AFRICAN DEVELOPMENT FUND	**ADF/BD/WP/2023/11/Approval** **9 February 2023** **Prepared by: FIRM** **Original: English**

BOARD APPROVAL **Lapse-of-time Procedure** **23 February 2023**	**FOR CONSIDERATION**

MEMORANDUM

TO : **THE BOARD OF DIRECTORS**

FROM : **Vincent O. NMEHIELLE**
Secretary General

SUBJECT : **REPORT ON THE SIXTEENTH GENERAL REPLENISHMENT OF THE RESOURCES OF THE AFRICAN DEVELOPMENT FUND (ADF-16) ***

By Resolution ADF/BG/WP/2022/02, the Board of Governors authorized the President of the African Development Fund (the "Fund") to take the necessary steps to identify and explore available options to mobilize funds for the Sixteenth General Replenishment of the Resources of the Fund (the ADF-15). The President, as requested, initiated consultations with State Participants in the Fund and explored various options to ensure a timely replenishment. In this connection, Deputies of State Participants along with Representatives of ADF-eligible countries held four meetings between April and December 2022.

At their final meeting held in Tangiers, Morocco on 5-6 December 2022 and subsequent announcements, the Deputies reached agreement on the Terms of the Replenishment, as set out in the attached Report. They agreed on an ADF-16 Resource level of UA 7,360.4 million for the three-year ADF-16 Operational Period (2023-2025). The Deputies also agreed that State Participants contribute towards this amount in the proportions stated in the draft Resolution, also attached.

The Board of Directors is invited to consider on a **Lapse-of-time basis** the attached Report and draft Resolution authorizing the ADF-16 Replenishment.

If no objection is received by 5.00 p.m. on 23 February 2023, the Report and the Draft Resolution will be considered as **endorsed by the Board of Directors** and **will be transmitted to the Board of Governors for consideration**.

Attch.

Cc: The President

*** Questions on this document should be referred to:**

Ms. B. S. TSHABALALA	**Senior Vice President**	**SNVP**	**Extension 4051**
Mrs. H. N'SELE	**Vice President**	**FIVP**	**Extension 2028**
Mr. A. SOULEY	**General Counsel**	**PGCL**	**Extension 3333**
Mr. D. VENCATACHELLUM	**Director**	**FIRM**	**Extension 2076**
Mr. J. DJOFACK	**Director**	**FIFM**	**Extension 1271**
Mr. O. SEFIANI	**Ag. Director**	**FITR**	**Extension 2028**
Ms. V. DABADY	**Division Manager**	**FIRM.1**	**Extension 2429**
Ms. V. GIARDINA	**Chief Cooperation Officer**	**FIRM.1**	**Extension 1619**

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AFRICAN DEVELOPMENT FUND **ADF/BG/WP/2023/01**
February 2023

MEMORANDUM

TO : THE BOARD OF GOVERNORS

FROM : THE BOARD OF DIRECTORS

SUBJECT : REPORT ON THE SIXTEENTH GENERAL REPLENISHMENT OF THE RESOURCES OF THE AFRICAN DEVELOPMENT FUND (ADF-16)

By Resolution ADF/BG/WP/2022/02, the Board of Governors of the African Development Fund ("the Fund") authorized the President, in close collaboration with the Board of Directors, to take the necessary steps to identify and explore available options to mobilize funds for the Sixteenth General Replenishment of the Resources of the Fund (ADF-16). As requested, the President initiated consultations with State Participants in the Fund and explored various options to ensure a timely and effective replenishment. In this connection, Deputies of State Participants along with Representatives of ADF-eligible countries held four meetings between April and December 2022.

At their fourth and final meeting in Tangiers, Morocco, on 5 - 6 December 2022, the Deputies reached agreement on the Terms of the Replenishment, as set out in the attached Report. They agreed on an ADF-16 resource level of UA 7,360.4 million. The ADF-16 replenishment is comprised of: (i) donor subscriptions of UA 3,925.2 million which include a grant element of UA 158.8 million from CDL contributions; (ii) donor contributions of UA 246.5 million in the form of CDLs (net of grant element); (iv) an ACC of UA 2,037 million; and (v) a technical gap of 22.7%. The total resources excluding the technical gap amount to UA 6,208.7 million. The Replenishment also includes the creation of a Climate Action Window (CAW) for a total grant contribution of UA 312.6 million.

Finally, Deputies agreed that State Participants contribute towards the ADF-16 resources in the proportions stated in the draft Resolution, also attached.

Accordingly, and in accordance with Articles 7(4) and 23(2)(ii) of the Fund Agreement, the Board of Governors is hereby invited to approve, by postal ballot, the enclosed Report and draft Resolution authorizing the ADF-16 Replenishment and its Terms.

AFRICAN DEVELOPMENT FUND

ADF-16 Report

FOSTERING A CLIMATE-SMART, RESILIENT, INCLUSIVE, AND INTEGRATED AFRICA

FOSTERING A CLIMATE-SMART, RESILIENT, INCLUSIVE, AND INTEGRATED AFRICA

ADF turns 50 this year. It is a time for celebration of what has been achieved. It is also a time for change, a time to look forward and identify what we need to do differently to tackle the growing challenges faced by ADF countries. Since 1972, the world has dramatically changed, Africa has changed, and ADF peers have changed. So ADF must also now change to ensure it stays relevant, fit-for-purpose and continues to adequately serve its clients.

Dr. Akinwumi A. Adesina, President, African Development Bank Group

Report on the Sixteenth Replenishment of The African Development Fund (ADF-16)

AFRICAN DEVELOPMENT FUND
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ACRONYMS AND ABBREVIATIONS

AAAP	African Adaptation Acceleration Programme
AfDB	African Development Bank
ADF	African Development Fund
ADF-15	Fifteenth General Replenishment of the African Development Fund
ADF-15 MTR	ADF-15 Mid-Term Review
ADF-16	Sixteenth General Replenishment of the African Development Fund
ADER	African Development Effectiveness Report
AfCFTA	African Continental Free Trade Area
AfDB	African Development Bank Group
AFAWA	Affirmative Finance Action for Women in Africa
AIDI	African Infrastructure Index
CBAM	EU's Carbon Border Adjustment Mechanism
CIF	Climate Investment Funds
CODE	Committee on Operations and Development Effectiveness
COP	UN Climate Change Conference of the Parties
CPA	Country Performance Assessment
CPIA	Country Policy and Institutional Assessment
CRF	COVID-19 Response Facility
CRFA	Country Resilience and Fragility Assessment
DAP	Multi-dimensional action plan for the management and mitigation of debt distress risks in Africa
DIA	Development Impact Approach
DSA	Debt Sustainability Analysis
DSF	Debt Sustainability Framework
DtP	Desert to Power
ERI	Electricity Regulatory Index
ESIA	Environmental and Social Impact Assessments
ESW	Economic and Sector Work
FAREC	Feed Africa Response to COVID-19
GCA	Global Center on Adaptation
GCI	General Capital Increase
GNI	Gross National Income
HIPC	Heavily Indebted Poor Country
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IMF	International Monetary Fund
MDRI	Multilateral Debt Relief Initiative
MVA	Modified Volume Approach
NAP	National Adaptation Plans
NDC	Nationally Determined Contributions
NCBP	Non-concessional Borrowing Policy
NSEZ	Northern Savannah Ecological Zone
OpsCom	Operations Committee
PBA	Performance-Based Allocation
PBO	Program-Based Operation

PCG	Partial Credit Guarantee
PERSIF	Post Ebola Recovery Social Investment Fund
PGCL	Office of the General Counsel and Legal Services
PPA	Portfolio Performance Assessment
PPF	Project Preparation Facility
PRG	Partial Risk Guarantee
PSF	Private Sector Credit Enhancement Facility
RISP	Regional Integration Strategy Paper
RMC	Regional Member Country
RO	Regional Operation
ROSPF	Regional Operations Selection and Prioritization Framework
RPG	Regional Public Good
SAPZ	Special Agro-industrial Processing Zone
SEGA	Strategy for Economic Governance
SEAH	Sexual Exploitation, Abuse and Harassment
TAAT	Technologies for African Agricultural Transformation
TCF	Total Compensation Framework
TSF	Transition Support Facility
UA	Unit of Account

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EXECUTIVE SUMMARY

Africa is at a crossroads.

The continent faces an array of challenges unique in its history: recovery from the devastating impacts of COVID-19; rising debt and economic vulnerability; the growing disruption of climate change, often aggravating fragility, and conflict; and heightened food crisis triggered by geopolitical threats such as the Russia's invasion of Ukraine[1]. African Development Fund (ADF) countries are at the forefront of all these challenges. And the impacts will fall heaviest on those countries with the fewest resources to respond to them.

Africa must address these challenges or risk falling behind for the long term.

There are just eight short years left to achieve the Sustainable Development Goals (SDGs). ADF countries are not on track to meet them. Under current circumstances, a business-as-usual approach to Africa's development is simply not going to work. We need a step change in approach—a bolder vision that will transform Africa, reduce its vulnerabilities in a turbulent world, and set it firmly on the path to growth and prosperity.

This year, the ADF turns 50.

We know that the ADF works. As Africa's foremost development finance institution, it has the mandate, the relationships, and the track record to accelerate Africa's development. In 2021, the Centre for Global Development ranked the ADF second among international development institutions for its quality. In February 2022, the African Union General Assembly unanimously commended the Bank Group for its work, particularly on climate change, food security and just energy transition. What ADF lacks is the resources. Given the scale of needs facing ADF countries, the ADF at steady state risks falling into irrelevance. This is clearly demonstrated by the number of ADF countries turning to the international markets to raise the funds they so urgently need—with all the risks that this entails.

The sixteenth ADF replenishment (ADF-16) needs to fit within a bolder vision—for Africa, and for the ADF.

To mark its 50th anniversary, the Fund aims to establish a new climate window. In addition, Management will continue to explore opportunities to mobilize further resources from non-state donors in order to help achieve these ambitious goals. Deputies recognize that internally generated funds of the ADF are quite significant and that the Fund has been very successful at raising funding from other partners to leverage donor funding. For example, the partnership with the European Commission has provided over EUR 800 million in grant financing for ADF countries, and the regional operations envelope has received co-financing greater than the envelope itself over the ADF-15 period. In February 2022, the African Union called for *'a substantial 16th Replenishment of the ADF'*, as well as for an amendment to the Fund's charter to permit it to access the financial markets on behalf of African countries[2].

After 50 years of serving Africa, the ADF can be proud of its achievements.

1 Agreed wording at the 2022 African Development Bank Group Annual Meetings. Algeria, China, Egypt Eswatini, Namibia, Nigeria and South Africa entered a reservation and proposed "Russia-Ukraine Conflict.

2 https://au.int/sites/default/files/decisions/41583-Assembly_AU_Dec_813-838_XXXV_E.pdf

ADF has proved its ability to deliver tangible results for Africans, in support of the High 5s and the African Union's Agenda 2063. Since its creation in 1972, the ADF has invested US$ 45 billion in 2,750 operations across more than 40 countries. In the past five years, it helped connect 15.5 million people to electricity (Light Up and Power Africa); supported 74 million Africans with improved agriculture (Feed Africa); built or rehabilitated 8,700 km of roads (Integrate Africa); enabled 50 million people to gain access to transport (Industrialise Africa); and 42 million people to access better water and sanitation (Improve the Quality of Life of the People of Africa).

The Fund has been a staunch partner for Africa's poorest countries as they dealt with multiple crises. It stood by them through the 2008-09 global financial crisis, the 2014 Ebola outbreak in West Africa, and more frequent and intense droughts, floods, and other natural disasters. The ADF-15 period saw COVID-19, which proved unprecedented in scale and impact. ADF demonstrated its ability to respond rapidly and at scale, reprioritising its operations and putting in place an agile, targeted program to mitigate the impacts of the pandemic through the COVID-19 Response Facility. In addition to providing resources for countries and communities facing fragility, the ADF has invested in deepening understanding of the drivers of conflict and fragility across Africa and is now integrating resilience objectives across its portfolio.

Africa's Complex and Evolving Challenges

The challenges now facing Africa are of a new order of magnitude and complexity. COVID-19 has been a huge setback to Africa's development, costing 18 million jobs in ADF countries and pushing another 26 million people into extreme poverty. ADF countries now face huge investment needs to reverse the cost in human capital—especially for the millions of children whose education has been severely disrupted—to rebuild their economies, and prepare for future health crises, which we now recognise as inevitable. They must do so in the face of weakened economies, worsening climate challenges, higher fiscal deficits, and rising debt vulnerability.

With regards to debt, twenty ADF countries are in debt distress, or at high risk of falling into debt distress. Development finance is heavily constrained, just when it is needed the most. As concerns climate, ADF countries are among the most exposed to the accelerating impacts of climate change, and the least equipped to deal with its consequences. As a group, they are uniquely vulnerable through a lack of economic diversity, overdependence on rainfed agriculture, poor management of natural resources, vulnerable ecological systems, weak institutional capacity, and recurrent conflict and instability. In Africa's most fragile regions—including the Sahel, the Lake Chad Basin, and the Horn of Africa—we see a "disaster triangle" of conflict, environmental degradation, and youth unemployment. We need to break this cycle of fragility, or it risks becoming a source of long-term instability—for Africa and for the world.

Onto this already grave situation, we now add the dire consequences of Russia's invasion of Ukraine[3]. Wheat accounts for 90% of Africa's US$ 4-billion trade with Russia and nearly half of its US$ 4.5-billion trade with Ukraine. With foreign currency reserves already drained by COVID-19, surging global wheat prices are sparking a food crisis in ADF countries. Rising

[3] Agreed wording at the 2022 African Development Bank Group Annual Meetings. Algeria, China, Egypt Eswatini, Namibia, Nigeria and South Africa entered a reservation and proposed "Russia-Ukraine Conflict.

fuel prices and further disruption to global supply chains are also increasing inflationary pressures.

Yet set against these threats, there are also real opportunities for ADF countries over the coming period and the longer term. Africa has the majority of the world's unused arable land, and therefore huge potential to expand its production of wheat and other staples. The growing demand for higher quality food products is driving the development of agricultural value chains, creating new opportunities for the rural poor, and helping to make growth more resilient and inclusive in nature. With the right investment in rural infrastructure and agricultural productivity, African can be not just food secure, but a breadbasket for the world, helping to diversify global food supplies.

There is huge potential in the rapid growth of Africa's cities and middle classes, which are beacons for investors in search of new markets. There are opportunities emerging in the rapid adoption of new technologies by Africa's young population, and in Africa's potential to leapfrog old technologies in areas like clean energy. We see promising, if early, signs of industrial transformation in selected locations across the continent.

The African Continental Free Trade Agreement (AfCFTA) provides the opportunity to link productive enterprises, sectors, and emerging industrial centres into more sophisticated industrial value chains, allowing for greater specialisation and a growing ability to compete internationally. With a comparative advantage in regional infrastructure, the ADF has a critical role to play in making sure that these new opportunities are shared across the continent.

ADF-16 will strengthen the Fund as a strategic partner for low-income African countries. Its guiding vision is of a climate-smart, resilient, inclusive, and integrated Africa. It is built on two pillars: Sustainable, climate-resilient and quality infrastructure; and Governance, capacity building and sustainable debt management. It is backed by a pipeline of more than 300 operations and additional climate actions.

ADF-16 will expand quality, sustainable, climate-resilient infrastructure investments, in agriculture, energy, transport, water and sanitation, health infrastructure and other sectors. These investments are based firmly on the Fund's comparative advantage as an infrastructure specialist, and will be guided by the principle of selectivity, with resources concentrated into fewer, larger, and more transformative operations. There will be a strong focus on infrastructure that supports low-carbon transition, protects biodiversity, and builds resilience to future climate impacts. The operations will make systematic use of the fragility lens, helping to build resilience at community, national and regional levels.

The Transition Support Facility (TSF) will introduce a programmatic approach. This will enable it to dedicate more resources towards preventing and addressing root drivers of conflict and fragility in Africa. While remaining responsive to urgent needs and crisis situations, the TSF will address pockets of fragility emerging at the regional or subnational levels. This greater operational flexibility will enhance the TSF's strategic impact and crisis prevention potentials. Programmatic interventions will cover fragile and conflict situations in all ADF countries through annual calls for proposals with priority considerations for Transition states. For ADF-16, Management proposes four thematic areas identified in the Bank Group's Strategy for Addressing Fragility and Building Resilience in Africa (2022-2026), namely: Gender equality and women's empowerment; Climate change adaptation and mitigation; Private sector development; and Crisis response. There will be a strong focus on partnerships and leveraging other sources of finance, including from the private sector, to help ADF countries access funding at the scale needed.

Regional integration is now a critical driver of structural transformation across Africa. More ADF countries are investing in regional infrastructure connections and tackling trade barriers, in order to take advantage of the opportunities brought by AfCFTA. Across recent ADF cycles, the Fund has positioned itself as the continent's leading specialist financier for regional transport corridors, regional energy pools, cross-border industrial and agricultural value chains, and joint management of cross-border resources, such as forests and river basins. ADF-16 will remain a critical instrument for achieving more integrated and productive economies.

Gender equality and private sector development will remain cross-cutting priorities. There will be a strong focus on partnerships and leveraging other sources of finance, including from the private sector, to help ADF countries access funding at the scale needed.

Empowering women and girls is a condition for achieving inclusive and sustainable development. In ADF countries, women lack equitable access to basic services, including education, healthcare, and water and sanitation. Their role in collecting water and biofuel places them on the frontline of the accelerating impacts of climate change, and vulnerable to the risk of violence, particularly in fragile settings. The Bank's new Gender Strategy and Action Plan will guide its efforts under ADF-16 to empower women and tackle gender inequality. The focus will be based on the Bank's areas of comparative advantage: increasing women's access to finance, supporting women-run businesses, enhancing technical skills, and scaling up high-impact, gender-responsive infrastructure. Women's equality will also be central to the Bank's policy dialogue with governments.

ADF-16 will help to accelerate private sector investment and growth.

The Bank Group supports private sector development in ADF countries through both the ADB and ADF windows, under its new Private Sector Development Strategy. Successful implementation of this strategy will be boosted by a healthy ADF replenishment, as 60% of planned investments for private sector development will be through sovereign operations, which will be used to unlock private investment. The Bank's approach to supporting the private sector in ADF countries will include targeted resources for sourcing and preparing projects, to expand the pool of bankable projects, wider reach of existing financing instruments, risk-sharing, and greater use of blended finance tools to leverage more private sector resources.

Building back better after COVID-19 must include improving economic governance and debt management. The Bank Group's efforts in these areas will be guided by new Strategies for Economic Governance and for Capacity Development, as well as the Debt Action Plan. The priorities will include strengthening public financial management, promoting transparency and accountability in the delivery of public services, stimulating government effectiveness, improving business enabling environments, fighting corruption, and promoting policies for economic transformation. The support will include program-based operations, institutional support projects, results-based financing, technical assistance, and policy dialogue. It will draw on new technologies and digitisation and involve enhanced engagement with civil society. Strengthening economic governance will call for partnerships and collaboration across many actors. Under ADF-16, the Fund will ramp up its support for regional institutions and think tanks and deepen partnerships with the World Bank and the International Monetary

Fund. COVID-19 has heightened gender inequality and vulnerabilities, while exposing major gaps in gender data and statistics, which are hampering post-COVID-19 recovery efforts.

Building back better after COVID-19 must include improving economic governance and debt management. The Bank Group's efforts in these areas will be guided by new Strategies for Economic Governance and for Capacity Development, as well as the Debt Action Plan. The priorities will include strengthening public financial management, promoting transparency and accountability in the delivery of public services, stimulating government effectiveness, improving business enabling environments, fighting corruption, and promoting policies for economic transformation. The support will include program-based operations, institutional support projects, results-based financing, technical assistance, and policy dialogue. It will draw on new technologies and digitisation and involve enhanced engagement with civil society. Strengthening economic governance will call for partnerships and collaboration across many actors. Under ADF-16, the Fund will ramp up its support for regional institutions and think tanks and deepen partnerships with the World Bank and the International Monetary Fund. COVID-19 has heightened gender inequality and vulnerabilities, while exposing major gaps in gender data and statistics, which are hampering post-COVID-19 recovery efforts.

Internally, the ADF will press ahead with an ambitious program of institutional reforms, to ensure continuous improvement in the quality of support. Decentralisation will remain a key priority, enabling more tailored operations and enhanced policy dialogue. Particular attention will be given to strengthening the Bank Group's presence in transition states. The ADF will increase its long-term financial sustainability, including developing proposals to leverage its equity and to channel the special drawing rights of willing donor countries. These improvements and innovations will ensure that the Fund remains fit for purpose and able to offer a strong value proposition.

As the needs of ADF countries evolve, the African Development Fund needs to also evolve. As Africa's premier development financial institution, the Fund has proved its ability to act as a trusted and effective partner for ADF countries. But with the multiple challenges now facing Africa—public health, climate change, fragility, and global economic turbulence—ADF countries must now accelerate their efforts or risk missing their window of opportunity to achieve the SDGs.

The ADF agreed scenario is equivalent to UA 6.941 billion with UA 750 million for CDLs. Notwithstanding this scenario and based on a robust project pipeline, Management maintains the aspirations of achieving a UA 11.2-billion scenario through innovative resource mobilization and leveraging initiatives.

ADF-16 will include a new window for targeted climate investments, technical assistance, capacity building and policy support, known as the Climate Action Window (CAW). These additional resources will help crowd in more global climate finance flows and ensure ADF countries receive their fair share of the US$ 100 billion in annual funding promised under the Paris Agreement and the Glasgow Climate Pact.

Based on operational needs, Management proposes to establish a climate action window (CAW). The CAW will be opened to funds from non-state donors while Management will aim to leverage ADF State Participants' contributions threefold. There is no direct correlation between the size of the replenishment of the core ADF resources and the size of the CAW establishment. Contributions to CAW are on a voluntary basis and there will be a symbolic recognition of voting rights to State Participants equivalent to 20% of the grant contribution to the CAW.

The African Development Bank Group communicated on the CAW during a high-level event at the World Leaders Summit, on the margins of the Conference of Parties (COP27) in Egypt. COP27 was an important opportunity to present the CAW to the global community and to crowd in state and non-state donors. The Bank will officially launch the CAW once: a) at least one ADF donor pledges funds to the CAW; and b) aggregate grant and grant equivalent pledges to ADF-16 (excluding pledges for the CAW) equal or exceed aggregate grant and grant equivalent contributions to ADF-15 (together, the requirements constitute "the launching conditions"). Non-ADF donors and non-state donors may pledge funds at any time during the lifetime of the CAW, but those pledges will only become effective after the launching conditions have been met. The first year will be dedicated to developing selection and prioritization guidelines, establishing the TA sub-window, and depending on progress and the rate at which funding is made available, the first call for proposals, particularly for the adaptation sub-window.

Incremental progress is no longer a viable strategy. Through ADF-16, we will continue to raise our ambitions and turn the ADF into an instrument for transforming Africa's development prospects.

ADF-16 STRATEGIC DIRECTION AND OPERATIONAL PRIORITIES FOSTERING A CLIMATE-SMART, RESILIENT, INCLUSIVE, AND INTEGRATED AFRICA

Section I. Introduction

1. **The African Development Fund (ADF-16) Deputies' Report has benefited from consultations during four replenishment meetings with State Participants, donors, representatives of beneficiary countries (hereafter jointly referred to as participants) and management, technical discussions, and written comments[4].** Deputies acknowledged the strong link among the evolving global context, Africa's socio-economic development, and the report's theme and strategic pillars. Deputies endorsed *Fostering a Climate-Smart, Resilient, Inclusive, and Integrated Africa* as ADF 16 theme resting on two pillars (i) *Sustainable, climate-resilient quality infrastructure* and (ii) *Governance, capacity building and sustainable debt management*. Fragility and climate adaptation will be used as lenses across all ADF 16 operations. Two cross cutting themes, gender and private sector development, complement the ADF 16 strategic framework. Deputies and Management agreed to strengthen partnership, debt transparency and sustainability, and independent evaluation, audits, and safeguards. Streamlined, strategic, and impact-oriented ADF-16 policy commitments for delivery between 2023 and 2025 were also agreed to. The replenishment culminated in commitments and a financing package of UA 6.2 billion for the three-year ADF-16 cycle (2023-2025).

2. **The ADF marks its 50th anniversary in 2022.** In 1972, the African Development Bank Group established the African Development Fund (ADF or 'the Fund'), its concessional lending window. The Fund's primary objective is to support low-income African countries to fast-track economic and social development and to promote regional cooperation. Its operations, policy advice and catalytic financing have demonstrated clear value for money and impact. Since its creation, the ADF has invested US$ 45 billion in projects and programmes in more than 40 countries and touched the lives of millions of Africans. Whether co-financing a country's increased power capacity, improving roads, water, or sanitation infrastructure, building new schools and health facilities, or upgrading agriculture to put more food on tables, the ADF has been making a difference across the continent.

3. High rates of poverty, climate change impact and youth unemployment, with heightened indebtedness resulting from COVID-19, have created the conditions for a triangle of disaster, while emerging shocks that disrupt world markets now threaten African's recovery. This is imposing a heavy toll on lives, livelihoods, and socio-economic security. It is estimated that 26 million Africans in ADF-eligible countries (hereafter referred as ADF countries or eligible countries) were pushed into extreme poverty in 2020. Recent global

[4] ADF Deputies and Management held four meetings (i) 5-7 April 2022, (ii) 5-7 July 2022 (iii) Dakar, Senegal on 15-18 September 2022. (iv) Tangiers, Morocco on 5-6 December 2022. The last two meetings were in hybrid format while the first two were virtual. Kyle Peters was the ADF 16 coordinator. All meetings were attended by state participants, donors, representatives of beneficiary countries and ADF management.

developments such as Russia's invasion of Ukraine[5] are exacerbating the already complex development challenges facing ADF countries.

4. **The ADF has been a strategic and trusted partner for ADF countries and for donors.** It has delivered real impact for Africans for over 50 years. The ADF's importance became even more evident during the COVID-19 pandemic, when it mobilised rapidly and at scale to help ADF countries weather the crisis. However, there is a huge disparity between the volume of resources available and the financing needs of low-income African countries, including in areas where the Fund has a long track record and a clear comparative advantage.

5. **ADF-16 puts a premium on working with partners.** The Fund will continue to leverage partnerships to ensure greater value for money and better impact from all its interventions. It will deploy its full range of products, innovative mechanisms, and partnerships to crowd-in partners that will help bridge the financing gap for ADF countries. The ADF will work closely with development, humanitarian and peacebuilding partners on the fragility and resilience agenda, promote joint approaches to climate challenges, and push forward the continent's regional integration agenda. The ADF will also continue to strengthen its collaboration with the International Monetary Fund, the World Bank, and other agencies, both at the strategy and operations level, to ensure sustainable debt management and strengthen countries' capacity in that regard. With the International Development Association (IDA), country coordination mechanisms and platforms will be strengthened.

6. **ADF-16 comes at a time of tremendous opportunities and challenges for ADF countries**. Deputies acknowledged the role ADF played at the height of the pandemic in assisting eligible countries through the COVID-19 Response Facility. At the same time, Deputies recognized the need to rebuild and invest in infrastructure, as well as human and institutional capacity, for sustained green and inclusive growth. Deputies therefore emphasised the need for continuity with the strategic directions and operational priorities approved under ADF-15, while increasing selectivity and focus on the Fund's areas of comparative advantage.

7. **This Deputies' Report builds on ADF-15 gains, while taking into consideration the lessons from the coronavirus pandemic and evolving development challenges, in particular fragility, conflict, and climate change**. The foundations for ADF-16 are the African Union's Agenda 2063, the United Nations' 2030 Sustainable Development Goals, the Bank Group's Ten-Year Strategy 2013-2022 and the High 5 operational priorities. The proposed theme for ADF-16 – *Fostering a Climate Smart, Resilient, Inclusive, and Integrated Africa* – will be delivered through two mutually reinforcing pillars: Sustainable, climate-resilient and quality infrastructure; and Governance, capacity building and sustainable debt management. Management proposes to maintain fragility as a global lens for all ADF-16 strategic and operational engagements, and to elevate climate adaptation as another lens, recognising the growing impact of climate on the lives and livelihoods of people in ADF countries. As was the case in ADF-15, gender equality and private sector development remain essential cross-cutting issues.

[5] Agreed wording at the 2022 African Development Bank Group Annual Meetings. Algeria, China, Egypt Eswatini, Namibia, Nigeria and South Africa entered a reservation and proposed "Russia-Ukraine Conflict.

8. **Deputies endorsed the strategic direction and operational priorities of the Fund**. These priorities are anchored in the Bank Group's Ten-Year Strategy and High 5 operational priorities. Deputies' request for selectivity and focus on the Fund's areas of comparative advantage were addressed. Deputies welcomed the two pillars for ADF-16:

- *Pillar I*: Sustainable, climate-resilient and quality infrastructure; and
- *Pillar II*: Governance, capacity building and sustainable debt management.

9. **ADF-16 will also focus on the Fund's comparative advantages in the crosscutting areas of gender and private sector development and will work through the fragility and climate change lenses**. In continuity of the ADF-15 strategic thrust, findings from robust fragility assessments will be incorporated into country and regional strategy papers and project documents. In line with the Selectivity principle of the 2022-26 Bank Group's *Strategy for Addressing Fragility and Building Resilience in Africa*, the systematic application of the fragility lens will ensure precise targeting of resilience considerations during programming, design, and implementation of all operations. Along with mainstreaming climate adaptation considerations, this will provide the basis to identify operations that will make the greatest contribution to building resilience and preventing conflict.

10. **ADF-16 will pay particular attention to mobilizing additional climate finance, while leveraging and promoting private sector participation in both adaptation and mitigation in ADF countries**. Climate change will be used as a lens in ADF-16. In addition to the mainstreaming of climate action across ADF operations, the proposed creation of an ADF window is intended to accelerate climate-resilient and low-carbon development in ADF countries.

11. **Following this introduction, the document consists of eight sections**. Section II highlights the Fund's key role in assisting eligible countries' response and preparedness to external shocks and crises. It makes the case that the Fund's areas of comparative advantages position it to support ADF countries in facing the triple threats of the COVID-19 pandemic, the climate crisis and growing indebtedness, while helping them to achieve sustainable development outcomes. Section III provides an overview and rationale of the proposed ADF-16 strategic directions and operational priorities. Section IV delves into Pillar I: Sustainable, Climate-resilient and Quality Infrastructure, and Section V into Pillar II: Governance, Capacity Building and Debt Sustainability. Section VI highlights the institutional reforms undertaken by the Bank, while Section VII presents the indicative ADF-16 pipeline and financing scenario. Section VIII presents the replenishment framework, Section IX the mid-term review and Section X concludes the document.

12. **The Report is complemented by annexes**. Annex 1 details the expected development impact for ADF-16; Annex 2 provides information on the food crisis in Africa; Annex 3 outlines the core principles of sustainable debt financing; Annex 4 provides an update on the Bank Group institutional reforms; Annex 5 provides information on Scaling up the PSF; Annex 6 elaborates on the ADF Project Preparation Facility (PPF); Annex 7 elaborates on accelerating infrastructure investments in ADF countries; Annex 8 details the eligibility criteria for the TSF upfront allocation under ADF-16; and Annex 9 is the ADF-16 resolution, which includes donors' pledges, and concessional donor loans to ADF-16.

Section II. ADF@50: Making a Difference

II.1 Responsiveness and Delivery

13. **Delivering Development Outcomes for Africa:** For more than half a century, the Fund has been improving the lives of people in Africa's most vulnerable countries. Since its inception in 1972, the ADF has invested more than US$ 45 billion in delivering sustainable development outcomes in more than 40 countries. The Fund is much more than one of Africa's leading development financiers, it is first and foremost, the partner of choice for ADF countries and has stood with African governments in tackling some of the continent's most complex and pressing development challenges. It also has been nimble in adapting to a changing global context and client needs to strategically address critical issues, such as pandemics, climate change, and conflict. Since 2000, it has delivered the resources and advice ADF countries needed to deal with the 2008 global financial crisis, the 2011 droughts in the Horn of Africa, the 2014 Ebola outbreak in West Africa. And more recently, the Fund supported ADF countries through the COVID-19 pandemic, playing a critical role and mitigating the worst effects of the crisis.

14. **In its 50 years of existence, the ADF has a proven track record of delivering transformative development impacts in Africa's low-income countries, including transition** states**.** Since its creation in 1972, the ADF has served as an important source of funding, and as a means of catalysing other development finance. With its African character, ADF is a strategic and trusted partner that serves as a leading voice for Africa in multiple global fora, including the G7, G20, and international climate negotiations.

Responsiveness

15. **ADF's comparative advantage includes its innovative financial instruments, its operational reach, particularly at the regional level, and its presence in - and close partnerships with - ADF countries, including transition states.** This is exemplified through its various financing envelopes and products: two special resource allocations – the Regional Operations Envelope (ROE) and the Transition Support Facility (TSF); two Guarantees – Partial Risk Guarantee (PRG) and Partial Credit Guarantee (PCG); and two Facilities – the Private Sector Credit Enhancement Facility (PSF) and the ADF Project Preparation Facility (PPF).

16. **In recent years, in recognition of the growing financing needs of ADF countries, the Bank Group has amended its credit policy to support selective transformational projects.** This allowed some ADF countries access to the Bank resources, helping to build up their creditworthiness for potential future graduation. Since 2014, five countries have graduated from ADF to blend: Cameroon, Côte d'Ivoire, Kenya, Senegal, and Zambia. In addition, four countries have graduated out of ADF and are no longer eligible for ADF resources: Cape Verde and Nigeria graduated from blend to ADB in 2011 and 2014, respectively, while Angola and Republic of Congo graduated from ADF to ADB in 2010 and 2014, respectively.

17. **There is an ongoing discussion on introducing a market borrowing option for ADF**, which would allow ADF to on-lend resources raised on market terms to ADF-eligible countries on less concessional terms (e.g., moderately concessional loans). This would call for an

amendment to the ADF charter, as well as the drafting of new policies and frameworks and the adjustment of existing ones, all of which require some time before being effective. This workstream has been undertaken in parallel to the ADF-16 replenishment discussions through a dedicated Working Group. The Working Group last met on 28th November 2022, at which time the ADF Deputies were satisfied with the technical analysis provided by Management in the Market Borrowing Option proposal. Deputies agreed that the proposal will be transmitted to the Board of Directors for further discussion.

18. Based on the outcome of the discussion of the ADF-16 Working Group an Ad-Hoc Committee on *ADF Governance and Framework Towards Increasing Regional Member Countries' Voice and Contribution* was established and the Terms of Reference were approved by the Board on 7 September 2022. The Ad Hoc committee's first meeting took place on 29th November 2022 and following a very rich discussion, it has been agreed that an in-depth technical session will be held with Board members and international expertise may be called upon to advise the committee.

Delivery

19. **The quality of ADF's development assistance was recognized in 2021** by the Centre for Global Development, which ranked it second among 49 bilateral and multilateral development agencies. ADF remains committed to its core mandate of promoting economic transformation and poverty reduction through its interventions in human development and national and cross-border infrastructure development. After 50 years of operations, the ADF continues to be best placed and trusted to address the African development agenda through partnership between African low-income countries and development partners.

20. **Catalysing co-financing for Africa**. The AfDB Group plays an important role as a catalyst for mobilizing other sources of development finance in Africa. For example, over the last five years, ADF's investments under Light Up Africa benefited 15.6 million people (for example, through access to power), while its co-financing benefited an additional 27 million people. ADF resources provided 8,700 km of roads to integrate Africa, while co-financing provided an additional 11,300 km of roads. According to the Centre for Global Development[6], the '*AfDB is already the largest MDB source of finance for infrastructure with private participation in the region, suggesting that it has the internal skills, capacity, partner network, and transaction development capability to effectively use additional capital in the infrastructure sphere*.'

21. **The regional operations envelope (ROE) has successfully leveraged its resources through co-financing.** It is a unique cost-sharing mechanism that incentivizes ADF countries to promote regional integration through the financing of regional operations and regional public goods. The ROE drives ADF countries to work together and overcome common regional bottlenecks through dialogue and investments. At the same time, the ROE attracts co-financing from partners. The ADF-16 replenishment presents a great opportunity to mobilize the necessary resources to assist African countries, regional economic communities, institutions, and bodies mandated to promoting and

[6] Centre for Global Development (2022), Stuck Near Ten Billion: Public-Private Infrastructure Finance in Sub-Saharan Africa. CGD Policy Paper 251, February 2022.

implementing the regional Integration agenda. The ADF-16 ROE resources will support regional infrastructure, i.e., transport, ICT, water and energy (including PIDA projects and programs); strengthen access to trade by reinforcing the regional trade systems and market efficiency (i.e., fostering the AfCFTA from rule setting to negotiations); addressing environmental commons to mitigate effects of climate-change; plus, other identified areas of interventions.

II.2 COVID-19, Climate and Debt: The Triple Threats

COVID-19 pandemic has worsened poverty and inequality, compounded by the impacts of the Russia's invasion of Ukraine[7].

22. **Most ADF countries are unlikely to meet many of the SDGs,** including the two key goals of eradicating extreme poverty (Goal 1) and reducing inequality (Goal 10), or the goals on food security, nutrition, maternal mortality, school enrolment, access to electricity, and access to drinking water. This is compounded by the triangle of disaster manifested in the high rate of poverty, climate change impact and youth unemployment, which have widened the financing gaps for meeting the SDGs. If the current trajectory continues, the window of opportunity for most African countries to achieve the SDGs will soon begin to close.

23. **As a result of the global pandemic, real economic growth in ADF countries fell** from **4.94% during 2018-2019 to 2.60% during 2020-2021.** In 2020, growth averaged just 0.9%, with 19 countries recording negative growth. 15 ADF countries experienced recession during this period, while *per capita* income contracted by 1.9% in ADF countries. In 2021, real GDP growth and real GDP per capita rebounded to 4.8% and 3.6% from a contraction of 0.9% and 1.9% in 2020, nevertheless, growth in transition countries remains weak. Post-2021, real GDP per capita growth is expected to contract sue to multiple overlapping headwinds. According to the World Bank, GDP estimates for low-income African countries for 2023 could be 4% below pre-pandemic projections. Other estimates—such as by Moody's—suggest that the worst-hit African economies could have cumulative losses in output by end-2022 of 10% or more of GDP, compared to pre-pandemic forecasts.

24. **The pandemic has created a secondary crisis in African countries, beyond its short-term economic, social, and health impacts, with lasting effect on human capital, particularly in ADF countries**. The Bank Group estimates that 26 million Africans in ADF countries were pushed into extreme poverty due to the economic impact of COVID-19. The pandemic has resulted in the loss of an estimated 15-18 million jobs in ADF countries in 2020, and a further 11-13 million in 2021. Following current trends, Africa's share of the world's poor will rise to over 80% in 2023 and 90% by 2030. When the effect of economic disruptions stemming from the Russia's invasion of Ukraine[8] is accounted for, the number of additional Africans who could be pushed into extreme poverty is estimated to be 1.8 million in 2022 and 2.1 million in 2023 (AEO 2022). Currently, 8 of the world's 10 poorest countries are ADF-eligible.

[7] Agreed wording at the 2022 African Development Bank Group Annual Meetings. Algeria, China, Egypt Eswatini, Namibia, Nigeria and South Africa entered a reservation and proposed "Russia-Ukraine Conflict.

[8] Ibid.

25. **Past gains in reducing inequality under SDG 10 are threatened by increases in poverty, with disproportionate impacts on women, vulnerable, disadvantaged, disabled, and displaced populations, especially those in situations of fragility and conflicts.** Conflict remains a major growth disruptor, especially in the Sahel region and the Horn of Africa. The pandemic has also dampened the dynamism and growth of small enterprises in ADF countries, with serious consequences for vulnerable sections of the workforce, particularly women, youth, and migrants. Workers in the informal sector, especially women and youth, were the hardest hit. The average Gini coefficient, which measures income inequality, remains persistently high, at 42%. The gender dimension of poverty and inequality (SDGs 5, 14 and 17) remains a serious concern, as women experience inequality with respect to skills, access to education and health services. COVID-19 disproportionately affected the informal sector, where vulnerable women workers are concentrated. Recognizing the dramatic impact of conflict and the Covid-19 pandemic on women and marginalized groups is central to addressing inequalities in the future. Indeed, the pandemic has seen an increased and unequal burden borne by women to carry out extra care work. This burden has had secondary consequences in terms of reduced access to education and financial resources. Despite some recovery in growth, the impacts of the COVID-19 pandemic on lives and livelihoods in Africa continued in 2021 and are also likely to be felt in 2022 and 2023.

26. **Moreover, an estimated 130 million more children are likely to be malnourished, while learning poverty is estimated to increase from 83% in the pre-pandemic period to over 90%.** The cumulative effect of such disruptions in schooling and routine healthcare services will amount to a massive loss of human capital, manifested in prolonged unemployment, underemployment, and loss of productivity and earnings, threatening decades of progress.

27. **The inadequacies of healthcare systems in ADF countries have been exposed by the pandemic.** Evidence from the Global Health Security Index shows that, at the beginning of the pandemic, more than 60% of ADF countries were ill-equipped to respond to the outbreak of the virus. Healthcare standards are clearly inadequate, with only 51% of primary health facilities in sub-Saharan Africa having access to basic water and sanitation services, nearly 60% of health facilities in sub-Saharan Africa lacking access to electricity, and only 1.3 hospital beds per 1,000 people (compared to 2.1 in Latin America and 6.1 in Europe).[9] These gaps lay bare Africa's vulnerability to repeated health crises. Africa's low vaccination rates are constraining economic recovery and increasing the impact of COVID-19. The fact that just 15.3% of Africans were fully vaccinated by end-March 2022, compared to at least 60% in most other global regions, is attributed to a combination of supply and demand-side impediments. This global vaccination inequality could be partially reduced by increasing the production capacity for vaccines in Africa[10].

28. **The Russia's invasion of Ukraine[11] has led to spikes in food and energy prices.** Onto this already precarious situation, we now add the dire consequences of the invasion of Ukraine, with knock-on effects on global supply chains, higher oil and food prices, global

9 WHO Global Health Observatory.

10 African Economic Outlook 2022.

11 Agreed wording at the 2022 African Development Bank Group Annual Meetings. Algeria, China, Egypt Eswatini, Namibia, Nigeria and South Africa entered a reservation and proposed "Russia-Ukraine Conflict.

stagflation, and restrictions in access to international credit markets. The conflict has unleashed the biggest commodity shock since the 1970s and one of the worst disruptions in wheat supplies since the First World War. Commodity indices are now a quarter higher than at the start of 2022. Global inflation has reached 7%, and could increase by another two percentage points, raising the prospects for higher global interest rates. This creates a major headwind for Africa’s public finances in the short to medium term. Most ADF countries are facing large shocks to their fiscal and current account balances.

29. **ADF countries now face a growing risk of food insecurity**. Food prices make up about 40% of the consumer price basket in low-income Africa, and many countries are heavily dependent on imported wheat. In these countries, food inflation was already close to 10% in 2019-20, and is expected to reach above 12% in 2022, due to rising transport costs and oil and fertilizer prices. Food price shocks are being compounded by the impacts of climate change, with the Horn of Africa experiencing its driest conditions since 1981. The World Food Programme reports that 13 million of people across Kenya, Somalia, and Ethiopia are struggling with food shortages in the first quarter of this year.

Climate change is exacerbating existing vulnerabilities

30. **Although Africa accounts for just 2.8% of cumulative historical CO_2 emissions and only 4.1% of annual emissions**, the continent is bearing significant impacts of climate change and other factors. Climate change poses a significant threat to economic, social, and environmental systems in ADF countries. The 2022 African Economic Outlook estimates that global warming will lead to GDP per capita growth in Africa being lower by 16–64 percent by 2030. Recent estimates suggest that the costs of climate change in Africa may reach US$50 billion per year by 2030 (IMF, 2020). In ADF countries, poor households and communities bear the brunt of climate change impacts.

31. **The latest 2021 climate vulnerability index shows that 9 out of the 10 most vulnerable countries in the world are ADF countries.**[12] Climate change is exacerbating food security challenges in Africa, in particular in the Sahel and Horn of Africa, which are among the region most vulnerable to climate change. The socioeconomic consequences are most severe in ADF countries, with growing risks including drought, flooding, heat stress and tropical cyclones. These affect key development sectors such as agriculture/livestock, water, infrastructure, and tourism, resulting in significant economic losses.

32. **Climate-resilient infrastructure is key to achieving the SDGs.** The global pandemic has underlined the importance of climate-resilient economic and social infrastructure. Basic services such as energy, hospitals, schools, water, and sanitation provide the foundation for human well-being. Transport, logistics and communication infrastructure provide connectivity that enable the flow of goods, services, people and information across markets and regions**.** Data from the Africa Infrastructure Development Index (AIDI) show that ADF countries, especially transition states, lag on key infrastructure, holding back progress on SDG 9 of promoting industry, innovation, and infrastructure. Poor infrastructure increases vulnerability by raising the cost of doing business. Infrastructure investments as a share of GDP in Africa have stagnated at around 3.5% per year since

[12] Chad, Central African Republic, Democratic Republic of Congo, Eritrea, Guinea Bissau, Liberia, Niger, Somalia, and Sudan. Please see https://gain.nd.edu/our-work/country-index/.

2000. Africa's financing (including for ADF countries) is estimated at US$130-170 billion per year, with average annual commitments of US$78 billion, leaving a financing gap of US$52-92 billion[13].

33. **Climate change is a major driver of fragility in Africa.** A recent study by the World Meteorological Organization (WMO) on the State of the Climate in Africa 2021 shows how extreme weather and climate change are undermining human health and safety, food and water security, and socio-economic development. The research reveals that high water stress is estimated to affect about 250 million people on the continent and displace up to 700 million individuals by 2030. In 2021 alone, around 14 million people were internally displaced in Sub-Saharan Africa, including over 2.5 million due to disasters. The report estimates that four out of five African countries are unlikely to have sustainably managed water resources by 2030, and underscores the need for more investment in adaptation, as well as a concerted drive towards more integrated water resource management.

II.3 Debt and financing gaps are reducing growth potential

34. **The COVID-19 pandemic has heightened fiscal deficits, public debt, and financing needs in ADF countries**. Weak economic activity during COVID-19 and slow recovery in the aftermath of the pandemic have amplified the poor state of domestic resource mobilization. The pandemic caused fiscal deficits in ADF countries to double, to a historic high of 5.7% of GDP. Although government revenues increased on average by 1.88% in 2020, average revenue-to-GDP fell marginally, decreasing by 0.3% points to 15.4%. On the other hand, government spending increased by 1.2% points, from 19.9% of GDP in 2019 to 21.1% in 2020, leading to widening fiscal deficits.

