High 5s' Jobs for Youth in Africa strategy.

Activities in 2016 focused on building skills to foster productivity, competitiveness, and innovation; on promoting public health, nutrition, and efficient social services; and on addressing fragility, fostering entrepreneurship, and providing social safety nets.

Improve the Quality of Life (2014–2016)

630,000 estimated jobs in 2016 alone

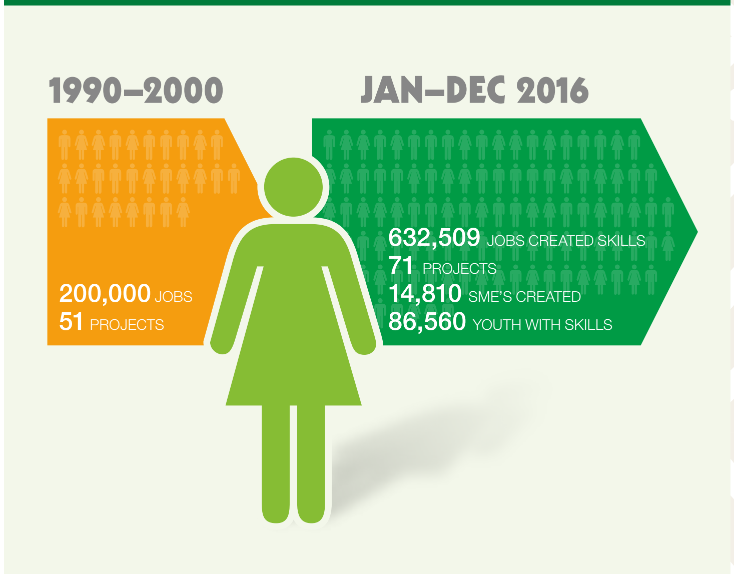
11 million people got access to improved water and sanitation

1.1 million people with better access to education

28 million people with better health services

FIGURE 8

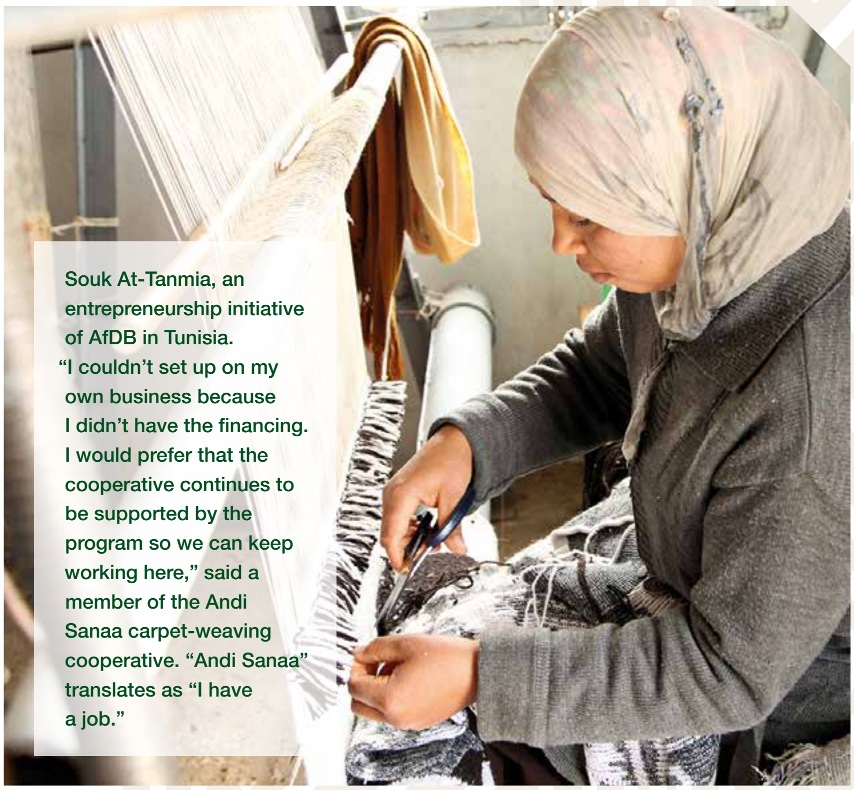
Creating 9,000 Jobs per Project in 2016



Total approvals for the social sector amounted to UA 535.6 million, in excess of the 2016 target yet 10 percent lower than the previous year's level. Of the 23 operations approved in 2016, 13 focused on education transformation (higher education, research, and technical and vocational education and training) for employment creation, with two regional operations supporting science and technology development in three RECs. In Zambia, for example, the Bank approved the Skills Development and Entrepreneurship Project (USD 30 million), which will support youth and women's employment through the development of commercial value chains for cassava. The project is expected to benefit some 17,000 cassava farmers, including women's cooperatives. It will also contribute to higher yields and higher value added through agro-processing.

The remaining 10 projects were for social safety nets and emergency interventions to respond to health, nutritional, or environmental concerns. These included the Bank Group's continued support in 2016 to the Ebola- and Zika-affected countries, benefiting more than 320 million people in the ECOWAS subregion; support to investment in nutrition through the African Leaders for Nutrition Forum; and emergency assistance grants for USD 1 million each to stem malnutrition in Madagascar and in Nigeria's northeastern state of Borno.

Following the rolling out of the Jobs for Youth in Africa strategy, Bank-approved projects in 2016 are expected to create an average of 9,000 jobs per project in 2016, compared with 4,000 during 1990-2000 (Figure 8). The Bank is mainstreaming job creation into its projects. In 2016, 16 of the 19 approved Country Strategy Papers were aligned with the Jobs for Youth in Africa strategy and 48 percent of Bank investments included an employment component. Early momentum signals that the target of 2.5 million jobs a year over the next 10 years is within reach, as the Bank positions itself to fully roll out the initiative.



Souk At-Tanmia, an entrepreneurship initiative of AfDB in Tunisia. "I couldn't set up on my own business because I didn't have the financing. I would prefer that the cooperative continues to be supported by the program so we can keep working here," said a member of the Andi Sanaa carpet-weaving cooperative. "Andi Sanaa" translates as "I have a job."

A Bank-financed program in Côte d'Ivoire, completed in 2016, addressed short-term employment needs for vulnerable youth in the aftermath of the 2010–2011 political crisis, and supported structural reforms to improve the competitiveness of the future labor force. A budget support operation, the project demonstrated that effective dialogue with the government can yield immediate results by spurring opportunities for employment (Box 6).

Cross-cutting Issues

Countries in Situations of Fragility

Africa is the continent most affected by fragility. Some 250 million of its people live in fragile situations, and about 19 million people have been displaced due to the upsurge in violent conflicts since 2010. Fragility threatens to slow, or even reverse, the development prospects of countries and entire regions, making it harder for Africa to achieve the Sustainable Development Goals' "leaving no one behind." Recognizing that fragility is constrained neither by time nor national borders, the Bank has adopted a multidimensional risk perspective and applies a "fragility lens" to its engagement in such environments. It champions "fragility-proofed" interventions aimed at building resilience and promoting inclusive development.

During the ADF-13 cycle (2014–2016), 18 countries benefited from increased resource allocation under supplemental support from the Transition Support Facility (TSF) Pillar 1. In 2016, the ADF approved 28 operations worth UA 174.8 million; 14 of these projects worth UA 134.7 million were financed under TSF Pillar 1 with the remainder financed under TSF Pillar 3. Pillar 1–financed projects targeted mainly governance (44 percent), social sectors (24 percent), transport (13 percent), energy (11 percent), and water and sanitation (5 percent). The AfDB Multi-Partner Somalia Infrastructure Fund is a prime example of international cooperation to assist a country in a situation of fragility to rebuild after a devastating civil war that lasted more than 25 years (Box 7).

Under TSF Pillar 3 (capacity building and technical assistance) of the ADF-13 cycle, UA 40.1 million was approved by the end of 2016, with an additional UA 16.47 million committed. There was no activity under Pillar 2 (arrears clearance for eligible RMCs), because of slow progress in negotiations with Somalia, South Sudan, and Zimbabwe.

In 2016, the Bank Group completed eight fragility assessments—for the Central African Republic, Democratic Republic of the Congo, Djibouti, Eritrea, Madagascar, Sudan, Togo, and Zimbabwe—and one regional fragility assessment report, for Southern Africa. Twelve other fragility reports included two thematic studies on youth and country systems. In addition, two distinct fragility assessment tools—the Country Resilience and Fragility Assessment Rating, and the Vulnerability Index—were prepared by the Bank.

BOX 6

Success in Côte d'Ivoire – Youth Employability and Insertion Support

Approved in December 2013 and completed in June 2016 at a cost of UA 18.8 million, the project:

- Strengthened the education system for youth employability in a competitive workforce.
- Created and operationalized a public–private dialogue platform for youth employability.
- Strengthened the monitoring and evaluation culture for the relevance of training for the labor market.

A total of 998 youths, about half of them female, were trained in entrepreneurship, and 134 of them designed business plans that received funding from commercial banks. In addition, 120 vulnerable youths were trained in apprenticeship and provided with toolkits for productive self-employment. The project created 1,500 jobs, with almost half going to women.

Youth Beneficiaries of Youth Employability and Insertion Support in Côte d'Ivoire.

BOX 7

The Somalia Infrastructure Fund

In October 2016, the Bank Group approved the *Framework Document* for the establishment of the Multi-Partner *Somalia Infrastructure Fund* (SIF). The SIF is part of a multilateral, coherent, and coordinated initiative involving strategic partners to help consolidate peace and support long-term development in postwar Somalia. The fund will mobilize USD 350 million over the next five years to invest in infrastructure (notably energy, water and sanitation, and transport and communication) and to support institutional capacity building. In addition to helping Somalia reconstruct its war-torn economy, the Fund will help create jobs. Initial seed financing for the fund comes from the Department for International Development of the United Kingdom (GBP 1.5 million), the Islamic Development Bank (USD 10 million), and the Federal Government of Somalia through a grant from the Saudi Authorities (USD 1 million). Somalia's ADF-14 allocation and other trust fund resources managed by the Bank will be available to co-finance a pipeline of activities that constitute core projects under the Infrastructure Pillar of Somalia's new National Development Plan 2017–2019.

Lessons from the fragility assessments have sharpened the Bank Group's focus, and allowed it to build greater resilience into its programming in countries in fragile situations. During the year, all new country strategy papers were fragility-informed and accompanied by fragility annexes.

Promoting Gender Equality

The Bank Group continued aligning the three pillars of the Gender Strategy—strengthening women's legal and property rights, promoting women's economic empowerment, and enhancing knowledge management and capacity building—with the High 5s in 2016, with a stress on:

- Making finance work for women by ensuring that women entrepreneurs have access to affordable credit.
- Ensuring that Bank operations in agriculture benefit women smallholder farmers.
- Investing in women's and girls' education to build skills, promote entrepreneurship, and improve their quality of life.
- Ensuring energy access for women, with a focus on renewables and clean energy for cooking.
- Getting the enabling legal and regulatory environment conducive to women's voice and agency.

The Bank Group also continued to mainstream gender in operations, including more systematic assessments of gender issues in country strategy papers and sector strategies. The AFAWA program is catalyzing financial and non-financial services to support women in business (Box 8). The African Women in Business Trust Fund is empowering women affected by the Ebola outbreak in Sierra Leone (Box 9). The Gender Community of Practice, an online platform, enables Bank focal points to share information and support each other in promoting gender equality in their departments. The Gender Marker System, completed in 2016, tracks and evaluates how projects help narrow gender gaps.

Supporting Governance and Accountability

The Bank Group's governance work program is delivered across three pillars, as articulated in the Governance Strategic Framework and Action Plan 2014–2018: public sector and economic management; sector governance; and improving the business and investment climate. In 2016, the Bank supported efforts to mainstream governance into all its strategic priorities, while recognizing governance as a cross-cutting issue in its lending and non-lending operations.

[UA 1.84 billion went to support governance and accountability in 2016]

BOX 8

Affirmative Finance Action for Women in Africa

Based on a partnership model, AFAWA aims to raise USD 300 million in phase I of the program, and catalyze up to USD 3 billion for financial and non-financial services to women in business by 2025. The program will include a financing window providing various instruments, including guarantees and loans through mainly financial institutions; technical assistance; support to RMCs using the Bank's sovereign window to improve access to finance for women in business; and a digital knowledge platform offering capacity development, mentoring, and other services.

BOX 9

Empowering Women in Ebola-struck Sierra Leone

The Bank financed three operations (totaling UA 300,000) to support women who were economically affected by the Ebola outbreak. Among them were two women's groups with activities in food production and 12 women-entrepreneur groups from the Mano River Union region.

Bank support to the Barefoot Solar Women's Group included:

- Increased access to finance and inputs to kick-start farming and petty trading activities after the end of the Ebola outbreak, benefiting 250 members and about 1,250 households.
- Increased production of rice from 5 to 15 metric tons and of cassava from 2 to 7 metric tons.
- Delivered new technological and business management skills.
- Enhanced access to business services.

Responding to demand from RMCs for better governance and basic services, the Bank continued to assist institutions that promote good governance, accountability, and inclusion. Twenty-two operations were approved for UA 1.84 billion, 14 of them program-based (for UA 1.8 billion) and eight for institutional support (UA 47 million). The bulk of financing came from the ADB (83.4 percent), with 14.2 percent from the ADF and smaller contributions from the TSF and the Middle-Income Country Technical Assistance Fund.

Bank Group operations supporting public financial management, addressing governance weaknesses, and fostering an enabling business environment contribute to several of the High 5s priorities simultaneously. Consider the Tanzania Power Sector Reform and Governance Support Program, which enhances the economic and financial viability of the Tanzanian power sector and promotes private sector participation. The programs deliver directly on the Light Up and Power Africa priority as well as the Industrialize Africa priority, while contributing indirectly to other priorities, notably Improve the Quality of Life for the People of Africa.

The Bank Group's non-lending activities, partnerships, and initiatives to promote good governance and a culture of

Climate finance should triple to USD 5 billion a year by 2020

accountability include the African Peer Review Mechanism, the Partnership on Illicit Finance, and the AfDB-OECD Joint Initiative to Support Business Integrity and Anti-Bribery Efforts in Africa. The Bank held a seminar on illicit financial flows informing and sensitizing a variety of stakeholders on the key issues of illicit trade and bribery relevant to the African continent.

Climate Change

Africa contributes the least to greenhouse gas emissions and yet bears the brunt of climate change impacts, which can exacerbate food insecurity, displace people, and threaten livelihoods. The poorest African countries, countries in fragile situations, and women and children are most vulnerable to climate change.

The adverse effects of climate change continued to be felt on the continent in 2016, as evidenced by the recent drought in southern Africa, which forced Lesotho, Mozambique, and South Africa to reallocate substantial amounts of government funding to drought-relief programs.

Adaptation to climate change remains a critical priority for many African countries, and climate change and environmental considerations weigh heavily on the Bank's portfolio. Consequently, all Bank-financed projects are systematically screened for climate risks, and climate resilience is built into projects related to vulnerability at the design stage using the Bank's Climate Safeguards System. The Bank has also adopted a GHG (Greenhouse Gases) Accounting Tool to assist Africa's transition to low-carbon development in line with the Ten-Year Strategy for promoting green growth.

As part of the efforts of multilateral development banks (MDBs) to meet the agenda of the Conference of Parties (COP21) in Paris, the Bank Group committed to tripling its climate finance to USD 5 billion a year by 2020, or 40 percent of total approvals, in all key sectors. Reaching that target will require leveraging additional finance from public and private sources, and enhancing the capacities of RMCs to tap global climate finance.

In March 2016, the Bank was accredited as an international implementing agency of the Green Climate Fund. During the year, financial resources were mobilized from the Global Environment Facility, the Climate Investment Funds, and the ClimDev Africa Special Fund. In 2016, the Bank Group approved 60 projects with climate change mitigation or adaptation components, amounting to USD 1,061 million, and leveraged about USD 700 million in co-financing.

The Bank engaged with key stakeholders in 2016 to promote its climate-change agenda and leverage financing to meet Africa's adaptation needs. The highlight of the year was the 22nd Conference of Parties (COP22) in Morocco from 7 to 18 November. The Bank played an active role in both organizing the Conference and its eventual success. It provided climate experts to the Moroccan Government to help prepare for the event and co-hosted (with the African Union Commission, NEPAD, and the Economic Commission for Africa) the Africa Pavilion—a platform for climate interventions targeting Africa, including the Africa Renewable Energy Initiative—that has become a regular feature since COP17 in Durban.

Other non-lending activities in 2016 included supporting RMCs to implement their nationally determined contributions and building their readiness to design and execute green growth policies. The Bank is collaborating with the World Bank and the African Union Commission in designing an Africa Climate Resilient Investment Facility, which will mobilize resources to build resilience into Africa's infrastructure. Work is also under

AfDB supported wind power project.

way to develop an Adaptation Benefit Mechanism—an innovative tool that aims at providing a price signal to encourage private engagement in adapting to climate change.