35. **Public debt vulnerabilities in African countries—which were already high before the COVID-19 crisis—have increased**. Average debt-to-GDP ratios in ADF-eligible countries, which had stabilized at around 63% between 2016 and 2019, are expected to climb to about 85% in 2023. For transition states, the situation is even worse: debt-to-GDP ratio increased by about 30 points, from an average of 84% between 2016 and 2019 to around 114% in 2020. As of May 2022, of the 36 ADF countries for which debt sustainability analyses (DSA) are available, 15 are at high risk of debt distress and 6 are already experiencing debt distress. The remaining 15 countries are at moderate risk of debt distress. No IMF/WB DSA is yet available for Eritrea, but it is also considered to be in debt distress. If these rising debt vulnerabilities are not quickly and properly addressed, a widespread and far-reaching sovereign debt crisis could sweep the continent.

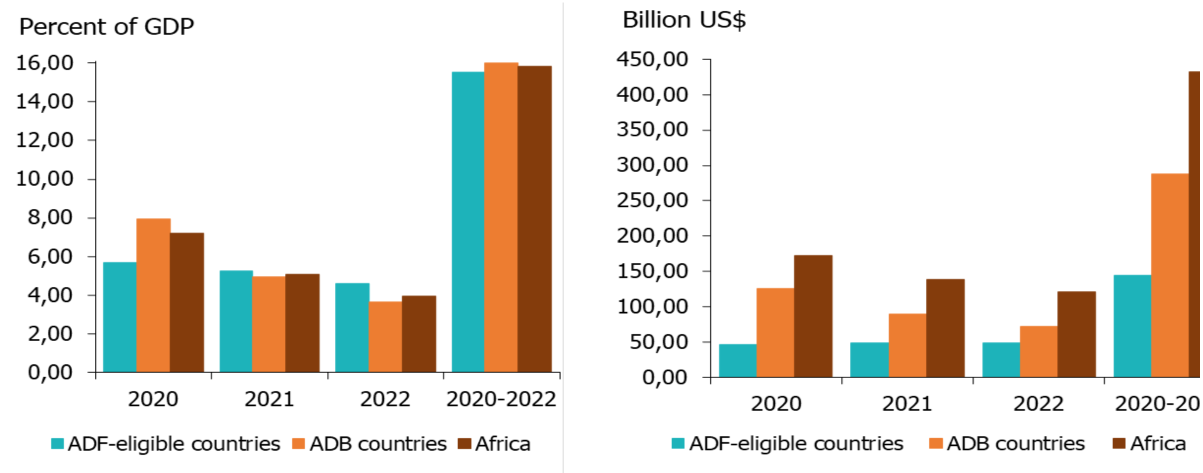
36. **The Debt Service Suspension Initiative (DSSI), established by G20 countries, provided welcome relief during the pandemic. However, it did not reduce overall debt burdens and is not sufficient to stem a looming default crisis**. In recent years, many African countries, particularly low-income countries, have gained access to new sources of finance, including private creditors and creditors outside the Paris Club. Although this access has allowed them to finance important development needs, it has also led to an

[13] See Infrastructure Consortium for Africa, 2018. McKinsey estimates that closing infrastructure finance gaps in Africa requires a doubling of annual investment to US$150 billion by 2025. The IMF projects that sub-Saharan African (SSA) countries will need to spend about 20% of GDP on infrastructure by the end of the decade; doing so in a sustainable way will raise costs further.

increase in public debt. Several ADF countries that have raised funds through Eurobonds are now vulnerable to the impacts of high interest rates and foreign exchange risks. The increasing share of market-based debt exposes many low-income countries to interest rate and refinancing risks. These trends come at a time when the external environment is becoming more challenging and borrowing costs are expected to rise worldwide. This already precarious debt situation has been exacerbated by the unprecedented easing of fiscal and monetary policy adopted by countries to cushion the socioeconomic impacts of the COVID-19 pandemic.

37. **The surge in government financing needs for COVID-19 interventions has resulted in rapid debt accumulation in ADF countries**. ADF countries continue to face huge financing needs to recover from the pandemic and achieve the SDGs. The Bank estimates that since the beginning of the pandemic ADF countries would require additional resources of about US$ 144.3 billion—around 15.6% of 2021 GDP—to help them address the socio-economic fallout of the pandemic in 2022 and thus build back their economies better (Figure 1).

Figure 1: Financing needs for economic recovery post-COVID-19 in Africa, 2020-2022



Note: The financing needs are computed as the monetary value necessary to cover the projected fiscal deficits in a country. Due to data constraints for 2021, 2022 and 2023, the computation did not factor in all the short-term debt, interest, and amortizations. In addition, we assume that ADF countries were not able to close the financing gap for 2020, which therefore add up to the overall financing needs for 2020-2023.
Source: AfDB

38. **The annual financing gap to end extreme poverty by 2030 is estimated at 28.3% of GDP, corresponding to US$ 4.8 billion per ADF country between 2021 and 2030**. In total, ADF countries for which data are available would have to close a collective financing gap of around US$154 billion per year to meet the SDG 1 target. ADF transition and non-transition countries need US$ 59.3 billion and US$95.1 billion per year, respectively, between 2021 and 2030, to end extreme poverty by 2030. According to the IMF, an extra US$ 425 billion in government spending will be needed in sub-Saharan Africa over 2021-2025 to make up the lost ground in the fight against poverty.

39. **To close these financing gaps, ADF countries will need to grow on average by about 15% per year between 2021 and 2030 to meet the 3% poverty target**. Annual public investment needed is estimated at 62.9% of GDP, under the assumption that countries

will use both their domestic savings capacity and leverage external financing inflows such as ODA, FDI, and remittances.

II.4 ADF-15: Operational and policy commitments and use of funds

40. **The theme of ADF-15, which runs from July 2020 through December 2022, was the creation of an enabling environment for inclusive and sustainable growth and transformation, decent jobs, and greater resilience**. ADF-15 focused on two strategic pillars: (i) developing quality and sustainable infrastructure that provides impetus for job-creating private sector investments, and which promotes sustainable development; (ii) building human, governance and institutional capacity development to enable people to participate in, and benefit from job creation opportunities for inclusive growth. The two pillars are viewed through the lens of fragility and resilience and are anchored in the crosscutting themes of gender, climate change, governance, and private sector development to foster inclusive growth and strengthen resilience.

41. **To respond to the consequences of COVID-19 pandemic on ADF economies, the 2020 lending program was amended through the COVID-19 Response Facility operations**. Even as staff adjusted to new ways of working, the COVID-19 Response Facility was operationalized with impressive speed over a period of six months between 3 July and 17 December 2020. The 2020 lending program was repurposed and 13 Crisis Response Budget Support operations covering 25 ADF countries for a total of US$ 1,234 million were approved. Over 61% of ADF resources for Crisis Response Budget Support are in the form of grants, and the balance in loans.

42. **At the end of the ADF-15 negotiations, Management and ADF Deputies agreed on 92 commitments to be delivered over the cycle.** The commitments are organized in 124 time-bound delivery targets, with half due by the ADF-15 Mid-Term Review (MTR) held in December 2021 and the other half by the end of the ADF-15 cycle in December 2022.

43. **As of end October 2022, 89 policy commitments have been delivered out of the 92**. The review of the Whistleblowing Policy has been approved by the Board on December 19th, 2022.

44. The following three policy commitments will be delivered by end of the ADF-15 cycle:

- L4: Management has delivered 475,525 new electricity connections through energy access programs. Some projects scheduled for approval by end of 2022 will generate the additional 524,475 connections committed.
- P3: PSF risk participation in transition countries is at 31% of approvals. Management is working on reaching the targeted 50% by the end of ADF-15 cycle.
- IN3: The percentage of projects managed from regional hubs and field offices is targeted to be 82%. Management expects to achieve the target by the end of cycle.

45. While all policy commitments are important, there are critical achievements worth highlighting:

- **Climate Change:** COP-26 made clear the existential threat that climate change poses to lives and livelihoods in Africa, and low-income countries in particular. To mainstream climate change into Bank Group's operations, the new Climate Change

Policy and Strategy was approved in October 2021, and the third Climate Change Action Plan 2021 – 2025 was approved in September 2022. In 2021, 97% of ADF projects approved by the Board were screened for climate-informed design. As of reporting date, all ADF-approved projects were screened for climate risks and for climate-informed design considerations. ADF climate finance for 2021 accounts for 44% of the total ADF approvals in the same year.

- **Fragility:** 21 of the 37-ADF-eligible countries qualify for financing under Pillar 1 of the Transition States Facility, making fragility a paramount consideration for the Fund. The new strategy for addressing fragility, and building resilience, was approved in March 2022 and spells out the Bank's clear commitment to scale-up engagement in fragile contexts in Africa. The revised Regional Operations Selection and Prioritization Framework now also considers the regional aspect of fragility. This enabled the Fund to prioritize 43 % of the regional operations envelope to the Horn of Africa, Lake Chad, and the Sahel regions during the ADF-15 cycle.
- **Gender:** ADF-15 mandated the mainstreaming of gender in operations. The new Gender Strategy 2021-2025 was approved by the Board in December 2020; it calls for assessing all new Bank Group operations against the gender marker system (GMS) and ensuring that at least 50 % of completed operations are rated satisfactory on gender mainstreaming by 2025. All public sector operations approved from January 2021 to August 2022 were categorized using the GMS, an improvement from 96% in 2020.[14]
- **Safeguarding against sexual exploitation, abuse, and harassment (SEAH):** The Bank reinforced its zero tolerance for SEAH by strengthening administrative measures for dealing with such cases. Issued in May 2021, a revised Presidential Directive prohibits sexual exploitation in the workplace as well as in projects funded by the Bank Group, with guidelines on handling breaches of the zero-tolerance policy. Training regarding the new policy has been carried out to sensitize Bank staff to this important issue.
- **Human Resources:** To increase the Bank Group's capacity to deliver and reinforce its human resources, the Board approved the new People Strategy 2021-2025 in November 2020, the new Staff Regulations in May 2021, and more recently in September 2021 the revised Total Compensation Framework (TCF), to be implemented starting in 2022. The People Strategy lays out clearly defined career paths for fragility experts, while the TCF includes incentives for staff working in fragile and transition countries.

46. **ADF-15 replenishment negotiations culminated in a financing package of UA 6,297 million for the three-year cycle.** By end of October 2022, operations valued at 75% of the three main envelopes—i.e., performance-based allocations (PBA), Transition Support Facility (TSF) and Regional Operations Envelope (ROE)—had been approved by the Board of Directors. The overall utilization rate is expected to reach 100% by the end of cycle in December 2022.

[14] To date, 17 Country Gender Equality Profiles (CGEPs) for ADF countries have been completed and 8 have been published. These are Benin, Malawi, Burkina Faso, Niger, Liberia, Somalia, Djibouti, and Zimbabwe. 7 Country Gender equality Profiles are completed and awaiting government clearance: Chad, Sudan, Comoros, South Sudan, Ghana, Mauritania, and Eritrea, while an additional 14 Country Gender equality Profiles and 2 Regional Gender equality Profiles are ongoing and expected to be completed by December 2022. 2 Country Gender equality Profiles are at the design stage: DRC and Seychelles.

Section III. ADF-16 Strategic Direction and Operational Priorities

47. **The ADF-16 theme is "*Fostering a Climate Smart, Resilient, Inclusive and Integrated Africa*"**, as well as the two pillars: (i) Sustainable, climate-resilient and quality infrastructure; and (ii) Governance, capacity building and sustainable debt management. Fragility will be a global lens for all ADF-16 priorities and operations, and climate is elevated as another lens. ADF-16 crosscutting issues are: gender and private sector development.

48. **The goals, pillars, operational priorities, and expected activities, outputs and outcomes of ADF-16 are discussed in this section.** The choice of the two strategic pillars is based on the following: if (i) significant investment is made in sustainable, climate resilient and quality infrastructure, and (ii) governance, capacity building and sustainable debt management are strengthened, ADF countries will become more climate smart, more integrated, and more resilient to current and future shocks. This will be achieved by designing and implementing projects as informed by the application of fragility and climate change lenses and ensuring gender, youth employment, private sector development and governance are integrated across all operations.

III.1 Theme and Strategic Direction

49. **The ADF-16 replenishment occurs on the 50th anniversary of the creation of the ADF and represents an opportunity for reflection on how far the Fund has come, and on its future direction**. To remain fit for purpose in these challenging times, and with just eight years left to achieve the SDGs, business as usual will no longer suffice. This is the message that was delivered to the Bank at the February 2022 Summit of the Heads of State and Governments of the African Union. The Fund's ability to deliver quality assistance is recognised, reinforced by its recent reforms. It should remain an important part of Africa's financial architecture, to leverage its comparative advantage and its leadership on climate finance.

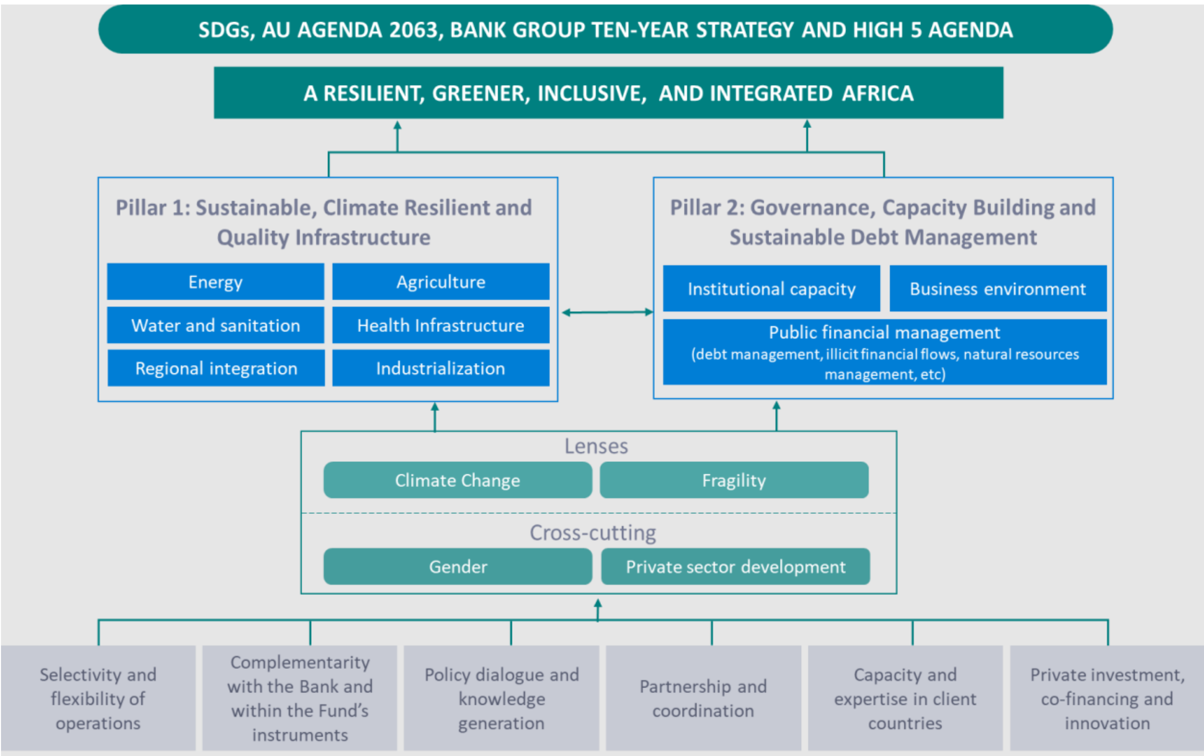
50. **ADF-16 replenishment will support ADF countries' response to the triple threats of the COVID-19 pandemic, climate crisis and growing debt burden, while helping them meet their development objectives**. Under the overarching theme of "Fostering a Climate Smart, Resilient, Inclusive and Integrated Africa", ADF-16 will help mobilize financing for ADF countries' accelerated economic recovery, development, and integration.

51. **The Fund proposes to increase its focus and selectivity in ADF-16, within its two strategic pillars**. The necessity of mitigating the impact of climate change will be a core priority in the first pillar and reducing unsustainable debt burdens in the second. To achieve its goal, ADF-16 will invest in: (i) building resilience and tackling fragility; (ii) accelerating climate and nature-based solutions and biodiversity; (iii) increasing quality, sustainable infrastructure; and (iv) people and institutions for delivering capacity to promote inclusive and sustainable growth. ADF priorities will continue to be anchored in the longer-term visions of the African Union's Agenda 2063, the 2030 SDGs, the Bank Group's Ten-Year Strategy (TYS) 2013-2022[15] and High 5 operational priorities (Figure 2). At the same time,

[15] The Ten-Year Strategy 2023-2032 is being designed; any linkages of this Report to the next TYS are conditional, pending drafting and Board approval of the next strategy.

ADF will remain flexible and nimble to allow rapid response to the urgent needs of ADF countries, as demonstrated during the COVID-19 response.

Figure 2: ADF-16 Strategic Framework



52. **ADF-16 will also focus on the Fund's comparative advantages in the crosscutting areas of gender and private sector development and will work through the fragility and climate change lenses**. ADF-16 proposes to deepen its work in fragility through a strengthened TSF, with enhanced capacity to devote programmatic resources to tackle the root drivers of conflict and fragility and prevent their effects at sub-national, national, and regional levels. It intends to confront the urgent need for climate action through its core resources as well as a proposed dedicated window, with a strong focusing on helping ADF countries scale up their access to international climate finance. It will also amplify private sector development primarily, including through the Private Sector Credit Enhancement Facility.

53. **Fragility Lens:** The ADF has been at the forefront in pursuit of the fragility agenda in Africa for the past two decades. Under ADF-16, the Fund will take lessons learned from the recent 2022 BDEV evaluation of the TSF, as well as outcomes from the ADF-16 working group, to help scale-up impact through improved programming and operations. In addition, comprehensive Country Resilience and Fragility Assessments (CRFAs)—with continent-wide coverage and multiple waves of quantitative data—will continue supporting analytical work to guide the Fund's engagements in fragile contexts. The expected result will be a finer balance in the use of the TSF resources between strategic selectivity and operational flexibility. In accordance with Management's proposal, ADF-16 will position a fit-for-purpose TSF to: i) Focus on most vulnerable countries through a revised eligibility for TSF Pillar I upfront country allocations; ii) Introduce a programmatic approach to leverage the use of the TSF unallocated reserves that focuses on addressing fragility at diverse geographical level; and iii) Step up the envelop of the TSF to cater for

more engagements through ALSF, the PSD and other targeted capacity development needs of RMCs such as debt management, public finance management, and natural resource governance.

54. **Climate Lens:** ADF-16 will pay particular attention to mobilizing additional climate finance, while leveraging and promoting private sector participation in both adaptation and mitigation in ADF countries. In addition to the mainstreaming of climate action across ADF operations, the proposed creation of an ADF window is intended to accelerate climate-resilient and low-carbon development in ADF countries. This proposal responds to the increasingly damaging impact climate change is having on the development of ADF countries. The Fund is well placed to deliver given the leading global role the Bank Group is playing in the fight against climate change, a position which was emphasized and confirmed during COP26 in Glasgow November 2021.

55. **A strong ADF-16 replenishment will be needed to support the implementation of the Bank's 2021-2025 Private Sector Development Strategy** (PSDS) – an area of strong comparative advantage of the Fund. Among development finance institutions active in Africa, the Bank is uniquely able to combine upstream investments in policy and institutional reforms with midstream investments in infrastructure and strengthening national financial institutions, and downstream investments in the most promising companies and value chains. During the ADF-16 cycle, the Bank's 2021-2025 PSDS will be in full implementation mode.

56. **The 2021-2025 PSDS has put a special emphasis on promoting PSD in ADF countries with an emphasis on transition states– a key priority for ADF-16.** Investments will support innovative activities that will help address specific risks underlining ADF countries and transitions states. As such, the Bank has been leveraging existing platforms including the Fund for Private Sector Assistance (FAPA) and the Affirmative Finance Action for Women in Africa (AFAWA). However, the resources available are not sufficient to have a meaningful scalable pilot program across ADF and transition countries that would create more market opportunities for investors in high growth sectors by reducing institutional constraints, building up the local private sector and addressing credit risks often constraining investment downstream. Therefore ADF-16 investments will help to leverage other resources to accelerate PSD and NSO in ADF and transition countries.

57. **The Bank's private sector development-related activities span all 21 transition countries, across key sectors such as infrastructure, agriculture, energy, industry, and trade.** The activities use all available instruments, including sovereign operations, NSOs, PBOs, and technical assistance. The ADF paper on fragility proposes Pillar III of TSF and a programmatic approach to Pillar I to support private sector development in all ADF countries. The TSF Pillar III will play a key role in supporting MSME-related operations, such as the Africa SME Business Linkage Program. The approach will complement other initiatives of the Bank Group and existing partnerships to expand private sector development.

58. **For ADF-16, gender equality remains as a crosscutting theme. Gender equality has become even more significant as women and girls have been disproportionately** affected by the economic and health challenges of COVID-19. The Bank will continue to categorize all public sector operations using the Gender Marker System (GMS), and also

pilot the tool in the design of private sector operations. Gender commitments for ADF-16 will focus on climate change, fragility, women's entrepreneurship, and access to finance in ADF countries. During the ADF-16 period, the Bank will deepen and mainstream support to women and girls in all its operations, policies, and strategies, building on the successful outcomes of the gender commitments in ADF-15. All programs will be anchored in the vision and objectives of the Bank's Gender Strategy and its Action Plan.

59. **Basic economic and social infrastructure is the backbone of well-functioning economies and societies, as underscored during the COVID pandemic**. The proposed focus of Pillar I of ADF-16's strategic framework is therefore "Sustainable, Climate-resilient and Quality Infrastructure". This covers access to power, agriculture, water and sanitation, health, and youth and jobs. This complements the Bank's long-standing comparative advantage of infrastructure, but with increased emphasis on climate. Under ADF-16, the Bank proposes to scale up the integration of skills and decent jobs for youth, with a particular focus on youth entrepreneurship investments and SME development.

60. **In ADF-16, Management proposes to make investments in infrastructure in the health sector, where COVID-19 exposed gaps at national and regional levels**. The proposal follows the Board's approval in February 2022 of the Strategy on Quality Health Infrastructure in Africa 2022-2030 (SQHIA). The Bank Group has the potential to fill an important niche as a health infrastructure financier, drawing on its core expertise in infrastructure development and working in partnership with other development partners in support of national healthcare system strengthening plans. Investments under ADF-16 would build upon the Bank's long history of support in health, and its experience in responding to recent health crises.

61. **Regional integration is one a core mandate of the Bank Group.** Since its inception, the Bank has used its convening power and its financial support to foster regional operations among RMCs and overcome impediments to Africa's integration. The ADF-16 replenishment is an excellent opportunity to go beyond the regional integration commitments included under ADF-15, all of which have been achieved. The regional operations envelope (ROE) remains a unique cost-sharing mechanism that incentivizes ADF countries to promote regional integration through the financing of regional operations and regional public goods. A strong commitment to the ROE will ensure that ADF countries keep on the path to a fully integrated continent with a deliberate effort to integrate fragile and conflict situations.

62. **COVID-19 has brought into focus the deficiencies of public financial management systems, service delivery and the vulnerabilities of African economies to external shocks**. For this reason, the ADF-16 strategic framework will continue to have a strong focus on governance through Pillar II: *Governance, Capacity Building and Debt Sustainability*. Effective governance provides a solid foundation for quality infrastructure investment therefore Pillars I and II remain operationally and strategically linked. The ADF's approach to enhance economic governance on the continent is defined within the Strategy for Economic Governance in Africa (SEGA) 2021-2025, approved by the Board in February 2021. Operations under ADF-16 will continue to be delivered in the core areas of governance in which the Bank Group has a comparative advantage. This will include support to public expenditure management, domestic resource mobilisation, sustainable

debt management and enhancing the business enabling environment for private sector-led economic recovery. ADF will take further steps to mainstream actions to combat corruption and illicit financial flows into its operations.

63. **As of October 2022, of the 36 ADF countries for which debt sustainability analyses are available, 15 are at high risk of debt distress and 6 in debt distress situations**. The remaining 15 countries are at moderate risk of debt distress, and 8 of these are transition states under the current classification. If these rising debt vulnerabilities are not quickly and properly addressed, a widespread and far-reaching sovereign debt crisis could sweep the continent. For this reason, debt management has greater prominence under Pillar 2 of the ADF-16 strategic framework. Under ADF-16, dialogue with ADF countries on debt issues will include Agreed Policy Actions (APAs), to be defined and agreed by the country and Management, targeting specific measures linked to debt management and transparency. These APAs will be measurable, time-bound, and have realistic objectives for each RMC. Complementarity or alignment between the APAs and the World Bank Policy and Performance Actions (PPA) will be actively sought. The Bank Group will also reach out to other Multilateral Development Banks (MDBs) and bilateral and commercial creditors to promote sound lending practices among ADF recipients along the lines agreed to in the Common Framework. Further details on the core principles of sustainable debt financing are in Annex 3.

64. **The Bank Group has defined a holistic approach to debt management issues through the Multidimensional Action Plan for the Management and Mitigation of Debt Distress Risks in Africa 2021–2023 (DAP)**. It is well aligned with all Bank Group policies and strategies such as the Sustainable Borrowing Policy, Capacity Development Strategy, and the Strategy for Economic Governance in Africa (SEGA). It aims at improving debt transparency and enhancing the capacity of RMCs to sustainably manage their debt. It also seeks to strengthen public finance and debt sustainability management capacity in Africa. In addition, an inter-departmental committee on debt is about to be created to oversee and coordinate all Bank interventions related to debt management. APAs will therefore be complemented by soft interventions from coherent and integrated initiatives from various departments under the coordination of the committee on debt.

65. **The Bank Group is an active member of and a financial contributor to the Debt Management Facility (DMF)** – a multi-donor trust fund administered by the Bretton Woods institutions and offering advisory services, training, and peer-to-peer learning to more than 80 developing countries around the world to strengthen their debt management capacity, processes, and institutions. The Bank is also an active member of the Implementation Partners Council (IPC), established by the World Bank and IMF to coordinate debt management capacity building activities among IFIs; and will continue to engage in joint policy dialogue with the IMF and the World Bank. Key current areas of intense partnership and coordination with the IMF and World Bank include the implementation of the G20 Common Framework debt resolution treatments beyond DSSI and new financing facilities.

III.2 Fragility Lens: Addressing Fragility and Building Resilience

66. **This section highlights fragility and resilience considerations of ADF countries, reviews the Fund's engagements, and outlines reforms for increasing impact in ADF-16.** Despite

sustained socioeconomic development across most of Africa, many countries remain critically vulnerable to conflict, food insecurity, natural disasters, and shocks, including climate change. In Africa's most fragile contexts, the number of people living in absolute poverty has been rising. In early 2020, before the onset of the COVID-19 pandemic, countries affected by conflict and fragility were home to 34% of Africa's population and 48% of those living in extreme poverty. The infrastructure gap in transition states is a constraint on private sector development, regional integration, and the quality of life of the population. Moreover, food security is a major weakness in fragile contexts, particularly those affected by climate change, biodiversity loss, and environmental degradation. This undermines progress on the SDGs and the African Union's Agenda 2063, impeding and even reversing African countries' development, with the most vulnerable communities disproportionately affected.

67. **The Bank Group has remained at the forefront of pursuits for addressing fragility and building resilience for the past two decades. In 2001, it became one of the first multilateral banks to institutionalize the concept of fragility into its operations**. It introduced fragility assessments and innovated analytical tools, mainstreamed the fragility lens in its programming and operations, created strong partnerships, played a convening advocacy and policy dialogue role, and built-up a robust track record of delivering, measuring, and monitoring results in fragile contexts. In 2004, the Bank established its first facility to support post-conflict countries with clearing arrears and adjusted its Performance-Based Allocation (PBA) formula to channel more resources to conflict-affected countries. In 2008, it established the Fragile States Facility—now the Transition Support Facility (TSF)—through which more than UA 3.7 billion has been mobilized. The TSF has given the Fund the ability to invest in long-term social cohesion and inclusive growth, and the flexibility to respond quickly in times of crisis. This included fast-track financial support to the West African countries most affected by the 2014 Ebola crisis and to Southern African countries affected by Cyclone Idai. The TSF has also provided targeted investments in building capacity and restoring essential services.

68. **BDEV independent evaluations of the 2014 Fragility Strategy and of the TSF, as well as a range of external studies and reviews, provide a rich body of lessons learned from the Bank's longstanding engagement in fragile contexts**. The 2022 BDEV evaluation of the TSF articulated a comprehensive picture of strengths and weaknesses in relation to the mobilization and utilization of resources under its three pillars. It concluded that scaling up the size of its set-asides and mobilizing additional resources—from traditional and non-traditional sources—were vital for ensuring its operational relevance and coherence.

69. **The BDEV evaluation found that the unallocated reserve increased the TSF's relevance and enhanced the speed, flexibility, and responsiveness of the Bank's support to countries and regions in fragile contexts**. On the eligibility side, it found that TSF upfront allocations have not been sufficiently selective to avoid spreading limited resources across too many countries, nor flexible enough to extend its scope to address critical issues, such as environmental crises, insecurity, cross-border tensions, refugees, and forced displacement. Finally, the BDEV evaluation acknowledged the progress made in the application of the fragility lens in country and regional strategy papers. It also concluded on the need to strengthen internal capacities to do more at the operational level, particularly in private sector operations.

70. **Through these processes, a consensus has emerged around the need to adopt a finer balance between strategic selectivity and operational flexibility with the objective of scaling up impacts and strengthening crisis prevention.** Reviewing the eligibility criteria for upfront allocations will lead to the progressive graduation of a number of countries, allowing for a sharper operational focus on the most pressing drivers of conflict and fragility, together with opportunities to build resilience. The introduction of a programmatic approach for the unallocated reserve will enable thematic programming, which will complement country-based allocations and allow greater operational flexibility and responsiveness.

Proposal for Reshaping the TSF Mechanisms

71. **The TSF remains the primary instrument for operationalizing the ADF fragility and resilience agenda**. In this regard, the underlying objective of the TSF review is to ensure that the Facility is no longer used as a top-up to the PBA to close financing gaps in operations, but rather as an instrument that effectively addresses root causes of fragility and conflict across the spectrum of fragile situations. This will enable greater value addition and impact by prioritizing resilience-sensitive operations through merit-based programming, while explicitly encouraging synergies with other instruments, fostering partnerships, and mobilizing other sources of funding. As articulated through the outcomes of the ADF-16 Working Group discussions, advancing these objectives requires focusing TSF Pillar I on the most vulnerable countries and devising effective means of addressing fragilities that are not country-specific.

Eligibility for TSF Pillar I

72. **Management proposes a revised country eligibility approach for Pillar I upfront allocation.** The proposal consists of two-layer assessment. A first layer is aligned with the World Bank's criteria for identifying states affected by conflict and fragility (FCS). It gives eligibility to countries with high institutional and social fragility, as captured by CPIA harmonized scores, the presence of international and regional peacekeeping forces, and the number of hosted refugees relative to the population. It also considers countries in conflict, as captured through the number of conflict-related deaths. A second layer adjusts the outcomes of the first by considering the credit status of countries.

73. **In line with guidance of ADF Deputies, this revised eligibility approach will lead to the progressive graduation of a number of countries from up-front allocations, freeing up more resource for targeted programming.** The new eligibility criteria would also harmonize the Bank's country classification methodology with other MDBs and increase opportunities for collaboration in support of joint interventions in transition states.

TSF Programmatic Approach

74. **The TSF programmatic approach is based on the principle that anticipating risks and preventing crises is far preferable to responding after they occur**. Expanding the unallocated reserve toward a programmatic approach would better align the TSF with the ambition of advancing the prevention agenda articulated in the Bank Group's 2022-2026 Strategy for addressing fragility and building resilience in Africa. The approach primarily seeks to introduce degrees of flexibility into TSF interventions so that it can prevent the

regional manifestations of fragility and conflict. Its successful implementation rests upon early identification of drivers of fragility and proactive interventions to relieve pressures and build resilience. This engagement will be informed by fragility assessments, conducted on a regular cycle across the continent, to provide early warning of drivers of fragility and enable targeted interventions. For ADF-16, three thematic areas have been identified: gender equality and women's empowerment; climate adaptation and mitigation; and catalysing private sector engagement. These draw on the broader Bank Group's analysis of drivers of fragility and potential sources of resilience and alignment with the ADF-16 strategic direction.

75. **While eligibility for the programmatic resources will be open to all ADF countries, access will prioritize projects that make the strongest case for prevention in transition states and most vulnerable situations.** As such, transition states and communities characterized by correlated pressures, weak institutions, and elevated risks of spillover from conflict affected neighborhoods will receive priority attention. While the extent of deprivation along any of the abovementioned thematic areas could provide a basis for support, priority will be given to addressing extreme pressures at community level. Non-transition states in the neighborhood of situations of conflict can face higher risks of spillover, both in terms of the conflict and its associated consequences. These pressures combined with weak institutional capacities can push countries into prolonged spells of fragility. In addition, given the looming food crisis faced by ADF countries, thematic interventions of the programmatic approach in ADF-16 will prioritize food security. Accordingly, supporting PSD to scale-up investments in climate adaptation for small-scale farmers, including youth and women would be critical for sustaining food and nutrition security in the most vulnerable communities.

76. **Project selection would be based on annual Call for Proposals (CfP), to be managed by the Transition States Coordination Office (RDTS). Each CfP would provide the guidance notes with clear indications on access criteria,** as well as the annotated formats of project proposals, communicated internally in advance to the various regional directorates, country teams, and sectoral units. Based on the Bank Group's experience with selecting Regional Operations, proposed projects will be evaluated against clearly defined and transparent triggers and impact measures. In recognition of the need to protect access of transition states to resources, the process will allow them to benefit from favourable provisions and positive discrimination during the evaluation and selection process. In addition, upstream technical assistance and capacity building programs will be prioritized under TSF Pillar III to increase the capacity of transition states to prepare sound project proposals. The results of the selection will be subject to clearance by the Senior Management Operations Committee (OpsCom). All appraised projects under the programmatic approach will be submitted to the Board of Directors for consideration and approval.

77. **Under ADF-16, the TSF unallocated reserve will keep its flexibility and continue supporting the Fund's efforts to respond quickly and efficiently in times of crisis**. Rapid response projects that address crises will follow a separate process, outside of the annual CfP process, using streamlined documentation for clearance by Operations Committee (OpsCom) and approval by the Board of Directors. The Bank's response to the 2014 Ebola crisis in West Africa, the 2016-17 drought in the Horn of Africa, the 2019 Idai cyclone in

Southern Africa, and the recently approved 2022 African Emergency Food Production Facility (AEFPF) are examples that proved the efficiency of the TSF unallocated reserve and its strong capacity to fast-tack responses to crisis situations.

78. **It is also recognized that the support required for the implementation of the fragility agenda extends beyond the TSF resources to include the larger Fund's support, such as leveraging the ADF Regional Operations Envelope and increasing the uptake of the Private Sector Credit Enhancement Facility in transition states**. Moreover, during the ADF-16 cycle, the Bank Group will keep monitoring its presence on the ground and constantly expand its skills-mix and capacity to deliver scaled-up impact and development results in fragile contexts. Management will continue to ensure effective application of fragility lens in the Fund's interventions while working in complementarity with specialized actors across the humanitarian, development, and peacebuilding nexus to help address critical issues through joint operational activities. The TSF Operational Guidelines will be reviewed and updated accordingly before the start of the ADF-16 cycle. In addition, an assessment of the operationalization of the programmatic approach will be conducted and the findings reported at the ADF-16 mid-term review.

Box 1. ADF Operations in the Horn of Africa

ADF-15 commitments made under the Horn of Africa Initiative (HoAI) will total US$ 492 million by the end of the cycle (2022). The approved HoAI projects include:

The Program to Build Resilience for Food and Nutrition Security in the Horn of Africa was approved in December 2021, with ADF funding for Djibouti, Kenya, Somalia, South Sudan and IGAD Secretariat totalling **US$ 119 million.** Additional proposals for the Sudan (US$ 34 million) and Ethiopia (US$ 39 million) components will be presented to the Board in due course, bringing the total investment to US$ 192 million. The objective is to build resilience to food and nutritional insecurity in the Horn. This will be achieved by enabling participating countries to increase pastoral productivity and production systems, encouraging agropastoral value chains to become more competitive and enhance adaptive capacities. Interventions will include the development of irrigation systems for 6,000 hectares of land, improving access to climate-smart innovations and technologies, developing entrepreneurship skills, increasing access to finance, provision of climate services to facilitate drought monitoring and forecasting, and providing climate risk finance and insurance. The initiative will provide 180,000 pastoralists and farmers with access to innovative technologies; spurring a 10% to 15% growth in livestock trade; and benefit 3 million pastoralists and farmers through a 30% increase in crop and livestock production.

Another important project is t**he Ethiopia-Djibouti Power System Interconnection Project, funded through ADF grants totalling US$ 84 million.** Thanks to strong donor coordination and synergies fostered through the HoAI, the World Bank also provided an additional US$45 million for components in Djibouti. The objective of the project is to improve cross-border power trade between Ethiopia and Djibouti and increase access to cleaner energy for Djibouti. The project builds on the first power interconnector between the two countries financed by AfDB in 2011, which facilitated power trade of 532 Gigawatt hours per annum by 2020. The 2nd Power interconnector is set to increase power trade between Ethiopia and Djibouti to 696 Gwh by 2026 and increase Ethiopia's forex earnings from export of electricity from US$ 35 million to US$ 46 million per annum. As a result of the project, access to electricity for Djibouti will increase from 60% to 65% and end user tariffs are expected to fall by 15%. The project will also reduce the use of fossil-fuel powered generation in Djibouti and enable the country to reduce greenhouse gas emissions by 274 ktCO2e/year – an increasing from 143 ktCO2e in annual reductions before the project.

Horn of Africa Kismayo, Lamu and Mogadishu Corridor: (Kenya) El Wak-Rhamu-Mandera Road Upgrading Project: The project is funded through a **US$ 140 million** ADF loan and US$ 74 million ADB loan to Kenya. The El Wak Rhamu road (142 km) is part of the 740 km Isiolo-Wajir-Mandera road corridor. Thanks to collaboration under the HoAI, it has also benefited from US$ 750 million financing from the World Bank. The project connects the north-eastern regions of Kenya to the rest of the country and opens up a vital trade link to Somalia and. These borderland regions are characterized by higher levels of poverty than the rest of the country, which increases their fragility and insecurity. The road corridor will improve the security situation and generate economic opportunities for youth, thereby reducing their vulnerability to recruitment by terrorist groups such as Al Shabab. **Outcomes:** Improved transport connectivity, enhanced trade logistics, and improved security situation thereby boosting the resilience in north-eastern Kenya and the borderlands with Somalia and Ethiopia.

III.3 Climate Adaptation Lens

79. This section highlights the role of climate change in the ADF-16 strategy, both as a lens across all ADF operations and through a proposed Climate Action Window (CAW). A separate paper on the CAW has been prepared for Deputies.

80. **ADF countries are in urgent need of additional climate finance**. During the ADF-16 cycle, the Bank is expected to deliver climate financing of about US$17.5 billion (approximately US$ 6 billion per annum over the three-year cycle). At COP-26 in Glasgow, developed countries committed to meeting and exceeding the US$ 100 billion per annum target from 2023 onwards. They were also urged to double their adaptation finance by 2025, relative to 2019. Whilst substantial, ADF falls far short of estimated climate finance needs of ADF countries, which could reach US$ 500 billion by 2030[16].

81. **The commitment to "just transition" in the Paris Agreement is highly significant for ADF countries.** Traditionally, just transition (and more specifically just energy transition) refers to the provision of employment opportunities for workers whose jobs are lost as a result of environmentally cleaner technologies. In the ADF context, just transition has a broader meaning, highlighting the need for all sectors of the economy to share the costs and benefits of a transition to a low-carbon and climate-resilient future.

82. **Despite the challenges it poses to development, climate change comes with a significant opportunity.** While building climate resilience can help drive the economic transformation of ADF countries, the transition to a more climate-resilient and decarbonized economy could boost growth in key sectors such as renewable energy, climate-smart agriculture, water and sanitation, sustainable urban development, and green infrastructure. The 26th United Nations Climate Change Conference of the Parties (COP26) in 2021 galvanized global efforts to tackle the effects of the climate change. COP

[16] Based on estimates of mitigation costs from a selection of NDCs, adaptation costs for Sub-Saharan Africa of US$ 30bn per year by 2030, scaled up to reflect enhanced NDC and adjusted to reflect ADF countries.

27 resulted in the adoption of the Sharm-El-Sheikh Implementation Plan (the Plan) which calls for significant progress in deep and sustained reductions in global greenhouse gas emissions of 43% by 2030 relative to the 2019 level in order to reach the 1.5 degrees Celsius reduction goal of the Paris Agreement. The Plan further called for closing the climate adaptation finance gap through doubling adaptation finance by 2025 and achieving the global goal on adaptation under the Paris Agreement. More specifically, the Sharm-El-Sheikh Implementation Plan recognizes the critical role of multilateralism and the stronger role of MDBs on accelerating climate action through provision of policy support and scaling up climate finance mobilization. The Plan further calls on shareholders of MDBs and IFIs to reform MDB practices and priorities, align and scale up funding, ensure simplified access and mobilize climate finance from various sources.

83. **COP26 highlighted the links between the UN Framework Convention on Climate Change and the Convention for Combatting Desertification and Convention on Biodiversity** – captured under the term "nature-based solutions". The three Rio Conventions are closely linked by their impacts upon climate change: protecting biodiversity is essential to ensuring that agricultural systems can respond to changing conditions; while halting desertification, planting trees, and reversing deforestation and degradation are essential to achieving the 1.5°C commitment. All of the IPCC scenarios to minimize temperature increase include significant carbon sequestration from tree planting in Africa. A climate window will enable the Bank to work with ADF countries to develop strongly additional projects that address nature-based solutions which otherwise would not be financed.

84. **Under ADF-15, Management agreed to screen 100% of ADF projects for climate-informed design, allocate 40% of ADF funding to climate finance, and allocate 50% of climate finance to adaptation**. This engagement is part of Paris alignment. By the end of 2020, 92% of approved ADF projects were based on climate-informed design. In October 2021, 95% of ADF projects were screened for climate informed design, and Management expects to achieve 100% climate mainstreaming in 2022.

85. **ADF-15 Climate Finance**: Despite limited resources during ADF-15 due to COVID-19, the Fund allocated US$ 1.2 billion as climate finance between July 2020 and December 2021, out of total project approvals of US$ 2.8 billion. All ADF projects in the Sahel, Horn of Africa and Congo Basin have been screened for climate risks and climate-change mainstreaming. The Bank is supporting Nationally Determined Contributions (NDCs) in Cameroon, Sao Tome and Principe and Uganda, and helping to update NDCs in Guinea, Guinea-Bissau, and Niger. All country strategy documents have been reviewed for climate change and green growth considerations.

A Scaled-Up ADF-16 to address climate change

86. **The current ADF pipeline shows that, out of about US$ 3.2 billion in planned investment, US$ 2.2 billion would be climate finance, representing about 68% of total**. It is therefore expected that ADF contributions to climate finance will increase and continue to complement the ADB window. To date, ADF contributions to Bank's climate finance represents about 20% of the total, compared to 60% from the ADB window and another 20% from co-financing (including climate funds). Under ADF-16, the Fund will allocate at least 40% of ADF core resources to climate finance. In addition, with a dedicated focus on climate finance through a Climate Action Window (see VII.3), ADF-16 will position the

Fund as a major channel to deliver on global commitments for climate finance to low-income African countries.

87. **ADF-16 will address the twin challenges of climate change and hunger; support just energy transitions in Africa and promote private sector participation in climate change**. ADF-16 will build the resilience of agriculture through application of proven climate-adapted technologies and reduce emissions by reversing land degradation and deforestation; it will chart an energy transition future that increases energy access in ADF countries through promoting energy systems that work to harness their enormous renewable energy potential, and through technologies such as mini-grid and off-grid installations. It will also support investments that improve quality of life of Africans living in ADF countries such as improved access to water and sanitation, improved access to quality healthcare infrastructure and better jobs for women and youth across all ADF interventions. It will promote private sector investment in a range of adaptation and mitigation technologies through the deployment of existing and innovative financial instruments and leveraging private sector investments in low-carbon and climate-resilient action by and for African communities. The Fund will intervene in upstream technical assistance, utility-scale renewable energy projects and battery storage, on- and off-grid energy access projects and critical investments in transmission and regional interconnections.

88. **ADF-16 will promote transition to low-carbon investments.** ADF has a critical role to play in promoting mitigation in Africa, by financing sector operations that reduce and avoid greenhouse gas emissions. ADF countries also have huge renewable energy potential that, with adequate support, can be harnessed to facilitate transition to a net-zero future.

89. **An ambitious Climate Action Window will assist the Bank in developing and supporting ADF country participation in market and non-market mechanisms under Article 6 of the Paris Agreement**. With both similarities and distinct differences from the carbon markets of the 2000s, Article 6 cooperative approaches provide opportunities for private sector engagement in climate action. Combining performance-based payment models with market (i.e., transferrable, fungible, and tradable units) or non-market (non-fungible, non-tradable outputs) instruments offers new ways of engaging the private sector in climate action. ADF countries largely missed out on the Clean Development Mechanism under the Kyoto Protocol, but a climate window will be used to build on work already under way to ensure that this financing opportunity is actively developed by ADF countries.

90. **ADF-16 can help countries develop climate-sensitive policies and strategies.** These include to revise, develop and implement their country climate plans under the Paris Agreement, including their Nationally Determined Contributions (NDCs), Long-Term Strategies (LTSs), and National Adaptation Plans (NAPs), and systematically inform the CSP on the findings of those national climate-related action plans. ADF-16 will play a key role in helping Regional Member Countries, targeting 7 ADF countries by MTR and 15 by end-of-cycle, develop long-term strategies, update their NDCs and translate them into bankable investments.

91. **ADF countries will benefit from support across a range of policy actions that span:** the removal of harmful subsidies and the promotion of beneficial subsidies that support nature-based solutions; development and implementation of policies for the monitoring

and reporting of greenhouse gas emissions, potentially leading to the implementation of financial incentives to reduce greenhouse gas emissions; such actions will dovetail with global and regional initiatives such as the EU’s Carbon Border Adjustment Mechanism (CBAM). ADF countries will need to develop policies around Article 6 mechanisms governing who has the right to develop and transact mitigation outcomes and how such transactions should be implemented. They are likely to need further support in the area just transition, equitable access to climate finance, policies to address fragility and transition in a climate constrained environment, and areas yet to be resolved such as loss and damage. A strong ADF-16 climate window will enable the Bank to support ADF-country policy dialogue and the creation of enabling environments in climate impacted and other critical sectors.

III.4 Gender: A Cross-Cutting Issue

92. This section reviews the importance of gender equality and how gender will be mainstreamed in ADF-16.

Importance of Gender Equality

93. **The imperative of gender equality and women’s and girls’ empowerment is well recognised, including through SDG 5 – *Achieve gender equality and women and girls’ empowerment*.** The 33rd Ordinary Session of the Assembly of Heads of State and Government of the AU in February 2020 declared 2020-2030 the second African Women’s Decade, focusing on the financial inclusion of African women.[17] Women and girls are disproportionately affected by climate change, particularly in situations of fragility. Women are often directly exposed to the effects of climate change because they are heavily dependent upon natural resources and lack the financial resources to adapt. Without an explicit focus on supporting women to adapt to climate change, progress on promoting women’s empowerment over the past decade risks being reversed. In addition, women’s knowledge and experience can help to improve some of the solutions to the climate crisis. In project design and implementation, women will act as change agents to address climate crisis and build climate resilience. ADF has a critical role to play in empowering women and girls, particularly in the context of COVID-19 recovery. The pandemic has exacerbated pre-existing inequalities between men and women and is placing at risk past gains on empowering women.

94. **The 2021-2025 Gender Strategy sets a framework for strengthening the Bank’s position as a leader for Africa in pushing forward gender equality and women’s empowerment through gender-responsive interventions across the Bank's operations, as well as targeted initiatives.** By capitalizing on the Bank’s experience, leadership and convening power, and focusing strategically on its areas of comparative advantage, the Gender Strategy has been designed to achieve maximum impact in ADF countries across the High 5 priorities, while integrating the cross-cutting themes of fragility, climate change and governance.

[17] African Development Bank Group, Strategy for Promoting Gender Equality, Accelerating Gender Equality and Women’s Empowerment in Africa, concept note. 2020 also marks the end of the first African Women’s Decade) that started in 2010

95. **To enhance its leadership on gender equality, the Bank will continue to invest in building the capacity of its staff and leveraging its external partnerships. The Bank has an MOU with UN Women and participates in the MDB Gender Working Group**. It is a co-chair of the Women Sahel Alliance and Development Public Banks Work Group. The Bank will leverage funding from Affirmative Finance Action for Women in Africa (AFAWA), Women Entrepreneurship Finance Initiative (WeFi), Youth Entrepreneurship Fund (YEF) and other trust funds, to complement ADF resources in mainstreaming gender in ADF countries.

Gender Mainstreaming in ADF-16

96. **Building on ADF-15's successful rollout of the Gender Marker System (GMS), ADF-16 can play an important role in supporting women's economic empowerment and well-being across all Bank operations and high-impact operations with explicit gendered outcomes.** Despite vulnerabilities, women's entrepreneurship presents significant opportunities for economic transformation in ADF countries.

97. **The ADF can be an important instrument to transform women-owned businesses into larger and more vibrant commercial enterprises through increased access to finance and business development services, technical assistance to financial institutions on gender financing, and engaging in policy dialogue to advocate for gender-sensitive policy reform.** Support for employability and decent job creation for women through skills enhancement will also support women's economic empowerment. In addition, ADF-16 will scale up gender-responsive infrastructure. The Bank aims to work with ADF countries to promote gender-responsive quality infrastructure development, to ensure that women have adequate access and enjoy the benefits as stakeholders, workers, and end users. To this end, the Bank will enhance its policy engagement and dialogue with governments to promote gender-sensitive infrastructure that has a direct impact on women's access to services, such as health, education, water, and clean energy.

98. **For ADF-16, gender equality as a cross-cutting theme will continue to remain a critical challenge, particularly in low-income countries** that have been more seriously affected by the economic and health challenges of COVID-19. Gender commitments for ADF-16 will reinforce achievements registered in ADF-15, as well as focus on climate change, fragility, women's entrepreneurship, and access to finance in ADF countries. The Bank will sustain the 100% categorizing of public sector operations using the GMS and roll out the tool for the design of private sector operations, informed by lessons from its use in the public sector. The GMS will be updated to become a more effective management tool to provide life-cycle support to projects with better development outcomes and impacts for women and girls. ADF will increase resources for more impactful gender operations (Category 1 projects), strengthen gender results, strengthen the gender inclusive approach in the different sectors and strengthen gender assessments and knowledge generation to improve country dialogue.

99. **During the ADF-16 period, the Bank will deepen and mainstream its support to women and girls in all its operations, policies, and strategies**, building on the successful outcomes of the gender commitments in ADF-15. All programs will be anchored on the vision and objectives of the Gender Strategy and its Action Plan. The Bank will focus in three main areas under ADF-16:

i. Ensure that all operations in fragile countries and those addressing impacts of climate change will pay special attention to the needs of women and girls, through measures such as increasing their access to climate-smart finance, adaptive technologies and enhancing their leadership and participation in natural resource management.

ii. Support women entrepreneurs with access to finance and markets, increase access digital technologies and skills and jobs for women, and reduce infrastructure gaps, to facilitate women's mobility and access to social services such as health and education.

iii. Strengthen its tools and processes to apply gender transformative approaches for delivering gender impacts in all ADF sovereign and non-sovereign operations.

100. Specifically, the Bank plans to undertake the following activities:

- **Scale up and proactively support women in ADF countries by ensuring that at least 80% of public operations and 50% private sector operations have outcomes that directly benefit women and girls.** The application of the Gender Marker System will be extended beyond the design stage, to provide full project-cycle support, from identification to completion. The GMS requirements will be updated, improved, and integrated within the Bank's results measurement and monitoring system – the project appraisal report, project implementation and results reporting system, and the project completion reporting. These actions will result in impactful operations with clear objectives for reducing gender gaps and empowering women.
- **Increase access to finance for women entrepreneurs.** The Bank will strive during ADF-16 to develop gender-focused projects that promote access to finance for women entrepreneurs in at least in 15 ADF countries, while adopting regional integration principles and supporting to women cross-border traders. It will do so by: (i) providing technical assistance to financial institutions to adopt gender lens financing and support for women entrepreneurs; (ii) support Central Banks to adopt gender-responsive policies; (iii) enhance digitally enabled women's skills development; and (iv) support women entrepreneurs to transition from the informal to the formal sector.
- **Enhancing women's participation in climate adaptation.** The Bank recognizes that women are disproportionately vulnerable to the effects of climate change where their rights and socioeconomic status are not equal to those of men, and where they have less voice and influence than men in shaping policies and prioritizing how climate finance is used. As a result, the Bank will ensure that all climate change adaptation and mitigation programs and projects are designed, monitored, and implemented with a strong gender lens, and positively benefit women and girls. Moreover, the Bank will work towards enhancing women's meaningful participation and leadership in all climate change operations.
- **Increasing women's access to social services and mobility through gender-responsive quality infrastructure.** In the context of building back better after COVID-19, through increased access to quality infrastructure for women and girls, the Bank will contribute to women's improved access to quality health services, quality

education, clean water and sanitation, and affordable and clean energy, as well as productive opportunities such as markets, through their enhanced mobility. During the ADF-16, all Bank infrastructure operations and investments will contribute to meeting the specific needs of women and girls by ensuring that they are involved as stakeholders and users.

- **Increase of evidence-based policy dialogue.** During ADF-16, the Bank Group will strengthen its engagement with all stake holders, including finance ministries and central banks, to enhance policy dialogue to advance women economic empowerment at the macro level. The Bank Group will continue generating knowledge that will influence policy engagement with regional member countries. Policy dialogue will be aimed at increasing women's access to productive resources, strengthening access to quality social services such as education and maternal and child health, and addressing gender-based violence (GBV), as well as advancing women's leadership and representation in decision making. The Bank Group will ensure that country gender equality profiles for ADF countries are up to date and aligned with the development of Country Strategy Papers.

101. **Strengthen monitoring and reporting.** This will involve improving monitoring and evaluation of gender activities and ensuring that all operations have sex-disaggregated data. This system will provide support to projects throughout the lifecycle and enhance the Bank's accountability for gender mainstreaming in line with the gender strategy. During the ADF-16, the Bank will support 10 National Statistics Offices for generating sex-disaggregated data and reporting on gender results in ADF countries. These actions will enhance the availability of gender-related information for inclusive development and programme planning in RMCs.

102. **During ADF-16, Management will ensure gender diagnostic analyses are reflected in all ADF Country Strategy Papers**. Policy dialogues will be aimed at increasing women's access to productive resources, strengthening access to quality social services such as education and maternal and child health, addressing GBV, and advancing women's role in leadership and decision making. The Bank will establish a monitoring and evaluation system for measuring the progress of gender activities and that ensures that all approved operations include wherever applicable gender-disaggregated and related monitoring and reporting. This system will provide support to projects throughout the lifecycle and enhance the Bank's accountability for gender mainstreaming.

103. **To support its work on gender issues during ADF-16, Management commits to building the capacity of its staff and leveraging external partnerships.** The Bank has an MOU with UN WOMEN and is part of the MDBs Gender Working Group. In addition, the Bank Group is co-chairing the Women Sahel Alliance and Development Public Banks Work Group. ADF-16 will leverage funding from Affirmative Finance Action for Women in Africa (AFAWA), Women Entrepreneurship Finance Initiative (WeFi), Youth Entrepreneurship Fund (YEF) and other trust funds to mainstream gender considerations.

III.5 Supporting Private Sector Development in ADF Countries

104. **Building back better after COVID-19 requires a leading role from the private sector.** Already, the private sector occupies a central role in the continent's economic and social

landscape, contributing about US$ 380 billion in gross fixed capital formation in 2021 and representing 15.2% of the continent's GDP[18]. The private sector, covering both the formal and informal sectors, also generates 70% of Africa's output, 70% of its investment and 90% of its formal employment[19]. In addition, private sector participation in the provision of infrastructure and social services, such as education and healthcare, has become increasingly important as governments have sought ways to meet financing gaps while improving the efficiency of public services. In the first half of 2021, for example, 15 infrastructure projects received private sector commitments of US$3.6 billion in sub-Saharan Africa[20]. This was a 111% increase from the five-year average first half commitments.

105. **The Bank supports private sector development in ADF countries using a combination of its ADB and ADF funding windows.** ADF focuses mainly on initiatives to strengthen the business environment, including regulatory and legal frameworks, sectoral policy reforms, financial sector development, infrastructure development and institutional strengthening. This contributes to growing the pool of bankable projects and investment opportunities, which feeds into the Bank's pipeline for NSOs, that are financed through the ADB window. Moreover, trust funds provide valuable resources for technical assistance, mostly to support MSMEs.

106. **The level and spread of NSO lending in ADF countries are expected to increase, while entails significant risks**. High debt levels in some ADF countries have worsened their risk rating, impacting on their ability to act as a credible counterparty for public private partnerships (PPPs). This in turn presents an opportunity to make enhanced use of existing ADF instruments that support PPPs, whether in the form of project preparation (for instance, by making project preparation facility directly accessible to private project sponsors), lending, or risk mitigation (PRGs and PCGs). The status of the PPF pipeline and approvals is presented in Annex 6.

107. **Moreover, a rise in non-performing loans in the NSO portfolio and the weighted average risk rating (WARR)** means that – in the absence of credit insurance or risk sharing- including through PSF risk participation – the Bank Group would be forced to prioritize low-to-moderate risk transactions. These tend to be in ADB countries. In addition, some countries are facing instability, which could affect sponsor investment decisions and increase the cost of debt by increasing risk levels. Moreover, this can significantly impact the ease of doing business and the ability to conclude financing agreements, especially in jurisdictions that have experienced political instability.

108. **Risk levels associated with ADF countries, including transition contexts, do not preclude the development of viable NSO investment projects with the potential for transformative impact.** The Bank's involvement as premier partner can help make these projects both bankable and executable. To continue to play its critical catalytic role, the Bank Group must use the right resources and risk-mitigating measures, while calibrating its instruments to make them fit for purpose.

[18] African Development Bank Socio-Economic Database, African Information Highway
[19] African Development Bank, Private Sector Development Strategy, 2013-2017
[20] 2017 Private Participation in Infrastructure, World Bank, http://ppi.worldbank.org/~/media/GIAWB/PPI/Documents/Global-Notes/PPI_2017_AnnualReport.pdf

109. **The Bank identifies three (3) types of risks associated with PSD in ADF and transition countries:** (i) Inadequate institutional environment and lack of sectoral reforms to help create markets and lack of capacity on the part of both public and private organization to deliver the PSD agenda; (ii) Lack of bankable projects that meet the Bank NSO eligibility criteria and inability to properly prepare potential projects opportunity; (iii) Perceived or real credit risks at the downstream and transaction level. Management proposes the following risk management measures to help address these risks as follows: (i) a UA 75-million TA program under TSF to help support upstream and mid-stream constraints including sectoral reforms, build local capacity of public and public sector to deliver, identify a pipeline of Bankable projects and help get them ready for investment while supporting SME participation in the value chains around these large investments; and (ii) addressing credit risks issues downstream with extending the reach of the PSF.

110. **The Bank Group's strategic vision in ADF countries is expounded in its 2021-2015 Private Sector Development Strategy (PSDS): "***a Post COVID Development Model for Africa Led by Private Sector, with Youth and Women at its Core, anchored in Industrialization, and Powered by Technology and Innovation***."** The vision supports the objective of private sector-led growth that will help ADF countries create decent jobs, further green growth, augment socioeconomic inclusion, build long-term resilience and sustainability, and achieve the UN SDGs and the African Union's Agenda 2063. In that, the PSDS's overarching objective of fostering the conditions for more private sector-led growth is faithful to the Bank's ultimate vision of improving Africans' quality of life.

111. **Non-financial options are essential in expanding private sector operations in ADF countries, and even more so in transition markets**. This is because of higher levels of risk in ADF countries, especially those related to markets, institutions, and human capital. An appropriate approach would involve expanding risk-mitigating measures from project or portfolio risks to market, institutional, capacity, and pipeline development. Regardless of what instruments are used at the transaction level, if market risks and institutional risks are not addressed, the core issue will remain unresolved.

112. **A significant increase in TSF resources could support the Bank Group's activities and interventions designed to expand NSO interventions in ADF countries by directly addressing the constraints that have historically been limiting factors.** Those include: (i) unlocking investment opportunities in high growth sectors and value chains with targeted sectoral reforms; (ii) identifying and qualifying a pipeline of investment projects within these sectors; (iii) helping to structure and build the capacity of local private sector operators needed for the development of local supply chains; (iv) reinforcing public agencies and institutions responsible for regulating private sector development, as well as domestic and regional trade; and (v) developing and building the capacity of local MSMEs and entrepreneurs who participate in domestic NSO supply chains, while creating decent jobs for youth and women.

113. **Special attention is given to transition contexts**. Across all 21 states classified as transition, a 2021 internal review of all Bank Group-related operations revealed at least 97 private sector development operations ongoing or planned. Those included approximately 23 PBOs, 11 SO projects, 30 Technical Assistance projects and 33 NSOs. As part of the implementation of the new 2021-2025 Private Sector Development Strategy

(PSDS), the Bank Group set as an operational priority to increase its NSO activities in ADF and transitions countries by 35%.

114. **Achieving the goal of increased NSO activities in the next three years will require identifying and supporting the development and financing of a robust and viable pipeline of bankable projects, as well as programs that help alleviate non-financial constraints and risks.** Targeting this increase in NSO activities in ADF countries over ADF-16 has financial, budgetary, and operational ramifications for the Bank. The resources required to fund programs that will support that objective is estimated at UA 75 million over the three-year period, to be drawn from additional Pillar III resources as well as the programmatic approach of the TSF. The proposed activities are anchored in the 2021-2025 PSDS and as such will include the Bank Group's thematic and inclusion of women and youth as primary beneficiaries, and leverage and be fully aligned with existing platforms including AIF, AFAWA, the new PPP framework to identify co-financing opportunities, leverage sovereign operations particularly the ones supporting the development of infrastructure dedicated to PSD and designed to attract private investment including Special Economic Zones, Special Agro-processing Zones and industrial zones to promote these infrastructures to private investors.

115. **The activities will take place as part of the of the broader implementation plan of the new PSDS and the application of the fragility lens in NSOs**. As such the Bank's interventions in ADF countries will use tools and indicators already developed by the Bank to measure results. These will cover access to infrastructure, domestic enterprise growth, MSME investments, MSMEs' access to finance, value chain growth/participation, job creation, youth and gender inclusion and the implementation of relevant reforms.

116. **ADF-issued guarantees.** ADF currently provides PRGs and PCGs based on each country's PBA, with a four-times leverage (i.e., a PBA of 1 can support a guarantee of 4). While this leverage is substantial, it is by design limited to the PBA allocation amount in any given cycle. The recently revised Guarantees Policy allows for the ADB window to provide additional guarantee amounts based on third party re-guarantees/credit insurance/risk participations, whereby it remains the Guarantor-of-Record. This is not currently available for ADF guarantees. Given the limited concessional resources within the ADF, where countries must forfeit part of the face value for the guarantee from their PBA to obtain the ADF guarantee, it would be opportune to extend the concept of Guarantor-of-Record and re-guarantees to ADF-issued guarantees as well. This would allow the ADF to leverage its impact in more ADF countries with no financial implications for ADF donors. This potentially also enables the release of ADF capacity formerly forfeited by countries from their PBA.

117. **Resources to the PSF to diversify its guarantee products.** Management requests an additional resource of UA 50 million for the PSF, to enable it to diversify its guarantee instruments to introduce a funded risk participation, a program-based approach and synthetic portfolio guarantees, for greater effectiveness in higher-risk markets. Finally, Management presents for Deputies' consideration and guidance a proposal for evolving the PSF's operational modalities to enable it to act as a mobilization instrument for NSOs in ADF countries.

III.6 Youth and Jobs

The Demographic Dividend

118. **In 2019, 70% of Africans were under the age of 35 years (World Bank, 2020), and as of 2020, this percentage had risen to 77% of the population (WEF, 2020).** By 2063 Africa's working age population will more than triple, from 627 million to almost 2 billion, half of them will be young people. This rapid growth of the youth population amounts to a significant human capital opportunity (demographic dividend) necessary for economic transformation and job creation if the right policies and investments are put in place.

119. **Africa's economic growth prior to COVID-19 was impressive, averaging 4.7% between 2000 and 2016.** However, the mean employment elasticity during the same period was only 0.41, as much of the growth was underpinned by primary production and extractive activities. Africa's private sector has remained small, informal, and unindustrialized, creating just 3 million formal jobs[21] for more than 12 million young people entering the workforce each year since 2015.[22] In sub-Saharan Africa, 83% of the 18 million youth that enter the job market every year are left jobless.[23] The **COVID-19 pandemic has worsened the jobless growth situation, with more than 30 million people losing their jobs by 2020.** At least 80% of young people in sub-Saharan Africa work in the informal sector, where the impact of the pandemic has been worst, and where a sudden loss of income can have devastating consequences. While most African migrants stay within the continent, faced with low job prospects, conflict, and fragility, many young Africans seek better lives overseas, often through difficult and risky journeys across the Sahara and the Mediterranean. Around 80% of African migrants, mostly young, educated men and women, are motivated by the hope for better economic prospects and job opportunities, while 20% are refugees. The tide of disorderly migration will continue to threaten to disrupt global economies, sparking humanitarian crises and draining Africa of its human capital.

120. **The mismatch between the qualifications provided by the education system and the skills required by businesses is exacerbating unemployment and prompting the urgent need to develop appropriate skills.** The Bank is investing in technical vocational education and training (TVET) in higher education, and in science, technology, engineering, and mathematics (STEM), and ICT programs, with a strong focus on girls and young women, to prepare youth for the Fourth Industrial Revolution. This will include developing institutional capacity and strengthening the links between science, technology, and innovation.

121. **The Coding for Employment programme, launched in 2018, is helping to develop Africa's next generation of digitally enabled youth workforce and entrepreneurs, and will directly support efforts under Pillar I for more digital connectivity.** It will establish 130 ICT Centres and empower 32 million young people with skills for the future. Such

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[21] Dalberg. 2015. 3 million jobs projected per year from 2010 – 2020, based on data for Sub-Saharan Africa from the IMF "Working paper on Africa's Employment Prospects, 2013". This includes jobs created in both public and private sector.

[22] African Development Bank. 2012. African Economic Outlook, "Promoting Youth Employment, 2012".

[23] 2019, Mo Ibrahim Foundation, 2019 Ibrahim Forum Report, Africa's Youth: Jobs or Migration? Demography, economic prospects, and mobility.

innovative flagship programmes complement the results of integrating the Jobs for Youth in Africa Strategy across all Bank operations by inspiring ADF countries to invest in what works for the future of work for young women and men. The programme has identified 14 sites in ADF countries where it will establish 5 innovation centres of excellence and will reach 30,000 youth and women across Africa by 2025.

ADF-16 Priorities for Job-Rich and Skilled Economies

122. **Another important program that contributes to improving quality of life of Africa's youth is skills development**. Structured investments in youth entrepreneurship across the ecosystem and throughout the enterprise life cycle will equip youth with industry-relevant skills and reduce the number of jobseekers. The Bank Group has developed the Skills for Employability and Productivity for Africa (SEPA) 2022-2026 Action Plan to spur innovation and digital transformation in training delivery. Focusing on infrastructure for science, technology, and math (STEM) and technical and vocational education and training (TVET) as areas of comparative advantage, it will catalyse approximately US$ 700 million in Bank investment in the next five years and guide strategic engagements with RMCs in education and science, technology and innovation (STI). The Action Plan aims to develop a skilled and competitive workforce capable of increasing productivity and spurring innovation for access to decent jobs and improved quality of life of the people in Africa.

123. **In partnership with African governments and the African Union, the Bank is developing the African Education, Science, Technology, and Innovation Fund (AESTIF)** which will start with an investment of US$ 120 million and is expected to grow to US$ 380 million in 10 years. The Bank is also in the process of signing a framework agreement with two Qatar-based Foundations, namely Education Above All and Siltech. The two institutions will jointly bring in US$ 100 million in co-financing in the form of grants to support education, skills development and youth employment in transition states and pockets of fragility within other regional member countries. These resources are expected to leverage over US$ 200 million Bank financing over the first five years (2022–2026) of the partnership and will increase financing for skills development in transition states.

124. **The Board of Directors approved the Bank-wide Jobs for Youth in Africa Strategy 2016-2025 to support the creation of 25 million direct and indirect jobs**, and to equip 50 million young people with employable skills. The strategy directly supports SDG8 on inclusive growth, productive employment and decent work for all, SDG4 on equitable education and skills development, and SDG1 on ending poverty. Job creation for African youth is a key performance indicator for the Bank's High Fives, especially that on Improving the Quality of Life for the People of Africa. By end 2021, Bank-wide efforts had supported the creation of 12.1 million jobs through completed projects, but more is expected from active projects such as the Senegal UA 90.55 million Support and Promote Women's and Youth Entrepreneurial Initiatives (PAVIE I) to support more than 27,000 youth entrepreneurs (55% of whom will be women) and create 154,000 direct and indirect jobs for youth.

125. **Investments in entrepreneurship are urgently needed to grow the size of the private sector in Africa and formalize the informal economy, while at the same time reducing the number of job seekers.** The ADF-16 resources can leverage the experience of the

Bank's recent operations on entrepreneurship and SME development to create jobs for youth in ADF countries.

126. **The green economy provides for economic renewal and the creation of more and better jobs. In "building back better", the shift to a greener economy has the potential to create employment across a range of sectors.** This can be driven by public and private investment into such economic activities, infrastructure, and assets that allow reduced carbon emissions and pollution, enhanced energy and resource efficiency, and prevention of the loss of biodiversity and ecosystem services.[24]

127. **Measuring results is a key attribute of performance.** As part of the ADF-15 commitments to better account for jobs created from its operations as part of development effectiveness, the Bank co-created a Joint Impact Model (JIM), a common standard results measurement tool now jointly applied by 10 international financial institutions to better assess contributions to indirect jobs and induced economic effects. Working together with technical partners such as the International Labour Organization (ILO) and building on the Bank's Gender Marker System, Management will roll out the Jobs and Skills Marker as a key tool for integrating jobs and skills for youth across Bank operations. In addition, and through the Operations Academy, the Management will develop sectorial training courses on best practices on designing for job creation and equip at least two task managers and investment officers in each region with what works to amplify the results on jobs for youth in Africa.

128. **Under ADF-15, 53.8% of approved country operations (more than double the 20% target) integrated skills and decent jobs by January 2022.** In the same period, more than 10 ADF Regional Member Countries (target number 6) received institutional capacity building support to increase the employment effects of their policies. The above proposals will help increase ADF-16 target on all projects for ADF countries that integrate skills and decent jobs for youth from 40% to 60% by also building synergies with existing Bank Group initiatives, the Youth Entrepreneurship and Innovation (YEI) Multi-Donor Trust Fund among others.

[24] According to the ILO, a shift to a greener economy could create an additional 24 million new jobs globally by 2030 if the right policies are put in place to promote environmentally sustainable and equitable growth.

Section IV. PILLAR I Sustainable, Climate-resilient and Quality Infrastructure

129. **Pillar 1 will address both soft and hard infrastructure challenges in relation to climate change, agriculture, water, and sanitation, health, and energy in Africa. Infrastructure investments will also be made under the regional operations envelope.** Under ADF-16, Pillar 1 will build the resilience of agriculture through application of proven climate-adapted technologies and reduce emissions by reversing land degradation and deforestation; it will chart an energy transition future that increases energy access in ADF countries by promoting energy systems that work to harness their enormous renewable energy potential, and through technologies such as mini-grid and off-grid installations. It will also support investments for improved quality of life of Africans living in ADF countries, such as improved access to water and sanitation and improved access to quality healthcare infrastructure.

130. **ADF-16 will strengthen the resilience of the energy, water and sanitation, and food security nexus in the face of climate change.** Chains of production and use of these three resources are intrinsically linked, and in many cases interdependent. This interdependence is set to increase in the decades to come, due to population growth, rapid urbanization, and the impact of climate change on land, water, and energy resources. There is a strong interrelationship between water and sanitation, energy, and food security. For example, agriculture is responsible for 70% of freshwater withdrawals worldwide whilst it is estimated that between a quarter and a third of the world's energy consumption is due to food production and supply systems.

131. **Quality infrastructure investment (QII) in ADF countries can support a sustainable recovery and resilience**. QII is critical to making progress across the SDGs. It supports a low-carbon transition and safeguards biodiversity, to help address the impacts of climate change. QII can also reduce inequality and disparity by improving access and affordability to infrastructure in rural and remote regions[25]. Under the High 5s, with more than US$ 7 billion invested to improve close to 10,000 km of regional highways and one-stop border post facilities, the Fund has focused on selecting infrastructure projects that maximize positive spill overs at national and regional levels, by promoting transformative economic growth and job creation through agriculture development, industrialization, and regional integration. The Fund has been mainstreaming resilience in its infrastructure projects for more than 10 years, with particular emphasis on climate-related risks such as floods and extreme heat and has been collaborating closely with the Global Environment Facility (GEF) and the Nordic Development Fund (NDF), in particular. Recent examples include roads in Mozambique, Rwanda, Cameroon, Tanzania, and Côte d'Ivoire. Climate-resilient energy, agriculture, health, water, and sanitation infrastructure will help transform rural economies in ADF countries.

132. **In urban areas, climate-resilient infrastructure will help to propel industrialization. Beyond national boundaries, durable regional transportation, energy, seaports, and telecommunication infrastructure will facilitate trade and regional integration and**

[25] OECD, 2021, Implementation Handbook for Quality Infrastructure Investment.

accelerate implementation of AfCFTA. Infrastructure projects under consideration for financing by the Bank have undergone detailed engineering feasibility studies, with demonstrated economic viability/efficiency based on whole-of-life cost-benefit analysis. In 2019, the Bank introduced a new financing instrument – Results-Based Financing (RBF) – to increase effectiveness, efficiency, accountability, and incentives to deliver sustained results. Moreover, the design and formulation of Bank-financed infrastructure projects integrate social considerations in infrastructure projects, to promote inclusive growth. Lastly, the Fund has worked to strengthen infrastructure governance at the sector and project levels.

IV.1 Transport

133. **Transport Infrastructure will support ADF countries to achieve greater regional connectivity and economic integration** in three ways: decarbonization, integrated infrastructure approach, and trade-related infrastructure to support the AfCFTA.

134. **In this section we focus on Transport Infrastructure to address resilience and mitigate climate and disaster risk in projects**. This will align with the QII while achieving SDGS 3, 9, 11 and 26. Moreover, under this objective, the Bank Group will continue to implement services and infrastructure in a sustainable way (from environmental, economic, safety and security perspectives). These activities will be grounded on comprehensive policies and strategies for all sectors and ensure that mobility is fostered in urban/interurban, regional, and continental levels.

135. **Specifically for cities, the Bank is preparing the Sustainable Urban Development Action Plan (SUDAP)** which will provide a framework for the Bank, over the next five years, to move beyond sectoral approaches and standalone infrastructure projects in cities to address structural challenges in contemporary African cities, including green growth and climate resilience. The Bank will play a catalytic role, seeking to crowd in private sector investment in green mobility such as: (1) Aerial Cable Car Transit System; (2) Bus Rapid Transfer (BRT); (3) Light Rail Transport systems; (4) Electric Vehicles (EVs) and (5) Compressed Natural Gas (CNG) Vehicles, by providing long-term finance and de-risking instruments such as minimum revenue guarantees. The Fund will assist private sector in creating a post-COVID economy and addressing subsequent demand for environmentally friendly urban transport infrastructure.

136. An example of a transformational ADF supported climate-resilient project is the **Kazungula – Bridge Project Multinational: Zambia/ Botswana [ADF US$ 78m]** along the North-South Corridor that encompasses: (i) the construction of a 923m long bridge linking Botswana and Zambia across the Zambezi River; (ii) two One Stop Border Posts either side of the crossing and (iii) technical capacity building and trade facilitation aspects. The project replaces the existing ferry/pontoon, creating integrated, resilient infrastructure that far outperforms the existing arrangements, including in sustainability.

137. **The Bank will promote sustainable growth and development through an integrated approach with social considerations.** With cross-sector development challenges in ADF

[26] SDG 3 (Half nb. of global deaths and injuries from road traffic injuries); SDG 9(Develop quality, sustainable and resilient infrastructure; SDG 11(access to safe, affordable and sustainable transport systems)

countries, integrated infrastructure maximizes socio-economic impacts for ADF countries and ADF road projects provide a good illustration. While our client countries approach the Fund primarily for the financing of primary and secondary trunk roads and highways, the Fund in consultation with the countries ensures that connecting rural feeder roads, markets, schools, and water and public sanitation points are also included in project designs. These socioeconomic facilities provide business opportunities for women and youth and serve as venues for the provision of multiple public services, such as health care, education and training, and cultural activities.

138. **A recently approved transport project**—the Integrated Project for Opening up the Hamdara-Wacha-Dungass – Niger/ Nigerian Cross-Border Production Areas (PIDZT)—provides an example of a project design that not only covers transport but also agriculture, livestock, and the social sector (4 health centres, 24 classrooms) and vulnerable groups (women and youth), with the expected impact of creating 60,000 direct and indirect jobs and 30 highly skilled engineering jobs, of which half will be for women. Another key area where the Fund is maximizing the positive impacts of its infrastructure investments is the development of staple crop-processing zones in areas of high agricultural potential. These zones will have integrated infrastructure development, including roads, railways, ports, storage facilities, and energy, water and sanitation and ICT, and support for production facilities and value chains. They will concentrate private investment and support the integration of production, processing, and marketing, leading to more and better jobs along the value chain. A recently approved Fund project will establish four agro-industrial zones across Ethiopia with the expected impact of creating 200,000 new and sustainable skilled jobs, including 150,000 indirect jobs.

139. **The Bank will support the creation of trade-related transport economic hubs for reducing transportation and logistics cost for intra-Africa and global trade.** The objective will be to enable ADF countries, whether on the coast or in the hinterland, to take full advantage of AfCFTA opportunities, integrating global value and supply to improve economic development and integration. This will be done by supporting major transport connectivity programs aligned to economic corridors – looking beyond transport in silos; development of multi-modal and smart transport corridors/ systems; development of one stop border posts (OSBPs) and cross-border multi-service logistic zones. In addition, advanced ADF countries could lead the way in digitalization of transport infrastructure with contactless airports, smart ports, and urban BRTs; and recycling of transport sector assets through private sector buy-in, therefore unlocking public resources that can then be used to invest in greener projects.

IV.2 Energy Access and Just Energy Transition

140. **The ADF's priority is to accelerate Africa's energy access sustainably, given that energy access is a prerequisite for economic and social development.** Despite being home to one-sixth of the world's population, Africa accounts for only 6% of global energy demand and little more than 3% of electricity demand. This is symptomatic of abject energy poverty, with close to 600 million Africans lacking any access to electricity (making up for three-quarters of the world's population without access to electricity) and some 900 million people lacking access to clean cooking. The latter results in about 600,000

premature deaths each year due to indoor air pollution, affecting women and young children in particular. Furthermore, as a result of COVID-19, the number of people without access to electricity in sub-Saharan Africa increased in 2020 for the first time since 2013, and this trend must be reversed to achieve universal access by 2030 under SDG 7.

141. **ADF-16 will support ADF countries to achieve a "just energy transition" by investing in energy infrastructure assets that are efficient, sustainable, and resilient to climate change. ADF countries are well-positioned to meet their energy needs through renewable and cleaner sources.** The African continent has an abundance of untapped potential and the reducing cost of renewable energy technologies, including battery energy storage systems, presents a real opportunity to move towards a cleaner energy pathway for both on-grid and off-grid electrification. This also offers the opportunity to reduce external macroeconomic shocks that are related to high levels of fossil-fuel imports.

142. **ADF-16 is an excellent opportunity to support these priorities through targeted interventions** (including infrastructure investments and technical assistance) in support of utility-scale renewable energy generation, decentralized energy access solutions, national and regional transmission (and distribution) expansion and reinforcement projects critical to anchor larger shares of variable renewables, and improved policy legal, and regulatory environment. Investments that are supported will need to be part of national level plans, such as the Energy Transition Plan, and will be complemented by support for enabling environment as required. Furthermore, the Bank will step-up efforts to assist ADF countries in developing and implementing holistic programs through various instruments and initiatives. These include:

- The Sustainable Energy Fund for Africa's (SEFA) Green Baseload pillar/programme, which focuses on increasing the contribution of grid-connected renewable energy as an alternative to fossil fuel-based generation options, while ensuring power system stability.
- The development of just energy transition plans in close collaboration with partners, including in the context of the Energy Transition Council process.
- The Bank's support to the Programme for Infrastructure Development in the Africa Priority Action Plan (PIDA PAP 2), which includes hydropower and transmission grid projects; as well as the development the regional power pool plans and capacity-building as part of the Continental Power System Master Plan (CMP).

143. **The Energy Transition Council (ETC) process started prior to COP26 with five African countries and key development finance and technical partners involved**. The ETC process identified various opportunities and financing needs for an accelerated energy transition. As part of the ETC, a Rapid Response Facility was established with the Bank contributing through a US$ 1 million SEFA financed ETC Rapid Response Facility, which is currently supporting Egypt and South Africa. The Bank Group's engagement on just energy transition at country level will capitalize as appropriate on the ETC and other similar initiatives, such as the G7 Just Energy Transition Partnerships (JETPs), thereby ensuring close coordination with key partners.

144. **The Desert to Power G5 Sahel Financing Facility is an example of the Fund supporting clean energy for the most vulnerable ADF countries in partnership with others**. The facility aims to support 500 MW of grid connected solar generation capacity with a total funding envelope of up to US$ 967 million including US$ 150 million from the Green Climate Fund and up to US$ 380 million of Bank resources, with an additional US$ 437 million expected from private and third-party financiers. The Energy Transition Plans will detail key aspects such as how the countries see their energy mix evolving, how energy access will be provided (e.g., proportion of on-grid and off-grid solutions), role of public and private sectors, planned policy changes, and approaches to improve energy efficiency along with addressing the needs of communities involved in the ecosystem of assets that might be gradually used less over time.

IV.3 Agricultural Productivity, agriproduct processing and Food Security

145. **Agriculture provides an opportunity to significantly address the impacts of climate change in Africa as well as providing the means to increase food security and poverty alleviation.** The agriculture sector remains the mainstay of the economies of ADF countries, providing food for rural and urban communities and serving as a major employer of labour in rural areas. The rural sector is highly sensitive to the effects of climate change. Agriculture is also the highest producer of greenhouse gases on the African continent, primarily from inappropriate land use and livestock production, and has the highest potential for climate change mitigation.

Food and Nutrition Security

146. **Today, 246 million Africans go to bed hungry each day.** That includes 59 million children under the age of 5 years old who are malnourished and stunted, and another 14 million who are wasted. Food insecurity has been worsened by the triple effects of COVID-19, climate change, and Russia's invasion of Ukraine[27].

147. **With the shocks of the COVID-19 pandemic still being felt around the world, especially in Africa, the continent is in a delicate stage of recovery that could easily be set back by rising food prices.** In rural areas, hunger, malnutrition, and poverty are already high because of the desert locust outbreak, fall armyworm, droughts, conflict, and insecurity. Dependency on extra-regional imports for food in urban areas makes African countries more vulnerable to disruptions in international logistics and distribution networks. Food shortages and poor nutrition are especially likely in countries that depend highly on food imports. This is the case of many low-income and landlocked countries and in small island developing states.

148. **Droughts in several countries pose additional challenges. Droughts in North Africa, the Horn of Africa and the Sahel have created acute hunger and famine** for more than 50 million people. Ethiopia, Kenya, and Somalia are facing the worst droughts since 1981. Floods in South Africa's KwaZulu Natal province have claimed over 400 lives, displaced close to 40,000 households, and caused major damage to infrastructure, disrupting food supply chains from a major production area.

[27] Agreed wording at the 2022 African Development Bank Group Annual Meetings. Algeria, China, Egypt Eswatini, Namibia, Nigeria and South Africa entered a reservation and proposed "Russia-Ukraine Conflict.

149. **Many African countries depend on wheat grain and fertilizer imports from Ukraine and Russia,** which are both net exporters of fertilizer, a key agricultural input that makes an outsized contribution to global trade. Wheat accounts for 90% of Africa's US$4 billion trade with Russia and half of its US$4.5 billion trade with Ukraine. As grain supplies from these countries decrease, The FAO Food Price Index reached an all-time high in February 2022.28 The price of wheat might rise permanently by as much as 9% in Kenya, 8% in Uganda, 5% in Tunisia, and 4% in Mozambique.[29]

150. **With foreign currency reserves already drained by COVID-19, surging global wheat prices pose a serious threat to Africa's food security**. Rising fuel prices and further disruption to global supply chains could also increase inflationary pressures in ADF countries. But over the longer term, this is also an opportunity. Africa has most of the world's unused arable land, and therefore huge potential to expand its production of wheat and other staples. With the right investment in rural infrastructure and agricultural productivity, African can be not just food secure, but a breadbasket for the world, helping to diversify global food supplies.

151. **Russia's invasion of Ukraine[30] will hurt poor households and women the most. During the 2008 food price crisis, women were more affected than men and were more at risk of losing income.** This was especially true for women smallholder farmers, who already face discrimination and a heavier burden of household responsibility. The invasion of Ukraine will also affect infant nutrition (cereals) and exert pressure on commodities other than wheat. As agricultural/food commodity prices rise, malnutrition and poverty will grow, with the poor apportioning a greater part of their household budget to food and shifting from proteins and vitamin-dense foods to cheaper carbohydrates. Infants and pregnant and breastfeeding women are particularly vulnerable, because of their nutritional requirements.

152. **In addition to the invasion of Ukraine, rising food and fuel prices on the continent will disproportionately affect micro-, small- and medium-sized enterprises,** especially those in agribusiness and hospitality, notably those owned by women, as was the case in previous crises. Research suggests that gender-responsive investments in agricultural value chains increase women's participation and benefits, thus the African Emergency Food Production Facility (AEFPF) will include specific mechanisms to address these uneven vulnerabilities and realities.

153. **The Bank has responded to past food security crises with rapid interventions to cushion increasing prices to lessen the impact on poor and vulnerable populations.** These responses—effected through short- and medium-term interventions such as increasing local food production, supplying marginalized populations with food and replenishing countries' reserves—have been crucial. In response to the emerging food crisis, in May 2022 the Bank approved the African Emergency Food Production Facility (AEFPF) (Box 2).

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[28] Agricultural Market Information System: Electronic edition (amis-outlook.org)

[29] Food and Agriculture Organization, 2022. *The importance of Ukraine and the Russian Federation for global agricultural markets and the risks associated with the current conflict*.

[30] Agreed wording at the 2022 African Development Bank Group Annual Meetings. Algeria, China, Egypt Eswatini, Namibia, Nigeria and South Africa entered a reservation and proposed "Russia-Ukraine Conflict.

Box 2. African Emergency Food Production Facility (AEFPF)

AEFPF approved in May 2022 is the Bank Group's rapid response framework to address the food crisis arising from the invasion of Ukraine, climate change, conflicts, and pests and diseases. Drawing on the Bank's experience with previous crises[31], AEFPF will help countries address risks to their food security by increasing food production through delivering a full package of technology and extension services to millions of farmers and increasing access to fertilizer and other inputs on a national scale. AEFPF sets out how the Bank Group will collaborate with multilateral partners and donors to align and speed the implementation of these interventions and prepare technical teams to respond to emerging needs.

Financing for AEFPF will be US$1.5 billion. Of this, the Bank Group will contribute US$1,326 million) and the remaining gap will come from bilateral and multilateral partners. The Bank Group financial contribution can be broken down into US$ 1,036 million from ADB sources for program-based operations which will be delivered as Crisis Response Budget Support (CRBS) or sector budget support (SBS) operations targeting the agriculture sector, and US$ 290 million from ADF sources, broken down into UA 124 million (US$176) from new investment projects in 2022 and restructuring of existing agriculture lending operations, and UA 80 million (US$114) representing unallocated resources from TSF Pillar 1.

This program is a short-term intervention that supports immediate and long-term results. It provides African countries with resources to procure fertilizer and seeds and raise local food production by up to 30% to meet critical gaps caused by Russia's invasion of Ukraine[32]. At the same time, it seeks commitments from RMCs on policy reforms to address structural problems in the sector. Given the urgency of interventions under AEFPF, investment operations and sector Program Based Operations (PBOs) will be subject to streamlined appraisal reports and fast-track approval, similar to the CRF.

AEFPF rests on three pillars:

- **Delivering certified seeds** of climate-adapted varieties, fertilizer, and extension to 20 million farmers; and **support post-harvest management and market development.** Where possible, the program will promote the use of innovation and ICT platforms for delivery of these inputs and technology to farmers;
- **Providing financing and credit guarantees** for the large-scale supply of fertilizer to wholesalers and aggregators to bridge the two million tonne supply gap in fertilizer. The African Fertilizer Financing Mechanism will be deployed to support these guarantees; and
- Developing **policy reforms** and commitment to policy actions **to address structural factors** that are preventing modern inputs from reaching farmers; for example, reforms to strengthen national institutions that oversee input markets and policy actions such as priority processing of fertilizers at landing ports and transport corridors.

[31] Including the 2008 food price crisis, Ebola, the COVID-19 Rapid Response Facility (CRF), the Feed Africa Response to COVID-19 (FAREC), as well as best practices of the Technologies for African Agricultural Transformation (TAAT) initiative.

[32] Agreed wording at the 2022 African Development Bank Group Annual Meetings. Algeria, China, Egypt Eswatini, Namibia, Nigeria and South Africa entered a reservation and proposed "Russia-Ukraine Conflict.

The proposed Facility is coordinated with responses from other Development Finance Institutions and partners and is expected to attract humanitarian assistance grants from multilateral and bilateral donors seeking to support African governments, communities, and economies as they face the food and fertilizer crises. The AEFPF is intended to operate until the end of 2023. Any extension will be subject to a decision of the Board of Directors.

Improving Agriculture Productivity under ADF-16

154. **There are real opportunities in the agriculture sector for ADF countries. There is huge potential in the rapid growth of Africa's cities and middle classes, which are beacons for investors in search of new markets.** The growing demand for higher quality food products is driving the development of agricultural value chains, creating new opportunities for the rural poor, and helping to make growth more inclusive in nature. There are opportunities emerging in the rapid adoption of new technologies by Africa's young population, and in Africa's potential to leapfrog old technologies in areas like clean energy. We see promising, if early, signs of industrial transformation in selected locations across the continent. The African Continental Free Trade Agreement (AfCFTA) provided the opportunity to link productive enterprises, sectors, and emerging industrial centres into more sophisticated industrial value chains, allowing for greater specialisation and a growing ability to compete internationally. With a comparative advantage in regional infrastructure, the ADF has a critical role to play in making sure that these new opportunities are shared across the continent.

155. **During the ADF-14 and 15 cycles, the Bank Group embarked on several initiatives to boost agricultural productivity and capitalize on some of these opportunities.** These initiatives are: The Feed Africa Strategy has several components: Technologies for African Agriculture Transformation (TAAT); Special Agro-Industrial Processing Zones (SAPZ); and the Africa climate smart agriculture (ACSA).

156. **The Technologies for African Agriculture Transformation (TAAT) program is central to the Bank's Feed Africa strategy and critical in its Feed Africa High 5.** Its objective is to double the productivity of crops, livestock, and fish by giving more than 40 million smallholder African farmers, most women in low-income countries, access to agricultural technologies by 2025. With public and private partnerships, TAAT is expected to increase aggregate food production volumes by 120 million MT by 2025 and lift 130 million people out of poverty. Building on the best practices of TAAT's Commodity Compacts, ADF-16 investments will further scale up proven technologies in ADF countries, and particularly in fragile situations. ADF-16 resources will help to transform rural economies and food systems by making them more inclusive, productive, resilient and sustainable and include the involvement of small-holder farmers. The Fund's interventions will also address structural constraints of food production. Long term policy action, capacity building and institutional strengthening will support the resilience of agri-food systems. Particular attention will also be given to the private sector to not only support the development of regional value chains, promote regional trade and the emergence of agri-food small and medium enterprises, but also to attract investments downstream to engage into the structural transformation of the African agro-industry.

157. **The Special Agro-Industrial Processing Zones (SAPZ)** aims to expand food security and employment with Agro-industrial Investments and Trade in RMCs. The specific goals are to: (i) increase food production efficiency and capacity in value addition to agriculture; (ii) create employment by promoting investments in agro-industry and agribusiness; (iii) build capacity, skills and entrepreneurship for inclusive agro-industrial development in RMCs; and (iv) promote local, regional and international trade. The objective of SAPZ is to bring economic infrastructure to rural areas with high agricultural potential, to attract investments from private agro-industrialists and entrepreneurs and contribute to the economic and social development of rural areas. Bank commitments to the SAPZ at the end of 2021 (including for 22 agro-industrial zones) amounts to US$701.27 million in 11 RMCs, with co-financing from other partners of an additional US$718.88 million.