Bank Group Operations by Financing Entity

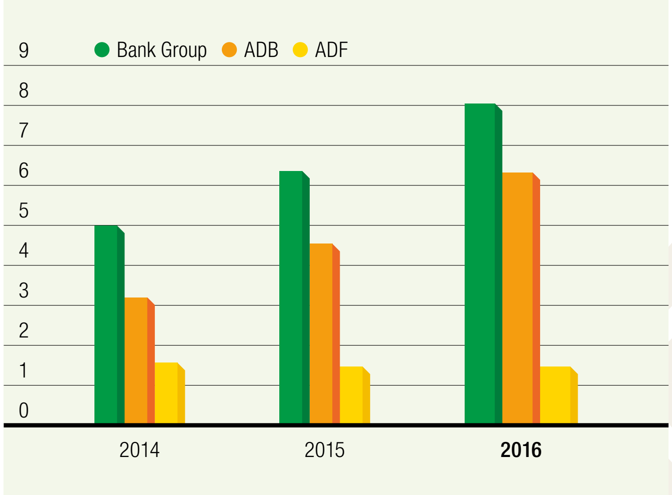
The Bank Group has three financing entities—the African Development Bank, the African Development Fund, and the Nigerian Trust Fund. In 2016, total approvals across all the three entities (including Special Funds) amounted to UA 8.04 billion—a 27 percent increase from 2015 (Figure 9).

Total approvals for ADB increased by 40.2 percent to UA 6.34 billion in 2016, driven largely by public sector operations at UA 4.42 billion, about 50 percent higher than in 2015 and 19.4 percent over the year's target (Table 2). This increase partly reflects the change in the Bank Group's Credit Policy since May 2014, allowing eligible ADF-only RMCs to raise their level of public financing by accessing resources from the ADB non-concessional window. In addition, a few ADF-only countries graduated to either "Blend" (such as Cameroon and Zambia) or "ADB" (such as Congo) (see inside front cover).

Private sector operations totaled UA 1.92 billion (excluding specials funds), 24 percent higher than the year before but 15 percent below target.

FIGURE 9

Bank Group Total Approvals up 27 Percent, 2014–2016 (UA billion)



Source: AfDB Statistics Department.
Notes:
1. NTF approvals are not shown as they are very small in UA amounts compared with ADB and ADF approvals. NTF approvals for 2014, 2015, and 2016 were UA 11.49 million, UA 12.50 million, and UA 18.46 million, respectively.
2. Bank Group total approvals include Special Funds (not shown) amounting to UA 244.22 million (2014), UA 288.85 million (2015) and UA 160.32 million (2016).

TABLE 2

Bank Group Total Approvals by Entity, 2015–2016 (UA million)

Entity	2015 Operations	2016 Operations Actual	2016 Operations Target	+Change (%) Against 2015 Operations	+Change (%) Against 2016 Target
ADB Private*	1,549.54	1,918.47	2,250.00	23.8	-14.7
ADB Public	2,968.68	4,416.86	3,700.00	48.8	19.4
ADB total*	4,518.23	6,335.32	5,950.00	40.2	6.5
ADF	1,515.12	1,521.24	1,418.00	0.4	7.3
NTF	12.50	18.46	18.00	47.7	2.6
Special Funds	288.85	160.32		-44.5	
Bank Group	6,334.69	8,035.34	7,386.00	26.8	8.8

Source: AfDB Statistics Department.
* Excluding Special Funds.
ADB total amount may not add up due to rounding.

TABLE 3

Bank Group Approvals by Financing Instrument in 2016 (UA million)

	ADB	ADF	NTF	Bank Group
Total loans and grants	5,981.49	1,401.50	18.46	7,401.45
Other approvals	353.83	119.73	-	633.89
Of which:				
Equity participation	205.43	-	-	205.43
Guarantees	148.40	119.73	-	268.13
Special funds	-	-	-	160.32
Total approvals	**6,335.32**	**1,521.24**	**18.46**	**8,035.34**

Source: AfDB Statistics Department.

Bank Group's Private Sector Operations

The Bank's private sector interventions in 2016—which emphasized co-financing, syndication, and strategic partnerships with the private sector—have strengthened its capacity to leverage and crowd-in third-party investors. These interventions lifted the ratio of private co-financing to Bank financing to 6:1, against the target of 5:1, which augurs well for the Bank's future engagement with the private sector.

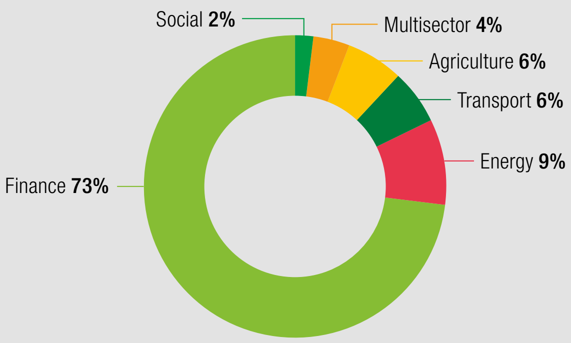
During 2016, total Bank approvals for private sector operations amounted to UA 1.93 billion, 24 percent higher than in 2015. Projects in the finance sector accounted for the largest share of approvals (73.5 percent), followed by energy (8.8 percent), transport (6.1 percent) and agriculture (5.7 percent). Multisector operations and those in the social sector each accounted for less than 5 percent of private sector approvals (Box Figure 2).

Private sector operations contribute not just to Industrialize Africa but to the other High 5s priorities as well:

- *Energy:* Four projects were approved (UA 169 million)—a solar photovoltaic project in Mali, hydropower projects in Uganda and Nigeria, and a Pan-African Facility for Energy Inclusion.
- *Transportation:* One project was approved as a corporate loan (UA 117.5 million) to Ethiopian Airlines to support its expansion and strengthen regional linkages.
- *Agribusiness:* Four projects were approved (UA 107.6 million), including one to grow white rice in Senegal, one to preserve forest reserves in Ghana, equity participation in the Fund for Agricultural Finance in Nigeria, and a corporate loan to the Export Trading Company Group to finance part of its five-year Agriculture Investment Program in Africa. These are in line with the Bank's strategy of promoting inclusive and green growth, strengthening agriculture and food security, and improving access to SME finance.
- *Social sector:* Three projects were approved—two equity investments in health and a senior loan to Babalola University of Nigeria (the Bank's first private intervention in education), helping to Improve the Quality of Life for the People of Africa.

BOX FIGURE 2

Private Sector Operations by Sector, 2016



Source: AfDB Statistics Department.

Bank Group's Financial Sector Operations

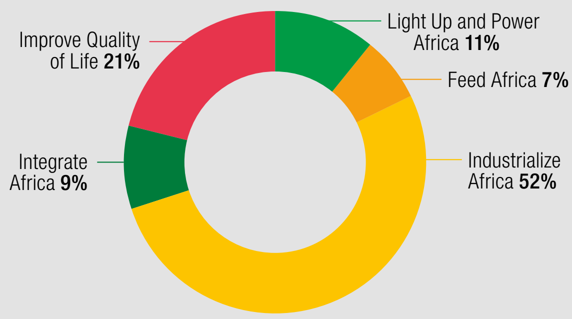
Innovation and inclusiveness are at the core of financial sector operations. In response to client demand, and in line with the Financial Sector Development Policy and Strategy, the Bank deepened its use of innovative financial instruments and broadened its toolkit, making strategic use of contingent guarantee instruments such as partial credit guarantees. Housing finance is another new area of Bank intervention, with considerable potential for growth. For example, the Bank approved a senior loan of ZAR 570 million (about USD 38 million) to South Africa's Vulumnyango Trust to finance affordable housing programs in the country. By financing 4,386 housing units, the project will help convert 2,500–6,500 informal settlements into proper housing and create over 10,000 jobs, including about 3,250 permanent jobs for youths and up to 1,300 direct jobs for women. By providing RMCs with access to affordable housing finance, the Bank is contributing directly not only to Sustainable Development Goal 11 for Sustainable Cities and Communities, but to its own High 5s priority to Improve the Quality of Life for the People of Africa.

The Bank continues to invest in inclusive financial solutions and business models that promote universal access to financial services. In 2016, it took an equity stake of UA 22 million in two funds investing in financial technologies (fintech), including the Technology and Innovation in Developing Economies (TIDE) fund, which will invest in companies that leverage new technology to reduce the cost of services ranging from agribusiness to financial and social services, thus expanding access to these services by households and firms. The Bank also organized the first Digital Financial Services Week, bringing together industry experts, fintech companies, and regulators to discuss opportunities for increasing access to finance. A technical assistance grant of UA 7 million was approved to implement the Interoperability of Digital Financial Services in the West African Economic and Monetary Union.

Throughout 2016, the Bank channeled funding to transformative sectors—contributing to all the High 5s—through a raft of instruments. Total approvals for financial sector operations amounted to UA 1.87 billion in 2016, 38.5 percent higher than the previous year. Over half of this amount (52 percent) went to the Industrialize Africa priority (Box Figure 3).

BOX FIGURE 3

Financial Sector Operations by High 5s



Source: AfDB Statistics Department.

Each dollar of Bank investment in private sector development leveraged six dollars of third-party co-financing

Approvals for ADF increased marginally to UA 1.52 billion in 2016, exceeding the target for the year by 7.3 percent. Three operations were approved under the Nigeria Trust Fund, amounting to UA 18.46 million. Approvals for Special Funds totaled UA 160.32 million in 2016, 45 percent less than in 2015, and representing about 2 percent of Bank Group approvals (Table 3).

Regional Highlights

The Bank Group's operations in 2016 were guided by the twin objectives of achieving inclusive and green growth in a continent that continues to grapple with poverty across all its regions. The fight against poverty has become even more challenging as Africa's population continues to grow rapidly, creating massive unemployment among the youth. Indeed, while the absolute poverty rate has steadily declined, the number of people living in poverty has increased (Box 10). The persistence of poverty in Africa requires more aggressive and targeted interventions by the Bank Group, and by RMC governments. The Bank Group's focus on the High 5s, and especially on jobs, is an appropriate response.

The Bank Group continued its decentralization strategy in line with the new business model. The Bank Group's vision to be closer to its clients led to the prompt establishment and staffing of five Regional Development, Integration, and Business Delivery Hubs, which are now responsible for delivering the Bank Group's operations in each region.

Of total approvals, Western Africa and Northern Africa each accounted in 2016 for slightly more than one-quarter. Southern Africa received the smallest share (6.3 percent), a major change from its leading position in 2015, and multinational operations accounted for 17.4 percent (Figure 10). The sharp decrease in Southern Africa's share of approvals is attributable to a mix of factors, including the fact that most ADF-eligible countries had utilized their ADF allocations in 2015, leaving little for 2016, and some countries had their country strategy paper processing schedule delayed (due to the piloting of a new format), resulting in financing of UA 992 million pushed to 2017.

BOX 10

Poverty in Africa

Most recent data from 50 African countries indicate that the prevalence of poverty (in monetary terms) has declined steadily from 56 percent of the population in 1990 to 41.5 percent in 2015. However, during the same period the number of poor people in Africa has increased to about 400 million from 350 million, with about three-quarters (73.5%) living in rural areas. Income inequality has also persisted, with seven of the ten most unequal countries in the world being in Africa.

For sub-Saharan Africa, one in two rural Africans is poor and unable to meet her or his basic needs (Box Table). A third of the urban population lives below the poverty line.

Non-monetary indicators of the standard of living of the African population have also steadily improved since 1990, but even then, only 12 percent of rural populations had access to piped water in 2015 (though up from 4 percent in 2001). The vast majority of the population continues to rely on wells and surface waters as their main source of drinking water. Also between 1990 and 2015, adult literacy rates improved and gender disparities were reduced, according to UNICEF data. However, the quality of education is often poor and 38 percent of African adults remain illiterate.

BOX TABLE

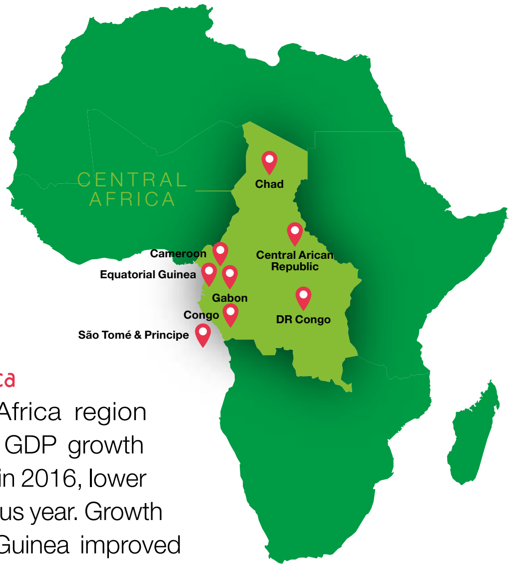
Population below the monetary poverty line in Africa (%)

	Africa	Sub-Saharan Africa
Urban	29.5	33.0
Rural	48.5	50.7
All	**41.5**	**44.4**

Source: AfDB Statistics Department.

FIGURE 10

Total Bank Group Lending Approvals by Region, 2016



Central Africa

The Central Africa region recorded real GDP growth of 0.8 percent in 2016, lower than the previous year. Growth in Equatorial Guinea improved but remained negative. Several commodity exporters suffered from adverse terms of trade in 2016. Others (such as Cameroon) proved rather resilient, and the Central African Republic and São Tomé and Príncipe improved their economic performance.

The Central Africa portfolio at end-2016 comprised 138 projects with a net commitment value of UA 2,887.2 million. Cameroon and the Democratic Republic of Congo, together, account for two-thirds of the region's portfolio, with the remaining five countries taking in less than 10 percent each. Multinational projects represent 13.1 percent of the active portfolio, which is dominated by operations in the transport sector (32 percent).

In 2016, Bank Group resources to the region totaled UA 609.7 million, with an additional UA 192.71 million of co-financing mobilized. The largest project financed in 2016 was Phase II of Cameroon's national program to support the transport sector, for a total of UA 228.1 million—36.4 percent of funding mobilized over the year. Other approvals were for projects contributing to the Bank Group's High 5s priority to Feed Africa, such as developing agricultural value chains in Cameroon and Gabon, and supporting youth entrepreneurship in agriculture and agro-business in the Democratic Republic of Congo. A Bank-financed ICT operation in the Republic of Congo will help break the digital isolation of the country, especially its rural areas, linking it to Cameroon and the Central African Republic. The project is expected to reduce international bandwidth costs by more than 60 percent; it will significantly improve internal and external communication, boost regional integration, and help diversify the Republic of Congo's economy (Figure 11).

Several operations supported good governance, including policy and institutional reforms and support to government budgets. In the Democratic Republic of Congo, reforms were part of a larger project worth UA 96.1 million, financed by a mix of Bank and Fund resources, which aimed at improving efficiency in the power sector. Cameroon received UA 12.1 million to support public sector reforms and improve budget efficiency.

Ketta-Sembé Road, Congo. "Our activities were restricted to small-scale activities for individual consumption. Now, with the new road, we can sell easily what we hunt, fish, and grow." Paul Nguia, village chief.

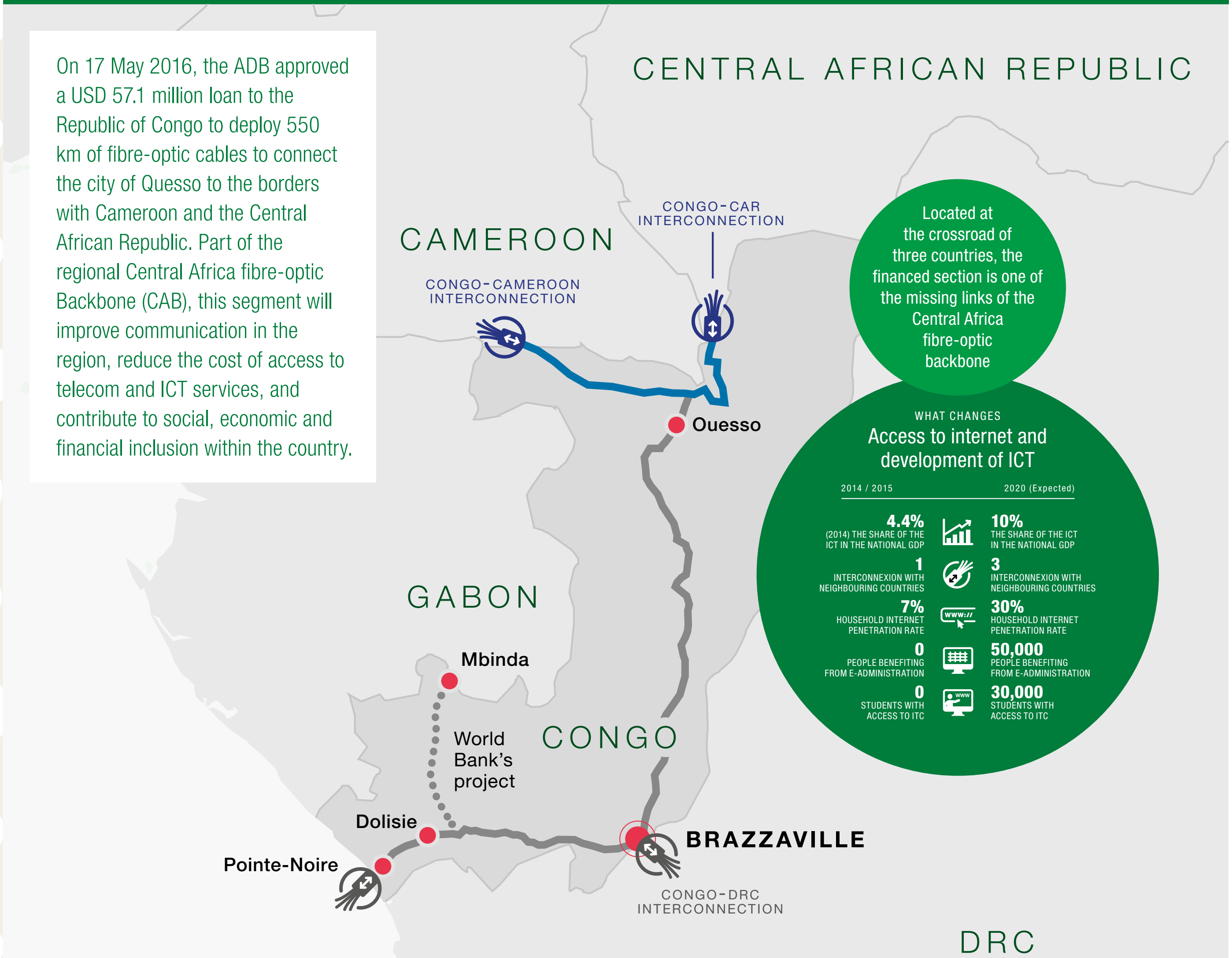
Eastern Africa

Real GDP growth in the region slowed to 5.3 percent in 2016, but even then it was the highest in Africa. Economic performance in most countries was fair. In Ethiopia, growth fell to 8.0 percent in 2016, from 10.4 percent the previous year. Ethiopia nevertheless remained the fastest growing economy in the region, ahead of Tanzania (7.2 percent).