158. **ADF-16 investments will place greater emphasis on promoting a sustainable and climate-resilient agriculture transformation by being more water and energy efficient.** This will help meet the growing demand from urban and rural populations for greater and better-quality food supply. The Climate-Smart Agriculture (CSA) approaches promoted at producer level will aim to strengthen livelihoods and food security, especially of smallholders, by improving the management and use of natural resources and adopting appropriate approaches and technologies for the production, processing and marketing of food products. The Fund will also invest in climate-adapted crop, fisheries and livestock production technologies, recovery of degraded lands, green infrastructure, especially in SAPZs, and digital weather advisory systems. At the institutional level the Bank will seek to support Regional Member Countries in putting in place the adequate policy frameworks and mobilise climate finance to mainstream climate change adaptation and mitigation into agricultural sectors.

159. **The African Fertiliser Financing Mechanism** has been deployed to provide de-risking instruments to make fertilizers available and affordable to an increased number of smallholder farmers in ADF countries. Under ADF-16, the Bank will expand the reach of AFFM to support agro-dealers, especially those in countries in transition to mitigate the high risk of operations (perceived and actual risks) and make critical inputs such as fertilizers and seeds available to smallholder farmers. The AFFM is therefore integral to Africa's medium- and long-term agricultural transformation and will play a more significant role under ADF-16 and beyond.

160. **ADF-16 will promote the free flow of productivity-enhancing, climate-smart agricultural technologies in Africa.** ADF-16 resources will be deployed under the Feed Africa CSA flagship, to support the delivery of rigorously vetted, productivity-enhancing technologies to millions of smallholder farmers, as well as large-scale agricultural and livestock producers.

161. **Water Management.** ADF-16 will promote investments to improve the availability of sustainable water resources for food production and improved nutrition security, in line with the Feed Africa Strategy (namely the flagships TAAT and SAPZs) and pillar 3 of the Bank Water Strategy, with a focus on water-stressed countries and fragile regions. ADF resources will be deployed to support: reforms and strengthening of the enabling environments for managing water in agriculture; increasing water availability for agriculture through resilient infrastructure investments (multi-use water storage systems, scaling up irrigation and drainage systems including use of groundwater

resources; scaling up water for pastoral production, and improving water productivity, including rainwater harvesting on farmlands at watershed level), with focus on small and medium-sized farmers; using modern technology to improve water efficiency and productivity (promoting water-saving technologies like drip irrigation, reuse in water stressed regions, and deployment of solar based pumping systems etc); and strengthening anchor investments for enhancing fisheries by linking the "blue economy" with water-related aspects of agriculture.

162. **Regional agricultural value-chain development projects will transform the agricultural landscape of the savanna, arid lowlands and other agro-ecologies that cut across several ADF countries.** The projects will enhance the productivity of priority crops, through conservation agriculture (to improve soils and restore degraded soils). The overall goal is to reduce imports of cereal, oil grains and animal protein, enhance the competitiveness of the poultry industry, improve breeds and contribute to improved food and nutrition security. The initiative would be rolled out as Regional Operations in East Africa, Southern Africa, Central Africa, and West Africa.

163. **Digital infrastructure in the agriculture sector will be improved.** Conventional approaches to food production are no longer able to keep up with Africa's fast growing food systems demands and the impact of climate change on agriculture. Technological innovations and digitalization offer an opportunity to transform African agriculture to produce higher yields, increase value addition and ensure more nutritious foods on a wider scale. Digital agriculture profiles will be developed for ADF countries to provide a snapshot of how they are positioned in the transformational process and identify gaps, challenges and barriers that need to be tackled.

164. **Private sector involvement in agriculture.** Private sector stakeholders will be engaged to source locally grown produce and enhance value addition to transport, store, and process for local and regional markets. SAPZ will link productivity and processing in rural areas along economic corridors for intra-regional trade integration. With the coming of the AfCFTA, agro-processed goods are moving intra-regionally across borders, and the competitiveness of locally processed and packaged goods is growing. To accelerate private investment, SAPZs would promote job skills training, particularly for women and youth.

165. **Agri-SMEs will be promoted as the bedrock of the agri-food sector, given that, in low-income countries, 70-90% of all foods consumed are produced, processed, transported and sold by SMEs.** Accordingly, agri-SMEs fostered as agents of inclusive and sustainable agricultural transformation, providing market opportunities for women and youth entrepreneurs along value chains. Risk sharing facilities can act as a catalyst to crowd-in private sector capital into agri-SMEs to promote jobs for women and youth, and climate action across the agri-food sector. Agri-SMEs programs and the concessionary nature of the risk sharing facilities instrument are well aligned with the ADF-16 priorities.

166. **ADF-16 resources will be used to leverage and co-finance other investments under the Bank's Feed Africa Strategy.** For example, following a High-Level Dialogue Feeding Africa, which was held in April 2021, the African Development Bank, in partnership with the International Fund for Agriculture Development, is establishing a Financing Facility for Food and Nutrition in Africa, also known as "Mission 1 for 200". It aims to mobilize US$1

billion from partners, including the private sector, to feed 200 million more people by doubling sustainably yields in nine commodities and produce 100 million tons of food to improve nutritional outcomes.

IV.4 Health, Water and Sanitation Infrastructure

167. **There are essential benefits associated with improved water, sanitation, and hygiene (WASH) infrastructure.** UNEP calculates that investments in safe WASH services in Africa could return an economic gain of about US$28.4 billion a year, or around 5% of GDP annually. The sector is key to addressing drivers of fragility by mitigating the stress associated with water scarcity, facilitating equitable development of shared water sources, and strengthening community resilience and coping options. Nearly 75% of the workforce are dependent on access to water and water-related services (agriculture, fisheries, industry, etc.). Proper hand hygiene is one of the most important measures to prevent transmission of many communicable diseases, including COVID-19 and water-borne diseases.

168. **Filling the WASH infrastructure gap calls for increased investment, including through blended finance, using ADF financing to leverage private/commercial finance.** Over the next ADF-16 cycle, investments in the water sector will be anchored on the Bank Group Water Strategy, with the objective to "Improve Africa's water security and transform its water resources to foster sustainable, green and inclusive socio-economic growth and development". It is anticipated that investments will total an estimated US$ 4.62 billion (with around 12% from ADF financing), benefitting an additional 38.5 million people with access to improved and climate-resilient WASH services. Investment areas will be aligned to the Water Strategy, covering the following:

- Integrated and sustainable water resources management, through assessment of the resource and its ecosystems; as well as supporting institutions and the broader enabling environment.
- Strengthening the delivery of water supply, sanitation, and hygiene (WASH) services to be sustainable, resilient, and inclusive, through increased investments, institutional support, and sustainability in both urban and rural areas.
- Increasing the availability of sustainable water resources for food production and improved nutrition, including improved agricultural water management, and investments to sustain fisheries and supporting ecosystems.
- Enhancing sustainable development of hydropower, thus complementing the New Deal for Africa Strategy, while also acknowledging the importance of energy for water security.

169. **Special attention will be paid to fragile areas and countries that face the greatest water stress** as well as addressing the impacts of climate change in climate vulnerability hotspots across the ADF countries. The Bank will also strengthen water governance and country programming, by promoting policy dialogue and dissemination of the Bank Policy on Water and the Water Strategy (2021-2025).

170. **Regional integration will be strengthened through partnerships between ADF countries, RECs and RBOs, for transboundary** cooperation on information,

infrastructure, and institutions which present RMCs with an opportunity to promote basin-wide development and building resilience effectively.

Box: 3 Strengthening Access to Improved WASH Services in Fragile Contexts: Somalia – Kismayo-Baidoa

Water projects in the aggregate have good success rates when measured against objectives. Under the ADF-15, additional financing (UA 7.5 million) was approved for strengthening access to improved water and sanitation services in the urban areas of Kismayo and Baidoa in Somalia. The objective is to improve the quality of life, inclusiveness, and resilience of the population through the provision of sustainable WASH services. The additional financing is (i) facilitating the scaling up of the original project scope to cater for 280,000 people (50% women), including Internally Displaced Persons (IDPs) and Returnees into Kismayo (Jubaland State) and Baidoa (South West State) towns, expanding access to and strengthening capacities for delivery of improved WASH services; and (ii) strengthening the Federal Member States capacities in the monitoring and regulation of water tariffs through the establishment of two Water Development Agencies. The project will reduce exclusion of poor and vulnerable groups in the two towns (where 65% of the population live below the poverty line with 70% of the population younger than 30 years often unemployed) by improving access to safe WSS. The project will improve access to affordable WASH services particularly for the IDP's – who comprise 60% of the population.

Quality Health Infrastructure

171. **Health crises have emerged as a major source of vulnerability in ADF countries**. The COVID-19 pandemic has exposed serious shortcomings in national health systems, overwhelming surveillance and testing capacity. While Africa enjoyed some initial success in containing the pandemic, the social and economic costs have been severe, creating the first recession in decades and pushing millions of people into poverty. With vaccine distribution slow, the virus remains a threat, both to ADF countries and to the world.

172. **ADF countries have large and diverse health infrastructure needs**. Poorer countries and conflict-affected states face the highest rates of communicable diseases and the highest overall disease burden. Across the continent, health infrastructure is unevenly distributed, with major gaps in the coverage of rural areas, and often of poor quality. For example, only half of primary healthcare facilities in sub-Saharan Africa have access to clean water and adequate sanitation and only a third have access to reliable electricity.

173. **ADF countries face major deficits in financing for health infrastructure**. The US$4.5 billion in capital expenditure currently made by ADF country's governments each year is far below the estimated US$26 billion in annual investment needed to meet evolving health needs over the next decade. While COVID-19 has highlighted the need for greater investment, the crisis has also left African countries with severely constrained resources and rising indebtedness. Donor support for health infrastructure has been declining steadily in recent years, and there are major gaps in the support available for new secondary and tertiary infrastructure. African countries will, therefore, need additional support to meet their health infrastructure, as well as assistance with mobilising funding from private investments, including from diaspora communities.

174. **The Bank Group has the potential to fill an important niche as a health infrastructure financier**, drawing on its core expertise in infrastructure development and working in partnership with other development partners in support of national healthcare system strengthening plans. The Bank Group has a long history of support in health and has scaled up its assistance in response to recent health crises. It has the capacity to deploy a range of financing instruments, including private sector operations and public-private partnerships, to help overcome the barriers to private investment in the health sector and address the overall financing gap. The Bank Group can also offer mixed infrastructure investments that connect health facilities to energy, water, and ICT, to enable better quality and more innovative health service delivery. The recently approved Strategy on Quality Health Infrastructure (Box 4) sets out how the Bank Group will draw on its comparative advantage to deliver quality health infrastructure.

175. **The ADF will apply strict selectivity criteria and clear principles to guide its support to quality health infrastructure**. Proposed support will be screened to ensure they are focused on the Fund's comparative advantage and anchored on credible national health system strengthening strategies, with a clear division of labour with other development partners. The ADF will use a range of instruments -investment projects, results-based financing, risk-sharing instruments to leverage private sector resources, and the promotion of innovative sources of finance. The ADF will work closely with partners in that sector. All ADF's health infrastructure support will be packaged with knowledge work, policy dialogue and technical assistance, in partnerships with other health sector actors. This support will focus on promoting effective health financing strategies, including the expansion of health insurance to secure access for low-income households to ensure that the Bank's investments are well utilised, sustainable, and accessible to all on an equitable basis.

Box 4 The African Development Bank Group Strategy on Quality Health Infrastructure

The Strategy on Quality Health Infrastructure in Africa 2022-2030 (SQHIA) was approved by the Board in February 2022. It follows a request from Governors to define its role in addressing Africa's health infrastructure deficits, drawing on its core expertise in infrastructure development. The strategy responds to growing demand from regional member countries (RMCs) for the Bank's support in overcoming gaps in national health infrastructure. The strategy is tightly focused on three categories of health infrastructure that match the Bank Group's comparative advantage, while providing the flexibility to respond to the diverse needs of RMCs.

- **Primary healthcare infrastructure** for under-served populations, with supporting infrastructure investment to ensure that facilities are connected to water and sanitation, energy, transport, and communications services.
- **Secondary and tertiary healthcare facilities**, involving developing new secondary and tertiary healthcare facilities, alongside specialist facilities for cancer, dialysis, and pain management. These investments will be particularly relevant in countries where the burden of non-communicable diseases is growing rapidly.
- **Diagnostic infrastructure,** utilising a range of delivery models, including public-private collaborations to address serious bottlenecks in efficient and effective diagnosis of diseases across the continent.

IV.5. Deepening Regional Integration

176. **Regional integration is one of the core mandates of the African Development Bank Group.** Since its inception, the Bank has used its convening power and its financial support to foster regional operations among RMCs and overcome impediments to Africa's integration. Africa's integration is challenged by obstructions to the flow of goods, services, and people. For that reason, the Bank's main commitment to regional integration is to improve connectivity across the continent through quality infrastructure investment. In Africa, sharing access to regional roads, bridges, rails, ports, airports, border posts, power stations, and communication networks benefits everyone. It fosters cross-border exchanges, reinvigorates people's prospects, and stimulates growth and development.

177. **The ADF's regional operations (ROs) and regional public goods (RPGs) promote integration and development by plugging regional infrastructure gaps and providing technical and financial support to ADF countries and selected regional and continental institutions.** With an active portfolio of operations worth approximately UA 4.5 billion (46% of the Bank's entire "Integrate Africa" portfolio), the ADF's regional operations envelope remains the Bank's premier instrument for the financing of regional infrastructure projects in Africa's low-income countries.

ADF-16 Expected Achievements

178. **Deputies agreed to maintain an allocation of 25% of the ADF resources to ROE to meet the ever-increasing demand for ROs and RPGs under ADF-16 cycle**. Under ADF-15, the RO window was oversubscribed by 90% and the RPG window was oversubscribed by more than 252%. While the RO envelope was allocated record resources under ADF-15—UA 1.3 billion (US$ 1.8 billion) in total, or UA 435 million (US$ 605 million) per year—this amount pales in comparison to the needs. The African Economic Outlook (2018) underscores that Africa's infrastructure needs amount to US$ 130 – US$ 170 billion a year, with a financing gap of US$ 68– US$ 108 billion[33].

179. **The pipeline for ADF-16 already comprises regional operations valued at over UA 2.5 billion.** Meanwhile, the Programme for Infrastructure Development in Africa (PIDA)'s second priority action plan (PIDA-PAP 2), which covers 2021–2030, comprises 69 regional infrastructure projects worth an estimated US$ 161 billion (UA 114.2 billion).

180. **The continent's small, low-income economies have been hardest hit by the spiralling effects of the global COVID-19 pandemic**, which has closed borders, shuttered businesses, and sapped earnings. Across the continent, low access to vaccines, growing indebtedness, high inequalities that are worsening in fragile areas, and climate change underscore the urgency of strengthening economic and social safety nets. The scale of the challenges goes far beyond national borders: it calls for solutions that are designed and implemented at the regional and continental level.

181. **The ADF-16 cycle is an excellent opportunity to go beyond the Bank's regional integration commitments** under ADF-15, all of which the Bank has achieved in full. A

[33] https://www.icafrica.org/en/knowledge-hub/article/african-economic-outlook-2018-351/

strong commitment to the ROE will produce results beyond expectation and multiply the Bank's accomplishments by helping to integrate the continent.

Section V. PILLAR II Governance, capacity building and sustainable debt management

182. **Pillar II under ADF-16 will focus on strengthening governance and institutional capacity of RMCs to build resilience and promote sustainable and inclusive growth.** COVID-19 highlighted the persisting weaknesses of public financial management systems and capacities to deliver crucial public services such as education, health, and infrastructure. The increasing level of unsustainable debt across the continent is one of the symptoms of these weaknesses and further accentuates the critical importance of continuing to enhance RMCs' capacity to ensure effective and efficient public spending and greater transparency and accountability in government.

V.1 Strengthening Governance and Capacity Building

183. **The Bank Group's work to enhance economic governance on the continent is defined within the recently approved Strategy for Economic Governance in Africa (SEGA) 2021-2025,** and within the policy and strategic framework for combatting illicit financial flows 2017-2021.[34] In line with these strategies, ADF-16's interventions will foster public sector effectiveness, stimulate structural transformation, and ensure that citizens, communities, and civic groups participate in public-sector governance. Operations under ADF-16 will continue to be delivered in the core areas of governance in which the ADF has a comparative advantage, including support to public expenditure management, domestic resource mobilisation, sustainable debt management and enhancing the business enabling environment for private sector-led economic recovery. ADF-16 will build capacity of RMCs to enhance transparency and accountability in the management of public expenditures at national and sub-national levels. Areas of intervention will include assisting governments to establish open and transparent budget and audit processes, as well as improving procurement policies and regulations for greater transparency and competition. Digitalization and integrating PFM information management systems, such as IFMIS and e-procurement, will be key to this process. ADF-16 will also give particular attention to empowering and supporting the involvement of civil society in public budget processes, through outreach, dialogue and partnerships.

184. **Management will take further steps to mainstream governance across ADF-16 operations**. It will continue to address infrastructure and natural resource governance issues through promoting institutional and regulatory reforms in critical sectors (such as energy, manufacturing and agriculture), and will ensure that environmental and social safeguards, addressing climate change and Paris alignment are taken into consideration. The timeframe for ADF-16 coincides with the last three years of implementation of SEGA. The targets proposed under ADF-16 should, therefore, fully align with the results targeted under SEGA.

185. **ADF-16 will strengthen efforts to address illicit financial flows (IFFs), including corruption.** Financing of development priorities are hindered by the debilitating effects of IFFs and opaque and destabilizing transfer of capital. IFFs fosters corruption and undermine the rule of law and financial probity, exacerbating inequalities. ADF-16 will

[34] A proposal to extend the IFF strategy to 2023 is being processed for Board approval.

scale up support for reforms to combat IFFs by assisting in designing and implementing comprehensive risk-based approaches and mitigation plans, following a whole of-government approach. ADF-16 will also support stronger beneficial ownership frameworks and tax-related exchange of information, to enhance transparency, facilitate fairer and more progressive taxation. ADF-16 will also promote stronger public accountability mechanisms, such as conflict of interest management systems, income and asset declarations, and oversight institutions. Investing in these reform areas will strengthen countries' capacity to fight corruption, money laundering, and other IFFs.

V.2 Debt management

186. **To address the growing debt concerns in RMCs, particularly in ADF countries, and to enable them to make sustainable borrowing decisions, the Bank has refined and defined a set of policies and plans to support debt sustainability and transparency.** The Bank Group's new Sustainable Borrowing Policy (SBP) was one of the ADF-15's Policy Commitments and included the "Action plan for the management and mitigation of debt distress in Africa" (DAP) approved by the Board of Directors in early 2022, replacing the Non-Concessional Debt Accumulation (NCDA) Policy (also as committed during the GCI-VII and the ADF-15 negotiations). The DAP was approved in 2021, through a three-year action plan. It has five strategic objectives to "make debt work for Africa," with sub-actions proposed under each: (i) engage in high-level policy dialogue on debt sustainability at the national, regional, continental, and global levels; (ii) increase the level of low-cost and low-risk development financing available to RMCs; (iii) strengthen countries' capability to manage their public debt productively and transparently; (iv) strengthen the Bank's institutional framework to incentivize sustainable debt accumulation by RMCs; and (v) assist RMCs in debt crisis resolutions.

187. **Policy harmonization and coherence increases the impact of collective policy measures.** In June 2020, the World Bank replaced its non-concessional borrowing policy with a broader Sustainable Development Finance Policy. In October 2020, the International Monetary Fund (IMF) revised its Debt Limit Policy. Given the Bank's commitment to harmonize policies on debt with key multilateral institutions, particularly the World Bank and IMF, the revised Sustainable Borrowing Policy (SBP), which was approved in 2022, ensures complementarity, harmonization, and coordination.

188. **The revised SBP has a broader scope, covering not only subsidization of non-concessional debt with concessional debt, but also key aspects of debt sustainability, management, and transparency.** The first pillar emphasizes debt management and transparency by (i) establishing Agreed Policy Actions (APAs), (ii) aligning and implementing the Operational Guidelines of the ADF Resource Allocation Framework, and (iii) building capacity and providing technical assistance. The second pillar, on coordination and partnership, (i) improves coordination with other multilateral institutions, development partners, and lenders; and (ii) establish strategic partnerships.

189. **The SBP is aligned with existing policies and is consistent with the frameworks of the Bank Group**, including (i) the Operational Guidelines of the ADF Resource Allocation Framework; (ii) the Bank Group Policy on Program Based Operations (PBOs); (iii) the 2014 policy on "Diversifying the Bank's Products to Provide Eligible ADF-only Countries Access to the ADB Sovereign Window," as amended in 2021 (the "Credit Policy"); and (iv) the

2011 Transition Framework for Countries Changing Credit Status, as amended in 2021. It is tailored to country circumstances and specific drivers of debt vulnerabilities.

190. **Dialogue with RMCs, particularly with ADF recipient countries, on debt issues will include APAs for countries in moderate or high risk of debt distress, to be defined by the country and the Bank, targeting specific measures linked to debt management and transparency.** These APAs will be measurable, time-bound, and have realistic objectives for each RMC. Strong complementarity or alignment between the APAs and the World Bank Policy and Performance Actions will be sought. ADF recipients at moderate or high risk of debt distress will need to define APAs with the Bank. The definition of APAs and their implementation will be closely linked to overall Bank support on debt. The Bank continues to support institutional capacity development for debt management among RMCs through technical assistance on overall debt governance and transparency, knowledge products, and related operations. This support is being further tailored to ensure that it complements the APAs discussed with RMCs; capacity building efforts will be further strengthened to support national debt re-profiling and negotiations with creditors and development partners, including the IMF. Through the Public Finance Management Academy (PFMA), the Bank has designed and is currently providing wide-ranging capacity development programmes that complements what is currently being undertaken by other institutions (mainly IMF, World Bank, and other African institutions working on PFM such as ATAF, CABRI, WAIFEM, MEFMI, AFROSAI, etc.) on the continent. These include executive training for public administration institutions and officials, technical assistance (TA) to countries on PFM, debt management and arrears clearance, and policy dialogue on PFM to the RMCs as part of the Bank's broader virtual capacity development academy (VCDA). The Bank has designed and is currently implementing an 18-month structured training covering the entire PFM cycle and ecosystem for PFM experts nominated by their national authorities in all ADF countries. Some of the unique features of this program is that it is structured, continuous, with emphasis on peer-to-peer learning. The approach of the PFMA contrasts with other PFM provides on the continent, most of which specialize on specific aspect of PFM. It serves as a hub, platform and aggregator of ongoing initiatives through deepening partnerships to achieve results at scale.

191. **Solid operational and institutional arrangements guide the implementation of SBP and its reporting** to Management and the Board. Policy implementation will be carried out through rolling action plans and strategies, including the Multidimensional Action Plan for the Management and Mitigation of Debt Distress Risks in Africa (the Debt Action Plan) and SEGA. A robust theory of change is embedded into these implementation mechanisms. Policy implementation will rely on effective coordination within the Bank, and consistent monitoring and reporting. For this purpose, the Bank has also established an interdepartmental committee on debt as an internal management coordination mechanism.

192. **Consistent with the Common Framework (CF) for Debt Treatments beyond the Debt Service Suspension Initiative (DSSI),** the Bank Group will also strengthen its partnerships and coordination mechanisms with key stakeholders involved in debt management issues. In alignment with the Policy's Guiding Principles of Sustainable Borrowing, and towards the promotion of transparency regarding debt data, the Bank and the Fund will

keep forging new partnerships with other International Financial Institutions (IFIs), Multilateral Development Banks (MDBs), and reach out to bilateral, non-traditional, and commercial creditors to promote debt data accuracy as well as sound lending practices. Creditor coordination, information sharing, transparency, and financial innovation will be the heart of this initiative. The Bank and the Fund will also support Regional Member Countries in leveraging lessons learnt from working under the Common Framework and maximising benefits and impacts, through its policy dialogue and knowledge brokerage.

193. **The Fund will further leverage its strong partnership and collaborations through its role on the G-20 International Financial Architecture (IFA) Working Group and the WB-IMF Debt Management Facility (DMF)** – a multi-donor trust fund administered by the Bretton Woods institutions and offering advisory services, training, and peer-to-peer learning to more than 80 developing countries around the world to strengthen their debt management capacity, processes, and institutions. The Bank will actively coordinate the debt management capacity-building response on the continent through its membership in the Implementation Partners Council of the DMF. This will continue to provide customized advice on sovereign debt management through the design and application of analytical tools, provision of tailored advisory services and implementation support, training, and peer-to-peer learning.

V.3 Capacity Building

194. **Capacity development is recognized as being essential to achieving the SDGs, particularly SDG16 which calls for "the building of effective, accountable and inclusive institutions at all levels".** The African Development Bank Group's Capacity Development Strategy 2021-2025 (CDS) guides capacity development activities in RMCs. The vision of the strategy is to mainstream capacity development in all the Bank's operations and strengthen institutional capacity for inclusive growth and sustainable development. The CDS has three pillars: (i) project implementation management capacity; (ii) capacity for economic policy and governance management; and (iii) knowledge brokerage and policy dialogue.

195. **ADF-16 will build on the experience and successes around capacity-building initiatives for gender mainstreaming, quality infrastructure,** enhancing employment, data collection (National Statistics Offices), national capacity development strategies in transition states, skills development, and management of public institutions, addressing structural vulnerabilities, and improving the business environment in transition states.

196. **ADF-16 will focus on building institutional capacity, both at the national and regional levels**, strengthening African-led institutions, supporting policy development, facilitating knowledge exchange, and coordinating in-country capacity development efforts. Emphasis will continue to be placed on improving infrastructure procurement, promoting an enabling environment for private sector involvement in infrastructure financing, and enhancing vocational skills development that contributes to decent job creation via infrastructure and its maintenance.

197. **Capacity building for climate action**: Capacity building amongst public and private sector actors will promote Paris-aligned investments and build capacity of national and regional institutions to access climate finance at scale. It will support ADF countries in planning

and articulating their adaptation and mitigation needs to deliver their NDCs. ADF-16 will also support countries in designing and implementing sound, efficient, equitable and sustainable resource management policies and investments in land, water, forestry, and fishery sectors. The Fund will also work with countries to support climate-resilient sectoral policies and investments, including those related to green growth, the blue economy and natural capital.

198. **Good infrastructure governance is underlined as one of the G20 Principles for Quality Infrastructure Investment**. It is key to providing quality, sustainable, affordable, reliable, and climate resilient infrastructure that also improves the returns on public and private investment. Infrastructure governance solutions would encompass a strategic long-term vision for infrastructure development that is articulated via a needs assessment and informed by stakeholder engagements. Strengthening policy and regulatory frameworks, as well as procurement processes will help to deliver quality infrastructure at reasonable cost-efficient level and minimize indebtedness. ADF-16 will continue to support capacity delivery in both national and regional infrastructure projects, including planning and implementation constraints and regulatory bottlenecks to private sector participation in infrastructure

Capacity Building for Policy, PFM and Debt Management

199. **The Bank Group will broaden and deepen collaboration with partners – especially the IMF, the World Bank, and other regional and bilateral organisations, think tanks and national institutions** – to provide coordinated support to RMCs for more proactive, efficient, and sustainable macroeconomic policy management that is tailored to each country's unique needs. This includes the work being undertaken on productive debt management and debt transparency under the DMF. In line with the DAP defined actions, country level technical assistance and institutional support will be provided to strengthen core functions necessary for productive and transparent debt management, including strengthening public investment management, as well as enhancing debt statistics, recording, monitoring, and reporting, using credible debt systems. This will be further reinforced through policy dialogue and agreed APAs, in accordance with the Bank Group's Sustainable Borrowing Policy. These interventions will be coordinated with other partners.

200. As mentioned previously, **the Bank is also an active member of the IPC, established in 2020 by the World Bank and IMF to coordinate debt management capacity building among IFIs.** It will continue to engage in joint capacity development and policy dialogue with the IMF and the World Bank at country level, while continue to strengthen cooperation and partnership. Under the CDS, the Bank will encourage peer-to-peer learning and sharing of best practices in policy management and productive debt management through knowledge brokerage, technical assistance, and policy dialogue among African countries and globally.

201. **ADF-16 will ramp up Africa-wide efforts to build institutional and human capacity for governance** through support to regional organisations and think tanks, such as the ACBF, AFROSAI, AERC, ATAF and CABRI. It will reinforce partnerships with the IMF and World Bank through the Debt Management Facility and AFRITAC. Under the CDS, these efforts will be coordinated through the newly established Public Financial Management

Academy under the African Development Institute, which will develop and deliver high-level training, technical assistance, and policy dialogue to the regional member countries.

202. **The regional operations envelope will also continue to assist RECs and national authorities in their efforts to strengthen institutional capacities and promote trade facilitation, customs modernization, and the elimination of non-tariff trade barriers.** Capacity building initiatives at the regional level will boost intra-African trade priorities of market expansion and integration, transport logistics, transit management, investment linkages, and investment competitiveness and industrialisation, all of which are essential to providing an enabling environment for the private sector.

203. **The African Legal Support Facility** (ALSF or Facility) Deputies agreed to continue to support the ALSF through UA 20 million from TSF Pillar III. Deputies acknowledged that the ALSF plays a critical role in enhancing sustainable legal capacity in African countries. The ALSF does this through the provision of legal and technical advisory and capacity building to help African countries tackle unfair litigation and to negotiate complex commercial transactions, as well as to enhance the capacity of African lawyers and government officials to undertake such transactions. Accordingly, the Facility provides support to African countries in five main sectors: natural resources and extractives, power, infrastructure PPPs, sovereign debt management, and investment agreements and dispute resolution.

204. **The ALSF is also well positioned to assist African governments to ensure sustainable management of their public finances**. The ALSF support includes review of country financing arrangements, and relevant legislation and legal frameworks and, assessment of the potential impact of contingent liabilities (e.g., in relation to PPP projects) and collateralized debt arrangements due to sub-national and state-owned entity debt. The ALSF also provides advisory support in relation to debt reconciliation, creditor outreach/engagement, debt reprofiling, and debt restructuring, and training to enhance debt management skills, and understanding of debt relief programmes. In the current economic climate, the ALSF will harness its resources to provide rapid support to avert financial crises and restore investor confidence. The ALSF will also ensure transparency, accountability, and the Principles for Stable Capital Flows and Fair Debt Restructuring in Emerging Markets to enhance sustainable public financial management.

205. **In line with their respective strategies, the Bank and the ALSF give special attention to promoting good governance to achieve sustainable transactions.** Broadly, the current Bank and ALSF's assistance focuses on building and enhancing responsive legal and regulatory capacities to address prohibited practices and illicit financial outflows and strengthening transparency and accountability in the management of public resources in Regional Member Countries. Through enhanced due diligence, the ALSF plans to identify and remedy deficiencies in transparency, accountability, public participation, and anti-corruption mechanisms and intensify implementation of appropriate mitigation measures to ensure conclusion of fair and equitable commercial and sovereign transactions, consistent with international standards relating to governance. Additionally, capacity building initiatives on governance issues relating to sovereign commercial transactions will be intensified.

206. **The Facility has provided over US$ 110 million for more than 330 operations in 45 African countries and contributed substantially to the sustainable economic development of African economies.** In 2016 and 2020, under ADF-13 and ADF-15, respectively, the ALSF received an equal allocation of UA 16 million during each replenishment cycle, totalling UA 32 million (equivalent to US$ 44.8 million) to support its efforts in addressing issues facing transition states across the continent.

207. **With the strong support of the ADF and other financing partners, the ALSF intensified its interventions in transition states**. By the end of 2021, the ALSF had cumulatively approved over US$ 62 million for more than 130 operations in 21 transition states: Burundi, Central Africa Republic, Chad, Comoros, Côte d'Ivoire, Democratic Republic of Congo, Eritrea, Guinea, Guinea-Bissau, Liberia, Madagascar, Mali, Mozambique, Niger, Sierra Leone, Somalia, South Sudan, Sudan, The Gambia, Togo, and Zimbabwe. These interventions helped to rehabilitate or develop new infrastructure, **increase** clean energy sources, maximize government revenues, promote economic opportunities, enhance basic services, build the relevant capacities of government institutions and citizens, and improve the lives of Africans generally.

208. **The ALSF gives priority to countries in fragile situations,** as they are more vulnerable to creditor litigation and more susceptible to the risk of concluding **inequitable** commercial transactions. Accordingly, the ALSF will continue and enhance its traditional support to transition states in negotiating fair, transparent, and durable contracts, through advisory services and capacity building interventions.

209. **Additionally, the ALSF will leverage its considerable experience supporting African countries to enhance its interventions through a good governance lens with particular focus on sovereign debt management issues and tackling illicit financial flows (IFFs).** This will complement and enhance the Bank's and other regional and national efforts aimed at rooting out IFFs by ensuring that ALSF-supported transactions do not promote IFFs, and by reinforcing assistance to RMCs in relation to large scale corruption related disputes and weak governance and increasing activities aimed at building sustainable institutional legal capacity.

Section VI. Institutional Reforms and Development Effectiveness

VI.1 Enhanced Delivery Capacity

210. **During ADF-15, Management made substantial progress towards its institutional reform commitments.** At the MTR meeting in December 2021, Management reported that all commitments except four (one of which was under the purview of the Board of Governors) were met. Human resource management practices, **leveraging** of technology and overall business process improvement were key to this progress. The high-level commitments for institutional reform – the completion of the People Strategy, the comprehensive review of total compensation, the improvement of the staff performance system and processes, the identification of career paths and incentives for fragility experts and staff working in countries in transition, and the expansion of staff delivery capacity for the RDTS team – have been fully met.

211. **The institution's capacity to deliver is critical for the successful implementation of ADF-16 and capacity to achieve development results, including the enhanced capacity from recent decentralization actions.** The Bank Group continues to strengthen its capacity to deliver on the selected and targeted high-value areas of the High 5s, while playing a catalytic role in mobilizing other partners in meeting the overall ambitions of the High 5 agenda. While unprecedented challenges arose from the COVID-19 pandemic, nimble adjustments were undertaken with the support of appropriate IT tools. This enabled a more effective virtual workforce, with staff based in headquarters, regions, and countries across the continent. Since the commencement of the work from home arrangements, two "Work from Home – Return to Office Surveys" have been conducted, one in 2020 and the other in 2021. Staff feedback in these surveys has been very positive. The Information Technology (IT) investments made by the Bank were instrumental in adapting quickly and efficiently to the "new normal", without disruption to the Bank Group's business.

212. **As part of increasing the Bank's capacity to deliver and to reinforce the Bank's human resources & skills development approaches, a new People Strategy for 2021-2025, the new Staff Regulations and the new Staff Rules were approved** over the 12 months spanning November 2020 and November 2021. The Board, in September 2021, also approved management proposals for the updated Total Compensation Framework (TCF), for implementation as from 2023. These are strategic levers to enhance the Bank's position as an Employer of choice for professionals working in development on the continent.

213. **A strategic framework for rightsizing of staff** was approved by the Board in December 2020. In addition, the Strategic Staffing exercise is ongoing to build on this, with the objective of rebalancing the ratio of locally recruited staff from the current 37% to 50% of the workforce by 2026. These measures are critical steps to progressively develop local operational capacity in the regions. The introduction of talent councils and job family committees will further boost the Bank's talent and career management processes.

214. **A number of measures are under development for Commitment IN3 geared to boost the share of projects managed outside of HQ**. With the release of the new Staff Rules in November 2021, new Staff Mobility guidelines are expected to be approved for

implementation in 2022. Good progress was also recorded in implementing the One Bank approach delivery model in critical path activities (namely: business processes, people management, budget reforms, joint accountability, and change management), with the revised matrix structure ready for implementation. The new Delegation of Authority Matrix (DAM) has been revised comprehensively and published for implementation as from March 2022.

215. **The One Bank implementation and the organizational fine-tuning exercise respond to the strategic goals of the institution** as encapsulated in two specific commitments aimed at increasing the efficiency of the Bank. These were made as part of the 2019 GCI-VII and referenced in the institutional reforms under ADF-15.

216. **Specifically, the fifth GCI-VII objective is to increase efficiency by fine-tuning the Bank's organization and centre its efforts to improve organizational efficiency,** through measures to streamline the Bank's structure and institutional arrangements. This objective is a continuation of reforms underway since April 2016 when, as part of the Development Business Delivery Model (DBDM), the Bank introduced its matrix structure. This reform had three goals: (i) better alignment of the Bank's structure with its strategic objectives; (ii) decentralization, to bring the Bank closer to its clients; and (iii) improved organizational effectiveness. Since then, Management has recognized the need to promote stronger and more effective collaboration between different parts of the matrix organization. This includes developing a clear and effective division of labour between the Bank's Headquarters, Regions, and Complexes. Organizational fine-tuning (Action 21) - the first action under this objective is to develop a proposal for fine-tuning the organizational structure (Action 21). Institutionalize the One Bank delivery model (Action 22) - the second related action (Action 22) is to institutionalize the organizational arrangements that underpin the matrix delivery model.

217. **The progress on the original proposal to fine-tune at the Bank's organizational structure, was disrupted by COVID-19.** There is now a need to harmonize it with the One Bank delivery model. In September 2021, the President presented a comprehensive proposal for both Actions to a closed session of the Board for discussion and endorsement. Based on the clear guidance received, a new structure was announced in March 2022, including the establishment of a separate Vice Presidency for People and Talent. Management is following up on the implementation details to bring these two important GCI commitments to full completion in mid-2022.

VI.2 A Fit-for-Purpose Institution

218. **The decentralization agenda** has remained core to the Bank's development impact efforts as it continues to move closer to clients and strengthen its presence in member countries, with special attention to transition states. The continuing growth of professional staff in RMCs ensures more timely and informed decision-making. As of now, 74% of Bank projects are managed from the regions and country offices[35]. There is a need to reinforce the staffing of the Business Delivery Units (BDUs) and put more experienced staff in the frontline for closer engagement with clients, with more technical

[35] While the Bank-wide performance across all countries stands at 74%, a higher performance has been recorded at 76% for ADF countries and 78% for TSF countries.

resources to drive policy dialogue and form coalitions with like-minded Development Partners. The Strategic Staffing and Mobility Policies that are under implementation aim to give more flexibility to regional hubs and country offices in determining and correcting the sectoral skills needed to deliver the work program. Their successful implementation will contribute to meeting the Commitment IN3 (82% of projects managed from regional hubs and field offices by Mid-Term-Review). In line with this vision, the Bank has continued to increase its physical footprint in RMCs, with a reinforced presence in 22 ADF countries, of which 16 are transition states. Efforts to strengthen the capacity of field offices are ongoing, with a steady increase (22%) of staff based outside of HQ, from 683 in 2017 to 830 as at December 2021 (representing 39% of Bank staff), excluding five staff located in the Asian Representation Office. The share of operations professional staff across all the Regions/Country offices was 52% as of December 2021, up from 42% in 2016 and 39% in 2013, with a target to raise this to 58% by 2025. Furthermore, within the professional staff category, the ratio of local professionals to international staff stood at 13%.

219. **Promoting staff diversity and gender equality**: As of December 2021, the Bank had employed staff from 72 out of the 81 member countries. The Bank has also made progress on women's representation in both management and professional staff. It retains the aspiration to increase the proportion of female managerial staff and female professional staff to 40% by 2025. As of December 2021, the share of women in professional roles was 31% (three points higher than in 2016 and 2017), but the share of women in leadership roles was 26%, below the target of 40% projected for the end of 2025. The Bank has also signed up to Global EDGE Certification, to independently certify its organizational standards, policies, and practices conducive to an equitable and inclusive workplace and culture.

220. **Recruitment and retention**. The vacancy rate reduced from 24% in 2018 to 9.2**%** in December 2021, below the 10% commitment originally made for ADF-15. The Bank now has a much stronger regional presence with 41 country offices, of which 16 are in transition states, and diverse staffing. Management remains committed to maintaining the good momentum in recruitment achieved since 2018.

VI.3 A Continued Transformation during ADF-16

221. **Zero tolerance for sexual exploitation, abuse, and harassment (SEAH)** has been reinforced. A revised Presidential Directive prohibits sexual exploitation in the workplace, and in Bank-funded projects, was issued in November 2021. The Bank will now strengthen its administrative measures to support this Directive. Where the Bank becomes aware of credible allegations of illegal practice and/or misconduct, it will take swift and appropriate action to prevent further harm, to investigate any person suspected of such practice, and if warranted commence disciplinary measures (see annex 4 for more details).

222. **The Bank will enhance its institutional integrity**. The Bank Group has adequate oversight and accountability mechanisms that cover its internal activities and external operations: The Auditor General, Evaluation Department, Ethics Department, Environmental and Social Safeguards & Compliance Department, Internal Review Mechanism, and the Ombudsperson. By adopting risk-based approaches and guided by the "Three Lines

Model" for risk management, these institutional mechanisms will continue to engage in proactive exercises of their mandates to ensure improved accountability in the Bank Group's internal activities and external operations. Specific focus will be given to operational risks in transition states, using information and analysis generated by the Bank Group's Transition Support Department and other relevant sources. Annex 4 provides more details on the various components of the institutional integrity measures.

223. **The Benefits of Independent Evaluation Function to ADF - Independent evaluations provide credible, reliable evidence on what works well and what does not, and why**. Independent evaluations provide a basis for accountability to key stakeholders including citizens, governments, funders, and partners, by evaluating and documenting the design, implementation and results of ADF-funded interventions. Independent evaluations enhance learning in ADF-funded interventions by providing lessons and recommendations to improve current and future policies, strategies, and processes that apply to the ADF, with the overarching goal of improving development effectiveness. Independent evaluations identify factors that enhance or undermine compliance with financial and business processes and procedures in ADF-funded projects. Independent evaluations provide lessons to improve future design and implementation of ADF-funded interventions in ADF countries. Independent evaluations enhance the quality of the management of resources for ADF-funded interventions' efficiency in budget allocation and fiduciary management issues (project approval, procurement, and disbursement). in meeting the objectives of ADF-funded interventions, independent evaluations assist in improving business processes (project supervision, implementation and completion reporting, management oversight and risk assessment) as well as effective and efficient use of resources (financial, material and human).

224. **The Board of Directors approved the One Bank Results Measurement Framework (RMF) in May 2017 for a ten-year period (2016-2025) and it is currently being reviewed (2022).** The RMF defines the indicators, benchmarks, and the targets that the Bank uses to assess its performance in achieving its Ten-Year Strategy goals and its High 5 priorities. The RMF uses the same set of indicators and four-tier structure to track performance of both the ADB and the ADF, while allowing for disaggregation between them where needed, as well as for countries in fragile situations. Africa's development progress and the Bank's contributions through its operational results are described in an accessible manner in the Annual Development Effectiveness Reviews (ADERs), to facilitate transparency to stakeholders, and will enable progress under ADF to be distinguished from that of the Bank as a whole.

225. **Deputies underscored the importance of continued improvements to institutional governance.** In that connection, Deputies took note of the work of the Ad Hoc Committee of the Boards of Governors on the Review of Certain Governance Instruments and whose report and recommendations were approved by the Boards of Governors of the African Development Bank (the "Bank") and the African Development Fund (the "Fund") on 24 May 2022 during their Annual Meetings. In particular, Deputies took note of Resolution B/BG/2022/08 – F/BG/2022/05, in which the Boards of Governors of the Bank and the Fund directed the Boards of Directors to undertake specific follow-up actions, including: a "comprehensive and holistic review of the independence of key oversight functions of the Bank Group, within the ongoing work on institutional reforms"; and the submission

of progress reports to the Boards of Governors at the next Annual Meetings, amongst others. They encouraged Management to take all necessary measures to meet the deadlines set by the Boards of Governors. Management agrees to provide an update at Mid-Term Review.

Section VII. ADF-16's indicative pipeline and financing scenario

VII.1 ADF-16 Pipeline

226. **The ADF-16 pipeline is estimated at UA 11.2 billion, with a total of 301 operations**. The projects are linked directly with country strategies and priorities (National Development Plans), as well as Country Strategy Papers/Regional Integration Strategy Papers, and will be aligned with the ADF-16 strategic and operational priorities. The pipeline is a result of a filtering process that respects countries' development needs and exploits the areas of intervention where the Fund enjoys a comparative advantage. The ADF-16 pipeline of operations incorporates the last phase of the Ten-Year Strategy 2013-2022 and the second phase of the High 5s. A substantial ADF-16 replenishment would enable the ADF to deliver its pipeline while mobilizing resources from the private sector and other development partners.

227. **The Bank is progressively mainstreaming climate change and green growth considerations into its operations.** Over a third of the pipeline operations (114) are projected to have between 80-100% (UA 3.2 billion) climate finance allocation, representing 28% of the pipeline by value. Of these, the agriculture, environment, and rural development sectors will account for nearly 21% by value, at UA 2.3 billion. An average of 43% of the Bank's projects will be approved as climate finance by 2026, surpassing the corporate climate finance target of 40%.

Figure 3: Sector Distribution of the ADF-16 Pipeline of UA 11.2 billion, 2023-2025 (UA Million)

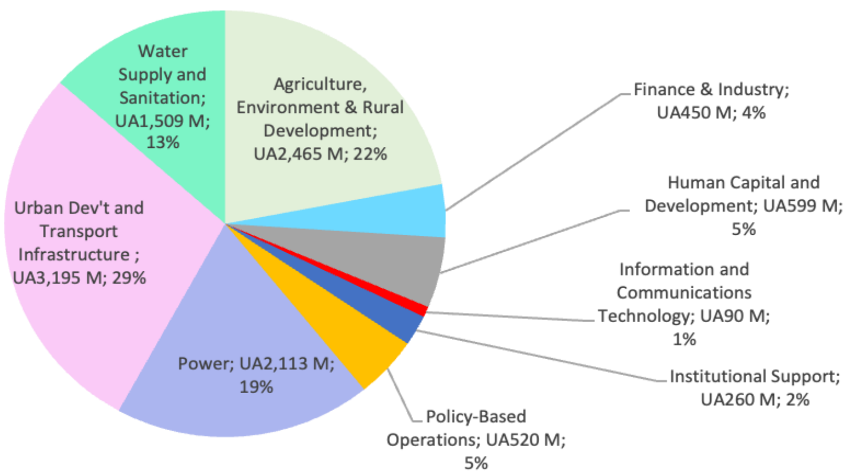
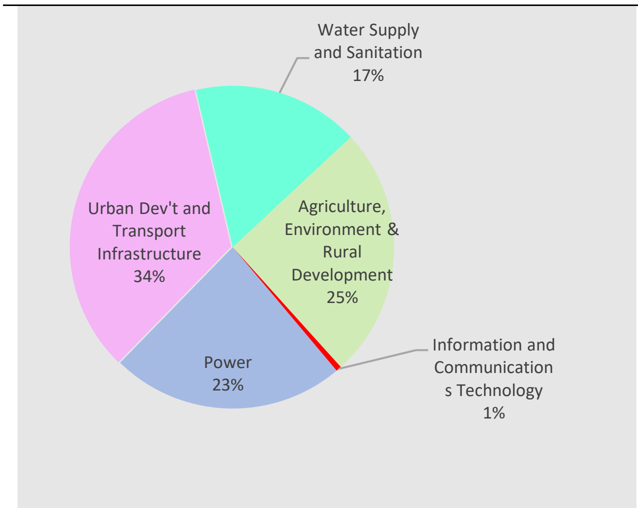
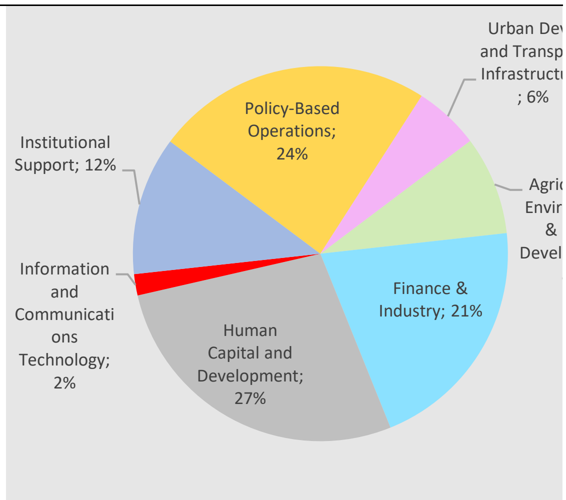


Figure 4: ADF-16 Distribution of Resources by Pillar

Pillar 1: Sustainable, Climate, Resilient and Quality Infrastructure	Pillar 2: Governance, Capacity Building and Sustainable Debt Management
	

VII.2 ADF-16 Financing Scenario

228. **ADF-16 financing instruments include project financing (including policy-based loans and guarantees),** co-financing, policy dialogue, policy advice, technical assistance, and knowledge production and dissemination. The replenishment will determine the Fund's ability to meet the financing needs of Africa's low-income countries, including countries in fragile situations. At UA 11.2 billion, the strong pipeline of projects for ADF-16's three-year cycle shows the magnitude of ADF countries' development needs. Management's ambition is for a replenishment that allows the full ADF-16 pipeline to be funded.

229. **Resources for ADF-16 will consist of donors' subscriptions, concessional donor loans, ADF internal resources—the Advance Commitment Capacity (ACC) and carry-over from the previous replenishment—and transfers from AfDB's net income.** Management has considered different avenues and innovations to reach the target, including mobilizing resources through non-state participants and co-financing. The financing scenario presented below is anchored on the robust UA 11.2 billion pipeline of operations identified for this replenishment.

(in UA million)	Actual ADF-15	ADF-16 scenario
Donors' contributions	3,633	3,996
Increase in nominal terms		10%
Increase in real terms		3.36%
CDLs (current format)	623	750
Advanced commitment capacity (ACC)	1,207	2,195
Total	5,463	6,941
Change from ADF-15		27%

230. Donor contributions were assumed to increase by 3.36% in real terms, while CDLs would increase by approximately 20% in nominal terms or UA 127 million to reach UA 750 million. With these levels of donor contributions and CDLs, the ACC was estimated at UA 2.195 billion.

231. **There is an undisputable need to ensure that adequate resources are made available to countries with small allocations**, to ensure a meaningful engagement with the ADF, to allow for greater selectivity, and to increase the average size of the projects. Many large infrastructure projects require significant resources and with the current minimum allocation, countries are unable to focus on selected large, transformative projects. In turn it makes it difficult for the Bank to focus on larger and more selective projects.

232. Finally, it is worth noting that the ADF scenario does not **consider funding through non-concessional borrowings** from capital markets. Non-concessional borrowing could be considered only after the ADF charter is amended and the Fund has established its new financial and risk management policies, sought a credit rating, among others. However, in order to have resources commensurate with the needs of RMCs and to go beyond the pipeline, Management will consider any amounts leveraged by the Fund as additional resources for the upcoming ADF replenishments, and as approved by the Deputies.

VII.3 Increasing the Minimum Performance-based Allocation

233. **Deputies endorsed Management's proposal to increase the minimum allocation from UA 5 million per year (UA 15 million per cycle) to UA 9 million per year (UA 27 million per cycle).** The revised minimum allocation will ensure that the allocation system better serves the ADF's strategic focus, comparative advantage, and operating context, and focus on selectivity and larger projects starting from the ADF-16 period (2023-2025).

234. **Increasing the minimum allocation will provide countries with small populations a larger basis for leveraging the catalytic role of ADF resources.** At the same time, it will provide a meaningful engagement of the ADF in these countries and preserve the performance nature of the PBA system.

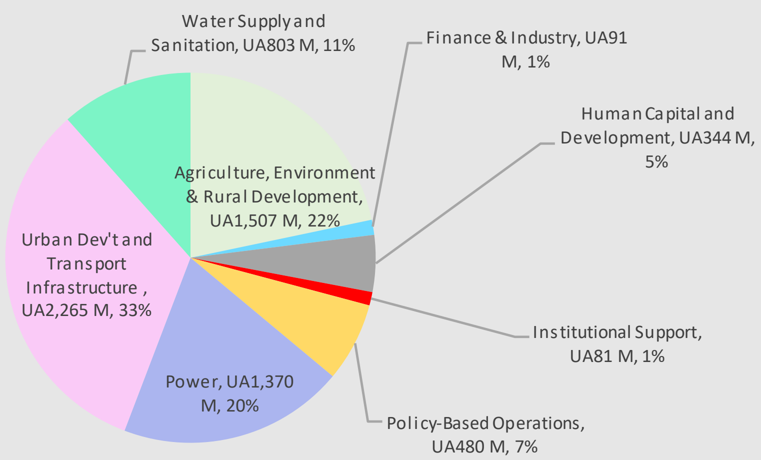
235. **Rapidly changing context of African countries**. As noted in Section 2 of this Report, ADF countries face the triple threats of climate change, COVID-19, and debt vulnerabilities, in addition to increasing conflict and political instability, which have raised their financing needs for meeting the SDGs. The ADF's commitment to respond to these challenges implies that its policy dialogue with ADF countries based on the PBA should evolve and reward those countries that perform well in areas such a macro-economic policy and expenditure.

236. **ADF will be better equipped to form a stronger engagement with small-population countries, some of which are in fragile situations. These countries receive the bulk of their support from the Bank in the form of minimum PBA.** They depend proportionately more on the ADF to finance their development than do countries with large allocations. The new minimum allocation will be highly effective in supporting a meaningful engagement, particularly in areas where the Fund has a comparative advantage.

Impact on Indicative ADF-16 Operational Pipeline and Financing

237. With a UA 6,941 million (Figure 6), the Fund will expand its portfolio with approximatively 187 operations, including increasing the allocation for regional operations and regional public goods. Over 53% of the planned operations would be in urban development and transport infrastructure (power and energy), followed by agriculture (22%) and increased investments in water supply and sanitation (12%). Under this scenario, the ADF will be able to finance some of the medium/large regional transformative projects such as the Mozambique-Tanzania power interconnection, G5 Sahel projects in the renewable energy sector, integrated development of the Ruzizi Plain, Phase 1 covering Rwanda, DRC and Burundi, and Regional Support Project for the Development of livestock and Aquaculture Value Chains in Central Africa.

Figure 6: Sectoral Breakdrown: Medium Scenerio (UA 6,941 million)



238. **Some of the large renewable energy projects in Southern Africa will help scale up renewable energy generation and electricity access within SADC region through**:

- The 180 MW Songwe River Basin Hydroelectric Power Project (Malawi and Tanzania) (UA 90million) emanates from the Bank's upstream and midstream support for the Songwe River Basin Development Program (SRBDP), a multisectoral initiative that enhanced adaptation to climate change, mitigated adverse environmental impacts, and reduced environmental damage to food production. Using the SRBDP's framework, the 180 MW hydroelectric power project will reduce poverty and improve energy sustainability within the region of the Southern African Development Community (SADC). The water storage associated with the hydropower project will build water and food security and climate resilience, all of which are among the SRBDP's goals.
- The ZIZABONA Power Interconnection Project (Zambia and Zimbabwe) (UA 100 million) is part of PIDA's regional interconnection power transmission corridors within the SADC region. The interconnection project will scale up the trade in energy among Malawi, Mozambique, Zambia, and Zimbabwe. Once operational, the

ZIZABONA transmission interconnector will link four national power networks and strengthen the Southern African Power Pool's regional grid.

239. **With greater resources, the Fund will be able to ensure that more climate adaptation components are integrated into strategic projects**. For example, in Tanzania, a planned water project would help expand the number of towns and therefore increase beneficiaries, to at least three secondary towns rather than just one. This is for projects in the water sector as well as in rural transport projects such as the one planned in Togo to provide isolated communities access to goods and services essential for rural transformation, agricultural input and output market and disaster response. Given the growing interest for SAPZs, under the mid scenario, the coverage of countries would be expanded to include four additional ones – Malawi, Zambia, Zimbabwe, South Sudan. Under the mid-scenario, more resources will enable expansion of SAPZs in large countries to cover different geographic localities. Note that all these value chain projects will incorporate climate adaptation and change.

240. **On governance issues, the Fund will continue to provide financing for planned PBOs in selected countries subject to overall cap on PBOs during the cycle to help with the food crises and its impact on the economy**. In areas such as Public Finance Management (PFM), the Fund will provide support through institutional capacity building projects in areas such as PFM, debt management, debt distress risk mitigation, anti-corruption, and illicit flows. Strengthening PFM systems will provide more reassurances to increase possible donor support to those RMCs implementing key PFM reforms.

VII.4 A Climate Action Window

241. **Climate change represents the single biggest threat to development in Africa.** Its widespread and accelerating effects fall disproportionately on the poorest and most vulnerable, particularly in African Development Fund (ADF) countries. UNEP estimates that, since 2020, Africa has been losing US$7-15 billion each year as a result of climate change, and this is predicted to rise to US$50 billion per year by 2030. Many of the ADF countries most exposed to climate are also conflict-affected by conflict and fragility, which increases their vulnerability and creates deep-seated fragility traps. The climate crisis has been exacerbated by the COVID-19 pandemic, and now by the impacts of Russia's invasion of Ukraine[36] on food and fuel imports. It threatens to undermine the progress made in recent years towards the Sustainable Development Goals (SDGs) and the African Union's Agenda 2063.

242. **ADF countries will need an estimated US$ 600 billion in climate finance by 2030 to meet their adaptation and mitigation needs**. So far, however, sub-Saharan Africa receives only around US$ 19 billion per annum, or 3% of global climate finance. During ADF-15, while the African Development Bank Group met it commitment to allocated 40% of annual approvals as climate finance, overall approvals for climate finance activities totalled just US$ 2.8 billion. Under the Climate Change and Green Growth Policy and Strategy, approved in October 2021, the Bank Group committed to scaling up its climate finance,

[36] Agreed wording at the 2022 African Development Bank Group Annual Meetings. Algeria, China, Egypt Eswatini, Namibia, Nigeria and South Africa entered a reservation and proposed "Russia-Ukraine Conflict.

including through new climate finance instruments, and to helping African countries to secure greater access to international climate finance.

243. **To that end, the Fund proposes to establish a dedicated Climate Action Window as part of ADF-16**. The window will be financed separately from the ADF core replenishment, with contributions counting 100% towards their climate financing commitments under the Paris and Glasgow climate agreements. Contributions will be accepted from ADF state as well as non-state donors. The Climate Action Window will respond to the growing demand across ADF countries for climate finance, complementing the mainstreaming of climate action across core ADF operations. As well as financing adaptation and mitigation projects, the Climate Action Window will include a technical assistance program, to help ADF countries develop their national climate policies and strategies, improve the enabling environment for climate investments, and prepare investment-ready projects. This will help unlock their access to other sources of international climate finance.

244. **There is a strong rationale for a dedicated Climate Action Window**. While climate actions are mainstreamed across ADF investments, the regular Performance-Based Allocations (PBAs) going to the countries that are most vulnerable to the impacts of climate change fall far short of their climate-finance needs. The accelerating loss and damage from climate shocks are occurring at greater scales than can be absorbed by national budgets. At present, adaption costs are mainly being addressed in the context of post facto disaster relief, which is far less cost-effective than preventive action. Dedicated resources are needed to help ADF countries respond to the growing climate crisis.

245. **The proposed Climate Action Window would support adaptation and mitigation needs across six key sectors**:

- Building agricultural resilience for food and nutrition security
- Building water security and sanitation
- Improving clean energy access and just energy transition
- Building resilient urban and green infrastructure
- Greening the financial sector and supporting private sector
- Climate information and early warning systems.

246. The Africa Emergency Food Production Facility (AEPF) will provide the relief packages needed for the countries to overcome shortfall in food production, distribution, and access. The CAW resources that will co-finance AEFPF will be used to build the resilience through the rollout of climate smart agriculture technologies and practices, climate proof supply chains with low emission technology for processing, address loss and damage through weather index-based risk insurance and scale up access to climate and weather early warning systems for food security.

247. **The selection of projects under ADF-16 will be primarily made by ADF countries and drawn from their indicative operational pipelines prepared within the scope of the country Climate Action Plans**. The specific criteria for projects selection for CAW pipelines will be defined in the operational framework. Nevertheless, the primary selection criteria would include, among others, that CAW projects are climate-specific,

and address climate adaptation and mitigation priorities at country or multinational levels, with high climate action benefits. They can be standalone projects or expanding the scale and scope of climate action in existing ADF core operations that will not otherwise be financed due to ADF core resource limitations. Other criteria include climate-development co-benefits; do no harm to nature and people (assessed according to social and environmental safeguard standards of the Bank). The design of CAW pipeline will be underpinned by robust climate analysis (e.g., experienced and/or anticipated climate vulnerability, identification and evaluation of adaptation/resilience options, analysis of GHG emissions and identification and evaluation of low carbon options and have a clear climate result framework and set of indicators).

248. **The CAW will fund additional projects from the pipeline and/or projects drawn from Paris agreement documentations, including Nationally Determined Contributions, National Adaptation Plans and Adaptation Communications**. Projects selected under the CAW must have strong climate change benefits. CAW resources may also be deployed strategically to unlock capital, for instance through building resilience to infrastructure.

249. **CAW resources will be channelled through a mix of financing instruments, including grants, as best suited to the needs and capacities of each country**. It will operate according to the following principles:

- **Additionality (of donor contributions):** Donor contributions should be in addition to their core ADF contributions and may be reported 100% as climate finance. Contributions from non-state donors, such as philanthropic organisations, will also be welcomed.
- **Additionality (of investments):** The CAW will finance additional adaptation and mitigation activities that would not otherwise be supported from ADF funds and drawn from existing project pipelines that meet eligibility criteria for climate action, as well from NDCs, country LTS and national Climate Adaptation Plans. Operations will have a strong focus on leveraging other climate finance sources, with a threefold mobilisation target.
- **Selectivity:** The CAW will maximise the impact of its resources by prioritising more impactful investments that align with the Bank's comparative advantages. It will prioritize adaptation and mitigation projects within the Bank's existing sectoral and thematic priority areas in six sectors.[37]
- **Resource Allocation:** Resources will be allocated to adaptation and mitigation projects in accordance with detailed eligibility, selection, and prioritization criteria. The process will be captured in the *CAW Operations, Selection, and Prioritization Guidelines (Guidelines)*. The Guidelines are currently being developed and will build on the experience of the ADF's Regional Operations envelope.

250. **Complementarity:** The CAW is designed to complement other sources of climate finance. It will aspire to target 75% of its resources for adaptation, with a focus on underserved and fragile regions, helping to correct imbalances in current financing flows, with 15% reserved for mitigation projects and 10% for Technical Assistance (TA). Its TA sub-window

will support the development and strengthening of NDCs, Long-Term Strategies (LTS), and national Climate Adaptation Plans, the preparation of bankable projects and policy and regulatory reforms, to help ADF countries access other sources of climate finance. The CAW will also aim for a 1:3 co-financing ratio. It will be selective in its funding choices, focusing on projects that match the Fund's existing sectoral and thematic priorities across six sectors[38]. Projects may be drawn from existing ADF pipelines, national climate plans and NDCs, or co-developed with partners and Bank initiatives and should have host country ownership and co-financing potential. ADF/CAW donors may revisit the shares of adaptation, mitigation and TA at the end of cycle as required.

251. **Structure: As indicated earlier, the proposed Climate Action Window (CAW) will be structured around the three following components: (i) adaptation; (ii) mitigation; and (iii) a technical assistance program for policy support and capacity building**. Adaptation is the core priority of the CAW, to reduce the vulnerability of ADF countries and also stem loss and damage from the direct impacts of climate change. Mitigation will focus on the greening of brown assets. The technical assistance, policy support and capacity building program will help ADF countries access other international climate finance, by strengthening their national climate policies and strategies, creating an enabling environment for climate action, and preparing investment-ready projects. To avoid undermining such investments potential CAW recipient countries should commit to no new coal or heavy fuel investments. The partial greening of brown assets in ADF countries entails adding solar PV capacity to fossil-fuel based power plants that will contribute to displacing fossil fuel-based power output during daylight hours and thereby reducing operating costs (as a result of reduced fossil fuel consumption). Hence, there is a natural incentive for countries / utilities to not use fossil fuel generation when it can be avoided.

252. **Governance and finance.** The governance of the Climate Action Window will be at three levels. The first level will be the Donors Committee (DC). Co-chaired by an elected donor and an AfDB Vice President and open to all donors to the CAW, it will have an advisory function on the following areas: pipeline, budget and results monitoring framework. This will include the operational, selection and prioritization guidelines, annual work plans and budgets. The second level is where Management will fulfil its role in line with standard Fund rules and procedures to clear and/or approve project pipeline, results framework, annual work program, budget and the operational, selection and prioritization guidelines. The Donor's Committee will also be open to all ADF State Participants as observers, upon the terms and conditions set out below. The third level of governance will be at the level of the Board of Directors of the ADF, which serves as the decision-making body on project approvals for the CAW. Contributors to the CAW may express a preference for their funds to be used for one or more CAW sub-windows (adaptation, mitigation). The Fund will respect such preferencing and only apply the donor's contribution in accordance with such preference, subject to apportioning 10% of all contributions to general TA. All contributions to CAW may be reported as 100% international climate finance. Eligible beneficiaries will include ADF governments, regional or subregional intergovernmental bodies and the sovereign funding component of PPPs. Activities will be identified through competitive calls for proposals (CfPs) during

[38] These include: i) Building agricultural resilience for food and nutrition security; ii) Building water security and sanitation; iii) Improving clean energy access and just energy transition; iv) Building resilient and green infrastructure; iv) Greening the financial sector and supporting the private sector; and vi) Climate information and early warning systems.

the ADF-16 cycle. Eligible countries and entities will be encouraged to cover a share of project costs or contribute in-kind, to demonstrate country ownership. Resources from the TA sub-window will be available to support project preparation**.**

253. **Contributors to the CAW may express a preference for their funds to be used for one or more sub-windows (adaptation, mitigation, and TA)**. The CAW will have adaptation and mitigation sub-windows. Under such an arrangement, donors may express a preference for either or both of these sub-window (s). The Fund will respect such preferencing and only apply the donor's contribution in accordance with such preference, subject to apportioning 10% of all contributions to TA to support the development and implementation of Long-Term Strategies (LTS), Nationally Determined Contributions (NDCs), National Adaptation Plans (NAPs), mitigation policy reforms, capacity development, etc. No further preferencing i.e., to regions, countries, programs and projects will be permitted. Management will allocate contributions which are not subject to donor preferencing across two sub-windows to help achieve the long-term investment target of 75% for adaptation and 25% for mitigation.

254. **Adaptation focus area:** With 75% of the funding, the adaptation focal area will constitute the bulk of the total window and will provide additional resources for enhanced adaptation action. The focus will be on investing in climate resilient agriculture such as heat and drought tolerant crops, diversification, irrigation, and staple crop processing zones; climate-resilient infrastructure projects, such as roads and transport systems to prolong their lifetimes and reduce their repair costs; climate information and early warning systems and weather-based index insurance as well as sovereign risk insurance (ADRiFi). In addition, this focal area will address the growing problem of water stress and water security in ADF countries through sustainable water resources management and strengthen social protection and improved livelihoods of rural and urban communities in ADF countries.

255. **Mitigation focus area: Mitigation investments (15%) will focus on investments in energy transition by building green baseload and the greening of brown assets in ADF countries, most of which have abundant renewable energy resources**. This will help develop hybrid renewable energy and energy storage assets and deploy technologies in the fields of transmission, distribution, and smart grids. Low-carbon transport and industrialization also present opportunities to avoid the lock-in of fossil fuels in ADF countries. Cognizant of the need to accelerate the decarbonization of the power sector in ADF countries, entrenching energy transition through the development of green baseload and greening as well as hybridization of existing brown energy (particularly oil-based) generation would send a powerful signal during the ADF-16 cycle of global commitment to support Africa's net-zero transition and also relieve the excessive cost burden of climate change mitigation in ADF countries. The greening process will also entail significant advocacy with governments to (i) address and reassure them on issues related to safeguarding job opportunities and provide plans for economic diversification of affected communities (in case of extractive sectors (coal) in ADF countries); address and reassure them on affordability, reliability, and security of supply; and (ii) account for project preparation.

256. **Technical Assistance, Capacity building, and Policy Support focus area**: The third focal area on technical assistance, capacity building and policy support will receive 10% from the CAW. This is to address the barriers that limit the ability of ADF countries to access climate finance at scale and speed. The Technical assistance program will support preparation and revision of Long-Term Strategies, Nationally Determined Contributions, Adaptation Communications and National Adaptation Plans; project preparation grants; long term consultants to build capacity in key ministries and Bank country offices; training and awareness raising for the private sector; and development of pipelines of bankable adaptation and mitigation projects.

257. **Selectivity:** The CAW is designed in line with Bank Group's selectivity approach to support its climate change and green growth agenda, and the strategic framework on climate change and green growth adopted in 2021. Both the selectivity approach and the strategic framework recognize that the Bank's climate-change and green-growth agenda is anchored in *four priority areas* that will enable RMCs to transition to low-carbon and climate-resilient economies. These are: *adaptation; mitigation; climate finance; and creating an enabling environment for climate action in Africa*. In accordance with the selectivity principle, the focus will be on fewer and more impactful operations, aligned with the Bank's comparative advantages, with a strong emphasis on leveraging partnerships for effective delivery.

258. **In this regard, the CAW will support adaptation investments in key priority areas that the Bank has identified under its current selectivity approach** – namely, in agriculture, water resources, road infrastructure, urban development, sustainable energy, public health, and disaster risk reduction and management. On mitigation, investment priorities will include renewable energy, energy-efficiency measures, green infrastructure and smart cities, industrialization, water energy demand and agriculture, forestry, and land use. Those areas form the backbone of the Bank's third action plan on climate change and green growth (2021-2025) adopted by the Bank in October 30th, 2022. Investments that are supported will need to be part of national level plans, such as the Nationally Determined Contributions, Long Term Strategies and National Adaptation Plans, and will be complemented by support for enabling environment as required. CAW resources will be used to support fewer, larger, and more impactful operations, in line with the selectivity agenda. However, the support will always be tailored to individual country circumstances.

259. **Additionality of contributions from donors:** The CAW allocation processes will be designed so as to be additional to the core ADF instrument. It will not substitute for climate actions financed under regular ADF allocations, but instead be complementary to them. It is important that we continue to mainstream climate change as a cross-cutting issue across core ADF operations, alongside gender and fragility. In parallel, to respond to the increasingly urgent need for climate finance at scale, the CAW will provide additional, dedicated climate finance resources, but will work in close coordination with core ADF operations to help ADF countries achieve their Paris Agreement commitments. This recognizes the fact that regular PBAs are not sufficient to support a sustained focus on climate action and are not well suited to mobilizing private sector financing at the scale required. Further information is to be found in the separate technical paper on the Climate Action Window.

260. **Having a Climate Action Window embedded in ADF will facilitate access to climate funds by ADF countries and build the requisite capacity of the national institutions to access other global climate funds.** The Climate Action Window will thus be additional and provide an avenue for ADF donors to meet their bilateral climate finance obligations under the Paris Agreement and the Glasgow Climate Pact, including the US$100 billion climate finance pledge and the commitment to double their adaptation finance by 2025. Donors will be able to report the Climate Action Window contributions as 100% climate finance towards meeting their global commitments.

261. **Additionality of investment activities**: The Climate Action Window will finance climate adaptation and mitigation activities that would otherwise remain unfunded with core ADF funds. Specifically, through the Climate Action Window, the Fund will be able to undertake the following:

- Expand the size and scope of Climate Action projects in the ADF's IOPs. This presents an easy and quick way to increase investment in climate activities.
- Accept and finance more Climate Action projects from the IOPs which otherwise would not have been financed. These can include projects with very high climate adaptation and mitigation outcomes such as climate smart agriculture and off-grid renewable energy systems.
- Select projects from investment-ready Nationally Determined Contributions, National Adaptation Plans and Adaptation Communications – some of which will have been prepared and updated via the Technical Assistance support from the "Climate Action Window".

262. **Complementarity:** The ADF-16 Climate Action Window will complement and not duplicate what the other climate funds are doing, including the global financing instruments such as the Green Climate Fund (GCF), the Global Environment Facility (GEF), the Adaptation Fund (AF) and the Climate Investment Fund (CIF). It will seek to co-finance projects with the other climate funds, building on respective areas of comparative advantages, with the aim to maximize climate benefits in ADF countries and increase their levels of access to climate finance.

263. **There is considerable potential for the Climate Action Window's resources to complement other operations such as in agriculture, water and sanitation, transboundary biodiversity and natural resources, roads and infrastructure, private sector development.** These resources will also complement other programs such as the Affirmative Finance Action for Women in Africa (AFAWA) to accelerate development outcomes that will sustainably create green jobs and improve the lives of women and girls. This complementarity will enable the ADF countries to finance larger and more impactful investments that deliver more benefits to more people and to their economies at the same transaction costs as they currently do with limited resources. It is expected that the Climate Action Window will leverage other climate funds and private sector contributions by a factor of three. It will also catalyse domestic resource mobilization for climate action.

264. **Baseline Scenario.** The baseline for the core ADF-16 climate finance will be based on the following Bank targets:

- A minimum of 40% of total Bank lending will be invested in adaptation or mitigation technologies
- 50% or more of total climate finance investments will be allocated to adaptation projects
- All projects will be screened for climate informed design
- As per the Bank Group's new Climate Change and Green Growth Policy, all projects will be Paris Aligned from 1st January 2024, in line with adaptation, mitigation and climate finance building blocks of the joint MDB Paris Alignment Framework and the Bank's Climate Change and Green Growth Strategic Framework 2021-2030.

265. **The CAW will align with the Bank Group Results Tracking System (RTS) which is anchored in the Results Measurement Framework (RMF).** Management is currently designing a new RMF to be aligned with the upcoming new Ten-Year Strategy. Based on this, the ADF-16 RTS will be updated to ensure it is consistent with the new RMF. There will be a robust monitoring, evaluation, reporting and learning (MERL) system for climate finance projects, alongside other ADF projects. The system will include indicators and metrics to be determined *ex ante*, tracked during project implementation, and reported on *ex post*. The CAW will introduce regular MERL and reporting requirements for ADF countries to help them track progress towards the Paris Agreement goals.

266. As a new window, the CAW is not expected to have significant reflows for a number of years, given that the majority of its investments should be in the form of grants. Nonetheless, any reflows will go back to the ADF core resources. ADF/CAW donors may revisit this approach at the end of cycle as required. The payment schedule for the CAW is five years with the specifics as further set out in the form of the Donor Instrument of Commitment. The contributions to the CAW will not be subject to the grant compensation framework.

VII.5 ADF-16 country eligibility, resource allocation, financing, and instruments

267. **Country eligibility:** Eligibility criteria, country grouping. Based on their GNI per capita, non-gap ADF-only countries are divided into regular and advance. Under ADF-16, differentiated lending terms will continue to be applied on ADF loans allocated to regular and advance ADF-only countries, as well as to blend, gap and graduating countries. Table 3 recalls the ADF loan-financing terms, as updated in ADF-13. Some changes will be made to these terms in ADF-16. These are presented in Table 4 below.

Table 3: Current ADF Loan-Financing Terms

	ADF-Only		Blend, Gap & Graduating
Lending Terms	Regular	Advance	Blend
Maturity (Years)	40	40	30
Grace Period (Years)	10	5	5

First Period (Years)	10		
Amortisation Rate (%)	2.0	2.9	4.0
Second Period (Years)	20		
Amortisation Rate (%)	4.0	-	-
Service Charge (%)	0.75	0.75	0.75
Commitment Fee (%)	0.50	0.50	0.50
Interest Rate (%)	0	0	1
Concessionality (%)	61	51	35

268. **ADF Long-Term Financial Sustainability:** The following measures were proposed and discussed with Deputies to strengthen the long-term financial sustainability of the Fund:

- **Higher share of loans in the allocations of "yellow-light" countries**: Both the grant and loan components of "yellow-light" countries will be replaced by loans with the proposed highly concessional loan terms (50-years maturity, 10-years grace period). This is done to improve the long-term financial sustainability of the Fund and is in line with the approach of the Fund's peers (IDA, IFAD).
- **Differentiated currency-specific lending rates**: The base lending rate of 75 bps in UA will be converted into lending rates in USA, EUR, JPY, GBP and RMB. This is in line with ADF's peers' practices.
- **Increase service charges applicable to Blend countries' loans:** The service charge applicable to Blend countries' loans will be increased from 0.75% to 1.00%[39], in line with overall proposal to increase service charges for the Fund (see paragraph below). This will align the total cost of blend loans to that applied by the Fund's peers. It will also support the Fund's long-term financial sustainability.
- **Lending terms:** In order to strengthen the financial sustainability of the Fund, the following changes in lending terms will be implemented:
  - The commitment fee will be increased from 0.50% to 0.75%.
  - The service charge will be increased from 0.75% to 1.00%.
  - Maturity of ADF-Only loans reduced from 40 to 38 years; and that of Blend countries maintained at 30 years.

Table 4: Proposed Differentiated ADF Loan-Financing Terms

	ADF-Only			Blend, Gap & Graduating
Lending Terms	50-Year Loan	Regular	Advance	Blend
Maturity (Years)	50	38	38	30
Grace Period (Years)	10	10	5	5
First Period (Years)	40	10		20
Amortisation Rate (%)	2.5	2.5	3.03	3.3
Second Period (Years)		18		5
Amortisation Rate (%)		4.17	-	6.8

[39] Management's initial proposal to increase the interest rate of Blend loans from 1.00% to 1.25% is achieved through the increase in service charge by 25 bps.

Service Charge (%)	1.00	1.00	1.00	1.00
Commitment Fee (%)	0.75	0.75	0.75	0.75
Interest Rate (%)	0	0	0	1
Concessionality (%)	62	58	49	35

269. **The Table below summarises the expected resources per envelope under ADF-16 replenishment.** The overall level of resources available for allocation assumes carry-overs of UA 810.74 million, contingencies UA 986.89 million, and CDLs' grant element UA 158,85 million.

Table 5: Overview of the different facilities, envelopes, pillars etc. (e.g., regional envelope, TSF, PSF, PPF) and the financing levels of the replenishment

	Actual ADF-15	Final ADF-16 Replenishment
Total Resources Available for allocation* (UAm)	**5,223**	**6,033**
Transition Support Facility (TSF)	899	1,244
TSF Pillar I up-front allocations	*679*	*694*
TSF Pillar I Unallocated Reserves	*120*	*400*
TSF Pillar III	*100*	*150*
Regional Projects (RO)	1,305.79	1,508
Private Sector Enhancement Facility (PSF)	100	50
Project Preparation Facility (PPF)	75	-
Performance-Based Allocations	2,843	3,230

270. **Performance-Based Allocation (PBA):** The PBA will remain the bedrock component of the ADF-16 resource allocation framework. At least 86% of ADF-16 resources will be allocated to countries based on their performance through direct PBAs 54% and PBA-linked set-asides 33%, which include Pillar I of the Transition Support Facility (TSF) and the cost-shared regional operations. The PBA framework to determine country allocations under ADF-16, is synthesized below:

(a) Available resources will be allocated annually using the PBA formula, on the basis of two building blocks: needs and performance.

(b) A blend country will receive 50% of what it would have received if it were classified as ADF-only.

(c) No individual country allocation can exceed 10% of the available PBA envelope.

(d) A minimum allocation of UA 9 million year (UA 27 million per cycle) will be applied for all countries, with the exception of countries in transition to ADB-only credit status.

271. **Application of the Debt Sustainability framework and grant financing:** The share of grants in individual PBAs will continue to be determined by the Debt Sustainability Analyses (DSA). Deputies agreed to amend the application of the DSA for regular and advanced category A countries which are assessed at moderate risk of debt distress

(yellow traffic light). These countries will receive their allocation in the form of loans instead of a mix of loan and grants. The latter will only apply on red traffic light category A countries which are at high risk of debt distress or in debt distress situations. The PBA system will maintain the Modified Volume Approach (MVA), under which a 20% discount is applied to each PBA grant allocation. 8.74% of the volume discount is used to compensate the Fund for forgone income through an upfront grant charge, and the remaining amount 11.26% is re-allocated through the PBA system to ADF-only countries that have improved their macro-economic situation, as reflected in the CPIA (cluster A).

272. Deputies agreed with the proposal to streamline the reallocation of incentives-related portion. Management will use a one-cycle eligibility assessment at the beginning of each period based on the latest CPIA data. This will help mitigate the risk of volatility in some country allocations. Moreover, this adjustment will ensure that the frequency of conducting CPIA exercises per cycle (a minimum of two assessments) will not negatively affect country allocations and thus resource predictability. The dynamic implementation of the Debt Sustainability Analysis traffic light system will continue for ADF-16 period. Any deterioration in a country's DSA status will be reflected in the financing terms before projects are considered by the ADF Board. The flexibility provided by the dynamic DSA will cover all ADF-only countries (Category A of the Bank Group country classification).

273. **Multilateral Debt Relief Initiative (MDRI) Netting Out and Redistribution**: As previously agreed, the forgone debt service payments of countries that qualify for debt relief under the Multilateral Debt Relief Initiative will be deducted from these countries' allocations using the MDRI netting-out mechanism. The PBA system will be used to reallocate the resources provided by donors to compensate the ADF for the MDRI, to all ADF-only countries.

274. **Country Policy and Institutional Assessment (CPIA):** The CPIA assessment process will continue on a biennial basis. This notwithstanding, where country circumstances require it, the Bank Group may undertake more frequent assessments of specific countries. Within the CPIA exercise, Deputies agreed that the PBA computation will remain annual and would use the latest CPIA scores.

Special Resource Allocations

275. **Regional Operations (RO):** The regional operations envelope will be maintained at 25% of the ADF-16 resources available for allocations. The leveraging ceiling for computing the contribution of the RO envelope relative to the PBA contribution will be maintained to a maximum ratio of 1:1, with an exceptional maximum ratio of 1:1.5 to countries eligible for TSF Pillar I resources. Options for reviewing the leveraging ceilings could be further explored and will be informed by an analysis of the ADF-16 pipeline. Countries with small allocations receive a maximum indicative 3-year ADF allocation (PBA *and* TSF Pillar I) of UA 42 million in the case of transition states, and a maximum indicative 3-year ADF allocation (PBA only) of UA 27 million in all other instances. To accommodate the specific constraints faced by countries with small allocations, these countries will continue to contribute at least 40% of project costs up to 10% of their allocation for each regional project. Costs attributed to these countries in excess of this ceiling will be covered by the ADF regional envelope.

276. **Transition Support Facility:** The ADF's Transition Support Facility (TSF) has been an important mechanism for channelling additional resources to countries facing situations of fragility. ADF-16 will support 19 eligible transition states through the allocation of UA 694.3 million of upfront allocations, with a minimum of UA 15 million and a maximum of UA 60 million for each. Annex 9 describes the methodology and criteria leading to the eligibility of transition states and their respective allocations. The use of Pillar I resources upfront allocations will be guided by the priorities agreed with the country and in line with the applicable country programming documents (country briefs, interim CSPs or full CSPs). Pillar I resource upfront allocation can be used to support all programmes and projects, including ROs and government participation in private sector operations, and use any of the Bank Group's financing instruments available to ADF countries. The unallocated Pillar I reserve will be UA 400 million under ADF-16 to allow the proposed programmatic approach to work at scale. No additional resources are requested for TSF Pillar II under ADF-16. However, unused ADF-15 Pillar II resources will be carried over into ADF-16, which will be reviewed at the ADF-16 MTR. Deputies have agreed to allocate UA 150 million to Pillar III including UA 20 million to additional support to ALSF. Moreover, Pillar III will be used to support private sector development in eligible countries affected by fragile situations, including strengthening the capacity of national investment promotion agencies to attract private investments, thereby creating important synergies across the various financing instruments of the Bank Group. Therefore, total resources to be allocated to the TSF under ADF-16 amounts to UA 1.244 billion. The utilisation of all TSF resources, including possible reallocation of resources among the three pillars, will be examined at the ADF-16 Mid-Term Review.

277. **Private Sector Credit Enhancement Facility (PSF):** PSF will be used to better reach under-served segments through Non-Sovereign Operations. The PSF shall focus on the riskiest jurisdictions and sharpen the facility's contribution to the achievement of development results by working through the private sector in fragile states. An additional contribution of UA 50 million is allocated to the PSF from ADF-16 resources.

278. **Reallocation of Unused Resources:** Where unused PBA resources are allocated to nonperforming countries with no prospects of utilisation during the cycle, they may be returned to the PBA pool for reallocation to all other countries through the PBA process in the third year of ADF-16. Alternatively, in case of need, Management may present to the Board a proposal to reallocate these resources to Pillar III window of the TSF. The decision on the disposition of unused TSF resources will be made by Deputies in the context of the ADF-16 Mid-Term Review. On the disposition of unused ADF-15 resources, Deputies agreed that the balance of unused TSF Pillars I, II and III resources at the end of the cycle will be carried over to the ADF-16 within the same pillar, and that any unused ADF-15 PBA and Regional Operations resources will be carried over to the ADF-16 and folded into the allocable pool of ADF-16 resources.

279. **Resource Allocation by End Use:** All available ADF-16 resources, including internally generated resources, MDRI and grant compensation, Bank net income transfers approved by the Board of Governors and any additional funds, will be allocated as follows, after deducting technical contingencies:

- 25% of allocable ADF-16 resources] will be channelled to countries through the RO envelope.
- An envelope of UA 1.244 billion will be allocated to countries through Pillar I and III of the TSF, including the unallocated reserves.
- UA 50 million will be made available to the PSF.
- The remaining resources will be allocated through the PBA system.

280. **Based on the final ADF-16 replenishment, at least 54% of resources will be allocated directly through the PBA and 33% will be linked to PBAs.** As per the previous cycle, ROs will be **linked** to PBAs by the cost-sharing mechanism and selected through the performance-oriented and fragility-sensitive prioritisation framework. Similarly, resources of the TSF Pillar I up-front allocations will be linked to PBAs. Pillar 1 will be used for interventions which address directly issues of fragility not simply as a top up to PBA. The largest proportion of the resources will be allocated to ADF-only (including gap) countries. Resources for Blend and graduating countries will be determined by country-specific caps.

281. **Financing Instruments:** ADF-16 resources will be channelled through a mix of financing instruments suited to the needs and capacities of ADF-eligible countries in line with the Bank's Group strategy and operational priorities. This mix aims at creating relevant synergies between ADF and Bank instruments.

282. **Project and Programme Loans and Grants:** These instruments comprise project and programme loans and grants, including multinational projects, sector investments, lines of credit, and sovereign equity participation in public-private partnerships. Project investments through loans and grants will continue to be the primary vehicle for Fund support in ADF-16.

283. **Policy-Based Operations:** As for the previous ADF cycles, PBOs will continue to serve as an important instrument for channelling ADF resources to governance operations that help countries implement reform programmes, build capacity, strengthen institutions, and increase spending on poverty reduction priorities. Resources provided through PBOs will be capped at 25% of the overall PBA envelope.

284. **Partial Risk Guarantees:** PRGs will continue to be used to leverage private sector financing and other co-financiers for ADF countries, including countries in fragility situations. It also aims at incentivising governments to undertake the policy and fiscal reforms necessary to mitigate political risks. For each guarantee issued, 25% of the face value of guaranteed amount will be deducted from the beneficiary country's PBA. [To be updated in the light of the revised guarantee policy discussions]

285. **Partial Credit Guarantees:** The Fund will continue to support its eligible countries assessed as at low and moderate risk of debt distress in their efforts to crowd-in commercial resources on favourable terms. The instrument will be available for use by State Owned Enterprises (SOEs), sub-sovereigns and national treasuries to help mobilise domestic and external commercial financing, and thereby improve access to more affordable financing. For each guarantee issued, 25% of the face value of guaranteed amount will be deducted from the beneficiary country's PBA

286. **Private Sector Facility:** ADF-16 will continue supporting private financing for the benefits of its clients through the PSF. The instrument will remain as a risk participation vehicle, participating in the credit default risk of the ADB's non-sovereign guaranteed operations, to increase the Bank's non-sovereign portfolio in ADF eligible countries over and above the ADB's own balance sheet capacities.

Section VIII. Replenishment Framework

VIII.1 Compensation for debt relief and grant financing

287. **Compensation for Multilateral Debt Relief (MDRI).** Donors agreed to compensate the ADF for forgone principal reflows from loans cancelled under the MDRI on a dollar-for-dollar basis, using the pay-as-you-go approach, and to preserve the level of the Advance Commitment Capacity (ACC) in future replenishments by making commitments over a rolling 13-year window to match the disbursements of future ADF replenishments. The MDRI coverage ratio is the weighted average of qualified and unqualified commitments received from donors to cover their share of MDRI costs over the relevant ADF disbursement period. Unqualified commitments are factored at 100% and qualified commitments are factored at [90%]. The 10% discount on qualified commitments reflects uncertainty in the timeliness of payments. Deputies noted that unqualified commitments and timely payment are essential for preserving the integrity of the ACC, and that over-commitment because of delayed payments negatively impacts the Fund's liquidity and the ACC of future replenishments. The MDRI costs applicable to the ADF-16 period have been determined in the third quarter of 2022 and the updated costs and payment schedules of MDRI contributions for each Donor has been provided.

288. **Compensation for Grants.** Deputies agreed to maintain the grant compensation framework as applied since ADF-9. Indeed, the Fund has been using the Modified Volume Approach on grants to address the costs related to increased grant financing, and to protect the Fund's financial integrity. Specifically, income that is foregone due to grants is compensated by an upfront charge on grants, while foregone principal reflows above 7.5% of the replenishment amount are offset as they arise during future replenishments using the pay-as-you-go approach. The total grant amount expected to be compensated for during ADF-16 replenishment period is UA 162.92 million. ADF-16 will mark the beginning of compensation for grants extended during ADF-13. Similarly, to compensation received under the Multilateral Debt Relief Initiative (MDRI), Management has agreed to consider the cumulative compensation for grants received from donors in the computation of the ADF voting rights. The voting rights will be allocated when the ADF-16 Resolution is adopted by the Board of Governors.

289. **Modified Volume Approach**: In accordance with the modified volume approach, the grant allocation of a country is reduced by 20% (modified volume discount). Part of the volume discount is used to compensate the Fund for forgone income through an upfront grant charge, and the remaining amount is allocated through the PBA system to reward ADF-only countries, and those eligible to TSF Pillar I, which have improved their public finance management and their macroeconomic policies. The upfront grant charge for the ADF-16 Replenishment is 8.74%. This upfront grant charge was computed based on the assumption that the overall grant level for the three years of the ADF-16 replenishment would be 32% of the resources. The actual amount of grants allocated under the ADF-16 will depend on the Debt Sustainability Analysis.

290. **Advance Commitment Authority**: Introduced in ADF-10, the Advance Commitment Authority (ACA) estimates the level of the Advance Commitment Capacity (ACC) from internally generated resources while ensuring the ADF's financial integrity. The ACC

computation for ADF-16 assumes, inter alia, (i) a grant level of 32% with an upfront charge of 8.74% to compensate foregone income flows; (ii) MDRI compensation ratio of (iii) Bank net income transfers of UA 35 million per year; and (iv) effective loan cancellations returning to the loan pool estimated at UA 30 million per year. Deputies approved the assumptions underlying the ACC and endorsed Management's proposal of a baseline ACC level of UA 1.54 billion which will be available for commitment upon receipt of the instruments of subscription for the concessional loans (CDLs) from the relevant donors.

291. **Burden sharing**: In a replenishment, the technical gap serves to 1) accommodate the subscriptions of new State participants or donors, 2) allow increased or additional subscriptions during the life of the replenishment, without impacting the burden shares of all participants; and (3) give State participants the flexibility to increase their burden sharing during a particular replenishment without exceeding the target replenishment level. In view of the specific circumstances of the ADF-16 replenishment and in order to maximise the contributions of several State Participants, Deputies agreed on a technical gap of 22.7% in the Fund's burden-sharing framework. This is reflected in the table presented in an Annex of the Board of Governors Resolution (Annex 9)

292. **Replenishment level and other resources:** Deputies agreed on a resource level of UA 7,360.4 million for the ADF-16 replenishment period (2023–2025). The ADF-16 replenishment is comprised of: (i) donor subscriptions of UA 3,925.2 million which include a grant element of UA 158.8 million from CDL contributions; (ii) donor contributions of UA 246.5 million in the form of CDLs (net of grant element); (iv) an ACC of UA 2,037 million; and (v) a technical gap of 22.7%. The total resources excluding the technical gap amount to UA 6,208.7 million.

293. In addition to the ADF-16 replenishment resources, the following are expected to become available during the 2023-2025 period for ADF clients: (i) the unused balance of TSF resources that is expected to remain in Pillar I and II, respectively; ii) the carry over resources from late and qualified subscriptions of previous replenishments and (iii) additional resources from cancellations from previous replenishments.

294. **Effectiveness, subscription schemes and procedures, and encashment schedule:** Deputies agreed on the terms and conditions of effectiveness, the subscription procedures, and the advanced and standard encashment schedules for ADF-16 subscriptions, including exchange rates and payment dates.

Section IX. Mid-Term Review of ADF-16 and ADF-17 Working Group

295. The Mid-Term Review will assess progress in implementing the commitments laid out in this Report and other ADF-related issues. The following three papers and one note will be produced for consideration at ADF-16 MTR:

1. **ADF-16 Progress Report** which will cover (i) progress on the strategic and operational priorities, (ii) progress in delivering results and impact as per the RMF, (iii) Status update on the utilization of resources for the various pillars of the TSF, other ADF set asides (ROs, PSF) as well as PRGs and PCGs, (iv) Status of implementation of the TSF,

the TSF programmatic approach and allocation to the ALSF and potential increase in the allocation to TSF pillar three and the ALSF; (v) PPF implementation progress; (vi) progress on debt and public finance management, including the Debt Action Plan, (vii) a forward looking analysis on ADF partnerships approach, (viii)implementation of ADF-16 policy commitments.