Approvals in 2016 amounted to UA 1,392 million for 37 projects, exceeding the target of UA 1,244 million. Approvals from the Bank Group's entities totaled UA 1,202 million (about 68 percent

FIGURE 11

Broadband and E-services Development in the Republic of Congo



Source: AfDB
Map for illustration purpose only.

of the total), of which UA 788 million (45 percent) was sovereign-guaranteed. Fund approvals (including TSF) amounted to UA 511 million (29 percent).

ADB approvals increased 120 percent from UA 545 million in 2015, reflecting the Bank's drive to expand its business in Eastern Africa, now host to some high-profile projects (Box 11). The Bank's portfolio for the region at end-2016 consisted of 217 projects with a total commitment value of UA 7.12 billion. Infrastructure dominates the portfolio, with 69 percent of approvals.

With the private sector as the engine of growth in Eastern Africa, Bank activities emphasized improving the business and investment climate to support the sector's development in 2016. The Bank approved UA 545 million (31 percent of total approvals) for non-sovereign operations at regional and national levels in sectors including finance, transport, and energy. The facilities included equity participation, lines of credit, partial credit guarantees, and two senior loans (for the Achwa 2 Hydropower Project in Uganda and for Ethiopian Airlines). The energy project in Uganda will provide reliable, low cost, and sustainable base-load power, addressing current shortfalls. The Bank's lines of credit helped established firms to expand and commercial banks increase their lending to SMEs.

A USD 4 million partial credit guarantee to the Tanzanian Mortgage Refinance Company—a non-bank financial institution with the sole purpose of expanding Tanzania's mortgage market and thus supporting debut bond issuance—is expected to create jobs and generate better access to affordable housing.

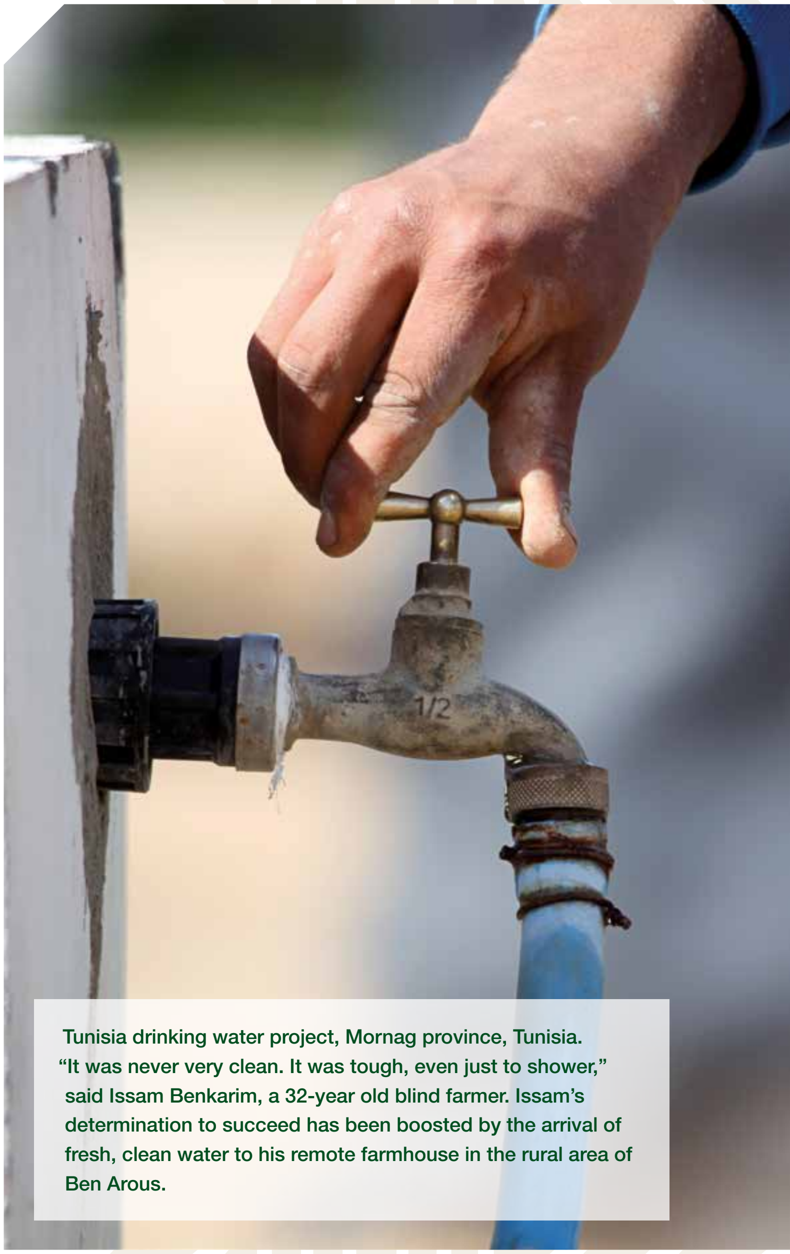
BOX 11

Kenya—Sustainable Town Water Supply and Sanitation

The government of Kenya selected the Bank as a partner of choice to finance the UA 284.3 million program that improves access to, and quality of water supply and wastewater management services in 28 towns. The project's goal is to catalyze commercial activities, drive economic growth, create jobs, build resilience against climate variability and change, and ultimately improve the quality of life of the people. More than 15,000 new jobs are expected to be created during and after construction. The major beneficiaries will be eight water service boards, more than 15 water service providers, and town residents—with more than 2.1 million benefiting from better water supply in 19 towns and more than 1.3 million benefitting from better sanitation in 17 towns.

Northern Africa

Following the uprising of 2011, the region is in political, economic, and social transition. Real GDP growth in 2016 was 3.0 percent, down from 3.3 percent the year before. Libya remains hampered by negative growth. Only Mauritania improved in a significant way (to 3.1 percent)—albeit from a low growth rate of 2.0 percent in 2015.



Tunisia drinking water project, Mornag province, Tunisia. "It was never very clean. It was tough, even just to shower," said Issam Benkarim, a 32-year old blind farmer. Issam's determination to succeed has been boosted by the arrival of fresh, clean water to his remote farmhouse in the rural area of Ben Arous.

The Bank Group's main operational activities in 2016 assisted the six countries in addressing their core development priorities while staying aligned with the Ten-Year Strategy and the High 5s.

The Northern Africa portfolio as at December 2016 stood at UA 6.82 billion across 156 projects and grants. Morocco accounted for the biggest share of approvals (34.7 percent), followed by Egypt (28.4 percent), and Tunisia (23.1 percent). Algeria, a returnee to the Bank's borrowing window after more than a decade of absence, accounts for 11 percent of the active portfolio, with the allocation to Mauritania taking up the remaining 2.8 percent.

Approvals in 2016 amounted to UA 2.05 billion, up 82.9 percent from 2015 and reflecting important budget support operations in the region.

Among other operations were two major energy reform projects, one in Algeria as part of the Industrial and Energy Competitiveness Support Program (UA 700 million) and one in Egypt as a component of a broader governance support program (UA 375 million). These projects were classified as 'multisector', which accounted for 53.3 percent of the region's approvals in 2016. Other multisector operations included economic reform and diversification in Mauritania and export development in Morocco. Dominating approvals for the finance sector, at UA 341.4 million, was a UA 208.3 million loan to Tunisia to help modernize its financial sector. Tunisia also features prominently in the social sector, with a project fostering inclusive regional development valued at UA 140 million. Among other approvals in the social sector was a project aimed at promoting SME development in Mauritania. Agriculture made up 8.5 percent of approvals in 2016, and water and sanitation 5.2 percent.

BOX 12

Weaving a Network of Handmade-Carpet Manufacturers

Mosaad Omran is the chair and founder of an association that works to develop a network of high-quality handmade carpet-makers in the village of Saayet Abou Shaara, north of Cairo. He has always been involved in carpets. Today he is even an active member of the Egyptian Export Council for Handcrafts. The association he chairs, Handmade Carpets Manufacturers Development Association, now has 86 weavers in, and around the village. "Money, quality, and design—with all three of these I am sure we can sell our carpets!" Omran said. "We need to launch new designs, learn different types of carpet: Iranian and so on." He also has new ideas for investing in handmade quality carpets, renewing and modernizing patterns, bringing in people to teach new techniques, and approaching designers.

Omran's association is one of the non-governmental organizations to be assisted through the USD 2 million support to micro, small, and medium enterprises in the Organic Clusters Project, financed by the MENA Transition Fund with Bank support. The Egypt Social Fund for Development, the Bank's long-term partner, assures implementation. The aim is to help businesses that mainly operate informally, and to increase their contribution to promoting economic growth and employment in Egypt.

The Bank Group's support to the region through the MENA (Middle East and North African region) Transition Fund has helped micro, small, and medium enterprises—mainly in the informal sector—expand their activities, contributing to economic growth and jobs (Box 12).

As part of the Bank's strategy to promote PPPs, the North Africa PPP Hub was established and has been working with governments to identify areas for building capacity and strengthening the PPP frameworks of Algeria, Egypt, Mauritania, Morocco, and Tunisia.

Southern Africa

Economic growth in the region declined to 1.1 percent (from 1.9 percent in 2015), and remained weak across most countries. Madagascar and Mozambique were rare bright spots, posting growth rates above 4 percent, despite a dip in the growth rate in Mozambique (6.6 percent in 2015). Botswana was back on track with real GDP growth of 2.9 percent, after contracting by 0.3 percent in 2015. The region's dismal economic performance is due mainly to near-zero growth in South Africa (0.4 percent) and lower growth in Angola (1.1 percent compared to 3.0 percent in 2015), two major commodity exporters hit by drought, persistent power outages, and adverse terms-of-trade shocks.

The Bank's total commitment to Southern Africa at end-2016 was UA 7.32 billion, representing 22 percent of the Bank's total commitments to RMCs. With 35.2 percent of total approvals, the energy sector dominates the portfolio, followed by finance (23 percent) and transport (18.7 percent).

Total approvals in 2016 came to UA 507.3 million, mainly for finance (27.3 percent), agriculture (21.6 percent), and water and sanitation (20.0 percent). The largest operations approved in 2016 include lines of credit to the Development Bank of Namibia (UA 240 million) and the Botswana Development Corporation (UA 55.6 million), ADF loans for the Integrated Small Towns Water Supply and Sanitation Program in Zambia (UA 98.5 million), the Mueda–Negomano Road Project, Phase I in Mozambique (UA 53.5 million), and the Lower Usuthu Smallholder Irrigation Project II, Phase II in Swaziland (UA 42.6 million).

Kazungula 923-metre-long permanent rail and road bridge between Zambia and Botswana.

BOX 13

Support to Local Economic Development in Malawi

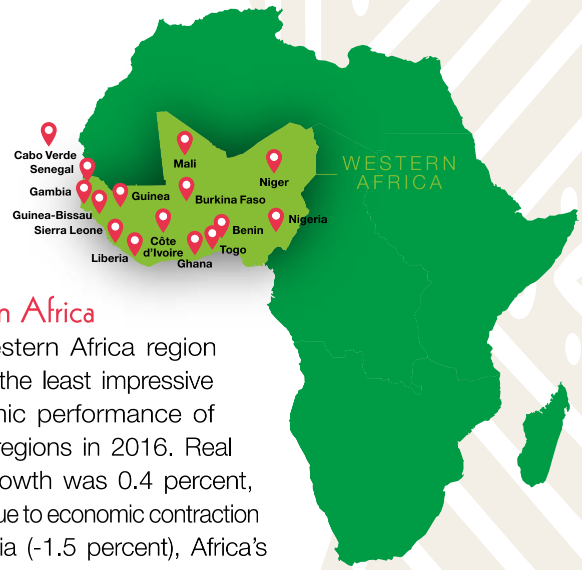
Of the total project cost of UA 18.66 million, the Bank Group contributed UA 14 million through an ADF loan, with the rest split between the International Development Association (UA 3.04 million) and the Government of Malawi (UA 1.62 million).

Started in March 2009 and finished in December 2016, the project aimed to develop and sustain an entrepreneurship culture among individuals and groups involved in economic activities related to agriculture and microenterprises. Its benefits include:

- Increasing household incomes for 12,748 households.
- Recording 3,693 new business start-ups.
- Strengthening 10 cooperatives, 300 business commodity groups, and 6,000 individual entrepreneurs.
- Imparting new technological and business management skills to 3,325 entrepreneurs.
- Enhancing access to business services of Malawi's Small and Medium Enterprise Development Institute.

The Bank's support to the RECs focused on capacity building and support for regional infrastructure projects implemented by the RECs on behalf of member countries. In 2016, the Bank approved two Regional Institutional Support Projects aimed at building capacity in public financial management. For regional infrastructure, in the Southern African Development Community (SADC), the Bank supported regional development finance institutions, social sector projects, and transport projects, including the Multinational Nacala project in Malawi, Mozambique, and Zambia. The Bank has also financed SADC water and sanitation projects and, in January 2016, provided financial support to the SADC Secretariat to design the SADC Regional Development Fund.

An ADF co-financed local economic development project in Malawi, aimed at contributing to pro-poor growth and poverty reduction in four districts, was completed in 2016, with some notable achievements (Box 13).



Western Africa

The Western Africa region posted the least impressive economic performance of all five regions in 2016. Real GDP growth was 0.4 percent, largely due to economic contraction in Nigeria (-1.5 percent), Africa's largest economy. However, other commodity-exporting countries, such as Ghana, were less affected by declining commodity prices. Guinea and Sierra Leone recovered from the direct and indirect effects of the 2015 Ebola epidemic in West Africa, but Liberia's performance actually worsened (from 0 percent in 2015 to –0.5 percent). In contrast, Côte d'Ivoire and Senegal maintained their strong economic performance in 2016.

BOX 14

Ghana's Rural Growth

Approved in December 2007, the Northern Rural Growth program was to contribute to equitable and sustainable poverty reduction and food security among rural households. It developed commodity chains, provided rural infrastructure, and enhanced access to rural finance. The specific objective was to sustainably increase northern Ghana's rural household incomes.

The ADF contributed UA 40 million of the total project cost of UA 68.4 million (about 60 percent), with the rest coming from the International Fund for Agricultural Development (24 percent), the Government of Ghana (10 percent), the private sector (5 percent), and the project beneficiaries (1 percent).

The project organized actors in each commodity value chain and facilitated provision of finance, inputs, extension, and marketing by private agents. The infrastructure for these value chains included about 60 feeder roads totaling 646 km, 13 pack-houses and warehouses, and more than 3,000 hectares of agricultural water management schemes.

As a result of the project's contribution, productivity for maize rose 338 percent, soya 240 percent, and sorghum 280 percent. The volume of produce sold also climbed steeply owing to the improvements in road access and value chains. The share of households with food throughout the year rose from 50 percent to 63 percent.