2. Progress report on the Climate Action Window including a review of its governance and targets.
3. Leveraging ADF Equity – An Update.
4. A note on ADF-16 financing framework, including the assumptions underlying the ACC and additional potential contributions for the rest of the cycle.
5. A first joint report on the progress made in implementing the ADF-16 Policy Commitments and on ADF results achieved using the ADF Result Tracking System, and an annual summary report produced in 2025 and 2026.
6. An update on the recommendations of the ad-hoc committee on Governance.
7. An update on the Local Currency Framework.
8. An update on ALSF including achievement to date and resource mobilisation efforts.

296. ADF Deputies will endorse the ADF Result Tracking System before it is considered by the Board of Directors. Data from the ADF Result Tracking System will also contribute to disaggregated ADF reporting as part of the Annual Development Effectiveness Review.

297. An ADF-17 Working Group will be established, and it will examine, among other things the Grant compensation Framework and Debt Sustainability. The terms of reference of the working group will be agreed between will be discussed and agreed with ADF Deputies during the first meeting.

Section X. Conclusion

298. **In its 50th year of operations, the African Development Fund can draw on a proud record of supporting low-income and transition countries in Africa with concessional finance.** It has a strong track record of project impact and has been recognised internationally for the quality of its assistance. However, ADF countries now face an unprecedented set of challenges, linked to COVID-19, global economic turmoil, rising food and oil prices, accelerating climate impacts and rising levels of conflict and fragility. The ADF needs to scale up its resources and evolve with the growing needs of its RMCs. Under the ADF-16 theme of *Fostering a Climate Smart, Resilient, Inclusive, and Integrated Africa*, the Fund proposes to increase its transformative impact by homing in on its comparative advantages, including in fragility, regional integration, infrastructure, and private sector development, while intensifying efforts in climate action and debt management.

299. **ADF-16 represents an opportunity to empower the Fund to help the 37 ADF-eligible countries to meet the complex challenges they will face over 2023-2025.** The Fund's projected ADF-16 *pipeline*, comprising over 300 projects worth UA 11.2 billion, aims to deliver short- and medium-term development impacts that will contribute to meeting the most urgent needs in Africa, and accelerate progress towards the SDGs and Agenda 2063. In addition, given the urgency of addressing climate change issues, ADF 16 proposes the establishment of a climate window. Ultimately, a sizeable investment in ADF-16 will yield significant socio-economic and security dividends to the people of Africa and the world at large.

300. Participants of the ADF-16 replenishment agreed with the content of this Report in Tangiers, Morocco on 6 December 2022.

Annexes

Annex 1: Expected development impact of ADF-16 and Results Tracking System

This annex presents the expected development results under a number of alternative financing scenarios for the ADF-16 replenishment. It also outlines key components of the ADF Results Tracking System (RTS), which will be used to track and report on results achieved during ADF-16. A paper summarising on the Results Tracking System (RTS) was provided to the Deputies separately.[40]

Expected development impact of ADF-16
A strong replenishment will position the Bank to deliver substantial development impact to support sustainable growth in ADF countries.

The table below estimates the development impact of ADF-16. We estimate that, a financing level of UA6.9 billion will enable the Bank to provide 19.5million people with new electricity connections; 24.3 million people to benefit from improvements in agriculture; 32.2 million people with improved access to water and sanitation; and support 2.4 million direct and indirect jobs.

EXPECTED RESULTS FOR ADF-16[41]

		Financing
Total lending	million UA	**6,941**
LIGHT UP & POWER AFRICA		
People with new or improved electricity connections	million	**19.5**
of which women	million	**9.5**
FEED AFRICA		
People benefiting from improvements in agriculture	million	**24.3**
of which women	million	**11.6**
INDUSTRIALISE AFRICA		
People benefiting from investee projects	million	**2.0**
of which women	million	**1.0**
INTEGRATE AFRICA		
People with improved access to transport	million	**14.8**
of which women	million	**7.4**
IMPROVE THE QUALITY OF LIFE		
People with new or improved access to water and sanitation	million	**32.2**

[40] The ADF Results Tracking System, Tracking Development Outcomes During ADF-16, November 2022

[41] These estimates do not include results from the ADF Climate Finance window. They are based on a portfolio approach and on previous Bank's interventions in ADF countries using the same methodology as per the GCI-VII expected results. The results projected over an implementation period of up to 8 years based on pipeline estimates, sector split and disbursement profiles.

		Financing
Total lending	million UA	**6,941**
of which women	million	**15.9**
Number of jobs supported (direct and indirect)	million	**2.4**
of which women	million	**1.2**

ADF Results Tracking System

The Bank measures the development outcomes achieved in countries supported by the ADF through the ADF Results Tracking System (RTS) presented in this annex. The RTS is shaped along ADF-16 strategic and operational priorities or pillars and it is an integral part of the Bank Group's Results Measurement Framework (RMF)[42].

- The design of the new RMF, taking place alongside the development of the Bank's new Ten-Year Strategy, will produce a framework that is strongly aligned with the Ten-Year Strategy and that has a number of new indicators. These changes will impact the design of the indicators for the ADF RTS. Management expects to finalise the new Ten-Year Strategy and the new RMF by the second quarter of 2023.
- Consequently, Management is sharing the Development outcomes (Level 1) and the Aggregate project results (Level 2) of the RTS based on the current RMF. Moreover, Management will complete the RTS with the operational and institutional Levels 3 and 4 by the second quarter of 2023 and make the necessary adjustments, following the Board's approval of the new TYS and the new RMF. This will ensure that the ADF RTS is consistent with the improvements planned in the new RMF and aligns with the indicators that will be tracked going forward.

Period Covered

The actual results will mainly be derived from Bank's operations in ADF countries financed under previous ADF cycles and delivering results during 2023-2025. The Bank will report results from new ADF-16 financed operations if they are completed during that period.

Expected results

Expected results are based on past performance and are presented as yearly figures for the 2023-2025 period. They are expressed as ranges due to underlying uncertainties as delivery of results depend on regional member countries' demand and might be affected by unforeseen external circumstances.

Data Disaggregation

The RTS uses sex-disaggregated indicators wherever applicable and feasible. Sex-disaggregated indicators are signalled with the following symbol "♀". The RTS also uses gender-sensitive indicators that measure gender-related changes on the continent. Similarly, data is disaggregated for transition states wherever possible. Finally, the RTS maps relevant indicators against the Sustainable Development Goals (SDGs).

Policy Commitments

[42] The Bank Group RMF provides the rationale for the choice of indicators and their definitions (see LINK).

Cross reference is made to the ADF-16 policy commitments when relevant. The Bank will use separate reporting mechanisms to track the implementation of policy commitments. The objective here is to show areas of focus covered by the RTS and the policy commitments.

Reporting

The Bank will report on results in ADF countries in the Annual Development Effectiveness Review (ADER) report, including results for transition states. In addition to producing the ADER, the Bank will produce a paper dedicated to results in ADF countries based on the RTS, which it will supply to ADF deputies at the ADF-16 mid-term review in 2024, and an annual summary report produced during the ADF-16 period (2023-2025), to be produced annually thereafter. The ADF Results Tracking System paper presents in its Annex A the proposed indicators to be used to tack results in ADF countries along the ADF-16 strategic and operational priorities together with yearly expected results for the 2023-2025 period.

For level 2 (Aggregate project results), the Bank will analyse all relevant projects completed in 2023 and then provide actual results for 2023, with the respective expected results. The actual results will capture the cumulative outputs and intermediary outcomes from completed operations during 2023 and recorded in Project Completion Reports.

The tables below present the proposed indicators to be used to track results in ADF countries with expected results for Level 2.

Pillar 1: Sustainable, Climate-resilient and Quality Infrastructure

Energy Access

The RTS identifies indicators to monitor progress achieved in ADF countries in expanding and accelerating energy access and supporting these countries achieve just energy transition. Indicators in level 1 track overall progress and energy higher outcomes. Indicators in level 2 capture Bank's contributions through its operations in ADF countries and transition states. For example, Bank financed- operations that provide *new electricity connections to beneficiaries* (Level 2) collectively contribute to the *share of the population in ADF countries with access to electricity* (Level 1).

Table 1. Energy Access indicators

DEVELOPMENT PROGRESS IN ADF COUNTRIES (LEVEL 1)		
Share of population with access to electricity (% population) SDG 7.1.1 & 7.2.1;		
Share of population with access to clean cooking solutions (% population)		
Total installed electricity capacity (GW)		
Installed renewable capacity (GW)		
Electricity losses through transmission, distribution and collection (%)		
BANK'S CONTRIBUTION IN ADF COUNTRIES (LEVEL 2)	Recent results yearly average	Yearly expected results range
New power capacity installed (MW)	21	17-25
New renewable power capacity installed (MW) ADF-16 Commitment 2	21	17-25
People with new electricity connections (number) ♀ ADF-16 Commitment 2	123,000	105,000-142,000
of whom women	53,000	45,000-61,000
New or improved power distribution lines (km)	506	405-607
New or improved power transmission lines (km)	276	221-332
Emissions reduction in energy (tons CO_2) ADF-16 Commitment 2	908,000	727,000-1,090,000

These indicators are derived from the RMF Light up and Power Africa indicators (Levels 1 and 2)

SDG # Indicator included in SDGs. ♀ Indicator disaggregated by sex. **ADF-16 Commitment #:** This ADF-16 Policy Commitment covers the same area of focus as the associated indicator.

Recent results yearly average: Average of yearly actual results over 2017-2021
Yearly expected results range: Yearly results for the 2023-2025 period

Agricultural productivity, agriproduct processing and food security

The RTS uses select indicators to track progress in improving agricultural productivity and food security in ADF countries. Indicators in level 1, monitor long-term outcomes in ADF countries and transition states. Indicators in level 2 will capture Bank's contribution in ADF countries in areas such as climate-resilient and sustainable agricultural technologies, efficient water management, agricultural processing and value chains. For example, Bank-financed operations that provide *farmers with improved agricultural technologies* (Level 2) collectively contribute to *agricultural productivity in ADF countries and transition states* (Level 1).

Table 2. Agricultural productivity, agriproduct processing and food security indicators

DEVELOPMENT PROGRESS IN ADF COUNTRIES (LEVEL 1)		
Number of people hungry / malnourished (millions) [SDG 2.1.1]		
Agricultural productivity (constant 2010 US$ per worker)		
Cereal yield (ton/hectare)		
Prevalence of stunting among children under 5 (%)		
of whom girls		
Africa's net agricultural trade balance ($ billion/year)		
Africa's share of market value for key processed commodities (%)		
Fertiliser consumption (kilograms per hectare of arable land)		
BANK'S CONTRIBUTION IN ADF COUNTRIES (LEVEL 2)	**Recent results yearly average**	**Yearly expected results range**
People benefiting from improvements in agriculture (number) ♀ [ADF-16 Commitment 3]	14,000,000	11,000,000-16,000,000
of whom women	6,000,000	5,000,000-8,000,000
Land with improved water management (ha)	14,000	12,000-16,000
Rural population using improved farming technology (number) ♀ [ADF-16 Commitment 3]	89,000	76,000-103,000
of whom women	41,000	35,000-47,000
Feeder roads built or rehabilitated (km)	2,844	2,418-3,271

These indicators are derived from the RMF Feed Africa indicators (Levels 1 and 2)

Transport

ADF-16 prioritises hard and soft transport infrastructure as key elements to support ADF countries achieve greater regional connectivity and economic integration. The results tracking system includes relevant outcome indicators at level 1 that capture the linkage between increased investments in transport infrastructure and key economic transformation and competitiveness outcomes. At level 2, the RTS includes indicators that will track Bank's operations contributing to improved transport connectivity and integrated infrastructure development in ADF countries and transition states. *E.g., transport roads constructed/rehabilitated and people with improved access to transport* (Level 2).

Table 3. Transport indicators

DEVELOPMENT PROGRESS IN ADF COUNTRIES (LEVEL 1)		
Value added of manufacturing (constant 2010 US$ billion)		
Economic Diversification (Index, 1 Low-0 High)		
Global Competitiveness (Index, 1 Low-7 High)		
Logistics performance index (Index, 1 Low-5 High)		
BANK'S CONTRIBUTION IN ADF COUNTRIES (LEVEL 2)	**Recent results yearly average**	**Yearly expected results range**
People with improved access to transport (number) ♀	8,000,000	6,000,000-10,000,000
of whom women	4,000,000	3,000,000-5,000,000
Transport-Roads constructed, rehabilitated or maintained (km)	624	531-718

These indicators are derived from the RMF Industrialise Africa indicators (Levels 1 and 2)

Deepening Regional Integration

Promoting deeper regional integration in Africa will facilitate the smooth flow of goods, services and people across borders and ultimately stimulate growth and development in the continent. The RTS includes indicators at level 1 that will track progress in key aspects of regional integration in ADF countries and transition states in areas such as trade facilitation, movement of people and regional economic integration. Level 2 of the RTS includes relevant indicators to track Bank's contribution to regional connectivity through cross-border infrastructure development in ADF countries. E.g., *cross-border transport or electricity transmission connectivity* (Level 2).

Table 4. Deepening Regional Integration indicators

DEVELOPMENT PROGRESS IN ADF COUNTRIES (LEVEL 1)		
Intra-African trade as a proportion of total goods' trade (%)		
Countries with liberal visa policies (number)		
Deeply and broadly integrated countries (number)		
BANK'S CONTRIBUTION IN ADF COUNTRIES (LEVEL 2)	Recent results yearly average	Yearly expected results range
Transport: Cross-border roads constructed or rehabilitated (km)) ADF-16 Commitment 7	270	216-324
Energy: Cross-border transmission lines constructed or rehabilitated (km) ADF-16 Commitment 7	38	31-46

These indicators are derived from the RMF Integrate Africa indicators (Levels 1 and 2)

Health, Water and Sanitation Infrastructure

ADF 16 prioritises water, sanitation and health infrastructure investments as critical for fostering inclusive and sustainable socio-economic development in ADF countries and transition states. The RTS includes indicators at Level 1 that measure higher outcomes and progress in the quality of life and well-being, inclusiveness and resilience– particularly in post-covid recovery efforts. Level 2 indicators in the RTS will capture Bank's contributions to the higher outcomes (Level 1) in ADF countries and transition states through operations focusing on access to water, sanitation, training and skills development and employment opportunities.

Table 5. Health, Water and Sanitation Infrastructure indicators

DEVELOPMENT PROGRESS IN ADF COUNTRIES (LEVEL 1)		
Youth unemployment rate (%)[♀,SDG 8.5.2;]		
of whom young girls		
Unemployment rate (%)[♀,SDG 8.5.2]		
of whom women		
Enrolment in technical/vocational training (%)[♀,SDG 4.4.1]		
of whom women		
Enrolment in education (%)[♀,SDG 4.5.1]		
of whom women		
Population living below the poverty line (%)		
Income inequality (Gini index)		
Access to at least basic drinking water services (% population) [SDG 6.1.1]		
Access to at least basic sanitation facilities (% population) [SDG 6.2.1]		
BANK'S CONTRIBUTION IN ADF COUNTRIES (LEVEL 2)	**Recent results yearly average**	**Yearly expected results range**
Direct jobs created (number) [♀ ADF-16 Commitment 26, 31, 32]	430,000	Monitored
of which women	200,000	Monitored
Indirect and induced jobs created (number) [♀ ADF-16 Commitment 26, 31, 32]	930,000	Monitored
of which women	430,000	Monitored
People trained through Bank operations (number) [♀ ADF-16 Commitment 31]	126,000	107,000-144,000
of whom women	58,000	49,000-67,000
People benefiting from better access to education (number)[♀]	58,000	49,000-67,000
of whom women	28,000	24,000-32,000
People with new or improved access to water and sanitation (number) [♀ ADF-16 Commitment 4]	7,000,000	6,300,000-8,600,000
of whom women	4,000,000	3,000,000-4,100,000
People with access to better health services [♀ ADF-16 Commitment 5]	7,000,000	6,000,000-8,000,000
of whom women	3,000,000	3,000,000-4,000,000

These indicators are derived from the RMF Quality of life indicators (Levels 1 and 2) except "people with access to better health services" which is tracked at project level.

Monitored: Expected performance is monitored from one year to another (ex-ante from project approvals) and reported in the ADER.

Pillar 2: Governance, capacity building and sustainable debt management

Strengthening governance and capacity building

Enhancing economic governance and institutional capacity are key ingredients for building resilience and promoting sustainable and inclusive growth in ADF countries and transition states. The RTS identifies indicators that will monitor progress in these areas at the higher outcome level (Level 1) and Bank's contribution to this progress (Level 2). For example, operations that provide institutional support to *improve budgetary and financial management*, and *transparency in public sector* (Level 2), collectively contribute to public sector governance outcomes in ADF countries. This is monitored at Level 1 through the *African governance index* and/or *tax and non-tax fiscal revenues (% GDP) indicators*.

Table 6. Strengthening governance and capacity building indicators

DEVELOPMENT PROGRESS IN ADF COUNTRIES (LEVEL 1)		
Mo Ibrahim Index of African Governance (scale, 0 Low - 100 High)		
Tax and non-tax fiscal revenues (percentage of GDP)		
Gender Inequality Index (0 Low - 1 High)		
Number of refugees and internally displaced people (million)		
BANK'S CONTRIBUTION IN ADF COUNTRIES (LEVEL 2)	Recent results yearly average	Yearly expected results range
Countries with improved quality of budgetary and financial management (number) ADF-16 Commitment 9	6	Monitored
Countries with improved transparency and accountability in public sector (number) ADF-16 Commitment 9	5	Monitored
Countries with improved procurement systems(number) ADF-16 Commitment 9	4	Monitored
Countries with improved competitive environment (number) ADF-16 Commitment 9	7	Monitored

These indicators are derived from the RMF Cross-cutting indicators (Levels 1 and 2).
Monitored: Expected performance of budget support operations is monitored from one year to another and reported in the ADER.

Operational and Institutional levels

The Bank Group RMF and the ADF RTS share the same indicators for the operational and institutional Levels 3 and 4 indicators. As mentioned in the policy commitments, Management will complete the Results Tracking System (RTS) with Levels 3 and 4, following the Board's approval of the new RMF, by the second quarter of 2023. The table below shows the indicative areas currently covered.

Table 7. Operational and Institutional performance

DELIVERING A HIGH-PERFORMING PORTFOLIO (LEVEL 3)
ACHIEVE DEVELOPMENT IMPACT
[Indicators]
ENHANCE THE QUALITY AND SPEED OF OPERATIONS
[Indicators]
IMPROVE PORTFOLIO PERFORMANCE
[Indicators]
KNOWLEDGE and ADVISORY SERVICES
[Indicators]
ORGANISATIONAL EFFICIENCY (LEVEL 4)
MOVE CLOSER TO CLIENTS TO ENHANCE DELIVERY
[Indicators]
IMPROVE FINANCIAL PERFORMANCE AND MOBILISE RESOURCES
[Indicators]
INCREASE VALUE FOR MONEY
[Indicators]
STAFF ENGAGEMENT, DEVELOPMENT AND PRODUCTIVITY
[Indicators]

These headings are derived from the RMF (Levels 3 and 4)

Annex 2: Food Crisis in Africa

The African continent is the most affected by hunger and undernutrition (Figure A1.1). African markets are affected by the international increases in prices of food, fertilizer, and energy. The cost of imported cereals has risen by 20%–50% in some countries in West Africa, provoking severe hunger and food shortages. The expectation of lower supplies from Russia and Ukraine has driven up maize (corn) prices, which were already climbing as droughts and labour shortages caused supplies to tighten (Figure A2.2). Russia and Ukraine account for a fifth of the world corn trade and an extended conflict in the region could disrupt grain exports from the entire Black Sea region. In February 2022, corn futures on the Chicago exchange traded above US$ 7.5 a bushel (the highest price since May of 2021), wheat futures rose to US$ 11 per bushel (the highest since 2008), and soybean futures traded at US$ 17 a bushel (the highest since September 2012). The price of soybean futures is responding to pressure on other grains and vegetable oils (Figure A2.2). Ukraine is a major global supplier of corn and sunflower oil, and disruptions will affect soybean as well. Adding to the bullish outlook, Argentina and Brazil have been facing abnormally dry conditions linked to the La Niña pattern. This is affecting the quality and the quantity of their crops, a substantial proportion of which is intended for export.

The crisis will especially amplify food insecurity in Sahelian countries; before the crisis, the Food Crisis Response Network estimated that about 33.4 million people would require immediate food and nutrition assistance in the Sahel and West Africa in 2022. The FAO[43] reports that 44 African countries need external food assistance. In Mauritania, for example, where 30% of the population (1.3 million people) are under-nourished, 50% of cereals are imported, much of it from Ukraine. According to the COMTRADE database, Ukraine exported US$ 25.1 million in cereals and US$ 714,000 in animal and vegetable fats and oils to Mauritania in 2020. It is unsurprising, then, that some 2.2 million people are reporting challenges in accessing markets, mostly because of insufficient household income.[44]Meanwhile, conflicts have increased insecurity-related incidents and disrupted agricultural production and marketing activities.

[43] Food and Agriculture Organization. 2022. Crop prospects and food situation quarterly global report.

[44] *West and Central Africa Market situation in 2021 and 2022 outlooks—Feb. 2022 (FAO, FEWS NET and WFP)* *https://reliefweb.int/report/burkina-faso/west-and-central-africa-market-situation-2021-and-2022-outlooks-february-2022*

Figure A2.1: African countries most experiencing insufficient food consumption and difficult access to markets

	PREVALENCE OF INSUFFICIENT FOOD CONSUMPTION (HIGH→LOW)	TOTAL POPULATION (MILLIONS)	NO. AFFECTED (MILLIONS)
Niger[ACTUAL]	67%	22.4	15.0
Mali[ACTUAL]	63%	19.1	12.0
Burkina Faso[ACTUAL]	57%	19.8	11.3
Sierra Leone[ACTUAL]	49%	8.2	4.0
Central African Republic[ACTUAL]	49%	4.7	2.3
Guinea[ACTUAL]	43%	12.4	5.4
Guinea-Bissau[PREDICTED]	38%	1.9	0.7
Liberia[PREDICTED]	34%	4.6	1.6
Cameroon[ACTUAL]	34%	25.2	8.5
Mauritania[ACTUAL]	29%	4.4	1.3
Nigeria[ACTUAL]	27%	202.8	55.1
Togo[PREDICTED]	27%	7.9	2.1

	PREVALENCE OF CHALLENGES ACCESSING MARKETS (HIGH→LOW)	TOTAL POPULATION (MILLIONS)	NO. AFFECTED (MILLIONS)
Central African Republic[ACTUAL]	70%	3.5*	2.4
Cameroon[ACTUAL]	53%	25.2	13.4
Sierra Leone[ACTUAL]	52%	8.2	4.3
Mauritania[ACTUAL]	50%	4.4	2.2
Chad[ACTUAL]	47%	15.9	7.5
Nigeria[ACTUAL]	46%	122.4*	56.6
Guinea[ACTUAL]	41%	12.4	5.1
Côte d'Ivoire[ACTUAL]	37%	25.1	9.2
Mali[ACTUAL]	31%	19.1	5.8
Niger[ACTUAL]	28%	22.4	6.4
Burkina Faso[ACTUAL]	14%	19.8	2.8

*The total population displayed here is less than the national population. This may be attributed to the following factors: (1) not every region is covered by near real-time food security monitoring systems, or (2) populations that are not relevant to market access have been excluded.

Many African countries have yet to recover from the economic downturn caused by COVID-19’s disruption of supply chains.

Figure A2.2: Prices of maize, soybean, and crude oil, April 2021–February 2022

Extreme weather conditions resulting from climate change are also undermining food security in eastern Africa and the Great Lakes region, notably following on floods in Lake Tanganyika, the overflow of rivers in Burundi, and cyclones and tropical storms around Madagascar and Mozambique.

Africa's farmers were already battling significant drops in crop yields and livestock arising from transboundary plant and animal pests and diseases. These include fall armyworm, desert locust invasions, the cassava mosaic virus, and foot and mouth disease. Desert locusts extensively damaged the livelihoods of 3 million East Africans in 2020.

In Southern Africa, climatic stresses and macroeconomic factors are rendering the prospects of cereal production generally unfavourable. A slow onset of seasonal rainfalls and below-average amounts of rain during the first three months of 2022 have already affected productivity. Cyclones and tropical storms in the Indian Ocean have taken place, and forecasts for East Africa indicate mixed outcomes and high levels of climatic uncertainty, while parts of North Africa are suffering drought.

From an input supply standpoint, only a handful of African industrial manufacturers produce 33.6 million MT of different formulas of fertilizer (Table A2.1). The production is enough to satisfy local demand, but most of the fertilizer produced in Morocco (phosphate) and Nigeria (urea) is exported outside the continent, creating a shortfall for Africa, as a whole.

Table A2.1: Fertilizer production in Africa

Country	Formula	Volume (tons)
Algeria	Urea, ammonium	1,800,000
Egypt	Urea, nitrogen	6,700,000
Kenya	SSP, sulfuric acid	200,000

Libya	Urea, ammonium	1,600,000
Madagascar	Ammonium sulphate	180,000
Morocco	NPK, DAP, MAP, TSP, NPS	11,300,000
Nigeria	Urea	5,500,000
South Africa	Ammonium nitrate, NPKS, MAP, nitrogen	1,600,000
Tunisia	Phosphate, nitrogen	3,800,000
Zambia	NPK, ammonium nitrate	314,000
Zimbabwe	TSP, SSP, ammonium nitrate	615,000
Total		33,609,000

DAP=diammonium phosphate; MAP=monoammonium phosphate; NPK=nitrogen, phosphorus, potassium; NPK=nitrogen, phosphorus, potassium, sulphur; NPS=nitrogen, sulphur; SSP=single superphosphate; TPS=triple superphosphate

Note: It costs approximately US$1 billion and takes five to eight years to build a fertilizer plant capable of producing 1 million tons of fertilizer.

In total, sub-Saharan Africa consumed 10–12 million tons of fertilizer in 2020, with Ethiopia, Kenya, Nigeria, and South Africa accounting for approximately 50% of the volume. Most of this fertilizer is used for cash crops. Citing the Ukraine crisis, high demand from Brazil, and an increase in shipping costs, governments and traders are estimating fertilizer shortages of about 2 million MT in Africa in 2022 (Table A2.2). Across the continent, countries expect shortages of 50%–80% of their usual demand.

Table A2.2: Fertilizer shortage estimates for 17 African countries

Total Annual Demand (MT)	Total Annual Supply (MT)	Total Gap (MT)	Average Price (US$)	Total Supply Gap (US$)
8,556,489	5,707,697	2,111,743	1,300	2,745,265,900

MT = metric tons

Note: These calculations are based on figures obtained from local sources, the World Bank, the Food and Agriculture Organization, IFDC, and others. Data was not obtained from the International Fertilizer Association because access to the data is restricted to subscribing partners.

Benin, Côte d'Ivoire, Ethiopia, Kenya, and Nigeria have made agreements with suppliers to procure as much fertilizer as possible for cash crops. In Côte d'Ivoire, for example, the cotton industry has secured 27,000 MT of fertilizer for its growers. Countries that have no stock of fertilizer are at higher risk: examples are Ghana, Malawi, Mali, Tanzania, and Zambia, which are experiencing shortages of 60%. Launched just 3 years ago, Technologies for African Agricultural Transformation (TAAT) has delivered heat-tolerant wheat varieties to 1.8 million farmers in 7 countries, increasing wheat production by 2.7 million tons (MT) and adding value of US$ 840 million. Overall, in just 2 crop seasons, TAAT has facilitated the production and dissemination of 191,947 MT of certified seeds of wheat, maize, rice, sorghum, and beans to close to 11 million smallholder farmers. In Ethiopia, the nation-wide deployment of heat-tolerant wheat varieties rapidly expanded the country's irrigated-wheat area from less than 5,000 hectares in 2018/2019 to 187,240 hectares in 2020/2021 and 400,000 hectares in 2021/2022. Yields increased on average from 2.0 MT/hectare to 4.0 MT/hectare. In total, wheat production from irrigated and rain-fed systems reached 7.0 million MT in 2021/2022, producing 80% self-sufficiency. The Government of Ethiopia is committed to attaining 100% self-sufficiency by 2024/2025 and becoming a net exporter by 2025/2026. To meet its target of reaching 2 million smallholder farmers, the TAAT Maize Compact established partnerships with 28 seed companies: 4 in Kenya, 4 in Uganda, 6 in Tanzania, 8 in Zambia, and 6 in Zimbabwe. The partnership established 4,256 demonstration plots, conducted 757 field days, and distributed 84,321 small packs of seeds for free. It resulted in a distribution of over 17,340 MT of climate-smart maize seeds. Within 18 months of implementation, the compact's extensive partnership network had provided over 1 million farmers with climate-smart maize hybrids.

Bank's interventions:

Emergency response

The African Development Bank Group approved the African Emergency Food Production Facility (AEFPF), in May 2022. The objective of the Facility is to make seeds and fertilizer available and affordable for 20 million smallholder farmers to replace the lost supply of 30 million tons of cereal imports and agricultural inputs due to Russia's invasion of Ukraine[45].

The African Emergency Food Production Facility is anchored on Feed Africa flagships such as the Technologies for African Agricultural Transformation, known as TAAT, and Africa Fertilizer Financing Mechanism (AFFM). The Facility will support regional member countries with technical and financial resources to produce more food and to make policy commitments to make agricultural input systems more market-based, improve logistics, and increase access to credits for actors in input value chains.

Medium term and interventions

In the medium to long term, the Bank Group will structure its interventions to support African agricultural transformation to enhance **the competitiveness of African farmers in key staple foods, technical assistance and non-sovereign resources, grants and sovereign resources are needed.** Below is a summary of instruments:

- **Sovereign resources** with the support of the ADF, IFAD, and other partners would provide financing for value chain development: irrigation, rural roads, equipment, extension, market clusters, and Special Agro-Industrial Processing Zones. The promotion of the use of digital technologies to enhance productivity at farmer level, including private sector large-scale producers, will be encouraged. Sovereign resources are required for de-risking instruments including guarantees, such as the African Fertilizer Financing Mechanism and project-supported risk sharing facilities, as well as blended financing like Agri-SME Catalytic Financing Mechanism and project-supported value chain financing funds, to unlock private sector investments across commodities throughout the value-chains.

[45] Agreed wording at the 2022 African Development Bank Group Annual Meetings. Algeria, China, Egypt Eswatini, Namibia, Nigeria and South Africa entered a reservation and proposed "Russia-Ukraine Conflict.

- **Non-Sovereign resources** would be mobilized to provide capital for: input supply chain actors, such as wholesalers and agro dealers; commercial banks; and primary food producers/commercial farmers for the promotion of agricultural and processing technologies that would increase productivity. This financing window will leverage the Bank's Agri-SME Catalytic Financing Mechanism and IFAD's Private Sector Financing Programme.

- **Technical Assistance** would support a business accelerator for agri-SMEs and a platform of key buyers and distributors be established in each target country. Financing would support measures to comprehensively reduce risks inherent to supply chains so that supply cost of local staple food is economically competitive against imported commodities.

- **Grant support** would support the Technologies for African Agricultural Transformation (TAAT) platform and other research institutions to produce early generation seeds of climate-adapted varieties, particularly focused to increased production of staples in these zones, and work with private sector companies and other seed growers to produce certified seeds.

Annex 3: Core Principles of Sustainable Debt Financing

The objective of the core principles is to promote information sharing and coordination by MDBs and other international financial institutions in implementing resource allocation frameworks and selected debt/financing policies. These principles are intended to be open to all MDBs and other international financial institutions.

Financing policies

i) For countries with higher debt vulnerabilities, limit non-concessional lending, where applicable.

ii) Consider debt vulnerability in resource allocation decisions (volumes, terms, financing conditions): Prioritize financing with higher concessionality, including grants, for countries with higher debt vulnerabilities, informed by the joint World Bank/IMF Debt Sustainability Framework (DSF).

iii) Ensure that the allocation and terms of financing policies create incentives for addressing vulnerabilities—by reflecting policy and performance actions as defined under the World Bank's Sustainable Development Finance Policy (SDFP) or similar policy at other institutions and the IMF's Debt Limit Policy (DLP) for both concessional and non-concessional financing, for example.

iv) Use the methodology and principles as agreed to in the DSF for calculating the grant element of financing.

Creditor coordination

i) Coordinate efforts to support borrowing countries in taking policy actions aimed at enhancing debt transparency and debt management.

ii) Enhance stakeholder coordination and engage in dialogue on policies to reduce debt vulnerabilities, possibly at the country level.

iii) Promote regular dialogue among MDBs and other international financial institutions and client countries on financing and debt-related policies, including, when relevant, to harmonize positions in international fora.

iv) Promote participation by all MDBs and other international financial institutions.

v) Transparency and exchange of information on elements relevant for the implementation of the policies covered under these principles, consistent with institutions' access to information policy or disclosure policy requirements. Elements include applicable policies and related parameters/responses (such as ceilings), provision of non-concessional financing, and provision of financing under special arrangements or with special clauses (for example, collateralization, arrears)

vi) Enhance the transparency of policy decisions by establishing a website, in accordance with the relevant institutions' access to information policy or disclosure requirements. Information on the website could include debt policies, country-specific information, and links to other websites.

Financial innovation

Support international efforts to enhance the resilience of borrower countries. When consistent with the governing framework of the relevant institutions and beneficial for client countries, consider providing countries with appropriate instruments.

Annex 4. Institutional reforms

Zero tolerance for sexual exploitation, abuse, and harassment (SEAH). Significant progress has been made in the area of SEAH. The SEAH policy was approved by Management in 2020 and was disseminated to all Staff. A revised Presidential Directive including prohibiting sexual exploitation in the workplace as well as in projects funded by the Bank, was published in May 2021, with clear guidelines for dealing with proven breaches of the zero-tolerance policy. Training modules have been made available to all staff (virtually), accompanied by sensitization campaigns and keynote speaker series of sessions to examine how to address SEAH in Bank operations. Sessions continue to be held to outline the components and manifestations of SEAH, the Bank's position and policies on SEAH, and the PIAC Department's instruments and processes for receiving complaints and investigating SEAH as misconduct. Furthermore, the SPOT reporting system launched in February 2021 is being used to provide a safe and secure platform for staff to raise concerns if they were experiencing issues at work and preferred to report them anonymously.

Emphasis was placed on the importance of speaking-up or reporting ethical misconduct. Employees were reminded of the possibility of reporting misconduct anonymously through a third-party reporting system launched in February 2021. In ensuring that employees' exhibit the Bank's core values and the highest ethical standards, risk assessments were undertaken to identify emerging ethical risks especially in the Bank's work from home configuration. Targeted training sessions were organized in addition to the annual mandatory Code of Ethics training aimed at strengthening ethics and accountability across the Bank. The Bank Group will also take appropriate measures to prevent illegal practices and/or misconduct (such as fraud, violation of the fundamental principles of procurement rules, harassment) in connection with the implementation of its operations.

Enhancing Institutional Integrity and Strengthening Safeguards

The Bank Group will enhance its institutional integrity. The Bank Group has adequate oversight and accountability mechanisms that cover its internal activities and external operations: The Office of the Auditor General, Evaluation Department, Ethics Department, Environmental and Social Safeguards and Compliance Department, Internal Review Mechanism, and the Ombudsperson. Adopting risk-based approaches and the "Three Lines Model" for risk management, these institutional mechanisms will continue to engage in proactive exercises of their mandates to ensure improved accountability in the Bank Group's internal activities and external operations. Specific focus will be given to operational risks in fragile states, using information and analysis generated by the Bank Group's Transition Support Department and other relevant sources.

Office of the Auditor General: The Board and Management seek assurance from various sources both within and outside the Bank. The Office of the Auditor General, through a risk-based approach, will continue during ADF-16 to provide independent assurance on the effectiveness of governance, risk management, and internal control to the Board and Senior Management, including the manner in which the first and second lines of risk management operate. Its annual work programme is derived from the Long-Term Coverage Plan (LTCP), which analyses Bank Group auditable activities and, considering relevant institutional risks, ranked auditable activities into high, medium, and low risk. The LTCP is rolled over and updated annually. As such, risks are continually calibrated taking into account changes in the Bank's risk landscape, business processes, strategy, Board, and Management inputs.

The Office of the Auditor General will also continue to provide assurance on the adequacy and effectiveness of control mechanisms on business re-engineering occasioned by the Working from Home (WfH) initiatives triggered by COVID-19, "One Bank" delivery model, enhanced decentralisation resulting from increased delegation of authority to regional development and business delivery offices, anticipated increase in the number of transactions and changes in business processes. Regional and Country audits will continue to cover both regional / country office business development and portfolio management activities and regional / country office administration where the Bank is represented. Considering the reputation risk of the regional and country offices associated with decentralisation, in ADF-16 the Office of the Auditor General plans to audit each regional / country office every two to three years. Some offices may be audited more frequently based on the risk assessment considerations.

Fiduciary Safeguards and Procurement Processes: Under the oversight of the Fiduciary Services and Inspection Department, the Bank Group will continue to refer to international best practices for both procurement and financial management within the context of PFM reforms. This will be to reduce operational risks through strong fiduciary controls, better accountability and transparency, review, and enhanced fiduciary oversight. Building on measures already in place, the Bank Group will continue to pay particular attention to building internal capacity to implement and regularly monitor adherence to Bank Group rules and procedures through accreditation of staff. Within the context of decentralization, special attention will be paid to continued strengthening regional and country offices' fiduciary management capacity while maintaining centralised oversight, monitoring and review.

As part of its commitment to continue strengthening the use of country systems and country ownership, the ADF will: (i) provide technical and financial support to assess ADF countries fiduciary (procurement and financial management) capacity with a view to strengthening and increasing the number of countries whose financial management and procurement systems are acceptable to the ADF; (ii) provide financial support to ADF countries to modernise country procurement and PFM systems in general with special focus in Transition States; (iii) assist ADF countries with upfront project work, i.e., better design, planning, analysis, and quality at entry; and (iv) ensure an integrated approach to the implementation and supervision of procurement and public financial management functions in Regional Member Countries. (v) provide financial support to ADF countries to assist them to assess and develop electronic Government Procurement (e-GP) systems and Integrated Financial Information Management Systems for enhanced transparency. Internally, the Bank Group updated in 2014 and 2015 its public financial management and procurement frameworks respectively and processes to further reduce procurement processing times, lower transaction costs, enhance quality control and improve overall service standards. The Bank Group will continue to fine-tune its fiduciary policies and assess their results and impact in line with the expected objectives.

Environmental and Social (E&S) Safeguards

The Bank is mindful of the environmental and social risks and impacts of development activities. The Bank's E&S safeguards are thus considered the cornerstone of its vision in ensuring that economic transformation in the continent is socially inclusive and pursued in a manner that is not only environmentally and socially sustainable, but also economically empowering. The Bank continues to press ahead with actions to strengthen its implementation of environmental and social safeguards. The Bank's Integrated Safeguard System was first adopted in 2013, drawing on standards and processes in widespread use across MDBs. It helps to ensure that Bank operations are both inclusive and environmentally sustainable, by identifying risks to communities and the environment.

Accordingly, the Environmental and Social Safeguards Strengthening Action Plan (SSAP 2020-2025) was developed as part of the Bank's commitments for the GCI-7 and ADF-15 replenishment negotiations and in response to key challenges already identified in past internal audits and independent evaluation exercises. The SSAP outlined several actions and activities with targets and timelines towards strengthening the Bank's ability to address environmental and social risks associated with the operations it finances and foster stronger capacity for E&S safeguards and compliance management in regional member countries. The SSAP was presented to and endorsed by the Committee on Operations and Development Effectiveness (CODE) on February 11, 2020, with the following objectives:

- Improve the E&S mainstreaming of environment and social aspects in the Bank's operations, through enhanced quality assurance, compliance oversight and implementation support, to preserve the available natural resources and protect communities' health.
- Strengthen the Bank's ability to meet its own procedural and policy requirements, in a manner that meets the expectations of its Executive Board of Directors and stakeholders, and commensurately manage reputational risks.
- Improve the Bank's support to countries capacity building in meeting their national and international legal, policy and strategic commitments with respect to E&S management.

These reinforced compliance controls include: (i) decentralization of E&S specialists and improvements in ensuring that E&S specialists are assigned to all existing projects and as early as possible through the Integrated Safeguards Tracking System (ISTS); (ii) improvements in the readiness review process; (iii) full disclosure of all required E&S documents prior appraisal, including clear indications on the mobilization of the resettlement costs; (iv) improved compliance check with the E&S compliance note (ESCON) systematically appended to appraisal reports before projects be presented to the Board; (v) improved consideration of E&S aspects in non-operational activities and processes (Strategies, guidelines, CSP, RISP, etc.) that further drive the mainstreaming of E&S safeguards considerations in the preparation and implementation of projects.

Under the SSAP, significant efforts have been undertaken to ensure that all Bank projects are appropriately appraised on E&S risks, prior to presentation to the Board. All operation task teams now systematically include at least one E&S officer, while the institutionalization of mandatory checks and controls ensures high E&S quality at entry and E&S compliance of all approved projects. In fact, 100% the operations submitted to the Board approval are appropriately appraised for E&S compliance and implementation readiness (Bank's Integrated Safeguards System ISS policy commitment no.1) since 2020. However, only 30% of the Bank active portfolio (projects under implementation) is now considered to be subject to satisfactory implementation support, which is below the mandatory 100% (Bank's ISS policy commitment no. 2); this progress is below the commitments under the SSAP and is linked to gaps in staffing of E&S and operational budget needs for E&S due diligence as per the Bank's active portfolio. The adequate implementation of the Bank's commitments has been a perennial challenge, calling for measures to boost E&S staffing and E&S operational budget to fully carry out the required due diligences along the project lifecycles (identification to completion) and manage compliance and reputational risk.

Notably, the Bank has also advanced the process for updating its Integrated Safeguards System to foster greater harmonization with peer institutions, clarity on roles and responsibilities and comprehensive scope on emerging issues. The updated ISS is expected to was approved in October 2022.

Office of Integrity and Anti-Corruption (PIAC)

Following the approval of PIAC new terms of reference in October 2020, PIAC's delivery focus covered three areas: Strategy, Governance, and Integrity Risks. PIAC therefore adopted a risk-based approach to enable it to identify, detect and prevent efficiently and effectively integrity risks and minimize reputational risks in the Bank Group financed activities and among staff. As a result of this orientation, in 2021, PIAC engaged in a risk assessment exercise with the overall target of identifying, and assessing, money laundering, terrorist financing, illicit financial flows, and other integrity risks in Bank Group operations. Once done, PIAC plans to use the results of the risk assessment to develop an integrity risk assessment framework and /tool for continuous monitoring of identified and emerging risks and tracking of mitigation measures.

PIAC initiated the procurement of a sanctions screening tool to be deployed as part of implementing the Bank's due diligence guidelines and anti-money laundering screening procedures in collaboration with CHIS and CHGS. The Bank Master Screening Tool (BMST) has been installed in the Bank. However, there has been delay in full implementation, due to some contractual issues which are being addressed internally and with IMTF (the vendor). Once the Tool is fully deployed and functional, PIAC will provide the necessary trainings to Bank employees on its functions and use, to support administrative due diligence measures of the Bank.

PIAC has also built new partnerships with other international organizations, strengthen the Office with new norms, and updated key working policies. PIAC's investigative tools and processes were reviewed and re-aligned. The review of the Investigation Manuals for internal staff misconduct cases and external cases of Sanctionable Practices together with the upgrade and revision of the Case Management System and case intake processes have been finalized for implementation. PIAC confidentiality policy has also been drafted and implemented in Q1 2022. PIAC through its prevention work surpassed its KPIs in issuing 31 Integrity Due Diligence opinions on projects valued at UA 934 million within an average time of 7 days against the average KPI of 14 days. Also, PIAC favourably conducted 53 training and capacity building sessions against the targeted 30 sessions.

Project Integrity Reviews (PIRs) covered 4 projects in 4 RMCs against a KPI of 2 projects as indicated in the General Capital Increase paper: 2 PIRs completed and 2 PIR all in Transition States are on-going. Several Media monitoring alerts covering related to HQ and 9 RMCs were captured and analysed for action. On the Investigation side, 56 Sanctionable Practices cases were completed representing 102% of target set for the year, being 55 cases. On Staff Misconduct cases, it took an average time of 2.96 months to complete each case against the target of 3 months. The rate of completion of investigations of staff misconduct cases reported sat at 76,3 %, which is slightly below the targeted 80%, but at the end 2021, 4 reports were in the finalization stage. The effects of COVID and staff resource constraints have nevertheless impacted the delivery of this target.

Annex 5: Scaling Up the PSF

PSF began operations in 2015. A self-assessment of lessons learnt from the Facility's pilot period was presented to the Board in 2019. In December 2020, the Board of the ADF approved a revised Strategic Framework (new Framework) for the Facility. The new Framework sharpens the Facility's mandate on operations in the infrastructure and real economy sectors in all LICs, as well as transition states. It introduces changes in the Facility's governance. This includes an Investment, Risk and Claims Committee (IRCC) to perform a second line technical review and clearance of recommendations to the ADF Board of Directors. A search firm has supported the mobilization and screening of candidates and the six top candidates were approved by the ADF Board of Directors in May 2022. Other institutional developments include the hiring of Project Staff in 2020 and 2021 and strengthening the Facility's independent risk management capacities.

The COVID-19 crisis fundamentally affected the Bank's NSO portfolio growth- and in turn- the PSF's own portfolio growth. Between January 2020 and 30September 2022, formal risk participation requests were processed in respect of 24 NSOs amounting to over UA 1 billion. Six requests pertain to NSOs approved prior to 2020, and the remainder to new operations. In respect of the six legacy operations, three risk participations have been recommended and approved. The remainder are new 2022 and 2023 NSO. Some of the risk participations requested have not been retained due to the non-compliance of the operation to PSF eligibility criteria and limited alignment with the Facility's prioritization approach. The volume of risk participation scheduled for Board consideration by Q 2 2023 amounts to UA 230 million - of which 90% are in the infrastructure and real economy sector and 65% concern operations in ADF-only or transition countries.

The PSF team has proactively engaged with operations teams to ensure that the current pressure points in the Bank's risk management parameters do not result in a drastic reduction of new operations in ADF countries. Indeed, since the onset of the COVID crisis these pressure points have acutely deteriorated such that operations rated high or very high risk (which invariably would be in ADF-countries) may not proceed to further consideration in the absence of risk sharing or credit insurance as this would result in an active breach of risk parameters. In January 2022, a review of the Bank's 2022 NSO pipeline identified UA 1.2 billion of operations in ADF-eligible countries, of which 42% in ADF-only and transition countries. PSF team has also identified opportunities to evolve its operational modalities and instrument to more effectively address the type of operations found in ADF countries and the more acute constraints affecting the Bank's NSO portfolio growth in these countries.