BOX 15

Cross River Rural Access and Mobility

An operation for the rehabilitation of 474 km of rural roads in Nigeria's Cross River State was completed in 2016 with the support of a Bank loan of UA 39.4 million. The project:

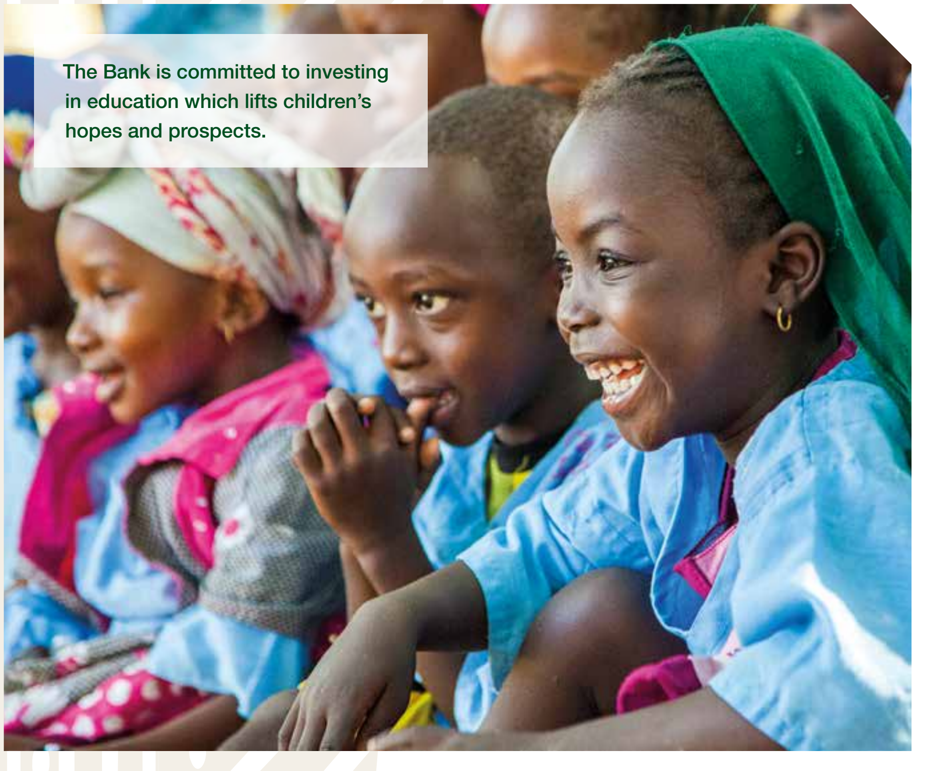
- Reduced travel time of up to 3 hours to major markets and back.
- Reduced time from the farm gate to access roads from 7 days to 1 day, so farm produce is arriving in markets in premium condition, attracting higher prices.
- Nearly eliminated post-harvest losses, estimated at 30 percent in 2010.
- Lowered vehicle operating costs, with average savings of NGN 5,000 per month per vehicle.
- Improved access to processing equipment from 72 percent of residents in 2013, to 91 percent in 2015.

The gains enhanced the competitiveness of farmers, boosted farm incomes, and improved the quality of life for residents.

The Bank's active portfolio for the region at end-2016 comprised 214 operations for UA 3.34 billion. Approvals in 2016 were UA 2,076.8 million, over three times those in 2015 (UA 686.6 million), for a mix of reasons. Approvals for private sector operations were 45 percent higher than in 2015, showing a promising sign of greater private sector activity. The ADF achieved significant results with the Northern Rural Growth Program in Ghana (Box 14).

Approvals for Nigeria in 2016 amounted to UA 1,310.4 million, half of which for financial sector and multisector (including governance-related) operations. Among other approvals were a public-sector loan of UA 436.7 million for economic governance, diversification, and competitiveness support, and a Bank loan to Babalola University of Nigeria (the Bank's first private intervention in education). An infrastructure project to rehabilitate roads in the Cross River State, completed in 2016, brought many benefits (Box 15).

Several countries are developing their "blue economy," which encompasses a wide range of activities based on the ocean (such as port development and related activities, sustainable tourism, and renewable energy), marine resources (fishing and seafood processing, aquaculture, and marine services), and other services (ocean knowledge and spatial marine planning). Such activities help diversify the economy and can generate higher value added in fishing and tourism. Countries riding this worldwide trend include Cabo Verde, Côte d'Ivoire, Guinea, Nigeria, and Senegal.


The Bank is committed to investing in education which lifts children's hopes and prospects.

3. Strengthening Corporate Management

AfDB staff at a Town Hall Meeting.

As the Bank Group continued to reposition itself in implementing its Ten-Year Strategy and the High 5s, Corporate Management moved center stage with the adoption of the DBDM. Budget reforms have been essential in realigning cost accounting with the new High 5 priorities. Information technology upgrades are interconnecting headquarters, regional resource centers, and country offices. A new results framework now shifts the focus from measuring to managing results. And the new business model requires to ensure that the Bank recruits and retains staff with the right skill sets and qualifications.

A key reason for adopting the new DBDM was the recognition that the Bank Group's process culture was not necessarily results oriented, causing the Bank's business to suffer. The need for a stronger performance culture to improve organizational effectiveness is one of the three core principles driving the Bank's transformation. It calls for changing the Bank Group's approach by inculcating a new culture of accountability, driven by performance contracts and results orientations. Strengthening the culture through execution, collaboration and impact on the ground will move the Bank toward a better way of doing business.

Budget Reforms and Management

The Bank continued to implement its budget reform program in 2016. By December 2016, the Budget Manual had been drafted. The cost-accounting system, designed in 2014, produced its first comprehensive reports in May 2016 to aid planning, control, and decision making. In related initiatives, a scoping exercise for the Strategic Resource Assessment Software—the Bank's planning and budgeting tool—prepared for its revamping in 2017. A process upgrade introduced during the year—Continuous Programming—will allow cost centers and departments to make budget submissions continually through the Bank's Strategic Resource Assessment Software, contributing to greater effectiveness and efficiency of the planning and budgeting process.

The Bank maintained tight cost-control measures across organizational units and country offices, including leveraging ICT to reduce travel and communication costs and overheads. With the rollout of the new DBDM, the Bank embarked on a thorough review of processes, programs, and budgets, including key performance indicators.

The Bank aims to complete its budget reform program by 2018—streamlining cost-accounting system reports, increasing use of the Activity Time Recording System (ATRS), refining country budgeting under the DBDM, and enhancing budget tools.

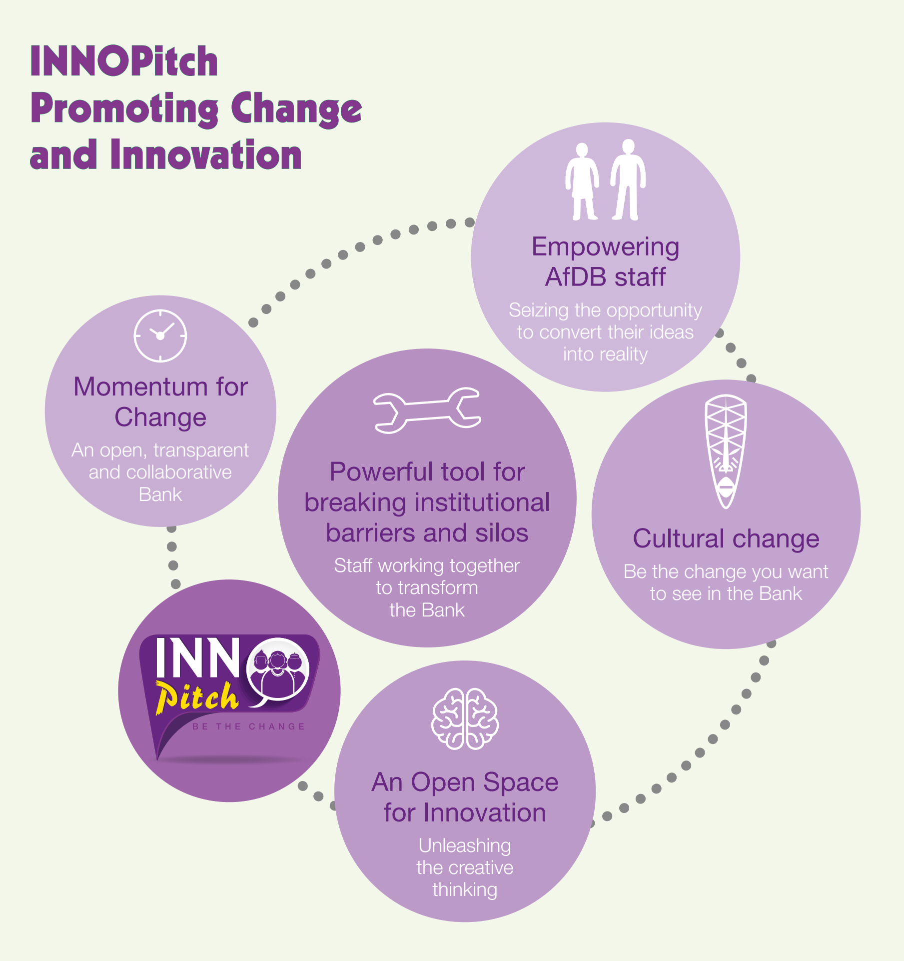
Information Technology

The Bank launched the unified communications infrastructure projects and activities to extend or upgrade the IT infrastructure at headquarters, Regional Hubs, and country offices—and to enhance interconnectivity between Abidjan, Regional Hubs, country offices, and the world.

These and other IT activities reduced costs. A new wide-area network solution is estimated to have lowered connectivity costs by 33 percent. A new framework agreement concluded with Cisco gives the Bank a 60 percent discount on all purchases over the next three years. And almost all recruitment interviews with candidates based outside Côte d'Ivoire in 2016 were by videoconference.

The Bank launched InnoPitch (Figure 12), a platform open to all Bank employees, to bring out innovative thinking. The five best ideas (from among hundreds received) are being implemented.

FIGURE 12
Leading innovation



BOX 16

MapAfrica 2.0

MapAfrica 2.0 is an interactive online tool that shows how the Bank's projects relate to the High 5s and where the Bank is making an impact on the continent. The portal gives the Bank's stakeholders a better understanding of how its activities contribute to local development, and helps it allocate its resources to greatest effect. The Bank aims to use MapAfrica 2.0 (mapafrica.afdb.org) to improve the planning of its projects on the ground and to understand where development gaps lie.

InnoPitch has helped break down institutional barriers and built trust with the staff, by inviting employees "to be the change they want to see in the Bank."

Environmental and Social Sustainability

The Bank Group continues to implement environmental, social, and climate-change safeguards, often through partnerships. The Integrated Safeguards System, approved by the Boards of Directors in 2013, helps "climate-proof" the Bank's activities. All Bank Group operations in 2016 were assessed and managed according to strict environmental and social sustainability objectives, and the Integrated Safeguards Tracking System was used for the first time exclusively to receive, assign, and respond to requests for project review (except readiness review).

In 2016, the Bank provided training to about 200 Bank staff, country officials, and private decision makers in Cabo Verde, Kenya, Morocco, and Mozambique on how to structure, analyze, climate-proof, and finance projects that foster green growth. The Bank also coordinated with the World Bank, the Economic Commission for Africa, and the African Union Commission to integrate climate risks at the design stage of projects requesting aid for project preparation. Such requests will then be matched with the resources available in the Project Preparation Facility Network. The Bank has planned a series of activities in pursuit of its green growth agenda—essentially the African version of the Sustainable Development Goals—emphasizing strategic cooperation, resource mobilization, capacity building, and policy advocacy.

Managing for Development Results

In addition to the traditional Annual Development Effectiveness Review, the Bank produced a thematic report on agriculture, published 80 case stories, and undertook a range of capacity-building activities to sharpen its results-focused culture. A new Results Measurement Framework for 2016–2025, prepared in 2016, shifts the Bank's focus from measuring, to managing for, and delivering results.

The Bank is taking actions at five levels to increase its development impact:

- Re-engineering the Results Measurement Framework's internal architecture to promote transformation in the High 5s areas;
- Aligning the Results Measurement Framework with corporate priorities and the DBDM;
- Introducing a new methodology to better measure the Bank's impact;
- Tracking systematically the development results of private sector operations; and
- Deepening the focus on gender results.

The Bank released in 2016, a new online tool—MapAfrica 2.0—that enables anyone in the world to see at a glance, how the Bank's projects are boosting Africa's economies and making lives better for the African people (Box 16).

TABLE 4
Bank Group Staffing and Employment Status as of 31 December 2016

	HQ						Field Offices				
	VPs & EL3	Directors & Managers	Other PL	GS Staff	Advisors to EDs	Total	Res. Reps	Other PL	GS Staff	Total	Total
Total Staff	9	111	765	397	39	1,321	22	333	188	543	1,864
Male	8	79	520	142	29	778	15	272	106	393	1,171
Female	1	32	245	255	10	543	7	61	82	150	693
% Female	11.1	28.8	32.0	64.2	25.6	41.1	31.8	18.3	43.6	27.6	37.2

Overhauling Human Resources

The DBDM calls for a major revamp of the human resources function. Six work streams, focusing on communication and key aspects of human resource management including talent sourcing and staff engagement, were established to support the transition. Processes were set up to refresh job descriptions across business functions so that staff with the right skills and qualifications could be recruited to vacancies in the new organizational structure. Key senior management positions were filled in Human Resources, Corporate Services, and the regional offices (including Directors General and Country Managers). Phase II of the Human Resources Action Plan 2016–2017 was revised in order to realign it with the changing business requirements and with the work to design the new People Strategy 2018–2022.

At end-December 2016, the number of Bank staff stood at 1,864 (1,884 if the President and Executive Directors are included), or 23 members more than 12 months earlier, with 1,171 men (62.8 percent) and 693 women (37.2 percent) (Table 4). Total Bank staff at the executive/professional level came to 1,240, including 346 (or 28.0 percent) females. General service staff numbered 585, including 337 (or 57.6 percent) females. There were 142 staff-members at the executive/managerial level, including 40 (or 28.2 percent) women. A significant share of Bank staff (71 percent) continues to be based at the Headquarters. On the whole, the presence of women was strongest among general service staff at the headquarters (64.2 percent of this category).

Donor Support and Replenishment

The Bank intensified its engagement with regional and global partners, including the traditional donor community, the European Commission, African Heads of State, the African Union Commission, the Economic Commission for Africa, private foundations, and other philanthropic bodies. It held three consultations in 2016 with donors for the 14th Replenishment of the ADF (ADF-14). The third and last replenishment consultation in Luxembourg concluded with donors agreeing to provide UA 4,224 million for 2017–2019, about 13 percent less than the amount raised during the ADF-13 replenishment. This outturn reflects very strong support from some donors—either through increased grants or innovative concessional donor loans and bridge loans, and, on the other hand, lower contributions from donors facing tight fiscal constraints and competing priorities. The recent depreciation of a number of currencies against the UA (notably the euro and the British pound) also meant that funds denominated in these currencies amounted to less in UA terms, which weighed negatively on the replenishment.

With a view to minimizing any adverse impact of the low replenishment on the 38 ADF-eligible countries, the Bank Group is contemplating ways to leverage the Fund's commitment capacity through other instruments (e.g. ADB Sovereign window, NTF, and Trust Funds) and co-financing, while pursuing innovative solutions to diversify the ADF's funding base. An additional UA 3.1 billion will be needed to thoroughly implement the pipeline of 178 operations that has been prepared for the ADF-14 cycle.

The Bank Group mobilized UA 93.8 million in 2016 for four bilateral trust funds (30 percent of the total) and for thematic and multi-donor trust funds (70 percent). These resources include additional contributions from the Bill & Melinda Gates Foundation

Youths at Exhibition Stand at the AEC 2016, Abuja Nigeria.

Korea–Africa Economic Cooperation Ministerial Conference Ministerial Conference 2016.

in support of the High 5s. The multi-donor trust funds include the Somalia Infrastructure Fund and the Africa Integrity Fund, both established in 2016. The Bank Group also led continental effort at COP21 in December 2015, where the G7 countries made pledges to the Africa Renewable Energy Initiative.

Under the Africa Growing Together Fund, USD 45 million was approved for two Bank Group projects in the High 5s priority of Improving the Quality of Life for the People of Africa. Under the European Union–Africa Investment Facility, nine projects were approved in 2016 for EUR 211 million in the High 5s priority to Integrate Africa. The Bank Group continued to negotiate the overall framework agreement for managing the Facility with the European Commission.

The Bank as a Knowledge Broker

The Bank Group's knowledge program in 2016, beyond the usual flagship publications and annual events, included a series of policy outreach and capacity-building activities aimed at boosting the institutional, human, and statistical capabilities of RMCs for more effective policymaking.

Development Research Activities

The Bank Group continued to conduct research on the continent's development challenges and to offer solutions, as in:

- Key flagship publications; *2016 African Economic Outlook* on Sustainable Cities and Structural Transformation, *2015 Africa Development Report* on Growth, Poverty, and Inequality Nexus: Overcoming Barriers to Sustainable Development, and five editions of the *African Development Review,* with a special issue on aid and employment.
- Other publications, including 47 briefs, 38 working papers, 32 journal articles and book chapters and 7 books, including *Made in Africa: Learning to Compete in Industry; Inclusive Growth in Africa: Policies, Practice, and Lessons Learnt;* and *Manufacturing Transformation: Comparative Studies of Industrial Development in Africa and Emerging Asia.*
- Workshops and conferences, including 57 presentations to external stakeholders, and 52 research seminars within the Bank Group, showcasing Bank staff research and that of guest speakers.

The 2016 African Economic Conference, held on 5–7 December 2016 in Abuja, Nigeria, with the Bank as the lead organizer, was a major event. "Feed Africa: Toward Agro-Allied Industrialization for Inclusive Growth" attracted more than 500 participants from across the continent and beyond. Earlier in October, the Bank, as co-organizer of the 2016 Korea–Africa Economic Cooperation Ministerial Conference in Seoul, Republic of Korea, provided technical and analytical inputs to the event, including background papers prepared under the Structural Transformation of Agriculture and Rural Spaces project, which formed the basis for various high-level roundtable discussions.

In response to demand for more forward-looking debt sustainability analytical tools, the Bank Group developed a new framework to capture debt dynamics under various fiscal and public investment efficiency scenarios. Following a request from the Government of Malawi for the Bank's assistance in developing a macroeconomic model to provide inputs to its Medium-Term Development Strategy III, 2017–2022, the Bank developed a dynamic stochastic general equilibrium model in 2016 to simulate policy scenarios for development planning for the country.

The Additionality and Development Outcome Assessment (ADOA) for private sector operations contributes to ascertaining quality-at-entry of Bank projects. A revised ADOA framework has been implemented to enhance assessment by aligning private sector operations with the Bank's core strategic objectives and to enhance transparency through a weighted-average ratings aggregation method for development outcomes. Rigorous and more focused on quality control, the revised framework has been used on all Board-approved private sector operations since 2008.

Over the years, the ADOA functions have moved beyond project assessments and ratings to provide expert advice and support to investment teams and managers. It helps articulate development outcomes in private sector operations and design these operations to maximize development impacts. ADOA continues to play a key role in mainstreaming a results-oriented culture at the Bank and beyond.

The performance of the ADOA on private sector operations in 2016 exceeded expectations, with 66 projects assessed and 149 ADOA Notes issued—an achievement rate of 213 percent above the year's target. In the future, ADOA will be extended to public sector operations in human development, infrastructure, and agriculture.

Statistical Knowledge Products and Activities

The Bank Group is the RMCs' partner of choice for statistical development and data issues in Africa. In 2016, the Statistics Department's interventions enhanced RMC capacity to generate timely and reliable data for macroeconomic surveillance and policy management as well as for monitoring progress on the Sustainable Development Goals and the Bank Group's High 5s. Its Africa Information Highway initiative was recognized by the OECD–Paris21 consortium in 2015 as "one of the most innovative data management and dissemination systems for informing the [Sustainable Development Goal] agenda."

After the decision of the Board of the International Monetary Fund (IMF) in 2015 to start using AfDB's data system for the IMF's own data management and dissemination work in Africa, collaboration with the IMF Statistics Department was scaled up and included joint technical assistance missions to 12 African countries, to help them adopt best practices and international standards for data management and reporting. The Bank also expanded this collaboration to promote use of its data system for the IMF's work in Africa.

The African Natural Resources Center

Since its creation in 2013, the Center has delivered knowledge, policy advice, and technical assistance to help RMCs develop their natural resources wealth in ways that contribute to inclusive and green growth in line with the Bank Group's Ten-Year Strategy. In 2016, the Center implemented three work streams—country programs, knowledge building, and advocacy—that contributed to advancing the Bank Group's High 5s priorities. It provided capacity-building support to the mining sector in Guinea, and the gas sector in Tanzania, with the potential to double these countries' GDP and create thousands of jobs. The Center also provided governance and capacity-building support to the forestry sector in South Sudan and the Republic of Congo, and supported the member countries of the Fisheries Committee for the West Central Gulf of Guinea to ratify the Port State Agreement on Illegal, Unregulated and Unreported Fishing of the Food and Agriculture Organization of the United Nations. Its knowledge-building activities included workshops on local content policies, and negotiations in the extractive sector.

Other Training, Knowledge Management, and Capacity Development Activities

Core activities included seminars and workshops for Bank staff and RMC officials, as well as special institutional support initiatives.

During the year, the Bank held 14 workshops, including for training trainers, on project monitoring and management aimed at diagnosing constraints and designing solutions for more effective results. In program development, the Bank Group's capacity-development activities sought to mainstream innovative capacity and entrepreneurship into Bank Group processes and operations around the High 5s. The Bank facilitated three workshops on PPP for hydropower projects in Africa. Other workshops were organized with regional and international partners in areas such as domestic resource mobilization, public financial management and accountability, and country policy and institutional assessments and performance-based allocation mechanisms, for senior financial management officials in government.

These training activities will increase awareness and foster use of competitive, fair, and transparent procurement systems, based on the fundamental principles of economy, efficiency, effectiveness, and equity, resulting in shorter delays in procuring goods and services, better value for money, and reduce corruption. The workshops on country policy and institutional assessments and performance-based allocation mechanisms will help address key issues and gaps in country portfolio performance reviews to be promptly identified and addressed. The quality of financial reporting should also be improved, and errors in disbursement applications minimized.

In its contribution to policy management, the Bank with the IMF held nine seminars on macroeconomic forecasting and modeling. These seminars aim to build RMCs' capacity for independent and sound economic analysis.

Special institutional support initiatives were undertaken with the African Capacity Building Foundation in financial management and regional integration, and with the African Economic Research Consortium in agricultural policy management. The Bank helped officials from Guinea, Malawi, Rwanda, and Togo to take part in training workshops on SME development policies in the Republic of Korea. These workshop series provided opportunities to participants to learn more about that country's SME culture and to exchange views and best practices.

Executive Directors Field Mission to Egypt.

4. Highlights of the Boards' Oversight Activities

Boards of Governors

As the highest decision-making organs of the Bank and the Fund, the Boards of Governors undertook many activities in fulfilling their mandates. These included the Fifty-first Annual Meeting of the Board of Governors of the African Development Bank and the Forty-second Annual Meeting of the Board of Governors of the African Development Fund, held jointly from 23 to 27 May 2016, in Lusaka, Zambia. During these meetings, the Governors held discussions with Bank Group Management on the financial health and operational performance of the Bank Group. They also approved major policies and adopted resolutions on other key decisions and conclusions of the Annual Meetings. In exercising their statutory duties, the Boards of Governors adopted resolutions pertaining to the dates and venues of the Annual Meetings for the following years, 2017-2021; the by-election of Executive Directors of the African Development Bank; the general election of the Executive Directors of the African Development Bank; the selection of Executive Directors of the African Development Fund; the Annual Report and Audited Financial Statements for the Financial Year-ended 31 December 2015; the allocation and distribution of Allocable Income of the African Development Bank for the Financial Year-end 31 December 2015; the distribution of part of the income of the Nigeria Trust Fund for the Financial Year-ended 31 December 2015; the Annual Report and Audited Special Purpose Financial Statements for the Financial Year-ended 31 December 2015; and the Remuneration of Elected Officers.

Other events and activities at the Annual Meetings were organized under the theme "Energy and Climate Change," including the African Leaders Roundtable, the Bank Group President's Dialogue with Governors, and other high-level seminars.

The Dialogue presented an opportunity for the Governors and Management to discuss the Bank Group's response to the challenge of supporting inclusive growth and the transition to green growth, by scaling up investment and implementation of the Bank Group's Ten-Year Strategy, with a focus on the High 5s. The Governors overwhelmingly endorsed the High 5s and commended the Boards of Directors and Management for the progress in operationalizing them. They also took note of the approval of strategies for the New Deal on Energy and Jobs for Youth in Africa. Additionally, they called for the early completion and speedy implementation of the other strategies to accelerate the achievement of the Sustainable Development Goals and Agenda 2063.

At the Dialogue, the Governors expressed support for the concepts of co-development and co-financing espoused by the Bank Group. They recommended specific areas for priority intervention, including sustained support to the private sector; increased investments in agriculture; continued emphasis on investments in the infrastructure sector, especially energy, roads, and water; the development of human capital; and the promotion of climate-resilience and low-carbon development in Africa.

The Governors also noted with satisfaction that the Bank Group had exceeded its lending targets for 2015, despite the challenges associated with resettling the Bank at Headquarters. This was a clear manifestation of the Bank Group's continuing resilience. The Governors commended the Boards of Directors, Management, and staff for this accomplishment. They also applauded the institutional reforms under way, including the adoption of a new business delivery model. They stressed the importance of continually attracting and retaining top-rated talent through a well-managed incentive system.

Boards of Directors

In 2016, the resident Boards of Directors, supported by their subsidiary organs, contributed to moving the Bank Group's transformation agenda forward. They provided strategic guidance toward achieving the Bank Group's annual performance targets as well as a major reorganization of the Bank. The Boards of Directors approved the DBDM and the updated decentralization action plan. They also approved strategies for implementation of four of the High 5s: agricultural transformation, energy, youth employment, and industrialization. And they approved a landmark compensation package for staff to position the Bank as the employer of choice on the continent.

The Boards of Directors and their subsidiary organs participated in 145 meetings and seminars. The Boards also undertook consultative missions to Egypt, Ethiopia, and Malawi and to the Bank's East Africa Regional Resource Center and Southern Africa Regional Resource Center. The visits enabled them to assess the progress of Bank Group–financed projects and to engage governments, development partners, the business community, and civil society actors on the relevance and effectiveness of the Bank Group's strategy and presence.

Independent Evaluation of the Bank Group

The Independent Development Evaluation Department (IDEV) completed 11 high-level evaluations and two impact evaluations in 2016, in excess of its target for the year. Among the high-level evaluations were the first comprehensive evaluations of the Bank Group's development results, seven country strategy and program evaluations, and the Eastern Africa regional integration strategy evaluation. All evaluations provided credible information to shape current and future strategies, programs, policies, and overall direction of the Bank Group. They also helped the Bank demonstrate accountability to its stakeholders and make evidence-informed decisions.

The seven completed country strategy and program evaluations (in Burundi, the Democratic Republic of Congo, Ghana, Morocco, South Africa, Tunisia, and Zambia) assessed the development results of the Bank Group's assistance to these countries in 2004–2013 to generate evidence on impact and draw lessons for the design of future country strategy papers and programs. The Eastern Africa regional integration strategy evaluation, covering 2011–2015, aimed mainly to inform the new Eastern Africa Regional Integration Strategy, due for Board of Directors' discussions in 2017. Also delivered in 2016 was an evaluation synthesis on private sector development that will inform the Bank's future strategic and operational interventions.

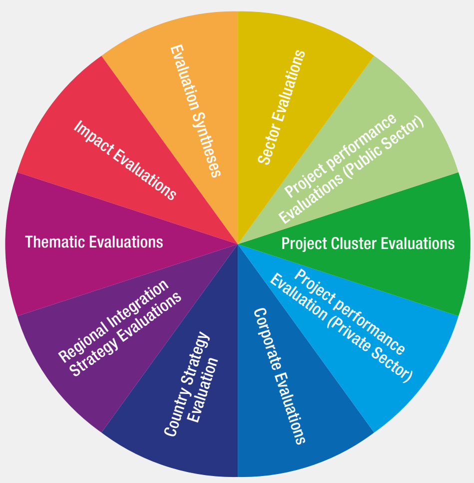
The Comprehensive Evaluation of Development Results (CEDR), (Figure 13) aimed to provide a credible assessment of development results attained through the Bank Group assistance to RMCs during 2004–2013 and a basis for accounting for the Bank Group's investments and to draw lessons to inform the design and implementation of interventions supporting the High 5s.

It sought to determine if the Bank Group had achieved its objectives, if it had proposed results-focused strategies and programs, and if it had emerged as a valued partner in its RMCs. It was based on Bank Group interventions approved in 2004–2013 in 14 countries, representing almost 60 percent of the Bank Group's lending portfolio.

The CEDR Report recommended improving the positioning of the Bank Group in its RMCs, refining Bank corporate services, and enhancing Bank delivery. The Bank's Management found the recommendations actionable and appropriate for implementing the High 5s, and accepted all of them.

IDEV fulfilled a long-standing need to conduct impact evaluations of the Bank's development programs and projects. It began with an impact evaluation of two rural water and sanitation programs—one each in Ethiopia and Tanzania. These evaluations assessed the net effects of the programs, focusing on the intended rural beneficiaries' use of improved water, diarrheal incidence, and time spent fetching water. They also assessed the likelihood of sustaining the benefits of the programs. The two governments and the ADF found the evaluation findings and recommendations useful for informing their rural water and sanitation programs, and for developing appropriate strategies.

IDEV's Key Evaluation Areas



Compliance, Accountability, and Intermediate Recourse Mechanisms

Compliance

Compliance Review and Mediation. The Unit administers the Independent Review Mechanism—the mechanism for people who are, or are likely to be, adversely affected by Bank-financed projects. In 2016, it registered four new complaints, resolved and closed two cases to the complainants' satisfaction, and continued to monitor five requests. The mechanism

FIGURE 13

Comprehensive Evaluation of Development Results

shared with Management lessons from handling complaints and made various recommendations. Key among them are proposals for the Bank to consider financing the cost of Bank project–induced resettlements, and to strengthen technical guidance to borrowers to implement institutional safeguard policies.

The Bank Group's intermediate recourse mechanism units serve as agencies of corporate restraint and responsibility in resolving conflicts and disputes and improving working relations among staff and management. In 2016, several of these units were reconfigured in line with the Bank's new business model so that they can deliver on the Bank's priorities with greater effectiveness.

Ethics. In 2016, the Ethics Office underwent a reorganization in line with the Bank's new business model. The investigations function was moved to the Integrity and Anti-Corruption Department, leaving the office to focus on the ethics function. The key responsibility of the office remains the same: to protect and safeguard the Bank's reputation, name, and image as well as those of staff. The Office continued to provide ethical advice and guidance to staff and management on all matters of conduct and behavior, including ethical dilemmas as well as conflicts of interest. It drafted a new Code of Ethics in consultation with staff and Management, and with reference to best international practices.

Accountability and Control

Audit. The Office of the Auditor-General spent over 93.1 percent of its resources to cover 11 assignments in the Operations Complex comprising 7 country portfolios and 4 other activities; 23 assignments in the Board, Presidency, Finance, and Corporate Complexes; and 5 field offices audits. An external quality assessment of the Office of the Auditor-General, undertaken by the Institute of Internal Auditors in 2016, produced the highest rating, confirming that the Office is independent and objective in exercising its duties.

Integrity and Anti-Corruption. In 2016, the Board of Directors approved an Integrity Due Diligence Policy for non-sovereign operations, which seeks to minimize corruption and reputational risks in Bank operations. The establishment of the Africa Integrity Fund was also approved. Self-financed by fines and penalties imposed on companies found to have engaged in sanctionable practices through the Bank Group's investigations process, the fund will support anti-corruption measures and strengthen the transparency and accountability of public resource management in RMCs.

During the year, 86 allegations of sanctionable practices were received (up from 66 in 2015), 41 (38 in 2015) of which went to investigation. Investigations led to the closure of 21 cases, and three reports of findings of sanctionable practices were submitted for the Sanctions Commissioner's determination. Investigations into 26 of 30 complaints of staff misconduct received during the year were also completed, with reports submitted to management for action.

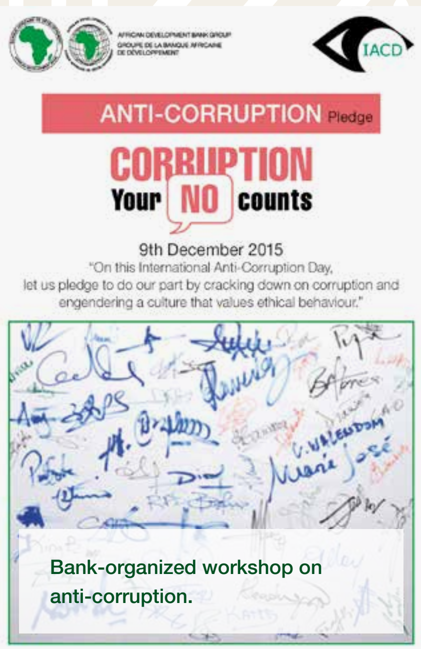
Recourse Mechanisms

Responding to ongoing decentralization, the Ethics Office has developed ICT tools to help staff members in Regional Hubs and country offices better manage their ethical dilemmas and conflicts of interest. Through its investigations function, the Ethics Office conducted 20 investigations related to staff conduct during 2016, and for the first time, contributed information to the Bank's ratings assessment.

Ombudsman. In 2016, the Office of the Ombudsman received 110 cases, out of which 99 cases were handled and closed within an average of four weeks in line with the key performance indicators. The most common were on career development and job security—60 percent. Outreach and problem-solving missions to the field office in Zimbabwe and the Southern Africa Regional Resource Center were undertaken. Along with internal resource persons, 19 elected "values promotion champions" received training in South Africa to augment service delivery in the regional and country offices.

Administrative Tribunal and Staff Appeals Committee. The year saw the completion of the 26th judicial session, with the pronouncement of five judgments. In addition, the Staff Appeals Committee held eight sessions, and heard 15 appeals. Of these, six reports were submitted to the President.

Sanctions Appeals Board. The Sanctions Appeals Board issued final decisions on two cases in 2016, and opened a new case in December 2016. Among other activities, including networking with counterparts in other MDBs, the Secretariat of the Sanctions Appeals Board organized a seminar at headquarters in Abidjan aimed at training and sensitizing staff on the Bank's sanctions system.



Bank-organized workshop on anti-corruption.

Presentation to the President of the Institute of International Auditors (IIA) Award on Accountability, Good Governance and Transparency, received by Bank's Audit Team.

5. Financial Highlights and Abridged Financial Statements

AfDB treasury financial expert at work in the trading room at the Bank Group's Headquarters building.

In 2016, the Bank Group remained resilient amid the prevailing global low interest rates, to record improved income compared with that in 2015, across its three lending entities. The Bank consolidated its triple-A rating and maintained its position as Africa's premier financial institution.

Financial Results

The Bank Group entities—ADB, ADF, and NTF—realized higher net income before distributions in 2016 compared with 2015 (Table 5). This was largely attributable to higher interest income on increased volumes of loans and investments and realized gains on treasury investments.

Detailed information on the Bank Group entities' financial results is available in a separate 2016 Financial Report.

African Development Bank

In 2016, the Bank earned income before allocation and distributions approved by the Board of Govenors of UA 120.07 million, compared with UA 93.16 million in 2015. This increase is primarily due to the combined effect of higher interest realized on increased volumes of loans and investments and realized gains on treasury investments. The gain on treasury investments derived from the disposal of treasury investments previously held at amortized cost. This was necessitated by the need to rebalance the currency composition of the Bank's assets in 2016 following the inclusion of the Chinese Yuan Renminbi (CNY) in the currency basket, with effect from 1 October 2016.