To scale up its support the following deployment modalities may be explored for PSF: (i) A funded risk participation instrument; (ii) A portfolio guarantee structure for small loans and guarantees in programs targeting ADF-countries and transition states; (iii) Using PSF as a tool for mobilization and to reach borrowers in underserved countries.

A funded risk participation

Well suited to fast disbursing loans to corporate in the real economy sector, the first innovation would be to provide part of the risk participation in a funded form. The PSF's current instrument- the unfunded risk participation- commits the PSF to disburse funds to the Bank only when the borrower fails to honour in full and on time its financial obligations to the Bank. The Bank only obtains partial capital relief as it bears the counterparty credit risk of PSF not being able to make whole the Bank in respect of its share of the borrower's obligations.

Unlike the unfunded risk participation, A funded risk participation would remove any risk charge on the part of the loan covered. The PSF would disburse upfront its share of risk covered, which would be held by the Bank as cash collateral and the Bank would obtain 100% capital relief on the share of the loan covered.

Any liquidity utilized to fund the risk participation would not be available to backstop the portfolio of unfunded risk participation. This would reduce the size of the PSF program. Should the PSF portfolio comprise only funded risk participations leverage would not be feasible. Given this quid-pro-quo, the application of the PSF's prioritization approach will be key to determining when and how much to deploy the funded risk participation instrument relative to unfunded risk participation.

A programmatic approach

The risk sharing initiatives launched by other development partners in recent years highlights that tailoring a generic guarantee instrument to sector or country- specific innovations and programs incentivizes lending to these specific models. Programmatic approaches enable the standardization of terms and processes streamlining for risk management and transactional efficiency. As Bank Management has made it mandatory for high-risk operations to secure credit insurance or risk participation ahead of Board consideration, a programmatic approach – with upstream program approval- would help address such structural risk constraints.

The Bank Group's special initiatives such as the Desert to Power, country mini-grids and off-grid programs, SME programs, and trade finance transaction guarantees are entry points to leverage the PSF, to mitigate the high-risk charges confronting these types of operation. These initiatives are implemented through programs that can achieve scale but comprise individual projects that are relatively modest in size (operations that are less than UA 20 million per project, and at times even less than UA 5 million in the case of the Trade Finance Guarantee instrument). By default, the PSF risk participation structure:

- Provides partial cover on individual operations only and eligibility is considered on a standalone basis, each operation must be approved separately by the ADF Board.
- May be processed either in parallel with the loan (with approval of the risk participation) after loan approval, or once the loan has already been signed.
- Rests on the execution of a distinct risk participation certificate for risk transfer.
- Provides that defaults and losses are shared for each operation on a stand-alone and pari-passu basis.

This structure's merit lies in its simplicity and embeds adverse selection risk mitigants. Yet, it is poorly adapted to small loans and high-frequency operations from a transactional efficiency perspective. The phasing of formal acceptance of the risk participation after loan approval and signature means that it does not provide sufficient comfort to alleviate the factors that disincentivize origination specifically risk considerations where these are embedded in the country risk rating of the operation.

A programmatic approach would see the reference (i.e., eligible) portfolio and the risks shared between the lender and risk participant defined and approved upstream of the approval of individual loans. Depending on the nature of the program, the risk participation would either be automatic for new operations approved meeting specific eligibility and portfolio construction parameters (i.e., the Trade Guarantees Transaction), or approved on a lapse of time basis.

Another programmatic structure is the portfolio guarantee structure. It builds on the Bank's experience with the AFAWA program and the IFC's PSW model for SME lenders - where risk participations are synthetically attached to a distinct tranche of a portfolio (as opposed to individual transactions). These structures create a hierarchy between parties covering distinct levels of losses. Such structures could see the PSF share in riskier tranches of defined portfolios- to incentivize more risk-taking from the Bank- in support of untested business models. This could include re-guaranteeing the ADB's own partial credit guarantee instrument. While this approach provides an asset hedge, it should not result in the build-up by the Bank of a non-performing portfolio in excess of its risk appetite and transactional capacities. For this reason, each program where PSF takes a first loss position would see this first loss position capped at a maximum of UA 5 million. Robust origination as well as parallel technical assistance would aim to ensure risk-sharing encourages performance.

PSF as a tool for mobilization and to reach borrowers in underserved countries

Multiplying the PSF's delivery channels would amplify the Bank Group's mobilization role and the PSF's reach and impact. Drawing on the experience of the EC External Guarantee and the IDA PSW, a natural evolution would see PSF diversify its delivery channels. This would entail risk participation in the credit risk held by lenders, insurers, and investors other than the Bank. There are diverse operational modalities to implement this approach. In the first instance this would be about positioning the PSF to act as a risk incubator to mobilize commercial insurance providers to countries (transition states), sectors (agriculture) and risks (such as construction risks) which they usually have extremely limited capacity to cover. The Bank has developed relationships with a network of insurers. This could also entail extending PSF's credit risk cover to commercial co-financiers in transformational projects where the Bank is the lead arranger-on tranches that are on the same financial terms as the Bank's own. A further alternative would be for PSF to be deployed to incentivize investors deploying resources through the Bank's managed co-financing vehicles to accept LIC country and construction risks which they otherwise shy away from.

Target portfolio, development results and additionality

Based on the current demand for PSF risk participation and an analysis of the Bank's 2022 NSO lending program - ninety percent of the PSF pipeline are in the infrastructure and real economy sectors. This overall share hinges upon a certain number of large loans in the infrastructure sector - which can be subject to slippages and disruptions - particularly in the more volatile markets. We have conducted a longer term analysis of the potential demand by reviewing the Bank's ongoing initiatives targeting ADF countries, conducting dialogue with operations teams, reviewing the database of PPP projects achieving financial close over the last five years in the infrastructure sector in ADF countries, and tracking the types of corporate loan projects in the real economy supported by the IDA Private Sector Window, as well as the types of programs supported by the EC External Guarantee. This analysis highlights that there are strong opportunities to target at least 75% of the new portfolio growth to the real economy and infrastructure sectors through the innovations proposed.

PSF is not a lender but a risk participant. In and of itself, the PSF does not generate development results- but contributes to the achievement by the Bank's NSO of these development results. The measurement of the PSF's results in respect of cross-cutting themes and target groups is undertaken at the level of the Bank's NSO by tracking ex ante and ex-post expected and achieved outputs and outcomes particularly in respect of target groups. Over and above its eligibility criteria, the PSF's prioritization approach reflected in its revised Strategic Framework is used to select loans and size the PSF risk participation in each loan. The more aligned an NSO is with the PSF's prioritization approach the larger the risk share recommended. This approach already applies a prioritization premium to- among other factors- operations that are expected to achieve superior development outcomes (in terms of the Bank's Development Outcomes assessment rating); comprise targeted measures to support women's livelihoods and economic opportunities; apply the Bank's fragility length and integrate the "do no harm" principle; have marked benefits for directly affected communities. The funded risk participation would be particularly useful in the context of corporate financing in the real economy sector- particularly in the agroindustries sector- key to ensuring improved food security in the region. The programmatic approach provides an excellent opportunity to design, with the Bank's operational teams dedicated programs targeting youth and women SMEs in specific sectors and/or sub-regions. The pooled risk sharing programmatic approach instrument would be particularly well suited to support the provision- by the Bank's partial credit guarantees to SME lenders grow their portfolio of youth and women-owned businesses as clients. Similarly, the programmatic approach is particularly well suited to renewable energy projects in transition countries where electricity access lags other ADF countries.

The PSF tracks the year-on-year incremental evolution in the number and volume of NSO in the Bank's ADF-eligible countries, and transitions states as a sub-group of countries. This contribution has been a core feature of the definition of its additionality. The introduction of the new instruments is intended to amplify this additionality- by addressing some balance sheet constraints to the origination of loans that are particularly responsive to the types of operations found in ADF and countries, and those targeting specific groups such as women-owned businesses. In addition, the third innovation- enabling the mobilization by the Bank of co-financiers and insurers to markets and projects they would otherwise have limited scope to cover- would also amplify the PSF's additionality.

Financial dimensions: As at end Q4 2021, the Facility's capitalization stood at UA 477.8 million, including reserves, to cover a portfolio of up to UA 1.1 billion of exposures (provided adherence with certain portfolio risk parameters). Some of the proposed innovations for the PSF instrument can be implemented without additional capitalization. Indeed, while approval for PSF risk participation in small loans programs would be undertaken upstream at the program level- the risk participation would only become effective (and use PSF risk capital) only at the time of signature of the risk participation (which would be concomitant with loan signature).

Two of the innovations proposed would have a bearing on the current risk capital model for PSF - the funded risk participation and the pooled-risk sharing first loss portfolio risk participation. The funded risk participation will see part of the PSF liquidity utilized as cash collateral- this liquidity would therefore be neutralized as PSF risk capital and would no longer be leveraged. Because it provides full capital relief for the portion of the loan covered- this instrument is particularly powerful- and would therefore be an excellent opportunity to incentivize pipeline development for projects that have superior development outcomes and/or target corporate clients in transition countries.

In addition, the pooled risk-sharing portfolio guarantee would see PSF provide its risk participation to a portfolio of exposures in a position that is subordinated relative to the Bank (whereas historically PSF risk participates at the same level of risk and losses as the Bank). This subordination assumes that the levels of losses that PSF could be exposed to in such cases are higher than the level of losses assumed under the PSF's historical model. Based on the IDA Private Sector Window's experience, we anticipate applying a 100% risk capital charge for all first loss positions. For this reason, such exposures would be more capital intensive than the types of exposures historically covered by the Facility.

While the Facility is sufficiently capitalized to continue growing its portfolio on its current model and even introducing on a very limited basis both innovations- implementing them at scale will require both significant upstream investment in program development and implementation and will accelerate risk capital utilization. Beyond its usual operational modalities and taking in the existing lending program, the Facility could absorb up to UA 50 million of the riskier and more capital-intensive instruments within its existing capitalization, resulting in a potential UA 50 million gap. Hence, an additional contribution of UA 50 million is proposed to launch these riskier instruments at scale.

Institutional arrangements, policy, and systems requirements: Given the need for detailed program design work, implementation, portfolio monitoring and follow up, PSF's internal capacity and the services procured from the Bank as host institution will need to be increased to support the management of a larger and more complex portfolio. Certain innovations may require addenda to be developed to the PSF Strategic Framework, to provide explicitly for these innovations. Some of the programs are likely to generate an increased frequency of calls on risk participation, with additional transactional costs. Finally, the bespoke nature of each program will require the production of bespoke models, legal documentation, and systems. By building on an existing platform and modalities, rather than seeking to establish an entirely new vehicle afresh, efficiency gains can be achieved.

Annex 6: ADF Project Preparation Facility (PPF)

Background

The Project Preparation Facility (PPF) of the African Development Fund (ADF) ADF-PPF is a formidable tool to address the challenge of project readiness in ADF-only and Blend countries. It is, in many cases, the only resource available to cover the high-risk preparatory phase of national projects in ADF countries. The Facility continues to play a key role in strengthening the quality at entry of projects in ADF countries, particularly in transition states. The PPF was established in 2000 with an initial amount of UA 19.2 million. Since its inception, 24 Regional Member Countries (RMCs) benefited from PPF financing out of which 14 are currently classified as Transition States. PPF advances have been used for designing transformative projects across sectors, including agriculture and rural development, social development, agriculture value chains, market development and youth enabling projects.

The Facility's ability to deliver was strengthened by the allocation of UA 75 million under the ADF-15 replenishment and updated operational guidelines adopted in early 2021. The new Operational Guidelines were prepared following a broad consultation process across various Bank departments and provide an appropriate framework for the utilization of the ADF-PPF resources.

PPF Additionalities/Improvements and New Operational Guidelines

The review of the PPF that was conducted at the onset of the ADF-15 negotiation was conclusive on PPF's relevance, financial sustainability, alignment to Bank's strategic and operational priorities. The review reaffirmed the validity of the original rationale of PPF as (i) the quality at entry of projects depends on the level of preparation and (ii) the demand for such resources (especially for infrastructure projects) has risen sharply in recent years.

PPF being a cross-cutting instrument, renewed emphasis was placed on coordination within and amongst complementing project preparation facilities. Additionalities/improvements were introduced to scale up PPF activities, including:

- **Prefeasibility to detailed design** enabling PPF to support the entire upstream activities of a project cycle – from prefeasibility to detailed design in order to cater to preparatory needs of large-scale investment operations having a strong development impact.
- **Increased maximum allocation size -**going up from UA 1 million to UA 5 million, thereby enabling the PPF to make meaningful contributions to project design and eventual bankability.
- Renewed emphasis on preparation of Regional Operations (ROs); PPPs and supporting NSOs, particularly in fragile situations.
- Increased focus on Gender Sensitive, Green & Low-Carbon, Climate Resilient Projects.

New Operational Guidelines: In 2020, the focus was on reviewing the existing operational framework and approving the new Operational Guidelines. **The new Operational Guidelines, approved in January 2021,** balance efficiency and flexibility on one hand, and compliance with high quality and fiduciary standards, on the other hand. It benefitted from an in-depth consultation process of an ad-hoc task force comprising all concerned departments. These revisions aim to scale up PPF activities, improve the implementation arrangements, enable effective deployment of funds (approvals and disbursements), and devise a prudent approach to ensure repayment. Considering the substantial increase in the size of the PPF envelope, the increase in the upper threshold for advances, the enhanced scope of eligible activities; and in order to conform with best practices and principles of good governance, specific procedural measures were incorporated for approvals and waivers, if any.

PPF Secretariat and Information Sessions

The PPF Secretariat is housed within the Resource Mobilization and Partnership Department (FIRM) and is staffed with one coordinator and one support consultant. The PPF Secretariat oversees PPF implementation, advises operational departments on the use of resources, facilitates, and tracks the approval of proposals, and undertakes financial monitoring and reporting of the facility. The Secretariat ensures that the utilization and management of the PPF is in line with other facilities at the Bank and is aligned with the Bank's Ten-Year Strategy, the High 5 priorities and the ADF strategic framework.

The PPF Secretariat conducted four Bank-wide information sharing sessions in 2021 and four sessions in 2022, respectively. In addition, the Secretariat has conducted numerous bespoke sessions for regional offices and sector teams. The Secretariat actively undertakes and provides detailed set-by-step guidance with teams as per need.

The PPF Secretariat conducted four Bank-wide information sharing sessions in 2021 and two sessions in 2022. In addition, the Secretariat also conducted bespoke session for regional offices and sector teams. The Secretariat actively undertakes and provides detailed set-by-step guidance with teams as per need.

PPF Uptake since January 2021

As on date, seven proposals were approved totaling UA 10.58 million (Table A6.1) (including 5 in countries in fragile situations – Guinea, The Gambia, Madagascar, and Somalia).

Table A 6.1 - Projects Approved/Not Approved under PPF 2.0

Country	Description	Amount in UA	Date	Remarks
The Gambia	Banjul Port 4th Expansion Project - Bankable Feasibility Assessment and Investment Preparation Studies	374,874	09-Aug-2021	Letter of Agreement executed
Cote d'Ivoire	Blue Economy Programming and Investment Plans – Preparation of Policy Framework including ESIA, feasibility studies, and multi-sectoral investment plans	1,000,000	09-Aug-2021	Letter of Agreement executed
Madagascar	Agricultural Development Pole Project on the Right Bank of the Mangoky Delta (PDA-RDM)	1,850,000	17-Feb-2022	Letter of Agreement executed
Cote d'Ivoire	Agri Growth Pole Development Program - Agro-Industrial Cluster	1,196,000	07-Mar-2022	Letter of Agreement executed

	Project in the Northeast of Côte d'Ivoire (2PAI NORD-EAST CI)			
Somalia	Feasibility Study, Detailed Engineering Design and ESIA of Upgrading 85 Km Luuq-Dollow-Beled Hawo Road	938,910	15-May-2022	Letter of Agreement executed
Madagascar	Preparation phase of the Project for Mobilization, Protection, Valorization of Water Resources and Strengthening Resilience to Climate Change (PMP-VREAU)	2,499,850	07-Nov-2022	Documentation ongoing
Guinea	Preparatory Studies for Fomi Multi-purpose Dam Development Project	2,724,000	29-Jul-2022	Documentation ongoing
	Total Approved	**10,583,634**		

Cumulatively, 53 projects have been approved under the PPF since its inception in 2000 with the total value of approvals standing at UA 38.40 million, of which UA 6.13 million has been cancelled and UA 9.24 million repaid. Overall, 24 RMCs benefitted from PPF financing, 14 of which are currently classified as transition states. In terms of funding, 80% of the overall PPF approvals benefited countries experiencing fragile situations.

Concerns and Proposals/Recommendations to Scale up Utilization

At a recent Bank-wide consultation, discussions were held to improve the uptake. Some of the concerns cited for low uptake of ADF-PPF by operational teams, include:

- Lack of incentives/targets for the proposer for utilization.
- Lack of awareness on the PPF despite numerous roadshows and information sessions.
- The reimbursable nature of the PPF can be a deterrent to ADF grant-only countries.

Some recommendations that have been proposed/being implemented include:

- **Improved internal outreach** through more and periodic information dissemination sessions Bank-wide and with sectors/regions at their management meetings. Developing a PPF microsite that provides relevant information and simplifies the processing steps for staff. Running periodic "Calls for Proposals" to elicit greater interest.
- **Running a prioritization exercise** by making it a requirement for the complexes to look at the pipeline and consult the borrowers as part of the work planning week, similar to the RO prioritization exercise. This could be a specific precondition for finalizing the pipeline/IOP to ensure that teams are actively accessing project preparation resources available in the Bank.
- **Sensitize countries** to the benefits of ADF-PPF despite its reimbursable nature.
- **Develop incentives** to tap into ADF-PPF with the allocation of headroom on a sectoral

or regional basis.

- **Explore extending ADF-PPF on similar terms** [46] **as PBA, TSF and RO** for countries that receive grants only. This will, however, undermine the sustainability of PPF and will need ADF Deputies' approval.
- **Leveraging private sector for transition states through ADF-PPF** – governments could allocate PPF resources to unlock some risk capital for private sector to develop PPPs.

1st ADF-PPF Call for Proposals (CfP) and Pipeline

As recommended and with an aim to contribute towards systematic improvement in Indicative Operational Pipeline (IOP) planning and prioritization ahead of Bank's Annual Work Planning Week, the ADF-PPF Secretariat launched its 1st Call for Proposals in end-August 2022. The response to the CfP was quite encouraging. A total of 15 proposals for UA 23.7 million were received and are currently being evaluated.

The current pipeline comprises 14 proposals valued at UA 21.25 million is provided in Table A6.2 below:

Table A6.2 - PPF Pipeline:

No.	Country	Description	Amount in UA
1	Chad	Nubian Sandstone Aquifer Development Project	5,000,000
2	Mauritania	Programme de Valorisation du Potentiel Agropastoral Naturel de la Zone Saharienne - Projet Awkar	632,124
3	São-Tomé	Co-management of Climate Extremes for Agriculture And Fisheries Resilience In São-Tome (Priasa III)	709,759
4	Uganda	Feasibility, Detailed Engineering Designs and ESIA for Bulk Water Supply and Irrigation Infrastructure in Central and Southwestern Regions of Uganda	4,560,023
5	Mozambique	Agroprocessing Zone and Resilence Program of LIMPOPO Special Economic Zone (AGRIZIDERP)	1,000,000
6	Malawi	Rehabilitation of Chiweta to Karonga Road - Feasibility Studies and Detailed Designs	227,745

46 Terms are determined by countries' risk of debt distress under the Debt Sustainability Framework (DSF) through 'traffic lights' system: red (high risk of debt distress) qualify for 100% grants, yellow (moderate risk) receive 50/50 loan/grant combination, and green (low risk) qualify for 100% loans. The annual PBA calculations is based on the last established DSF rankings of each operational year, specifying which ADF-eligible RMCs will receive their PBA allocations in loans only, grants only, or in loan/grant combinations. The Table below provides the current terms:

	ADF Only		Blend, Gap and Graduating
Lending Terms	Regular	Advance	Blend
Maturity (Years)	40	40	30
Grace Period (Years)	10	5	5
Interest Rate (%)	0	0	1

7	Malawi	Rqehabilitation and Upgrading of Railway Section Between Limbe and Bangula	740,000
8	Malawi	Petroleum Pipeline Project From Mozambique to Malawi	2,306,114
9	Zambia	Zambia-Zimbabwe Common Agro-Industrial Park (CAIP)	-
10	Senegal	Etudes techniques et environnementales pour la finalisation d'un programme d'investissements dans le cadre du Projet de Gestion des Eaux Pluviales (ROGEP II).	2,500,000
11	Togo	Etude du Projet d'Approvisionnement en Eau Potable et d'Assainissement de Trente-et-Un (31) Centres (PAEPA 31 C)	198,000
12	Multinational	Project to Support the Lake Tanganyika Regional Development Programme Phase II (PRODAP II) [Burundi, D. R. Congo, Tanzania, Zambia]	895,806
13	Multinational	Congo Basin Forest Preservation Support Program (PACEBCO.2) Programme d'Appui à la Conservation des Ecosystemes et à la Résilience aux Changements Climatiques dans le Bassin du Congo, Phase 2 (PACEBCO.2) -[Cameroun, Tchad, République centrafricaine, République démocratique du Congo]	1,654,493
14	Multinational	Lake Victoria Basin Transboundary Agricultural Water-Food-nexus Investment Program (TWAIP-LVB) - [Lake Victoria Basin Commission, Burundi, Kenya, Rwanda, Tanzania, Uganda]	830,060
		TOTAL	**21,254,124**

Enhancing Support for Private Sector and Non-Sovereign Operations

With an intent to support the private sector in ADF countries (including in transition states), the PPF Secretariat will work closely with the recently set up PPP Transaction Advisory Unit and look at supporting governments in co-development of projects in the infrastructure space along with other developers that the Bank is comfortable with and where ultimately the Bank has the opportunity to be a Mandated Lead Arranger (MLA) in the subsequent investment.

In addition, potential complementarities, and scope to leverage (by way of tweaking PPF terms to provide advances directly to private sector) will be explored with the Bank's proposed joint initiative with Africa50 - the Alliance for Green Infrastructure in Africa, which is planning to mobilize US$ 500 million for project development and preparation - with a focus on PPPs. This could potentially also address the issue of absorptive capacity of ADF countries in terms of commercial equity and debt.

Annex 7: Accelerating Infrastructure Investments in ADF Countries

Introduction

Developed in 2012 by the African Union Development Agency (AUDA) and the African Development Bank Group, the Programme for Infrastructure Development in Africa (PIDA) is the strategic and operational framework for long-term infrastructure investments in the continent. Drawing from the PIDA, Management selected 20 large-scale operations in ADF countries to come up with a robust pipeline of major infrastructure projects for financing through 2030. Worth US$89 billion, the operations cover nearly all ADF countries and are relatively advanced in terms of project readiness. The African Development Fund would be requested to contribute roughly 40% of the required resources (US$35.6 billion) to accelerate the implementation of this pipeline. Projects of this scale would normally be implemented in phases and over periods of time of 20 years or more. However, Management proposes to fast-track the execution of these projects to under a decade to hasten economic development in ADF countries and contribute to the achievement of Agenda 2063, the Africa Continental Free Trade Area, and the Sustainable Development Goals.

Selection and project pipeline

The projects were screened using several criteria, namely project readiness, scale, and expected development impacts in ADF countries. On this basis, the ADF infrastructure pipeline through 2030 comprises 20 transformational operations benefiting most ADF countries and with a cumulative value of US$89 billion. Table 8.1 provides the various stages in the project cycle of a typical infrastructure investment.

Table 8.1: Project Cycle of Infrastructure Projects

STAGE	DESCRIPTION
Project definition	Includes part of the early-stage concept design work needed before the pre-feasibility phase such as concept note development, ToRs for pre-feasibility study, and finalizing a project information brief.
Pre-feasibility	Focuses on securing support for basic and technical financial modelling, conducting of due diligence, and finalizing of the pre-feasibility studies.
Feasibility	Focuses on organizational, financial, technical, social, environmental, and other assessments of the project. Entails the finalization of project engineering designs and detailed financial modelling.
Project structuring	Focuses on the creation of the commercial structure for the project to attract financing and partners. Includes risk structure, financial structure (including payment mechanisms), preliminary legal structuring, and other key commercial terms.
Transaction support/Financial close	Involves finalization of the detailed financial, technical, and legal work required to attract the right mix of investments and partners to implement the project.

Tendering	Encompasses preparation of tender documents, identification of construction financing methodology, tender opening, bid evaluation, and contract award.
Construction	Construction and physical implementation of the project commences.
Operation	Infrastructure is operational at this stage.

Source: AUDA- NEPAD

Twenty projects are at the feasibility, project structuring, or transaction support/financial close stages for a total of US$89 billion. Significant resources have already gone into them, enabling the completion of a detailed due diligence process and the pre-feasibility phase. As they are likelier to be brought to financial close, projects at the feasibility stage and beyond, are therefore the priority for implementation over the next 3-10 years. The projects mostly support the transport and energy sectors, closely followed by water and information & communication technology. They were sourced from PIDA's list of priority projects and through dialogue with countries and regional economic communities. Lastly, they are aligned with the proposed strategic and operational priorities of ADF-16, particularly those pertaining to building resilient, climate-smart, and integrated economies. Table 8.2 lists all 20 proposed ADF infrastructure priority projects over the next 10 years.

Taking one example, the Abidjan-Lagos Corridor Highway Development Project (Figure 8.1), valued at US$15 billion, forms part of the wider Dakar-Lagos Corridor. Covering around 1,028 km with 4 border crossings, the project connects the cities of Cote d'Ivoire, Ghana, Togo, Benin, and Nigeria. The corridor currently supports around 75% of regional trade, making it a catalyst for the African Continental Free Trade Agreement and for enhancing trade and transport connectivity within the ECOWAS region. The project is also expected to benefit several other ADF countries including Burkina Faso, Guinea Bissau, Mali, and Sierra Leone. AfDB is the lead financier of the project; ADF resources only support activities in the ADF countries of Benin, Cote d'Ivoire, Ghana, and Togo.

Figure 8.1: Abidjan-Lagos Corridor Highway Development Project

Table 8.2: Priority ADF Infrastructure Projects

Projects at Feasibility, Project Structuring, and Transaction Support Stages					
Project title	ADF Countries	Sector	Sub-Sector	Status	Cost (in millions)
Lesotho Highlands Water Project Phase II	Lesotho	Water	Multipurpose Dams	Project Structuring	2,600
Luapula Hydro-power project	Zambia, DRC	Energy	Generation - Hydro	Feasibility	540
Construction of SGR from Mtwara - Mbamba Bay Railway	Tanzania, Malawi	Transport	Rail	Transaction Support and Financial Close	5,500
ZIZABONA Transmission Power Interconnector [only activities in Zimbabwe will be supported]	Zimbabwe, Zambia	Energy	Transmission Line	Project Structuring	240
Songwe River basin Hydro Power Project (Malawi - Tanzania)	Malawi, Tanzania	Energy	Generation - Hydro and multipurpose	Feasibility	500
Abidjan-Lagos Corridor Highway Development Project	Cote d'Ivoire, Ghana, Togo, Benin	Transport	Road	Feasibility	15,000
Centrale Hydroélectrique de Louga 1 et 2 (246 MW)	Cote d'Ivoire	Energy	Generation-Hydro	Feasibility	613
Praia-Dakar-Abidjan Multimodal Transport Corridor	Cote d'Ivoire, Senegal, Guinea Bissau, Liberia, Niger, Sierra Leone	Transport	Road	Feasibility	21,070
WAPP Regional Solar Power Park Project in Mali	Burkina Faso, Cote d'Ivoire	Energy	Generation - Solar	Transaction Support and Financial Close	250
Construction of Central Corridor Standard Gauge Rail (SGR) of the Dar - Isaka - Kigali - Gitega (with extension to Eastern DRC)	Tanzania, Rwanda, Burundi	Transport	Rail	Transaction Support and Financial Close	3,676
Akagera River Transport	Burundi, DRC	Transport	Inland Water	Feasibility	298
Construction to standard gauge of the Mombasa – Nairobi – Malaba – Kampala - Kigali line (with Malaba – Nimule – Juba spur)	Kenya, Rwanda	Transport	Rail	Project Structuring	19,200
Transborder Submarine Fiber PoPs and Regional Smart Hub Facility and Data center	Ethiopia, Kenya	ICT	Terrestrial Connectivity	Project Structuring	70

Angololo Multipurpose Water Resources Development Project (Angololo Dam) NELSAP	Kenya, Uganda	Water	Multipurpose Dams	Feasibility	62
Masaka - Mwanza Transmission Line Project	Uganda, Tanzania	Energy	Transmission Lines	Feasibility	325
Aménagement des sites hydroélectriques du BAC et de LOTEMO sur la rivière Lobaye, et ouvrages connexes en RCA	CAR, Chad, DRC	Energy	Generation - Hydro	Feasibility	408
Projet de construction du pont sur le fleuve Ntem (Cameroun et Guinée Equatoriale)	Cameroon	Transport	Road	Transaction Support and Financial Close	447
Grand INGA Phase 1	DRC	Energy	Generation - Hydro	Transaction Support and Financial Close	14,500
LAPSSET Crude Oil Pipeline: Lamu to South Sudan	Kenya, South Sudan	Energy	Pipelines	Project Structuring	3,064
Eastern Africa Green Power transmission network Project 6 – Guba (Ethiopia)-Khartoum (Sudan)	Ethiopia, Sudan	Energy	Transmission Lines	Feasibility	670
TOTAL COST					89,033
SUGGESTED CONTRIBUTION FROM ADF (40%)					35,613

Annex 8: Eligibility criteria for the TSF and Up-front Allocations under ADF-16

Methodology for Determining Eligibility for TSF Pillar I Upfront Allocations

First Layer Criteria (Aligned with the WB FCS Classification)	ADF-eligible countries with high levels of institutional and social fragility	**Harmonized (AfDB/WB) CPIA scores below 3.0** *Rationale: Considers countries facing deep institutional crises, having poor transparency and government accountability, or having weak institutional capacity, while compounded by threats posed by climate change.* —————————————— OR —————————————— **Presence of international or regional peacekeeping operations over the last 3 years** *Rationale: Reflects a decision by the international or the regional community that a significant investment is needed to maintain peace and stability.* —————————————— OR —————————————— **Refugees and IDPs by country of origin relative to the population above 2,000 per 100,000 according to UNHCR** *Rationale: Perceives the number of refugees and IDPs in need of international protection as a signal of political and security crisis.*
	—————————————————— OR ——————————————————	
	ADF-eligible countries in high and medium intensity conflict	**Absolute number of conflict deaths over the last 3 years above 200 according to ACLED or above 150 according to UCDP** *Rationale: Reflects the average spread of violence and conflict across the country.* ————————————— AND ————————————— **Number of conflict deaths over the last 3 years relative to 100,000 population above 0.75 according to ACLED or above 0.5 according to UCDP** *Rationale: Reflects the intensity of violence and conflict on the population.*
	————————————————————— AND —————————————————————	
Second Layer Criteria (Aligned with the AfDB Credit Policy and PBAs)	AfDB Credit Policy	**Exclude Blend countries (Category B) and countries in transition to the ADB window (Category C)** *Rationale: Considers the fact that Blend countries and countries in transition to the ADB window have access to a larger financing room from non-concessional resources but still need concessional funding to support targeted programs to address pockets of conflict and fragility.*

Country Eligibility for TSF Pillar I and Pillar III in ADF-16

Country	ADF-15		First Layer							Second Layer	ADF-16	
	TSF Pillar I Country Allocations (19)	TSF Pillar III (22)	AfDB or WB CPIA below 3.0	Presence of peacekeeping operations over the last 3 years	Refugees and IDPs by above 2,000 per 100,000 (UNHCR)	Average number of conflict deaths over the last 3 years above 200 according to ACLED or above 150 according to UCDP		Average number of conflict deaths over the last 3 years above 0.75 according to ACLED or above 0.5 according to UCDP per 100,000		Credit Status (exclude Blend and countries in transition to ADB)	TSF Pillar I Country Allocations (19)	TSF Pillar III (24)
						ACLED	UCDP	ACLED	UCDP			
Benin			3.64		5	54	–	0.43	–	ADF-Only		
Burkina Faso	?	?	3.54		6,171 ?	2,104	313 ?	9.78	1.45 ?	ADF-Only	?	?
Burundi	?	?	2.93 ?		2,792 ?	230	44 ?	1.88	0.36 ?	ADF-Only	?	?
Cameroon			3.33		4,096 ?	1,105	155 ?	4.05	0.57 ?	Blend ?		?
Central African Rep.	?	?	2.55 ?	?	29,040 ?	886	115 ?	18.00	2.34 ?	ADF-Only	?	?
Chad	?	?	2.78 ?		2,432 ?	542	10 ?	3.20	0.06 ?	ADF-Only	?	?
Comoros	?	?	2.40 ?		91	0	–	0.04	–	Gap	?	?
Congo, Dem. Rep.	?	?	2.97 ?	?	6,442 ?	4,546	1,910 ?	4.91	2.06 ?	ADF-Only	?	?
Cote d'Ivoire			3.58		144	39	–	0.15	–	Blend ?		
Djibouti		?	3.20		247	2	1	0.17	0.10	Gap		?
Eritrea	?	?	1.92 ?		13,643 ?	0	–	0.01	–	ADF-Only	?	?
Ethiopia			3.53		3,473 ?	4,841	2,237 ?	4.10	1.89 ?	ADF-Only		
Gambia	?	?	2.98 ?	?	430	1	–	0.04	–	ADF-Only	?	?
Ghana			3.58		44	26	0	0.08	0.00	Gap		
Guinea	?	?	3.28		214	18	17	0.13	0.12	ADF-Only		?
Guinea-Bissau	?	?	2.45 ?	?	82	6	–	0.30	–	ADF-Only	?	?
Kenya			3.69		14	274	39 ?	0.50	0.07	Blend ?		
Lesotho			3.29		0	4	–	0.17	–	Gap		
Liberia	?	?	2.95 ?		100	2	1	0.04	0.02	ADF-Only	?	?
Madagascar	?	?	3.25		1	214	8 ?	0.75	0.03 ?	ADF-Only	?	?
Malawi			3.19		3	6	–	0.03	–	ADF-Only		
Mali	?	?	3.29	?	2,686 ?	2,246	473 ?	10.76	2.26 ?	ADF-Only	?	?
Mauritania			3.34		787	2	–	0.03	–	Gap		
Mozambique	?	?	3.12		2,449 ?	1,081	315 ?	3.36	0.98 ?	ADF-Only	?	?
Niger	?	?	3.42		1,353	993	218 ?	3.95	0.87 ?	ADF-Only	?	?
Rwanda			4.07		1,866	9	–	0.07	–	ADF-Only		
Sao Tome & Principe			2.98 ?		13	0	–	0.15	–	Gap	?	?
Senegal			3.72		83	9	–	0.05	–	Blend ?		
Sierra Leone	?	?	3.14		77	3	0	0.03	0.00	ADF-Only		?
Somalia	?	?	2.02 ?	?	22,942 ?	2,682	92 ?	16.37	0.56 ?	ADF-Only	?	?
South Sudan	?	?	1.48 ?	?	34,842 ?	1,766	410 ?	15.43	3.58 ?	ADF-Only	?	?

Sudan	?	?	2.23 ?	?	7,470 ?	1,031	381	?	2.29	0.85	?	ADF-Only	?	?
Tanzania			3.48		1	29	7		0.05	0.01		ADF-Only		
Togo	?	?	3.48		91	6	–		0.07	–		ADF-Only		?
Uganda			3.59		17	195	1		0.41	0.00		ADF-Only		
Zambia			3.11		1	5	1		0.03	0.01		Blend ?		
Zimbabwe	?	?	2.82 ?		56	7	1		0.05	0.01		ADF-Only	?	?

TSF Pillar I up-front allocations under ADF-16

Country		PBA	Top-Up Multiplier		Discount							TSF Pillar I Allocation	
		"High 2" ADF-15 Basic PBAs	Applied top-up factor[1]	Basic Pillar I allocation	Average CPIA (AfDB or WB)	Applied Discount (%)[2]	GNI pc, (Atlas Method) (Avg. 2018-20)	Applied Discount (%)[3]	Years of engagement (Number)	Applied Discount (%)[4]	Total Applicable Discounts (%)	Allocations After Discount	Final Allocation[5]
1	Burkina Faso	149.3	1.875	280.0	3.91	16.7	763	4.6	2	4.5	25.8	207.8	60.0
2	Burundi	31.3	1.250	39.2	2.86		240		19	42.8	42.8	22.4	22.4
3	Central African Rep.	9.8	1.250	12.2	2.65		503	0.1	17	38.3	38.3	7.5	15.0
4	Chad	63.3	1.625	102.8	2.96		670	3.0	8	18.0	21.0	81.2	60.0
5	Comoros	0.51	1.250	0.6	2.55		1 383	15.5	16	36.0	51.5	0.3	15.0
6	Congo DRC	285.3	1.250	356.7	3.04		527	0.5	19	42.8	43.2	202.5	60.0
7	Eritrea	5.4	1.750	9.5	2.08		887	6.8	6	13.5	20.3	7.6	15.0
8	Gambia	3.8	1.750	6.6	3.02		740	4.2	6	13.5	17.7	5.5	15.0
9	Guinea-Bissau	2.6	1.250	3.3	2.55		760	4.6	19	42.8	47.3	1.7	15.0
10	Liberia	24.5	1.250	30.7	3.23		603	1.8	16	36.0	37.8	19.1	19.1
11	Madagascar	108.5	1.625	176.4	3.28		497		9	20.3	20.3	140.7	60.0
12	Mali	99.1	1.625	161.1	3.52	6.1	843	6.0	9	20.3	32.3	109.0	60.0
13	Mozambique	115.0	1.750	201.3	3.16		470		5	11.3	11.3	178.7	60.0
14	Niger	265.3	1.750	464.2	3.62	8.8	570	1.2	6	13.5	23.6	354.9	60.0
15	São Tomé and Príncipe	0.4	2.000	0.8	3.14		1 960	25.6	0	0.0	25.6	0.6	15.0
16	Somalia	33.9	1.625	55.1	2.08		320		9	20.3	20.3	43.9	43.9
17	South Sudan	18.3	1.500	27.5	1.66		473		11	24.8	24.8	20.7	20.7
18	Sudan	67.8	1.625	110.2	2.47		837	5.9	9	20.3	26.1	81.4	60.0
19	Zimbabwe	16.7	1.625	27.2	2.89	16.7	1 233	12.8	9	20.3	33.1	18.2	18.2
												TSF Pillar I up-front Allocations (UA million)	**694.3**

[1] A top-up multiplier of 2 is considered by default. For each cycle of engagement, a discount of 0.125 points is applied (including engagement under the Post-Conflict Country Facility).

[2] For countries with a CPIA score above 3.3, a discount of 2.75% is applied on each 0.1 point above the limit of 3.3.
[3] For countries with a GNI pc (Atlas Method) above $US 500, a discount of 1.75% is applied on each U$ 100 above the limit of U$ 500.
[4] For each year of eligibility to TSF Pillar I, a discount of 2.25% is applied.
[5] A minimum allocation of UA 15 million and a maximum UA 60 million are set per country

Annex 9: ADF-16 Draft Resolution

AFRICAN DEVELOPMENT FUND

BOARD OF GOVERNORS

Resolution F/BG/2023/[ ]

<u>Adopted by postal ballot on [ ] 2023</u>

<u>The Sixteenth General Replenishment of the Resources of the African Development Fund</u>

THE BOARD OF GOVERNORS,

HAVING REGARD TO:

(i) The relevant Articles of the Agreement (the "Agreement") Establishing the African Development Fund (the "Fund"), in particular Articles 2 (Purpose), 4 (Resources), 7 (Additional Subscriptions by State Participants), 8 (Other Resources), 16 (Form and Terms of Financing), 19 (Technical Assistance), 23 (Board of Governors: Powers) and 26 (Board of Directors: Functions);

(ii) The Report of the Board of Directors dated [ ] **(**the "Report") on the implementation of Resolution F/BG/2022/02 authorizing the commencement of consultations for the Sixteenth general replenishment of the resources of the Fund (the "Sixteenth Replenishment"), and in particular the recommendations of the Board of Directors contained in that Report;

CONSIDERING THAT:

(i) In the Report, the Board of Directors, having regard to the needs and development requirements of the low-income regional members of the African Development Bank (the "Bank"), has recommended that the Fund should undertake a substantial replenishment of its resources to finance the Fund's lending program for the three-year period commencing **1 January 2023**;

(iii) The State participants and other Donors listed in Annex 1 hereto attached, have indicated their intention to subscribe to the Sixteenth Replenishment in accordance with the arrangements, terms and conditions set forth in this Resolution, it being understood that no commitment in that regard can be made by the State participants and Donors until all their internal approvals have been obtained;

(iv) [The State participants and other Donors listed in Annexes 2 and 3 hereto attached, have indicated their intention to provide Concessional Donor Loans and Bridge Loans respectively in accordance with the arrangements, terms and conditions set forth in the Report and this Resolution, it being understood that no commitment in that regard can be made by the State participants and Donors until all their internal approvals have been obtained;]

CONVINCED THAT:

(i) There may arise a need for a portion of the amount of subscriptions made hereunder to be provided to the Fund as advance subscriptions that may be used for operational commitments before the entry into effect of the Sixteenth Replenishment;

(ii) It is desirable to authorize the Fund to provide financing in the form of grants in addition to loans in the circumstances referred to in the Report, and according to procedures to be determined by the Board of Directors of the Fund;

(iii) It is desirable to encourage countries that have the economic capacity to be, but are not now, State participants, to participate in the Sixteenth Replenishment; and

(iv) It is desirable to administer any remaining funds from previous replenishments during the Sixteenth Replenishment;

RECALLING the terms of Board of Governors' Resolution F/BG/2006/12 concerning the Multilateral Debt Relief Initiative ("MDRI"), and noting the updated cost estimates and the compensation amounts payable by donors during the Sixteenth Replenishment disbursement period;

HEREBY ACCEPTS AND ENDORSES the final Report of the Consultative Meetings on the Sixteenth Replenishment (the "ADF-16 Report");

ADOPTS its conclusions and recommendations; and therefore,

DECIDES AS FOLLOWS:

2. Increase in the Resources of the Fund

(a) **<u>Authorization</u>**. The Fund is authorized to proceed with the Sixteenth Replenishment for a three-year period commencing **1 January 2023**.

(b) **<u>Subscriptions by State Participants and Donors</u>**. The Fund is authorized to accept, from each of the State participants and Donors listed in Annex 1 to this Resolution, a Subscription in the amount specified for each such State participant and Donor in the applicable column of Annex 1.

(c) **Additional Subscriptions and Contributions**. Additional subscriptions and other resources in excess of the amounts indicated in Annex 1 hereto, may be accepted by the Fund with the approval of the Board of Directors and may be counted as part of the resources for the Sixteenth Replenishment at the option of the State participant or Donor concerned.

(d) **[Concessional Donor Loans and Bridge Loans**. Concessional Donor Loans or Bridge Loans may be accepted by the Fund with the approval of the Board of Directors, and the grant element of such loans will be counted as part of the State participant's or Donor's subscription and contribution hereunder.]

(e) **Relation to Future Replenishments**. No State participant or Donor making an additional subscription pursuant to sub-paragraph 1(c) shall be obliged, on the occasion of a future replenishment of the Fund, to increase its subscription solely by reason of having made such an additional Subscription under this Resolution.

Paragraph 1(a) of this draft Resolution authorizes the Fund to proceed with the Sixteenth Replenishment. The proposal contained in this draft Resolution is to fix the Replenishment Period for three years commencing January 1, 2023. Provisions are made in Paragraph 1(c) of this Draft Resolution for the acceptance by the Fund of subscriptions and other resources in excess of the subscription amounts pledged by the State participants and Donors (which would be set out in Annex 1 to this Resolution), subject to approval by the Board of Directors. [Paragraph 1(d) permits the Fund to enter into Concessional Donor Loans and Bridge Loans

3. Instruments of Subscription by State Participants and Donors

(a) **General Clause**. To make a subscription hereunder, each State participant or Donor shall deposit with the Fund an Instrument of Subscription formally confirming its intention to subscribe the amount specified in Annex 1 hereto, denominated in terms of the unit of obligation selected by the State participant or Donor, as determined pursuant to paragraph 3 hereof.

(b) **Unqualified Subscription**. Except as specified in sub-paragraph (c) of this paragraph, such Instrument of Subscription shall constitute an unqualified commitment by the concerned State participant or Donor to pay the amount subscribed in the manner, and on the terms, set forth or contemplated by this Resolution. For the purpose of this Resolution, such subscription shall be referred to as an **"Unqualified Subscription"**.

(c) **Qualified Subscription**. As an exceptional case, where an unqualified commitment cannot be given by a State participant or Donor due to its legislative practice, the Fund may accept from that State participant or Donor an Instrument of Subscription which expressly contains the qualification that payment of some or all instalments of its subscription is subject to subsequent budgetary appropriation. Such an

Instrument of Subscription shall, however, include an undertaking by the State participant or Donor to exercise its best efforts to: (a) obtain such appropriation for the full amount specified in paragraphs 6(b) and 8(b) of this Resolution, by the payment dates indicated in paragraph 6 hereof; and (b) to notify the Fund that the appropriation relative to each instalment has been obtained. For the purpose of this Resolution, a subscription in this form shall be referred to as a **"Qualified Subscription,"** which shall be deemed to be unqualified when the State Participant or Donor notifies the Fund that the required budgetary appropriations have been obtained.

4. Denomination of Subscriptions

State participants and Donors shall denominate their subscriptions in one of the following units of obligation: 1) Special Drawing Rights of the International Monetary Fund (SDRs); 2) a component currency of SDR; or 3) the currency of the State participant or Donor, if such currency is freely convertible and the economy of the State participant or Donor did not experience, in the period from **1 January 2020 to 31 December 2022,** a rate of inflation in excess of ten per cent (10%) per annum on average, as determined by the Fund.