The net interest margin fell in 2016, largely due to a reduction in the performance of treasury investments. Interest income from loans increased by 16.4 percent due to higher average outstanding loans. The treasury portfolio continued to perform above its set benchmarks. Overall, net interest income increased by 5.91 percent during the year driven largely by the higher average gross earning assets which increased by 14.36 percent.

Total Bank Group administrative expenses increased by 5.86 percent in 2016, primarily due to higher operational expenses. The Bank's share of the total Bank Group's administrative expenses, included in "Other Expenses", amounted to UA 130 million for 2016, compared with UA 122 million in the previous year.

The Bank's reserves, plus accumulated loan loss provisions on outstanding loan principal and charges, decreased to UA 3.26 billion at the end of 2016, compared with UA 3.35 billion at the end of 2015.

Distributions Approved by the Board of Governors

In 2016, the Board of Governors approved distributions of UA 95 million from 2015 income to various development initiatives in Africa. The beneficiaries of these distributions are listed in Note N to the financial statements, included in the 2016 Financial Report. In accordance with the Bank's accounting policies, such distributions are reported as expenses in the year the Board of Governors approves them. The Board of Directors have also agreed to recommend to the Board of Governors, at its Annual Meeting in May 2017, distributions totaling UA 82 million from 2016 net income to various development initiatives in RMCs. If approved by the Board of Governors, such distributions, and any others that may be approved by the Board of Governors during 2017, will be reported as expenses in the 2016 financial statements, in line with the prevailing accounting practice.

Control of Administrative Expenses

To maximize the resources available for development financing and technical assistance activities in its member countries, the Bank continues to focus on a high level of budgetary discipline, effective cost controls, and proactive cost-recovery programs in managing its administrative and capital expenses. For the year-ended 31 December 2016, the Bank Group's general administrative expenses, excluding charges for depreciation and amortization, were UA 342.26 million, up from UA 323.30 million in 2015. For 2017, the Bank Group's administrative expenditure is budgeted at UA 368.35 million.

Risk Management Policies and Processes

The Bank's development operations are undertaken within the risk management framework of a clearly defined risk appetite statement, capital adequacy and exposure management policy, credit policy with guidelines, risk management governance framework, an asset and liability management authority with guidelines, and an end-to-end credit process.

The Bank seeks to minimize its exposure to risks that are not essential to its core business of providing development finance and related assistance. Accordingly, the Bank's risk management policies, guidelines and practices are designed to reduce exposure to interest rate, currency, liquidity, counterparty, legal and other operational risks, while maximizing the capacity to assume credit risks to public and private sector clients, within approved risk limits.

Over the past few years, the Bank has enhanced its risk management framework and end-to-end credit processes. Some of these enhancements include establishing an independent office (the Office of the Group Chief Risk Officer) responsible for risk management across the Bank, reporting directly to the President of the Bank; creating a strong Credit Risk Committee; enhancing the training of Bank staff on credit risk assessment, recruiting experienced and competent credit officers, and implementing optimized credit risk assessment models. The Bank has also strengthened the monitoring of the current portfolio and continues to proactively undertake portfolio restructuring measures including cancellation of long-standing "signed but not disbursed" loans to free up capital for new lending. Meanwhile, efforts to fully implement the operational risk management framework, as approved by the Board of Directors, are ongoing. Also in progress is the implementation of an integrated workflow-driven software platform that is expected to allow all stakeholders involved in the credit risk assessment process to streamline their work and enhance efficiency.

The Bank entered Exposure Exchange Agreements (EEAs) with other Multilateral Development Banks (MDBs) in 2015 to optimize its balance sheet, manage risks in its loan portfolio, reduce sovereign-concentration risk, and increase lending headroom. The EEAs involve a simultaneous exchange of equivalent credit risk on defined reference portfolios of sovereign exposures, subject to each participating MDB retaining a minimum of 50 percent of the total exposure to each country that is part of an EEA. The participating MDBs have paid no credit protection fee (guarantee premium) since the amount of exposure exchanged—purchased and sold—is notionally the same at inception.

Under an EEA, the MDB that originates the sovereign loans and buys protection continues to be the lender of record. An exposure exchange does not affect the application of the normal sovereign sanctions policies by the buyer of protection. The EEA has final maturities in 2030 with linear annual reduction of the notional amounts starting from 2025. On 31 December 2016, the total outstanding notional amount of credit protection purchased or sold on the relevant underlying single reference entities, which remained unchanged from the previous year, was USD 4.47 billion (UA 3.33 billion). No default events have occurred on any exposures covered under these exposure exchanges, and the Bank continues to expect full recovery of its sovereign and sovereign-guaranteed exposures.

The Bank continues to be well capitalized. The stress testing of its capital adequacy shows that the Bank can adequately withstand a number of extreme shock scenarios. The risks to the Bank's balance sheet are actively monitored on the risk dashboard developed in 2012, which is regularly updated based on the evolving risk profile of the Bank's operations.

TABLE 5

Abridged 2016 Financial Results of the Bank Group Entities

	ADB		ADF		NTF	
UA millions	**2016**	2015	**2016**	2015	**2016**	2015
Income from loans and investments	563.47	455.77	178.58	151.29	2.35	1.82
Borrowing expenses and derivatives	(244.84)	(178.03)	-	-	-	-
Impairment charge on loans and investments	(67.81)	(65.43)	-	-	-	0.02
Translation gains/(losses) and other income	10.67	17.34	(4.17)	(5.15)	-	-
Net operational income	**261.49**	**229.65**	**174.41**	**146.14**	**2.35**	**1.84**
Other expenses	(141.42)	(136.49)	(241.67)	(229.39)	(0.45)	(0.45)
Income before distributions approved by the Board of Governors	**120.07**	**93.16**	**(67.26)**	**(83.25)**	**1.90**	**1.39**
Distributions approved by the Board of Governors	(95.00)	(124.00)	-	-	(0.14)	(0.15)
NET INCOME/(LOSS) FOR THE YEAR	**25.07**	**(30.84)**	**(67.26)**	**(83.25)**	**1.76**	**1.24**

The policies and practices employed by the Bank to manage these risks are described in detail in Note D to the Financial Statements, included in the 2016 Financial Report.

Bank Rating

The four leading international rating agencies—Standard and Poor's, Fitch, Moody's, and Japan Credit Rating Agency—reaffirmed their AAA/Aaa and AA+/Aa1 ratings of the Bank's senior and subordinated debts, respectively, with a stable outlook. The high ratings underline the Bank's strong financial position, capital adequacy and liquidity. In 2016, the Bank's risk management function continued to reinforce the Bank's AAA credit rating by focusing on ensuring sound Group-wide risk management decisions consistent with the ongoing institutional change and transformation aimed at delivering on the High 5s. The Bank also continued to benefit from the MDB Sovereign Exposure Exchange Agreement with the World Bank and the Inter-American Development Bank, which completed its first full year of implementation. Indeed, Standard and Poor's confirmed, in the course of its annual rating exercise, the efficacy of the MDB exposure exchange in improving the Bank's risk-adjusted capital adequacy ratio. This improvement corresponds to an increase in lending capacity of up to USD 10 billion.

African Development Fund

The Fund reported a lower deficit of UA 67.26 million in 2016, compared with a deficit of UA 83.25 million in 2015, explained primarily by the increase in investment income from UA 60.97 million in 2015 to UA 82.01 million in 2016. As the prevailing low interest environment continued to depress the investment income, the increase is largely due to realized gains on the disposal of treasury investments previously held at amortized cost. This was necessitated by the need to rebalance the currency composition of the Fund's assets in 2016 following the inclusion of the Chinese Yuan Renminbi (CNY) in the currency basket, with effect from 1 October 2016.

Persistent deficits over recent years are due mainly to structural changes to the Fund, including the cancellation of loans to certain beneficiaries under the Multilateral Debt Relief Initiative (MDRI, described in Note F to the financial statements) and the increased grant element in the recent ADF resource allocation.

Loan income increased from UA 90.32 million in 2015 to UA 96.57 million in 2016, driven primarily by a higher lending activities in 2016.

The Fund's share of the total shareable administrative expenses of the Bank Group increased by 5.37 percent, due to the general increase in the operational expenses. The Fund's share of these expenses fell marginally to 62.14 percent for 2016, compared with 63.14 percent for 2015.

The Fund continues to cancel qualifying debts under MDRI for countries that have reached the Heavily Indebted Poor Countries (HIPC) completion point. No new country reached the completion point during 2016. A summary of the cumulative loan cancellations under the MDRI and HIPC is presented in Note F to the Special Purpose Financial Statements, published in the 2016 Financial Report.

Nigeria Trust Fund

The NTF's income before distributions approved by the Board of Governors increased by UA 0.51 million, from UA 1.39 million in 2015 to UA 1.90 million in 2016, mainly due to an increase in investment income.

The NTF's share of administrative expenses of the Bank Group increased by UA 0.11 million, from UA 0.36 million in 2015 to UA 0.47 million in 2016.

The NTF's reserves, net of cumulative currency translation adjustments, increased by 16.76 percent from UA 41.29 million at the end of 2015 to UA 48.21 million as at 31 December 2016.

A summary of selected financial metrics of the Bank Group entities (ADB, ADF, and NTF) for the year ended 31 December 2016 is shown in Table 6.

TABLE 6

Selected Financial Metrics of the Bank Group Entities for 2016 (UA millions)

	2016	2015
ADB		
Assets	29,727.08	25,346.74
Net income/(loss)	25.07	(30.84)
Comprehensive income/(loss)	(174.41)	105.93
Cash and cash equivalents	2,035.87	2,403.88
ADF		
Net development resources	5,457.84	5,931.89
Deficit	(67.26)	(83.25)
Cash and cash equivalents	874.80	475.59
NTF		
Assets	192.43	170.52
Net income	1.76	1.24
Total comprehensive income	1.76	1.24
Cash and cash equivalents	21.57	22.54

Note: The full audited financial statements together with the related audit opinion are available separately in the Financial Report 2016.

Conclusion

Overall, in 2016, the Bank Group remained sturdy, amid the prevailing global headwinds of low interest rates, to record improved performance across all the three lending entities. In 2017, it is expected that the Bank Group will consolidate its position further and maintain its position as the premier financial institution in Africa.

Appendix 1. Summary of Bank Group Operations, Resources and Finance, 2007-2016 (UA million)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Cumulative Total a)
OPERATIONS											
Bank Group Approvals b)											
Number	100	133	181	139	184	199	317	232	241	**305**	**5,279**
Amount	3,097.64	3,528.73	8,064.49	4,099.75	5,720.29	4,253.75	4,385.78	5,049.92	6,334.69	**8,035.34**	**96,008.49**
of which HIPC	153.17	159.87	372.56	202.95	1,350.85	248.00	22.32	-	46.96	**-**	**6,158.28**
Disbursements	1,615.68	1,860.91	4,083.59	2,510.70	3,174.11	3,379.53	3,133.95	3,156.96	3,025.00	**4,680.15**	**56,120.21**
ADB Approvals b)											
Number	29	58	84	59	59	48	65	79	99	**114**	**1,723**
Amount	1,670.06	1,807.01	5,604.07	2,581.13	3,689.43	2,080.46	1,831.70	3,201.30	4,518.23	**6,335.32**	**57,664.50**
of which HIPC	-	113.75	112.77	144.14	1,178.04	134.58	9.64	-	-	**-**	**3,158.22**
Disbursements	884.75	727.53	2,352.29	1,339.85	1,868.79	2,208.17	1,430.78	1,938.53	1,619.17	**3,221.75**	**32,828.78**
ADF Approvals b)											
Number	54	62	77	65	87	98	156	112	98	**133**	**3,071**
Amount	1,381.75	1,665.34	2,426.96	1,456.72	1,831.86	1,890.17	2,269.55	1,592.91	1,515.12	**1,521.24**	**36,329.03**
of which HIPC	153.17	17.95	259.09	29.99	171.93	112.21	12.68	-	46.96	**-**	**2,936.91**
Disbursements	725.00	1,124.92	1,726.43	1,165.84	1,296.65	1,169.60	1,702.21	1,215.30	1,398.36	**1,447.41**	**23,031.39**
NTF Approvals											
Number	-	2	3	2	3	3	5	2	2	**3**	**100**
Amount	-	28.16	5.70	29.53	10.88	14.10	31.17	11.49	12.50	**18.46**	**469.93**
of which HIPC	-	28.16	0.70	28.83	0.88	1.20	-	-	-	**-**	**63.15**
Disbursements	5.94	8.45	4.87	5.02	8.67	1.76	0.96	3.13	7.47	**10.98**	**260.04**
Special Funds Approvals c)											
Number	17	11	17	13	35	50	91	39	42	**55**	**385**
Amount	45.83	28.21	27.76	32.38	188.12	269.03	253.36	244.22	288.85	**160.32**	**1,545.02**
Resources and Finance (at year's end)											
ADB											
Authorized Capital	21,870.00	21,870.00	22,120.00	67,687.46	66,054.50	66,975.05	66,975.05	66,975.05	66,975.05	**66,975.05**	
Subscribed Capital d)	21,693.16	21,765.14	21,817.58	23,924.62	37,322.00	65,215.04	65,210.13	65,133.22	65,482.51	**65,486.15**	
Paid-up Portion d)	2,351.53	2,356.01	2,359.32	2,375.63	3,289.06	4,962.68	4,962.34	4,864.52	4,884.41	**4,897.37**	
Callable Portion	19,341.63	19,409.14	19,458.25	21,548.99	34,032.95	60,252.36	60,247.80	60,268.70	60,598.10	**60,588.78**	
Outstanding Debt	6,198.87	6,707.28	10,580.64	11,980.57	12,902.96	13,278.80	12,947.44	14,375.95	16,449.27	**20,644.15**	
Cumulative Exchange Adjustment on Subscriptions	(160.08)	(161.03)	(161.97)	(162.57)	(160.63)	(166.83)	(172.65)	(173.54)	(168.84)	**(161.04)**	
Reserves	2,531.80	2,475.47	2,552.96	2,627.28	2,536.18	2,667.44	2,856.88	2,815.32	2,921.25	**2,746.84**	
Gross Income e)	578.62	564.45	518.88	519.32	489.18	553.64	479.64	484.73	455.77	**536.02**	
Net Income f)	323.67	304.66	231.16	213.66	164.51	198.62	180.33	151.69	93.16	**120.07**	
ADF											
Subscriptions	15,218.76	16,566.02	17,854.02	19,030.32	20,428.32	21,622.28	23,084.05	24,921.04	26,122.31	**27,226.94**	
Other Resources	171.27	280.27	305.27	355.27	390.27	425.27	509.96	551.96	602.96	**645.96**	
NTF											
Resources (gross)	273.47	286.78	156.73	160.86	162.74	164.62	165.77	168.28	169.88	**176.79**	

Sources: AfDB Statistics Department for data on operations; AfDB Financial Control Department for data on resources and finance.

a) The cumulative figures go back to the initial operations of the three institutions (1967 for ADB, 1974 for ADF and 1976 for NTF).

b) Approvals include loans and grants, private and public equity investments, emergency operations, HIPC debt relief, loan reallocations, guarantee and Post Conflict Country Facility.

c) These are approvals on the operations of the African Water Facility and Rural Water Supply and Sanitation Initiative, Global Environment Facility, the Global Agriculture and Food Security Program, the Climate Investment Fund, the Congo Basin Forest Fund, the Fund for African Private Sector Assistance, the Zimbabwe Multi-Donor Trust Fund, Sustainable Energy Fund for Africa, Africa Climate Change Fund, Migration & Development Initiative Fund, MicroFinance Capacity Building Fund, Mena Trust Fund, Nigeria Technical Cooperation Fund and the Organization of the Petroleum Exporting Countries.

d) Subscribed capital and paid up capital for 2005 were restated to exclude shares to be issued upon payment of future installments.

e) From 2013, dividend from equity participations were reclassified and included in gross income.
Starting from 2015, the gross income is net of interest on loan swaps.

f) Net income is before distributions approved by the Board of Governors.

The conversion rates are those for 31 December of each year.
The conversion rates of the ADB, ADF and NTF Unit of Account (UA) to US Dollar for various years are as follows:

2007	1 UA = 1.58025 US dollars	2012	1 UA = 1.53692 US dollars
2008	1 UA = 1.54027 US dollars	2013	1 UA = 1.54000 US dollars
2009	1 UA = 1.56769 US dollars	2014	1 UA = 1.44881 US dollars
2010	1 UA = 1.54003 US dollars	2015	1 UA = 1.38573 US dollars
2011	1 UA = 1.53527 US dollars	2016	1 UA = 1.34433 US dollars

Percentages in the charts and tables of the Report may not add up to 100 due to rounding.

Appendix 2A. Bank Group Approvals by High Five Grouping, 2016 (UA million)

Sector	ADB		ADF		NTF		SF		Bank Group	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Light Up and Power Africa	**13**	**1,171.31**	**19**	**296.34**	**2**	**14.46**	**16**	**23.55**	**50**	**1,505.66**
Energy Supply	12	957.46	19	296.34	2	14.46	16	23.55	49	1,291.81
Finance	1	213.85	-	-	-	-	-	-	1	213.85
Feed Africa	**25**	**616.82**	**13**	**209.57**	**1**	**4.00**	**8**	**37.94**	**47**	**868.33**
Agriculture and Rural Development	24	561.19	12	142.30	1	4.00	8	37.94	45	745.43
Finance	1	55.63	1	67.27	-	-	-	-	2	122.90
Industrialize Africa	**23**	**909.35**	**6**	**52.63**	**-**	**-**	**1**	**6.88**	**30**	**968.86**
Industry, mining and quarrying	-	-	-	-	-	-	-	-	-	-
Finance	23	909.35	6	52.63	-	-	1	6.88	30	968.86
Integrate Africa	**4**	**228.61**	**23**	**241.26**	**-**	**-**	**2**	**22.50**	**29**	**492.36**
Multinational										
Communication	-	-	8	61.39	-	-	-	-	8	61.39
Transport	1	64.87	15	179.87	-	-	2	22.50	18	267.24
Finance	3	163.74	-	-	-	-	-	-	3	163.74
Improve the Quality of Life for the People Of Africa	**49**	**3,409.24**	**72**	**721.43**	**-**	**-**	**28**	**69.46**	**149**	**4,200.13**
Education	7	31.1	4	12.82	-	-	3	1.64	14	45.58
Health	4	16.49	2	6.31	-	-	-	-	6	22.80
Gender Equity, Population & Nutrition	1	0.71	2	2.00	-	-	1	2.45	4	5.16
Poverty Alleviation & Micro-Finance	-	-	4	13.15			1	1.26	5	14.41
Other Social	5	306.98	12	137.63			2	3.06	19	447.67
Water Supply and Sanitation	9	746.05	9	94.06	-	-	15	36.98	33	877.09
Communication (National)	1	41.87	-	-	-	-	-	-	1	41.87
Transport (National)	6	765.39	6	193.61	-	-	2	13.13	14	972.12
Multisector	12	1,098.30	33	261.87	-	-	1	1.36	46	1,361.53
Urban Development	-	-	-	-	-	-	-	-	-	-
Environment	-	-	-	-	-	-	3	9.58	3	9.58
Finance	4	402.32	-	-	-	-	-	-	4	402.32
Total Approvals	**114**	**6,335.32**	**133**	**1,521.24**	**3**	**18.46**	**55**	**160.32**	**305**	**8,035.34**

Appendix 2B. Bank Group Approvals by Financing Instrument, 2016 (UA million)

Financing Instrument	ADB		ADF		NTF		Bank Group	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Project Lending	**52**	**3,516.61**	**34**	**664.37**	**3**	**18.46**	**89**	**4,199.44**
Public and Publicly – Guaranteed:	*21*	*1,970.18*	*34*	*664.37*	*3*	*18.46*	*58*	*2,653.01*
Project Loans	18	1,548.39	32	652.16	3	18.46	53	2,219.02
Sector Investment and Rehabilitation	3	421.8	2	12.20	-	-	5	433.99
Lines of Credit	-	-	-	-	-	-	-	-
Private Non-Publicly Guaranteed:	*31*	*1,546.44*	-	-	-	-	*31*	*1,546.44*
Project Loans	12	387.45	-	-	-	-	12	387.45
Lines of Credit	19	1,158.98	-	-	-	-	19	1,158.98
Soft Comodity Finance Facility	-	-	-	-	-	-	-	-
Policy-Based Lending	**10**	**2,087.47**	**11**	**211.80**	**-**	**-**	**21**	**2,299.27**
Sector Adjustment	-	-	-	-	-	-	-	-
Structural Adjustment	-	-	-	-	-	-	-	-
Budget Support	10	2,087.47	11	211.80	-	-	21	2,299.27
Grants	***34***	***21.85***	**68**	**358.60**	**-**	**-**	**102**	**380.45**
Technical Assistance	23	13.99	*25*	*55.39*	-	-	*48*	*69.39*
Project Cycle Activities	-	-	10	20.83	-	-	10	20.83
Institutional Support	-	-	15	34.57	-	-	15	34.57
of which Private Sector	-	-	-	-	-	-	-	-
Middle Income Countries Grant	23	13.99	-	-	-	-	23	13.99
Project Grants	-	-	*11*	*125.47*	-	-	*11*	*125.47*
Structural Adjustment Grant	-	-	-	-	-	-	-	-
Budget Support Grant	-	-	*5*	*43.23*	-	-	*5*	*43.23*
African Food Crisis Response Grant	-	-	-	-	-	-	-	-
Transition Support Facility Grant	-	-	*27*	*134.50*	-	-	*27*	*134.50*
Special Relief Fund	11	7.86	-	-	-	-	*11*	*7.86*
Emergency Assistance	11	7.86	-	-	-	-	11	7.86
Emergency Postconflict	-	-	-	-	-	-	-	-
Special Debt Relief Grant	-	-	-	-	-	-	-	-
Loan for Institutional Capacity Building	**4**	**355.56**	**7**	**138.69**	**-**	**-**	**11**	**494.24**
Loan for Transition Support Facility	**-**	**-**	**4**	**28.05**	**-**	**-**	**4**	**28.05**
Project Preparation Facility	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Debt and Debt Service Reduction	-	-	-	-	-	-	-	-
SFM Debt Alleviation	-	-	-	-	-	-	-	-
HIPC Debt Relief	-	-	-	-	-	-	-	-
Post Conflict Country Framework	-	-	-	-	-	-	-	-
Equity Participation	**12**	**205.43**	-	-	-	-	**12**	**205.43**
Public Equity	-	-	-	-	-	-	-	-
Private Equity	12	205.43	-	-	-	-	12	205.43
Guarantee	**2**	**148.40**	9	119.73	-	-	**11**	**268.13**
Public Guarantees	-	-	9	119.73	-	-	9	119.73
Partial Risk Guarantees	-	-	-	-	-	-	-	-
Private Guarantees	2	148.40	-	-	-	-	2	148.40
Loan Reallocations	**-**	**-**	-	-	-	-	**-**	**-**
Special Funds	**-**	**-**	-	-	-	-	**55**	**160.32**
Total Approvals	**114**	**6,335.32**	**133**	**1,521.24**	**3**	**18.46**	**305**	**8,035.34**

Source: AfDB Statistics Department.
Note: The conversion rate used is that for December 31, 2016 : 1UA = US$ 1.34433

Appendix 2C. Bank Group Total Approvals by Region (UA million)

Region/Country	2012	2013	2014	2015	2016	1967-2016
Central Africa						
Cameroon	47.3	45.5	143.8	447.9	323.0	2,308.7
Central African Republic	38.1	-	15.6	27.6	3.9	390.2
Chad	24.0	6.4	14.9	60.9	32.1	640.1
Congo	10.6	3.2	7.5	15.1	41.9	556.1
Congo, Democratic Republic of	69.0	204.9	187.1	40.7	138.3	4,211.4
Equatorial Guinea	-	-	0.8	-	-	131.5
Gabon	145.4	-	1.6	-	68.5	1,524.2
São Tomé & Príncipe	0.5	7.7	-	14.0	2.0	254.9
Central Africa Approvals	**335.0**	**267.7**	**371.3**	**606.2**	**609.7**	**10,017.1**
East Africa						
Burundi	17.8	17.6	41.8	-	0.5	844.2
Comoros	2.6	35.9	4.0	8.0	-	174.6
Djibouti	8.4	5.6	-	8.2	6.3	210.9
Eritrea	-	-	-	13.5	5.5	124.7
Ethiopia	166.0	85.7	66.6	182.3	314.4	3,394.2
Kenya	28.8	275.5	208.4	201.3	612.4	2,725.3
Rwanda	-	54.6	99.4	20.2	43.8	1,175.9
Seychelles	-	14.3	2.2	23.8	-	160.0
Somalia	-	3.5	2.9	1.9	22.7	183.5
South Sudan	4.8	27.4	0.7	2.0	5.0	39.8
Sudan	4.3	25.6	-	58.9	24.5	474.8
Tanzania	154.6	42.1	98.7	549.2	219.1	3,005.8
Uganda	67.6	73.8	127.5	89.4	138.0	2,229.6
East Africa Approvals	**454.9**	**661.7**	**652.1**	**1,158.7**	**1,392.0**	**14,743.2**
North Africa						
Algeria	0.8	-	0.8	2.9	717.5	2,618.3
Egypt	-	3.7	4.6	512.8	370.7	4,675.4
Libya	-	2.5	-	-	-	3.1
Mauritania	9.1	1.7	4.5	-	26.5	612.9
Morocco	901.2	206.1	313.5	267.7	426.6	8,108.4
Tunisia	354.6	28.6	67.8	337.9	509.5	6,307.3
North Africa Approvals	**1,265.7**	**242.6**	**391.4**	**1,121.2**	**2,050.8**	**22,325.4**
Southern Africa						
Angola	-	22.9	662.1	385.7	-	1,444.9
Botswana	-	-	-	-	55.9	1,571.4
Lesotho	-	20.1	-	-	15.7	369.9
Madagascar	2.3	81.7	65.9	34.4	57.9	1,189.6
Malawi	52.6	59.0	23.1	35.1	38.4	1,219.8
Mauritius	-	99.0	76.8	1.2	-	930.5
Mozambique	78.0	26.5	28.7	18.6	60.0	1,574.6
Namibia	0.5	199.4	-	263.1	0.4	637.8
South Africa	273.1	-	264.8	274.5	30.3	4,751.3
Swaziland	0.5	-	45.8	0.9	43.3	392.2
Zambia	62.5	158.0	53.5	264.5	170.6	1,828.8
Zimbabwe	16.1	44.1	-	40.4	34.7	914.8
Southern Africa Approvals	**485.6**	**710.7**	**1,220.7**	**1,318.3**	**507.3**	**16,825.7**
West Africa						
Benin	31.2	46.4	26.4	34.6	-	773.8
Burkina Faso	-	86.9	32.2	41.0	58.9	1,158.5
Cabo Verde	1.2	67.1	12.7	13.2	3.2	365.2
Côte d'Ivoire	238.6	63.4	30.6	169.8	305.6	2,598.4
Gambia	6.9	18.3	6.3	2.0	6.7	319.1
Ghana	168.8	14.2	58.6	172.1	112.2	2,328.1
Guinea	113.6	22.4	13.1	-	16.5	1,005.2
Guinea-Bissau	0.7	-	0.6	24.0	0.7	392.9
Liberia	37.8	45.4	13.7	0.3	31.2	813.1
Mali	0.7	136.0	64.6	15.0	39.8	1,260.2
Niger	54.6	12.6	-	20.0	63.1	766.2
Nigeria	63.9	530.9	1,009.9	4.1	1,310.4	6,406.6
Senegal	4.8	111.1	52.7	145.8	99.1	1,478.8
Sierra Leone	23.5	28.6	7.0	29.5	11.2	649.4
Togo	2.9	2.3	8.6	15.1	18.1	398.4
West Africa Approvals	**749.2**	**1,185.6**	**1,337.0**	**686.6**	**2,076.8**	**20,713.8**
Multinational	**963.3**	**1,317.5**	**1,077.4**	**1,443.6**	**1,398.8**	**11,383.2**
Total Approvals	**4,253.8**	**4,385.8**	**5,049.9**	**6,334.7**	**8,035.3**	**96,008.5**

Source: AfDB Statistics Department.

Appendix 3A. Board of Governors of ADB: Voting Powers of Member Countries as of 31 December 2016

	Country	Governor	Alternate	Total Votes	Voting Powers %
1	Algeria	Hadji Babaammi	Miloud Boutabba	274,084	4.211
2	Angola	Augusto De Sousa Archer Mangueira	Job Graça	76,064	1.169
3	Benin	Aaboulaye Bio Tchane	Romuald Wadagni	13,072	0.201
4	Botswana	Ontefetse Kenneth Matambo	Taufila Nyamadzabo	70,252	1.079
5	Burkina Faso	Hadizatou Rosine Coulibaly Sory	Ambroise Kafando	26,366	0.405
6	Burundi	Domitien Ndihokubwayo	Côme Manirakiza	15,992	0.246
7	Cabo Verde	Olavo Correia	*	5,569	0.086
8	Cameroon	Louis Paul Motaze	Charles Assamba Ongodo	70,472	1.083
9	Central African Republic	Felix Moloua	Henri Marie Dondra	3,345	0.051
10	Chad	Mariam Mahamat Nour	Mahamat Allamine Bourma Treye	4,903	0.075
11	Comoros	Djaffar Ahmed Said Hassani	Fouady Goulame	1,167	0.018
12	Congo	Calixte Nganongo	Ingrid Olga Ghislaine Ebouka Babackas	29,934	0.460
13	Côte d'Ivoire	Niale Kaba	Adama Kone	241,966	3.718
14	Congo Democratic Republic of	Henri Yav Mulang	Lamy Lamiel	84,177	1.293
15	Djibouti	Ilyas Moussa Dawaleh	Ahmed Osman Ali	1,838	0.028
16	Egypt	Tarek Amer	Sahar Nasr	358,641	5.510
17	Equatorial Guinea	Miguel Obiang Engonga	Valentin Ela Maye	10,056	0.154
18	Eritrea	Berhane Habtemariam	Martha Woldegiorghis	2,628	0.040
19	Ethiopia	Abrham Tekeste	*	102,606	1.576
20	Gabon	Regis Immongault	Christian Magnagna	71,397	1.097
21	Gambia,The	Abdou Kolley	Abdoulie Jallow	10,421	0.160
22	Ghana	Seth Terkper	Abdul-Nashiru Issahaku	138,326	2.125
23	Guinea	Kanny Diallo	Malado Kaba	26,630	0.409
24	Guinea-Bissau	Henrique Horta Dos Santos	Domenico Sanca	2,083	0.032
25	Kenya	Henry Kiplagat Rotich	Kamau Thugge	93,601	1.438
26	Lesotho	Tlohang Sekhamane	Tom Mpeta	4,349	0.067
27	Liberia	Boima Kamara	Mounir Siaplay	13,070	0.201
28	Libya	Osama S. Hamed Salah	Ali Mohamed Salem	193,796	2.977
29	Madagascar	François Marie Maurice Gervais Rakotoarimanana	Pierre-Jean Feno	42,037	0.646
30	Malawi	Goodall Edward Gondwe	Ronald Mangani	17,437	0.268
31	Mali	Boubou Cisse	Konimba Sidibe	28,584	0.439
32	Mauritania	Mohamed Ould Kembou	Cheikh El Kebir Ould Chbich	4,331	0.067
33	Mauritius	Pravind Kumar Jugnauth	Dharam Dev Manraj	42,934	0.660
34	Morocco	Mohammed Boussaid	Driss El Azami El Idrissi	233,159	3.582
35	Mozambique	Adriano Afonso Maleiane	Rogerio Lucas Zandamela	38,846	0.597
36	Namibia	Carl Hermann Gustav Schlettwein	Ericah B. Shafudah	22,861	0.351
37	Niger	Kane Aichatou Boulama	Ahmat Jidoud	15,966	0.245
38	Nigeria	Kemi Adeosun	Mahmoud Isa-Dutse	577,802	8.877
39	Rwanda	Claver Gatete	Uzziel Ndagijimana	9,134	0.140
40	São Tomé & Príncipe	Americo D'Oliveira Ramos	Maria Do Carmo Trovoada Pires De Carvalho Silveira	4,990	0.077
41	Senegal	Amadou Ba	Papa Amadou Sarr	68,199	1.048
42	Seychelles	Louise Rene Peter Larose	Caroline Abel	2,452	0.038
43	Sierra Leone	Momodu Lamina Kargbo	Edmund Koroma	19,273	0.296
44	Somalia	Mohamed Adam Ibrahim	Bashir Isse	2,566	0.039
45	South Africa	Pravin Jamandas Gordhan	Mcebisi Hubert Jonas	328,143	5.042
46	South Sudan	Stephen Dhieu Dau Ayik	Kornelio Kariom Mayiik	30,008	0.461
47	Sudan	Badr Eldien Mahmoud Abbas	Magdi Hassan Yassin	22,075	0.339
48	Swaziland	Martin Gobizandla Dlamini	Hlangusemphi Dlamini	8,013	0.123
49	Tanzania	Philip Isdor Mpango	*	49,829	0.766
50	Togo	Sani Yaya	Kossi Assimaidou	10,747	0.165
51	Tunisia	Mohamed Fadhel Abdelkef	*	90,341	1.388
52	Uganda	Matia Kasaija	Keith Muhakanizi	29,646	0.455
53	Zambia	Felix Mutati	Fredson Kango Yamba	76,558	1.176
54	Zimbabwe	Patrick Anthony Chinamasa	Willard L. Manungo	134,196	2.062
	TOTAL REGIONALS			**3,856,932**	**59.257**
1	Argentina	Alfonso De Prat Gay	Federico Sturzenegger	6,472	0.099
2	Austria	Johann Georg Schelling	Edith Frauwallner	29,540	0.454
3	Belgium	Alexander De Croo	Johan Van Oovertveldt	41,992	0.645
4	Brazil	*	*	24,411	0.375
5	Canada	Stephane Dion	Rob Stewart	251,529	3.864
6	China	Zhou Xiaochuan	Yi Gang	76,784	1.180
7	Denmark	Martin Bille Hermann	Nathalia Feinberg	77,109	1.185
8	Finland	Elina Kalkku	Satu Santala	32,280	0.496
9	France	Odile Renaud-Basso	Guillaume Chabert	243,836	3.746
10	Germany	Thomas Silberhorn	Marianne Kothé	268,565	4.126
11	India	Arun Jaitley	Shakitikanta Das	17,251	0.265
12	Italy	Pier Carlo Padoan	Filippo Giansante	157,792	2.424
13	Japan	Taro Aso	Haruhiko Kuroda	356,292	5.474
14	Korea	Ilho Yoo	Juyeol Lee	31,778	0.488
15	Kuwait	Anas Khalid Al-Saleh	Hesham Al–Waqayan	29,833	0.458
16	Luxembourg	Pierre Gramegna	Georges Heinen	13,637	0.210
17	Netherlands	Lilianne Ploumen	Christiaan Rebergen	57,209	0.879
18	Norway	Tone Skogen	Henrik Harboe	76,663	1.178
19	Portugal	Mário Centeno	*	16,125	0.248
20	Saudi Arabia	Yousef Ibrahim Albassam	Ahmed Mohammed Al-Ghannam	13,108	0.201
21	Spain	Luis De Guindos Jurado	Irene Garrido	69,904	1.074
22	Sweden	Ulrika Modéer	Magnus Lennartsson	102,336	1.572
23	Switzerland	Raymund Furrer	Chantal Nicod	95,594	1.469
24	Turkey	Osman Çelik	Ahmet Genç	22,137	0.340
25	United Kingdom	Priti Patel	James Wharton	114,024	1.752
26	United States of America	Jacob Joseph Lew	Catherine Novelli	425,657	6.540
	TOTAL NON REGIONALS			**2,651,858**	**40.743**
	GRAND TOTAL			**6,508,790**	**100.000**

Source: AfDB Treasury Department.
Note: * Vacant

Appendix 3B. Board of Governors of ADF: Voting Powers of State Participants and of the ADB as of 31 December 2016

	Country	Governor	Alternate	Total Votes	Voting Powers %
1	African Development Bank			1,000.000	50.000
2	Angola	Augusto De Sousa Archer Mangueira	Job Graça	0.364	0.018
3	Argentina	Alfonso De Prat Gay	Federico Sturzenegger	0.069	0.003
4	Austria	Johann Georg Schelling	Edith Frauwallner	18.865	0.943
5	Belgium	Alexander De Croo	Johan Van Oovertveldt	20.875	1.044
6	Brazil	*	*	5.409	0.270
7	Canada	Stephane Dion	Rob Stewart	71.148	3.557
8	China	Zhou Xiaochuan	Yi Gang	20.339	1.017
9	Denmark	Martin Bille Hermann	Nathalia Feinberg	25.476	1.274
10	Finland	Elina Kalkku	Satu Santala	19.077	0.954
11	France	Odile Renaud-Basso	Guillaume Chabert	103.860	5.193
12	Germany	Thomas Silberhorn	Marianne Kothé	104.538	5.227
13	India	Arun Jaitley	Shakitikanta Das	3.541	0.177
14	Italy	Pier Carlo Padoan	Filippo Giansante	54.126	2.706
15	Japan	Taro Aso	Haruhiko Kuroda	107.262	5.363
16	Korea	Ilho Yoo	Juyeol Lee	10.365	0.518
17	Kuwait	Anas Khalid Al-Saleh	Hesham Al–Waqayan	7.263	0.363
18	Luxembourg	Pierre Gramegna	Georges Heinen	0.547	0.027
19	The Netherlands	Lilianne Ploumen	Christiaan Rebergen	42.852	2.143
20	Norway	Tone Skogen	Henrik Harboe	46.296	2.315
21	Portugal	Mário Centeno	*	5.951	0.298
22	Saudi Arabia	Yousef Ibrahim Albassam	Ahmed Mohammed Al-Ghannam	10.894	0.544
23	Spain	Luis De Guindos Jurado	Irene Garrido	22.996	1.150
24	Sweden	Ulrika Modéer	Magnus Lennartsson	51.634	2.582
25	Switzerland	Raymund Furrer	Chantal Nicod	37.150	1.858
26	Turkey	Osman Çelik	Ahmet Genç	1.533	0.077
27	United Arab Emirates	*	*	0.312	0.016
28	United Kingdom	Priti Patel	James Wharton	101.905	5.095
29	United States of America	Jacob Joseph Lew	Catherine Novelli	105.352	5.268
	TOTAL			**2,000.000**	**100.000**

Source: AfDB Treasury Department.
Note: * Vacant

Appendix 4. Directors of the Bank and Fund

The Board of Directors of the African Development Bank
Chairperson: Akinwumi Ayodeji ADESINA

Executive Directors	Alternate Executive Directors
Abdelmajid MELLOUKI (Morocco)	Yandja YENTCHABRE (Togo)
Hau Sing TSE (Canada)	Thamer M. ALFAILAKAWI (Kuwait)
Karin ISAKSSON (Sweden)	Vacant
Dominique LEBASTARD (France)	Cristina FRANCO-MARTIN (Spain)
Soraya MELLALI (Algeria)	Alfredo Paulo MENDES (Guinea-Bissau)
Amadou KONE (Côte d'Ivoire)	Bernardo ABAGA NDONG MAYIE (Equatorial Guinea)
Heinrich Mihe GAOMAB (Namibia)	Judith KATEERA (Zimbabwe)
Martine MABIALA (Gabon)	Edith BELEM DAMIBA (Burkina Faso)
Mohamed ZAGHLOUL (Egypt)	Ali MOHAMED ALI (Djibouti)
Patrick Francis ZIMPITA (Malawi)	Boniface Godirafetse MPHETLHE (Botswana)
René OBAM NLONG (Cameroon)	Donatien MALEYOMBO (Central African Republic)
Vacant (USA)	Vacant (USA)
Ronald MEYER (Germany)	Vacant
Tarik AL-TASHANI (Libya)	Hussein Abdi HALANE (Somalia)
Kwabena Boadu OKU-AFARI (Ghana)	Patrick Saidu CONTEH (Sierra Leone)
Nyamajeje Calleb WEGGORO (Tanzania)	Vacant
Bright Erakpoweri OKOGU (Nigeria)	Maria Das Neves C. BATISTA De SOUSA (São Tomé and Príncipe)
Hiromi OZAWA (Japan)	Saleh BARABBA (Saudi Arabia)
Mmakgoshi E.P. LEKHETHE (South Africa)	Bheki Sibongaye BHEMBE (Swaziland)
Domenico FANIZZA (Italy)	Eric HILBERINK (Netherlands)

The Board of Directors of the African Development Fund
Chairperson: Akinwumi Ayodeji ADESINA

Tarik AL-TASHANI (ADB)	Hussein Abdi HALANE (Somalia)
Hiromi OZAWA (Japan)	Saleh BARABBA (Saudi Arabia)
Nyamajeje Calleb WEGGORO (ADB)	Vacant
Mmakgoshi E.P. LEKHETHE (ADB)	Bheki Sibongaye BHEMBE (Swaziland)
Amadou KONE (ADB)	Bernado ABAGA NDONG MAYIE (Equatorial Guinea)
Heinrich Mihe GAOMAB II (ADB)	Judith KATEERA (Zimbabwe)
Soraya MELLALI (ADB)	Alfredo MENDES (Bissau Guinea)
Ronald MEYER (Germany)	Vacant
Martine MABIALA (ADB)	Edith BELEM DAMIBA (Burkina Faso)
Dominique LEBASTARD (France)	Cristina FRANCO-MARTIN (Spain)
Domenico FANIZZA (Italy)	Eric HILBERINK (Netherlands)
Hau Sing TSE (Canada)	Thamer Mohammad ALFAILAKAWI (Kuwait)
Karin ISAKSSON (Sweden)	Vacant
Vacant (USA)	Vacant (USA)

Source: AfDB Office of the Secretary General.

Appendix 5. Principal Officers of the Bank Group as of 31 December 2016

PRESIDENCY, UNITS REPORTING TO THE PRESIDENT, AND UNITS REPORTING TO THE BOARDS		
President	ADESINA	Akinwumi Ayodeji
Director of Cabinet/Chief of Staff	MOYO	Sipho
Secretary General	NMEHIELLE	Vincent Obisienunwo Orlu
Group Chief Risk Officer	TURNER	Timothy
Special Envoy on Gender	FRASER-MOLEKETI	Geraldine Joslyn
General Counsel and Director	N'GARNIM-GANGA	Helene
Auditor General	OKONKWO	Chukwuma
Director, Integrity & Anti-Corruption	BOSSMAN	Anna
Director, Compliance Review & Mediation	TOURE	Sekou
Evaluator General	NANGIA	Rakesh

SENIOR VICE PRESIDENCY		
Senior Vice President	LEAUTIER	Frannie Ann Frances

OFFICE OF THE CHIEF ECONOMIST AND VICE PRESIDENT, ECONOMIC GOVERNANCE AND KNOWLEDGE MANAGEMENT		
Chief Economist and Vice President, Economic Governance and Knowledge Management	MONGA	Célestin

CORPORATE SERVICES AND HUMAN RESOURCES		
Vice President	KACOU	Albéric

FINANCE		
Chief Financial Officer and Vice President	BOAMAH	Charles Owusu

PRIVATE SECTOR, INFRASTRUCTURE AND INDUSTRIALIZATION		
Vice President	GUISLAIN	Pierre Albert L.

POWER, ENERGY, CLIMATE AND GREEN GROWTH		
Vice President	HOTT	Amadou

REGIONAL DEVELOPMENT, INTEGRATION, AND BUSINESS DELIVERY		
Vice President	SHERIF	Khaled
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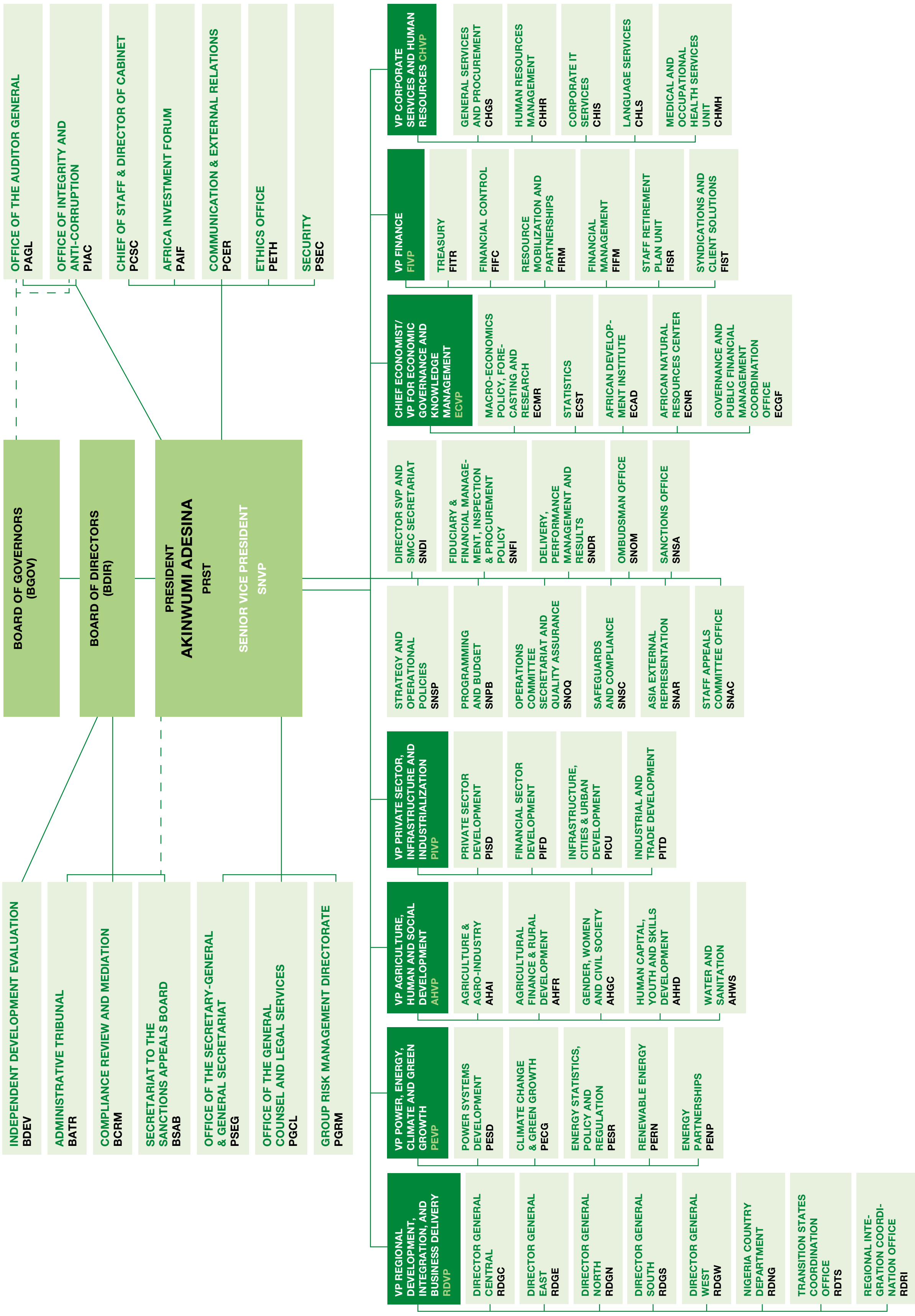
Director General, North Africa	EL AZIZI	Mohamed
Director General, Southern Africa	KANDIERO	Tonia
Director General, West Africa	LITSE	Janvier Kpourou

AGRICULTURE, HUMAN AND SOCIAL DEVELOPMENT		
Acting, Vice President	KAPOOR	Kapil

Source: AfDB Human Resources Management Department.

Appendix 6. Organizational Structure of the Bank Group



Appendix 7. Abbreviations and Acronyms

ADB African Development Bank
ADF African Development Fund
ADOA Additionality and Development Outcomes Assessments
AFAWA Affirmative Finance Action for Women in Africa program
AfDB African Development Bank Group
AGTF Africa Growing Together Fund
AMBD Committee on Administrative Matters Concerning the Board of Directors
ANRC African Natural Resources Center
AREI Africa Renewable Energy Initiative
AUC African Union Commission
BEP Blue Economy Program
CAADP Comprehensive African Agricultural Development Program
CAPI Computer Assisted Personal Interviewing
CAR Central African Republic
CAS Cost Accounting System
CCAP Climate Change Action Plan
CNY Chinese Yuan Renminbi
COMESA Common Market for Eastern and Southern Africa
CRFA Country Resilience & Fragility Assessment Rating
CRM Compliance Review and Mediation
CSP Country Strategy Paper
CSPEs country strategy and program evaluations
CWHOLE Committee of the Whole on the Budget
DAPEC Delivery, Accountability and Process Efficiency Committee
DBDM Development and Business Delivery Model
DSA Debt Sustainability Analysis
e-GDDS extended General Data Dissemination Standards
EARC East Africa Regional Resource Centre
ECA Economic Commission for Africa
ECAM Committee for External Communications and the Preparation of the Bank Group Annual Meetings
ECOWAS Economic Community of West African States
EEAs Exposure Exchange Agreements
EQA External Quality Assessment
ESDA Education for Sustainable Development
EU-AITF EU-Africa Infrastructure Trust Fund
FAO Food and Agricultural Organization
FSO financial sector operations
GEF Global Environment Facility
GHG Greenhouse Gas
GoK Government of Kenya
GPC Partial Credit Guarantee
HCPI Harmonized Consumer Price Indices
HIPC Highly Indebted Poor Country
IACD Integrity and Anti-Corruption Department
IDEV Independent Development Evaluation
IFAD International Fund for Agricultural Development
IPPF Infrastructure Project Preparation Facility
IRM Independent Review Mechanism
ISOs institutional support projects
ISS Integrated Safeguards System
ISTS Integrated Safeguards Tracking System
IWRM Integrated Water Resources Management
JfYA Jobs for Youth in Africa
KOAFEC Korea-Africa Economic Cooperation
MDBs Multilateral Development Banks
MDRI Multilateral Debt Relief Initiative
MENA Middle East and North African region
MGDS Medium Term Development Strategy
MSME Medium Scale Enterprises
MSP marine spatial planning
NBEIP National Blue Economy Investment Plan
NDCs Nationally Determined Contributions
NDF Nordic Development Fund
NEPAD New Partnership for Africa's Development
NTF Nigeria Trust Fund
OECD Organisation for Economic Co-operation and Development
PAP Priority Action Plan
PBA Performance-Based Allocation
PBOs Program-based operations
PICI Presidential Infrastructure Champion Initiative
PIDA Program for Infrastructure Development in Africa
PPFN Project Preparation Facility Network
PPPs Public-Private Partnerships
PSO Public Sector Operations
RBF Results-Based Financing
RDIBD Regional Development, Integration and Business Delivery
REC Regional Economic Communities
RIPoS Regional Integration Policy and Strategy
RISPs Regional Integration Strategic Papers
RMCs Regional Member Countries
RSFM Risk Sharing and Finance Mechanisms
RWSSI Rural Water Supply and Sanitation Initiative (RWSSI)
SADC Southern African Development Community
SDGs Sustainable Development Goals
SEFA Sustainable Energy Fund for Africa
SIF Somalia Infrastructure Fund
SME Small and Medium Scale Enterprises
SRAS Strategic Resource Assessment Software
TMT Transformation Management Team
TSF Transition Support Facility
TYS Ten-Year Strategy
WSPs Water Service Providers

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