The proposal contained in Paragraph 3 is for Subscriptions to be denominated in: (i) SDR; or (ii) a component currency of SDR – which are currently the United States dollar, pound sterling, Japanese yen, euro and renminbi; or (iii) the currency of the State participant or Donor if the currency is freely convertible and provided the economy of the State participant or Donor has not experienced a rate of inflation in excess of 10% per annum, on average, as determined by the Fund, during the specified

5. Effective Date

The Sixteenth Replenishment shall come into effect on the date when State participants and Donors shall have deposited with the Fund Instruments of Subscription representing an aggregate amount equivalent to at least thirty per cent **(30%) of the total intended subscriptions set forth in Annex 1 to this Resolution** (hereinafter referred to as "the Effective Date"), provided that this date shall not be later than [**31 March 2023]** or such later date as the Board of Directors may determine.

6. Resource Allocation

An amount of the total available resources[47] under the Sixteenth Replenishment shall be set aside for the Transition Support Facility, the Private Sector Credit Enhancement Facility, the Project Preparation Facility and the regional operations envelope. The

[1] The total available resources refers to the total realizable resources that may be committed by the Fund during the Sixteenth Replenishment period and includes the amount of aggregate subscriptions set forth in Annex 1 hereto, resources carried over from previous replenishments and internally generated resources (i.e., Advance Commitment Capacity).

remaining ADF-16 resources will be allocated to eligible countries through the Performance Based Allocation framework.

7. Payment of Subscriptions

(a) **Payment Dates**. Except as otherwise provided in this Resolution, each subscription made under this Resolution shall be paid in three equal annual instalments in SDR, a component currency of SDR or in freely convertible currencies acceptable to the Fund. Subject to paragraphs 4 and 8 hereof and unless otherwise determined by the Board of Directors, the first of such instalments shall be paid on or before **15 January 2023,** or not later than 30 days after the Effective Date; with the second and third instalments falling due, respectively, not later than **15 January 2024** and **15 January 2025**. As an exceptional case, where a State participant or Donor cannot, due to its legislative procedures, make payment in respect of the first instalment by the date determined pursuant to the second sentence of this sub-paragraph, such instalment shall be paid not later than 30 days after the date of the deposit of the relevant Instrument of Subscription.

(b) **Payment Dates for Qualified Subscriptions**. Payments in respect of a Qualified Subscription shall be made within 30 days as, and to the extent that, the relative subscription becomes unqualified and subject to the annual payment dates specified in sub-paragraph (a) above**.**

A State participant or Donor which has deposited an Instrument of Subscription for a Qualified Subscription shall inform the Fund of the status of its subscription not later than 30 days after the annual payment dates specified in sub-paragraph (a) above.

(c) **Programme of Payments**. At the time of depositing its Instrument of Subscription, each State participant or Donor shall indicate to the Fund its proposed program of instalment payments on the basis of the arrangements set forth in the foregoing provisions of this paragraph 6.

(d) **Optional Arrangements**. Any State participant or Donor may, by a written declaration, indicate to the Fund that it intends to make payment at earlier dates or in fewer instalments or different proportions not less favorable to the Fund than those specified in sub-paragraphs (a) and (b) above.

(e) **Method of Payment**. Payments in respect of each subscription shall be made in cash or, at the option of the State participant or Donor making the payment, by the deposit of non-negotiable non-interest-bearing notes or similar obligations of the State participant or Donor, encashable on demand by the Fund at their par value in accordance with the terms of sub-paragraph (f).

(f) **Encashment of Notes**. Unless otherwise decided by the Board of Directors, the Fund will encash the notes or similar obligations of State participants or Donors in accordance with the standard ten-year encashment schedule set out in Annex 4. With respect to a State participant or Donor that is unable to comply with one or more encashment requests, the Fund may agree with that State participant or Donor on a revised encashment schedule for such notes or similar obligations that yields at least an equivalent value to the Fund.

(g) **Accelerated Encashments.** Notwithstanding paragraph 6(f) of this Resolution, a State participant or Donor may request at the time of the deposit of its Instrument of Subscription or any time thereafter to use the positive investment income derived from the accelerated encashment of its instalment payments to (i) increase its contributions and burden share in the replenishment, (ii) pay a discounted amount on its subscription while maintaining its burden share, (iii) to reduce the Sixteenth Replenishment's technical gap, (iv) pay for other commitments to the Fund (such as grant or MDRI compensation), or (v) meet their due payments on past or future replenishments, subject to the terms and conditions set out in the Report.

(h) **Conditions for Payment**. Notwithstanding the foregoing provisions of this paragraph 6, no State participant or Donor shall be obliged to make any payment except when its subscription has become available for operational commitment as specified in paragraph 8 of this Resolution.

The proposal contained in Paragraph 6 of this draft Resolution is for subscriptions to be paid in three equal annual instalments in a unit of obligation acceptable to the Fund. Specific proposals are made about when such instalments should be paid. These proposals are subject to agreement by the Deputies. It is worth noting that State participants and Donors are allowed to specify earlier payment dates and different proportions provided this optional arrangement is no less favorable to the Fund than the arrangement applicable generally in accordance with

8. Advance Subscriptions

(a) **Advance Subscription Level**. In order to avoid an interruption in the Fund's ability to make operational commitments pending the effectiveness of the Sixteenth Replenishment, and if the Fund shall have received Instruments of Subscription from State participants and Donors whose subscriptions aggregate not less than the equivalent of **twenty per cent (20%) of the total amount of intended subscriptions listed in Annex 1 to this Resolution**, the Fund may deem, prior to the Effective Date, an amount equivalent to the first commitment tranche of each subscription or contribution for which an Instrument of Subscription has been deposited by a State participant or Donor [and, where applicable, a duly executed concessional loan agreement for a Concessional Donor Loan or a Bridge Loan has been received by the Fund] as an advance subscription.

(b) **Uniformity of Terms**. The terms and conditions applicable to subscriptions under this Resolution shall apply also to advance subscriptions until the Effective Date, when such subscriptions shall be deemed to constitute payment towards the amount due from each State participant or Donor for its subscription.

(c) **Interim Voting Rights**. In the event that the Sixteenth Replenishment shall not have become effective by **1 January 2023**, voting rights for advance subscriptions shall, to the extent of payment therefore, be allocated to each State participant making an advance subscription as if it had been made as a subscription under this Resolution, and each State participant not making an advance subscription shall have the opportunity to exercise its pre-emptive rights with respect to such subscription on such conditions as the Fund shall specify.

(d) **Utilisation of Advance Subscriptions for Operational Commitments**. Without prejudice to the provisions of the preceding sub-paragraphs, any State participant or Donor may, if it chooses, notify the Fund that its subscription, or a part thereof, shall be regarded as an advance subscription which may be available to the Fund for the purpose of making commitments prior to the attainment of the advance subscription level specified in sub-paragraph (a) of this paragraph. Upon the attainment of the advance subscription level, the provisions set forth in sub-paragraphs (b) and (c) of this paragraph shall be applicable to any amount made available to the Fund pursuant to the provisions hereof.

Pending the effectiveness of the Fifteenth Replenishment, deposits with the Fund of Instruments of Subscription representing not less than 20% of the total amount of intended Subscriptions listed in Annex 1 to this Resolution will trigger the Advance Subscription provisions. The rationale for this provision is to minimize any disruption in the operations of the Fund pending the effectiveness of the Fifteenth Replenishment. This should also facilitate a smooth transition from the ADF-15 Replenishment period to the ADF-16 Replenishment

9. Commitment Authority

(a) **Unqualified Subscriptions**. For the purpose of operational commitment and financing by the Fund under its operational program for the period of the Sixteenth Replenishment, each Unqualified Subscription shall be divided into three equal tranches, and shall be available for operational commitment as follows:

(i) the First Tranche: on the Effective Date, provided that advance subscriptions may become available for operational commitment prior to the Effective Date pursuant to paragraph 7 of this Resolution;

(ii)the Second Tranche: as from [**1 January 2024]**; and

(iii) the Third Tranche: as from [**1 January 2025]**.

(b) **Qualified Subscriptions**. Each Qualified Subscription shall become available for operational commitment as, and to the extent that, it becomes unqualified, which should occur in tranches of at least one third of the total amount of each subscription during the years 2023, 2024, and 2025, respectively.

(c) **Exceptions**. Notwithstanding the preceding sub-paragraphs and subject to paragraph 7 of this Resolution, any State participant or Donor may authorize the use of the tranches of its subscription for operational commitment on a schedule more favorable to the Fund than that specified in sub- paragraphs (a) and (b) above.

10. Consultative Meeting of State Participants and Donors

(a) If, in the course of the Sixteenth Replenishment, delays in the deposit of Instruments of Subscription, in the release of tranches of subscription for operational commitment pursuant to paragraph 8 hereof or in the payment of subscriptions cause or threaten to cause a suspension in the Fund's lending or grant operations or otherwise prevent the substantial attainment of the goals of the Sixteenth Replenishment, the Fund shall, at the direction of the Board of Directors, convene a meeting of representatives of State participants and Donors to review the situation and agree on practical steps aimed at fulfilling the conditions necessary for the continuation of the Fund's operations or for the substantial attainment of those goals. **Allocation of Voting Rights**. For the purpose of determining the proportionate share of a State participant of the aggregate votes of the State participants under Article 29(3) of the Agreement and to the extent that payment has been made, each increase in subscriptions by a State participant hereunder, shall be added to the subscriptions made by it under Articles 6 and 7 of the Agreement on the 31st of March, 30th of June, 30th of September and 31st of December of each year beginning with the coming into effect of this Resolution. [In addition, each State participant that has provided a Concessional Donor Loan or a Bridge Loan in the amount provided in Annex 2 or Annex 3 respectively will be notified by the Fund of the grant element determined by the Fund with respect to such loan. The grant elements of such loan shall be recognized in a manner similar to how the Fund recognizes grant compensation provided under the MDRI consistent with Resolution F/BG/2006/12 and the provisions of this sub-paragraph of this Resolution following payment to the Fund of such loan.] [Furthermore, voting rights may be allocated to Contributions made to the Climate Action Window established pursuant to paragraph [12] of this Resolution in accordance with the terms prescribed in the Report.] Likewise, cumulative compensation for grants received from State participants shall be factored into the computation of the voting rights of State participants.

(b) **Acceptance by State Participants**. Each State participant accepts the provisions of sub-paragraph (a) herein to the extent that its acceptance is required under Article 29(3) of the Agreement.

(c) **Selection of Executive Directors**. For the purposes of Article 27(6)(b) of the Agreement, selections to the Board of Directors shall take place during the annual meeting of the Board of Governors of the Fund in the year 2023.

(d) **Maintenance of Value**. The rights and obligations of State participants making additional subscriptions pursuant to this Resolution, of other State participants, of the Bank, and of the Fund, in respect of the additional subscriptions provided for in this Resolution shall (except as otherwise provided for in this Resolution) be the same as those which govern the initial subscriptions of original participants made pursuant to Article 6 of the Agreement, save that for the purpose of the valuation of additional subscriptions authorized by this Resolution, paragraphs (1) and (2) of Article 13 of the Agreement are hereby waived and shall not be applicable.

(e) **Administration of Subscriptions under previous Replenishments**. On the Effective Date of the Sixteenth Replenishment, any funds, receipts, assets or other resources held by the Fund under previous Replenishments will be administered under the Sixteenth Replenishment in accordance with the terms and conditions of the Sixteenth Replenishment. The Fund is authorized to use such funds to provide financing in the form of loans and grants.

(f) **General Authorization**. The Board of Directors shall take all such measures, as shall be necessary or expedient, for the proper implementation of this Resolution in the light of the policy objectives and the operational guidelines set out in the Report.

In accordance with Articles 6, 7 and 13(1) of the Agreement, State participants were under an obligation to maintain the free convertibility and value of the currencies used for their initial subscriptions and subscriptions made under the First Replenishment. Likewise, the Fund under Article 13(2) of the Agreement was obligated to return to a State participant an amount of the State participant's currency if the par value of such participant's currency has increased in terms of the Unit of Account. Since the Second Replenishment, the Fund, the Bank and State participants have agreed to waive the maintenance of value provisions for each replenishment, without adversely affecting the rights and obligations acquired by virtue of the initial subscriptions and subscriptions under the First Replenishment.

11. Exchange Rates

Subscriptions made under this Resolution, as shown against each State participant and Donor in Annex 1, have been determined on the basis of exchange rates expressed in terms of currency units per SDR, as given by the International Monetary Fund, averaged daily during the six month period commencing 1 January 2022 and ending on and including 30 June 2022.

12. [Creation of the Climate Action Window]

In recognition of the impact of climate change on the economies of the low-income regional member countries of the African Development Bank and the need for increased funding to address this threat, and subject to the launching and effectiveness conditions enumerated in the Report, a Climate Action Window (the "CAW") is hereby created within the Fund, for the purposes mentioned, and on the terms prescribed, in the Report.]

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* **GENERAL COUNSEL'S NOTE:** *The italicized text in boxes throughout this Resolution is for explanatory purposes only and shall not be binding on State participants and Donors.*

Annex 1

Pledges to the Sixteenth Replenishment of the African Development Fund as of 16 January 2023

STATE PARTICIPANTS / ETATS PARTICIPANTS	ADF-16 PLEDGES / INTENTIONS DE SOUSCRIPTIONS AU FAD-16							TOTAL SUBSCRIPTION FOR ADF-16 / SOUSCRIPTIONS TOTALES AU FAD-16		CHANGE VS ADF-15 / EVOLUTION COMP. FAD-15			
	BURDEN SHARE / QUOTE-PART	NORMALIZED BURDEN SHARE / QUOTE-PART NORMALISEE	SUBSCRIPTION in UA / SOUSCRIPTIONS en UC	EXCHANGE RATE / TAUX DE CHANGE	UNIT OF OBLIGATION / DEVISE DE SOUSCRIPTIONS	SUBSCRIPTION in CURRENCY / SOUSCRIPTIONS en DEVISE	GRANT ELEMENT in UA / ELEMENT DON en UC	IN UA / EN UC	IN CCY * / EN DEVISE *	(%) in UA / (%) en UC	in UA / en UC	(%) in Ccy / (%) en devise	in burden share / en quote-part
ALGERIA / ALGERIE	0.144%	0.186%	7 292 191	1.37133	USD	10 000 000	-	7 292 191	10 000 000	100.00%	7 292 191	N/A	0.14%
ANGOLA / ANGOLA	0.093%	0.121%	4 739 924	1.37133	USD	6 500 000	-	4 739 924	6 500 000	-10.23%	-540 121	N/A	-0.02%
AUSTRIA / AUTRICHE[1]	1.926%	2.491%	97 762 223	1.25437	EUR	122 630 000	-	97 762 223	122 630 000	6.42%	5 894 290	8.43%	-0.06%
BELGIUM / BELGIQUE[1]	1.248%	1.614%	63 361 223	1.25437	EUR	79 478 417	-	63 361 223	79 478 417	4.15%	2 526 976	6.13%	-0.07%
CANADA / CANADA[2]	3.996%	5.169%	202 873 015	1.74325	CAD	353 658 384	-	202 873 015	353 658 384	5.30%	10 219 033	-0.43%	-0.18%
CHINA / CHINE	2.068%	2.675%	104 990 885	8.87796	RMB	932 104 875	-	104 990 885	932 104 875	10.00%	9 543 715	3.57%	0.00%
DEMOCRATIC REPUBLIC OF CONGO /REPUBLIQUE DEMOCRATIQUE DU CONGO	0.043%	0.056%	2 187 657	1.37133	USD	3 000 000	-	2 187 657	3 000 000	100.00%	2 187 657	N/A	0.04%
DENMARK / DANEMARK	1.591%	2.058%	80 773 615	1.25437	EUR	101 320 000	-	80 773 615	101 320 000	10.02%	7 356 932	12.10%	0.00%
EGYPT / EGYPTE	0.029%	0.037%	1 458 438	1.37133	USD	2 000 000	-	1 458 438	2 000 000	1.09%	15 759	0.00%	0.00%
FINLAND / FINLANDE[1]	1.564%	2.023%	57 127 190	1.25437	EUR	71 658 633	22 291 553	79 418 743	99 620 489	10.04%	7 248 121	12.13%	0.00%
FRANCE / FRANCE[1]	8.794%	11.374%	446 439 248	1.25437	EUR	560 000 000	-	446 439 248	560 000 000	15.34%	59 358 930	N/A	0.41%
GERMANY / ALLEMAGNE	9.631%	12.457%	488 959 265	1.25437	EUR	613 335 833	-	488 959 265	613 335 833	10.00%	44 453 462	12.08%	0.00%
INDIA / INDE	0.288%	0.372%	14 612 287	104.479	INR	1 526 677 176	-	14 612 287	1 526 677 176	0.00%	0	8.18%	-0.03%
IRELAND / IRLANDE	0.550%	0.711%	27 902 453	1.25437	EUR	35 000 000	-	27 902 453	35 000 000	0.00%	0	N/A	0.00%
ITALY / ITALIE	4.693%	6.070%	238 272 372	1.25437	EUR	298 881 715	-	238 272 372	298 881 715	7.29%	16 182 045	9.32%	-0.12%
JAPAN / JAPON[1]	7.300%	9.441%	234 040 162	168.320	JPY	39 393 640 000	136 553 600	370 593 762	62 378 341 952	14.71%	47 521 314	26.68%	0.30%
KOREA / COREE	1.500%	1.940%	76 153 194	1 686.81	KRW	128 455 968 728	-	76 153 194	128 455 968 728	10.00%	6 923 018	15.79%	0.00%
KUWAIT / KOWEIT	0.202%	0.261%	10 239 598	1.37133	USD	14 041 867	-	10 239 598	14 041 867	10.00%	930 873	8.81%	0.00%
LUXEMBOURG / LUXEMBOURG[1]	0.200%	0.259%	10 153 759	1.25437	EUR	12 736 571	-	10 153 759	12 736 571	10.00%	923 069	12.08%	0.00%
MOROCCO / MAROC	0.072%	0.093%	3 646 095	1.37133	USD	5 000 000	-	3 646 095	5 000 000	0.00%	0	N/A	0.00%
NORWAY / NORVEGE	3.536%	4.573%	179 511 556	12.5173	NOK	2 247 000 000	-	179 511 556	2 247 000 000	4.59%	7 883 684	9.50%	-0.18%
PORTUGAL / PORTUGAL	0.182%	0.236%	9 254 695	1.25437	EUR	11 608 812	-	9 254 695	11 608 812	10.00%	841 336	12.08%	0.00%
SAUDI ARABIA / ARABIE SAOUDITE	0.431%	0.557%	21 876 572	1.37133	USD	30 000 000	-	21 876 572	30 000 000	100.00%	21 876 572	N/A	0.43%
SOUTH AFRICA / AFRIQUE DU SUD[2]	0.292%	0.378%	14 819 617	21.1023	ZAR	312 727 994	-	14 819 617	312 727 994	69.55%	6 078 858	81.30%	0.10%
SPAIN / ESPAGNE[2]	0.749%	0.969%	38 034 623	1.25437	EUR	47 709 490	-	38 034 623	47 709 490	-6.98%	-2 851 945	-5.21%	-0.14%
SWEDEN / SUEDE[1]	3.594%	4.648%	182 440 864	13.1308	SEK	2 395 594 500	-	182 440 864	2 395 594 500	1.63%	2 921 572	2.56%	-0.30%
SWITZERLAND / SUISSE[1]	2.905%	3.757%	147 474 406	1.29383	CHF	190 806 810	-	147 474 406	190 806 810	6.53%	9 035 495	N/A	-0.09%
THE NETHERLANDS / PAYS-BAS[1]	3.561%	4.606%	180 799 923	1.25437	EUR	226 790 000	-	180 799 923	226 790 000	10.00%	16 435 839	12.08%	0.00%
TÜRKIYE/TÜRKIYE	0.014%	0.019%	729 219	1.37133	USD	1 000 000	-	729 219	1 000 000	1.09%	7 880	0.00%	0.00%
UNITED KINGDOM / ROYAUME-UNI	7.957%	10.291%	403 950 780	1.05578	GBP	426 483 154	-	403 950 780	426 483 154	-29.76%	-171 161 692	-31.21%	-4.50%
UNITED STATES OF AMERICA / ETATS-UNIS[1]	8.164%	10.559%	414 459 371	1.37133	USD	568 360 569	-	414 459 371	568 360 569	14.98%	54 009 536	13.74%	0.35%
ADDITIONAL EXPECTED CONTRIBUTIONS SOUSCRIPTIONS ADDITIONNELLES ATTENDUES	-	0.00%	-				-	-					
TOTAL DONOR CONTRIBUTIONS (a) SOUSCRIPTIONS DES DONATEURS	**77.31%**	**99.814%**	**3 766 336 420**				**158 845 153**	**3 925 181 574**		**5.50%**	**173 114 398**		
SUPPLEMENTARY CONTRIBUTIONS (b) SOUSCRIPTIONS SUPPLEMENTAIRES			-										
SUB TOTAL (c) = (a)+(b) SOUS TOTAL			3 766 336 420										
TECHNICAL GAP (d) DEFICIT TECHNIQUE	22.7%		1 151 698 009								32.87%		
REPLENISHMENT LEVEL (e) = (d)+(c) NIVEAU DE RECONSTITUTION	**100%**		**5 076 879 583**								**10.00%**		
CONCESSIONAL DONOR LOANS NET OF GRANT ELEMENT (f) PRET CONCESSIONNELS NET MOINS L'ELEMENT DON			**246 486 828**								**-51.64%**		
ADVANCE COMMITMENT CAPACITY (g) CAPACITE D'ENGAGEMENT ANTICIPE[2]			**2 037 000 000**								**40.74%**		
TOTAL RESOURCES - GAP INCLUDED (e)+(f)+(g) TOTAL DES RESSOURCES - DEFICIT INCLUS			7 360 366 410.68								16.24%		
TOTAL RESOURCES - GAP EXCLUDED (e)+(f)+(g)-(d) TOTAL DES RESSOURCES - DEFICIT EXCLU			**6 208 668 401.79**								**14.38%**		
ADDITIONAL BUY-DOWN GRANT DON SUPPLEMENTAIRE/REDUCTION D'INTERET			**81 397 481**										

STATE PARTICIPANTS / ETATS PARTICIPANTS	CONCESSIONAL LOANS FOR ADF-16 / PRETS CONCESSIONNELS DU FAD-16					ADF-9 TO ADF-13 GRANT COMPENSATION / COMPENSATION DES DONS DU FAD-9 AU FAD-13		SUBSCRIPTION TO ADF-16 AND GRANT COMPENSATION AMOUNT DUE / SOUSCRIPTIONS AU FAD-16 ET COMPENSATION DES DONS		MDRI COMPENSATION / COMPENSATION IADM			TOTAL CONTRIBUTIONS DURING ADF-16 PERIOD / CONTRIBUTIONS TOTALES DURANT LA PERIODE DU FAD-16	
	LOAN CURRENCY / DEVISE DU PRET	NOMINAL LOAN in Ccy / PRET en devise	NOMINAL LOAN in UA / PRET en UC	GRANT ELEMENT / ELEMENT DON (%)	BUY-DOWN GRANT in UA / DON POUR REDUCTION D'INTERET en UC	IN UA / EN UC	IN CCY / EN DEVISE	IN UA / EN UC	IN CCY / EN DEVISE	IN UA / EN UC	UNIT OF OBLIGATION / DEVISE DE SOUSCRIPTIONS	IN CCY / EN DEVISE	IN UA / EN UC	IN CCY / EN DEVISE
ALGERIA / ALGERIE	-	-	-	0.0%	-	-	-	7 292 191	10 000 000	-	USD	-	7 292 191	10 000 000
ANGOLA / ANGOLA	-	-	-		-	-	-	4 739 924	6 500 000	-	USD	-	4 739 924	6 500 000
AUSTRIA / AUTRICHE[1]	-	-	-		-	3 816 567	4 787 387	101 578 790	127 417 387	10 012 276	EUR	12 559 098	111 591 066	139 976 486
BELGIUM / BELGIQUE[1]	-	-	-		-	3 556 832	4 461 583	66 918 054	83 940 000	13 070 571	EUR	16 395 332	79 988 625	100 335 332
CANADA / CANADA[2]	-	-	-		-	9 046 365	15 770 076	211 919 380	369 428 460	37 944 816	CAD	66 147 300	249 864 196	435 575 760
CHINA / CHINE	-	-	-		-	3 659 449	32 488 438	108 650 333	964 593 313	13 845 642	USD	18 986 944	122 495 975	N/A
DEMOCRATIC REPUBLIC OF CONGO /REPUBLIQUE DEMOCRATIQUE DU CONGO	-	-	-		-	-	-	2 187 657	3 000 000	-	USD	-	2 187 657	3 000 000
DENMARK / DANEMARK	-	-	-		-	2 929 289	3 674 412	83 702 904	104 994 412	9 172 823	EUR	11 506 114	92 875 727	116 500 526
EGYPT / EGYPTE	-	-	-		-	13 778	18 894	1 472 216	2 018 894	-	USD	-	1 472 216	2 018 894
FINLAND / FINLANDE[1]	EUR	80 000 000	63 777 035	35.0%	-	4 056 977	5 088 950	61 184 167	76 747 583	12 648 272	EUR	15 865 613	96 123 992	120 575 052
FRANCE / FRANCE[1]	-	-	-		-	18 058 445	22 651 972	464 497 694	582 651 972	77 576 068	EUR	97 309 092	542 073 761	679 961 064
GERMANY / ALLEMAGNE	-	-	-		-	17 334 731	21 744 167	506 293 996	635 080 000	55 735 465	EUR	69 912 895	562 029 461	704 992 895
INDIA / INDE	-	-	-		-	353 219	36 904 015	14 965 507	1 563 581 191	1 467 392	INR	153 311 615	16 432 899	1 716 892 806
IRELAND / IRLANDE	-	-	-		-	-	-	27 902 453	35 000 000	-	EUR	-	27 902 453	35 000 000
ITALY / ITALIE	-	-	-		-	8 863 640	11 118 285	247 136 013	310 000 000	33 728 725	EUR	42 308 301	280 864 738	352 308 301
JAPAN / JAPON[1]	JPY	51 674 240 000	307 000 000	44.5%	81 397 481	13 205 412	2 222 734 887	247 245 573	41 616 374 887	56 342 778	JPY	9 483 616 439	440 141 952	74 084 693 278
KOREA / COREE	-	-	-		-	1 678 599	2 831 477 712	77 831 793	131 287 446 440	5 362 867	KRW	9 046 138 178	83 194 660	140 333 584 619
KUWAIT / KOWEIT	-	-	-		-	329 125	451 339	10 568 722	14 493 206	1 408 174	USD	1 931 072	11 976 897	16 424 278
LUXEMBOURG / LUXEMBOURG[1]	-	-	-		-	-	-	10 153 759	12 736 571	-	EUR	-	10 153 759	12 736 571
MOROCCO / MAROC	-	-	-		-	-	-	3 646 095	5 000 000	-	USD	-	3 646 095	5 000 000
NORWAY / NORVEGE	-	-	-		-	7 786 910	97 471 094	187 298 466	2 344 471 094	29 849 922	NOK	373 640 425	217 148 388	2 718 111 520
PORTUGAL / PORTUGAL	-	-	-		-	1 303 709	1 635 333	10 558 404	13 244 145	4 765 930	EUR	5 978 240	15 324 334	19 222 385
SAUDI ARABIA / ARABIE SAOUDITE	-	-	-		-	794 616	1 089 681	22 671 188	31 089 681	2 538 915	USD	3 481 691	25 210 104	34 571 371
SOUTH AFRICA / AFRIQUE DU SUD[2]	-	-	-		-	344 655	7 273 006	15 164 271	320 001 000	-	ZAR	-	15 164 271	320 001 000
SPAIN / ESPAGNE[2]	-	-	-		-	5 031 970	6 311 952	43 066 593	54 021 442	3 697 547	EUR	4 638 092	46 764 140	58 659 534
SWEDEN / SUEDE[1]	-	-	-		-	7 951 191	104 405 500	190 392 055	2 500 000 000	33 728 725	SEK	442 885 144	224 120 780	2 942 885 144
SWITZERLAND / SUISSE[1]	-	-	-		-	4 786 711	6 193 190	152 261 116	197 000 000	21 647 324	USD	29 685 625	173 908 440	N/A
THE NETHERLANDS / PAYS-BAS[1]	-	-	-		-	8 849 603	11 100 677	189 649 527	237 890 677	27 826 198	EUR	34 904 348	217 475 725	272 795 025
TÜRKIYE/TÜRKIYE	-	-	-		-	-	-	729 219	1 000 000	-	USD	-	729 219	1 000 000
UNITED KINGDOM / ROYAUME-UNI	-	-	-		-	22 274 381	23 516 846	426 225 161	450 000 000	63 241 360	GBP	66 768 963	489 466 520	516 768 963
UNITED STATES OF AMERICA / ETATS-UNIS[1]	-	-	-		-	16 509 105	22 639 431	430 968 476	591 000 000	71 445 080	USD	97 974 781	502 413 556	688 974 781
TOTAL DONOR CONTRIBUTIONS (a) SOUSCRIPTIONS DES DONATEURS			**370 777 035**		**81 397 481**									

* Converted into currency of pledge

Notes: All pledges subject to either, internal, legislative, parliamentary, ministerial, goverment, congressional, Diet approval.

1 - Will use acceleration or customized schedule. Finland pledged EUR 77.1 million; however, the encashment profile selected by the country leads to a shortfall of EUR 352,417 which is deducted from the total pledge.

2 - Will use accelerated encashment to increase their ADF-16 pledge

3 - An additional CDL is expected and already included in the table

STATE PARTICIPANTS / ETATS PARTICIPANTS	CONTRIBUTIONS TO THE CLIMATE ACTION WINDOW[2]			
	SUBSCRIPTION in UA / SOUSCRIPTIONS en UC	EXCHANGE RATE / TAUX DE CHANGE	UNIT OF OBLIGATION / DEVISE DE SOUSCRIPTIONS	SUBSCRIPTION in CURRENCY / SOUSCRIPTIONS en DEVISE
GERMANY / ALLEMAGNE	31,836,741	1.25641	EUR	40,000,000
SWITZERLAND / SUISSE	12,066,608	1.24310	CHF	15,000,000
THE NETHERLANDS / PAYS-BAS	79,591,853	1.25641	EUR	100,000,000
UNITED KINGDOM / ROYAUME-UNI	184,632,996	1.08323	GBP	200,000,000
TOTAL DONOR CONTRIBUTIONS TO THE CAW SOUSCRIPTIONS DES DONATEURS A LA FAC	**308,128,198**			
TOTAL DONOR CONTRIBUTIONS TO ADF-16 SOUSCRIPTIONS DES DONATEURS AU FAD-16	**3,922,830,414**			
TOTAL DONOR CONTRIBUTIONS TO ADF-16 INCLUDING CAW SOUSCRIPTIONS DES DONATEURS Y-COMPRIS LA FAC	**4,230,958,611**			

Notes: All pledges subject to internal legislative, parliamentary, ministerial, goverment, congressional, or Diet approval.

Contributions to the Climate Action Window (CAW) are considered additional to the core ADF-16 donor contributions and provide voting rights in the ADF equal to 20% of the grant contribution.

Annex 2

Concessional Donor Loans under the Sixteenth Replenishment of the African Development Fund

[To be inserted]

Annex 3

Bridge Loans under the Sixteenth Replenishment of the African Development Fund

[To be inserted]

Annex 4

ADF-16 Standard Encashment Schedule

Encashment Year	Annual rate of encashment of subscription (%)
2023	7.26
2024	10.02
2025	12.42
2026	12.84
2027	12.94
2028	12.91
2029	11.87
2030	9.88
2031	7.43
2032	2.43

Model Form (Standard)-subject to change

Concessional Donor Loan Agreement

between

[□]

and

THE AFRICAN DEVELOPMENT FUND

Dated [□]

CONCESSIONAL DONOR LOAN AGREEMENT

AGREEMENT dated [□], between [□], [*name of donor*] (the "Lender"), as the lender; and the AFRICAN DEVELOPMENT FUND (the "AfDF"), as the borrower.

WHEREAS AfDF's Board of Governors has approved contracting concessional financing from the AfDF's State participants in the context of the Sixteenth Replenishment of the AfDF's resources ("ADF-16") and on such terms and conditions as may be approved from time to time;

WHEREAS the Lender has decided to further contribute to the AfDF by way of providing a loan in accordance with the provisions of this Agreement;

WHEREAS the AfDF has accepted such loan in accordance with the provisions of this Agreement;

NOW, THEREFORE, the parties hereto hereby agree as follows:

ARTICLE 1. DEFINITIONS, INTERPRETATION AND CONSTRUCTION

1.1 In this Agreement, unless otherwise defined, or unless the context otherwise requires, terms used herein shall have the following meanings:

"Agreement" means this agreement and its schedules.

"Agreement establishing the AfDF" means AfDF's Agreement effective on November 29, 1972, as amended from time to time.

"Business Day" means any day (other than a Saturday or Sunday) when banks are generally open for business both in Abidjan, Côte d'Ivoire and in [*Lender's business capital*].

"Corrupt Practice" means the offering, giving, receiving, or soliciting, directly or indirectly, anything of value to influence improperly the actions of another party.

"Default Interest Rate" means the interest rate specified in Section 3.2(a) plus [•]%

"Disbursement Amount" means one third of the Loan or such other amount as may be agreed between the Lender and AfDF.

"Disbursement Date" means ------------, 2023, --------------------, 2024 and ---------------, 2025 (or such other dates as may be agreed between the Lender and the AfDF) on which the proceeds of the Loan are disbursed and paid to the AfDF.

["Dollar", "$" and "USD" each means the lawful currency of the United States of America.]

"Drawdown Period" means three (3) years from the date of signature of this Agreement.

["Euro", "€" and "EUR" each means the lawful currency of member states of the European Union that adopt the single currency in accordance with the Treaty Establishing the European Community, as amended by the Treaty on European Union.]

"Event of Default" means any of the events in Section 11.3.

"Fraudulent Practice" means any act or omission, including a misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a party to obtain a financial or other benefit or to avoid an obligation.

"Grant Element of the Loan" means that portion of the Loan, as reasonably determined by the AfDF, that is treated as a grant contribution for purposes of burden-sharing and any adjustment of voting rights to the Lender in its capacity as a State participant in the AfDF that may be deemed necessary by the AfDF.

["Interest Payment Amount" means for each Interest Payment Date, the amount of interest payable on the Outstanding Loan Balance on such date.]

["Interest Payment Date" means [each date on which interest on the Outstanding Loan Balance is payable, as specified in Section [3.2].]

["Interest Period" means the initial period from and including the date of the [first] Disbursement Date to but excluding the first Interest Payment Date occurring thereafter, and after the initial period, each period from and including an Interest Payment Date to but excluding the next following Interest Payment Date.[48]]

"Loan" means the loan to be provided by the Lender under this Agreement as specified in Article 2.

"Operations" means the AfDF's operations pursuant to the Agreement establishing the AfDF.

[48] This assumes that principal repayments and interest payments occur with the same periodicity.

“Outstanding Loan Balance” means the amount of the Loan disbursed to the AfDF and outstanding from time to time.

“Payment Date” means any Interest Payment Date or Principal Repayment Date, as applicable and as reflected as such in the Repayment Schedule.

“Prepayment” means any repayment of the Outstanding Loan Balance in full or in part in advance of its maturity.

“Principal Repayment Amount” means for each Principal Repayment Date, the amount of principal of the Outstanding Loan Balance payable on such date.

“Principal Repayment Date” means each date on which all or any portion of the principal amount of the Outstanding Loan Balance is payable, as specified in [Section [3.2] and accordingly reflected in the Repayment Schedule].

[“Renminbi”, “RMB” and “CNY” each means the lawful currency of the People’s Republic of China.]

“Repayment Schedule” means the schedule for repayment of the Outstanding Loan Balance attached hereto as Appendix [II].

“Sixteenth Replenishment” means the replenishment of the resources of the AfDF for new lending commitments for the period from January 1, 2023 to December 31, 2025 through a general increase in AfDF resources authorized by the AfDF Board of Governors.

“Specified Indebtedness” means any obligation in respect of money borrowed by the AfDF from a State participant (including any government agency or central bank of its State participants or such other entities as may be designated by its State participants) that remains outstanding concurrently with any portion of the Loan.

[“Sterling”, “£”, and “GBP” each means the lawful currency of the United Kingdom.]

[“Yen”, “¥” and “JPY” each means the lawful currency of Japan]

1.2 In this Agreement, unless the context otherwise requires:

(a) headings are inserted for convenience of reference only and do not affect the interpretation of this Agreement;

(b) words importing the singular include the plural and vice versa; and

(c) a reference to a document includes an amendment or supplement to, or replacement or novation of, that document, but does not include any amendment, supplement, replacement or novation made in breach of this Agreement.

ARTICLE 2. THE LOAN

2.1 The Lender irrevocably and unconditionally agrees to lend to the AfDF, on the terms and conditions set forth or referred to in this Agreement, the amount of Chinese Renminbi (CNY [•])], [United States dollars ($[•])] [Euro (€[•])] [Sterling (£[•])] [Yen (¥[•])] as a loan.

[2.2 The AfDF may request the disbursement of the Loan in full or in three equal instalments, as may be agreed between the Lender and the AfDF, within the Drawdown Period by delivering to the Lender a disbursement request substantially in the form set out in Appendix [I] hereto, at least [ten (10)] Business Days prior to the relevant Disbursement Date. Upon receipt of the disbursement request, the Lender shall, on the relevant Disbursement Date, deposit the amount of the Loan requested into the account designated by the AfDF.]

or

[2.2 The Lender shall disburse the Loan in full or in no more than three equal instalments within the Drawdown Period and deposit the Disbursement Amount on or before each Disbursement Date into the account specified by the AfDF in Appendix I.]

2.3 When making [each] such deposit, the Lender shall instruct its bank to include in its payment details in the information (remittance advice) field of its SWIFT payment message, relevant details indicating: the amount paid, that the payment is made by the Lender to the AfDF as [part of] its loan commitment to ADF-16, and the date of the deposit.

2.4 The proceeds of the Loan shall not be earmarked for any particular purpose and shall be used as part of the AfDF's general resources.

2.5 The AfDF may, by notice and without penalty to the Lender, fully or partially cancel any amount of the Loan that is not drawn.

ARTICLE 3. INTEREST AND PRINCIPAL PAYMENTS

3.1 Subject to the provisions of Section 3.[4], the AfDF shall repay the Outstanding Loan Balance in [thirty-five (35) equal] or [seventy (70)] semi-annual instalments commencing on the first Principal Repayment Date being the date [five (5) years and six (6) months] years after the [first] Disbursement Date in accordance with the Repayment Schedule in Appendix II.

[3.2 (a) Subject to the provisions of Section 3.[4], interest shall accrue on the Outstanding Loan Balance at a fixed rate of [•] per annum during each Interest Period. Interest shall accrue from the [first] Disbursement Date and shall be payable semi-annually in arrears on each Interest Payment Date. [The Interest Payment Dates are __________ [and __________] in each year, commencing ________ to and including _________.] The Interest Payment Amount shall be computed on the basis of the actual number of days elapsed and a year of [three hundred and sixty (360)] days.]

(b) If any portion of the Outstanding Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the AfDF shall pay a Default Interest Rate on such overdue amount in lieu of the interest rate specified in Section 3.2(a) above. Interest at the Default Interest Rate shall accrue from the thirty-first (31st) day after the due date in respect of such overdue amount until such overdue amount is fully paid.

3. [3] Subject to Section [11].4, the Lender shall not have the right to demand any payment under this Agreement in advance of maturity.

3.[4] After giving not less than 3 months prior irrevocable written notice to the Lender, the AfDF may prepay the Outstanding Loan Balance, in whole or in part, without penalty, on the last day of any Interest Period.

ARTICLE 4. PAYMENT ARRANGEMENTS

4.1 On each Payment Date the AfDF shall make payment of the Principal Repayment Amount [and Interest Payment Amount] to the Lender for value on such date.

4.2 Except as otherwise agreed by the parties, any payment under this Agreement shall be made in [CNY], [USD], [JPY], [GBP], [EUR].

4.3 Any payment which is due to be made on a day that is not a Business Day shall be made on the next Business Day unless the next Business Day falls within the next calendar month, in which case it shall be effected on the last Business Day of the then current calendar month.

4.4 All payments by the AfDF under this Agreement shall be made into the account specified by the Lender in Appendix [III]or into such other account as the Lender may specify in writing no less than ten (10) Business Days prior to the relevant payment date.

[4.5 [All] payments required to be made by the Lender or the AfDF under this Agreement shall be calculated without reference to any set-off and shall be made free and clear of and without any deduction for or on account of any set-off.]

[ARTICLE 5. CONSENT OF LENDER TO DENOMINATION

[5]. The Lender hereby grants its approval to the denomination of the Loan in any currency acceptable to the AfDF pursuant to Article 11 of the Agreement establishing the AfDF.]

ARTICLE [6]. ADJUSTMENT OF VOTING RIGHTS IN FAVOR OF A LENDER

[6]. The AfDF shall adjust in favour of [the Lender] [insert name of member], in its capacity as a State participant in the AfDF, voting rights corresponding to the Grant Element of the Loan on such terms as shall be approved by the Board of Governors of the AfDF in accordance with the Agreement establishing the AfDF.

ARTICLE [7]. SUCCESSION

[7]. This Agreement shall be binding upon and enure to the benefit of each party hereto and its or any subsequent successors or assignees; provided that either party to this Agreement may not assign, transfer, novate or dispose of any of its rights or obligations under this Agreement without the prior written consent of the other party to this Agreement (such consent not to be unreasonably

withheld or delayed).

ARTICLE [8]. REPRESENTATIONS AND UNDERTAKINGS

8.1 REPRESENTATIONS

All the representations and warranties in this Section 8.1 are deemed to be made by the AfDF on the signing date and on each Disbursement Date.

8.1.1 The AfDF is an international financial institution duly established by treaty and validly existing under international law which possesses full international and juridical personality in accordance with the treaty establishing it. The AfDF has the power to own its assets and carry on its Operations as they are being conducted.

8.1.2 The AfDF has the power to enter into, perform and deliver this Agreement and to perform all contemplated obligations. The AfDF has taken all necessary actions to authorize its entry into, performance and delivery of this Agreement and, where applicable, the Operations funded by the Loan.

8.1.3 To the best of its knowledge, the AfDF represents and warrants that the funds invested in its Operations are provided in accordance with Article 4 of the Agreement establishing the AfDF.

8.1.4 In accordance with its policies and procedures, the AfDF represents that it is firmly committed to the international fight against money laundering, terrorism and its financing, Corrupt Practice and Fraudulent Practice, or any other misconduct that may occur in connection with its Operations.

8.1.5 The obligations expressed to be assumed by the AfDF under this Agreement comply with the Agreement establishing the AfDF and are legal, valid, binding and enforceable obligations which are effective in accordance with their written terms.

8.1.6 No litigation or arbitration before any court or arbitral body which, if adversely determined, might reasonably be expected to have a material adverse effect on AfDF's financial position have (to the best of its knowledge and belief) been started or threatened against it.

8.2 UNDERTAKINGS

The undertakings in this Section 8.2 take effect on the signing date of the Agreement and remain in full force and effect for the duration of this Agreement.

8.2.1 The AfDF shall maintain its organizational existence and the general nature of its Operations and shall not amend or alter its organization existence, its registered office without prior notification to the Lender.

8.2.2 The AfDF shall comply in all material respects with all obligations to which it is subject and take reasonable efforts to ensure its Operations comply with the provisions of the Agreement establishing the AfDF.

ARTICLE [9]. NOTICES

[9].1 Any notice, request, consent, approval or waiver (hereinafter referred to generally as "notice") required or permitted to be given or made under this Agreement shall be in writing in the English or French language. Such notice shall be deemed to have been duly given or made when it has been delivered by hand or by mail or facsimile (or other electronic means agreed between the parties in writing) to the party to which such notice is directed, at the following address (or at such other address as the party shall have designated by written notice to the party giving or making such notice).

(a) For the Lender:

[□]

Attention: [□]
Telephone: [□]
Facsimile: [□]
Email: [□]

(b) For the AfDF:

c/o African Development Bank
Avenue Joseph Anoma
01 BP 1387, Abidjan 01
Côte d'Ivoire

Attention: Director, Resource Mobilization Department
Telephone: [•]
Email: [□]

Copy to: Treasurer
Email: [□]
ADF.SOUSCRIPTIONS@afdb.org
back-office@afdb.org

ARTICLE [10]. AMENDMENTS AND WAIVERS; SEVERABILITY; COUNTERPARTS

[10].1 No provision of this Agreement may be modified or supplemented except in a written agreement executed by authorized representatives of the parties

hereto.

[10].2 No failure or delay in exercising any right, power or remedy under this Agreement shall impair such right, power or remedy, or operate, or be construed, as a waiver or variation of it or preclude its exercise at any subsequent time, and no single or partial exercise of any right, power or remedy shall preclude any other or further exercises thereof or the exercise of any other right, power or remedy.

[10].3 Neither party shall be deemed to have waived any of its rights under this Agreement, unless expressly so stated in a notice by the party waiving such a right to the other party.

[10].4 Any provision of this Agreement which is prohibited, invalid or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, invalidity or unenforceability, without invalidating the remaining provisions hereof, and any such prohibition, invalidity or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

[10].5 This Agreement may be executed in counterparts, each of which is an original and all of which together shall be deemed to constitute one and the same instrument.

ARTICLE [11]. EFFECTIVENESS AND TERMINATION

[11].1 This Agreement shall come into force and effect as of the last date of signature by the parties below.

[11].2 This Agreement and all obligations of the parties under this Agreement shall forthwith terminate upon full payment of all amounts due and payable under this Agreement.

[11].3 Each of the following shall constitute an Event of Default by the AfDF under this Agreement:

(a) any Specified Indebtedness of the AfDF is not paid when due or within any originally applicable grace period;

(b) any Specified Indebtedness of the AfDF is declared to be or otherwise becomes due and payable prior to its original maturity as a result of the occurrence of an Event of Default;

(c) the AfDF does not pay on the due date any amount payable by it under this Agreement after written non-payment notice thereof shall have been given to the AfDF by the Lender. No Event of Default will occur however if such payment is made in full by the AfDF within thirty (30) Business Days of the due date;

(d) a representation made or warranty given by the AfDF in this Agreement is materially incorrect or misleading when made or given or deemed to be made or given;

(e) the AfDF does not comply with any material term of this Agreement, including, without limitation, any of the undertakings it has given pursuant to Section 8.2 (Undertakings); or

(f) AfDF terminates its Operations in accordance with Article 40 of the Agreement establishing the AfDF.

[11].4 On and at any time after the occurrence of an Event of Default which is continuing, the Lender and AfDF shall consult on the steps that AfDF will take to cure or remedy the Event of Default. If the Event of Default has not been cured or remedied to the satisfaction of the Lender within thirty (30) days of the occurrence of the Event of Default, the Lender may, by written notice to AfDF (i) cancel the undrawn portion of the Loan and/or (ii) declare that all or part of the Loan, together with accrued interest, is immediately due and payable.

ARTICLE [12]. ENFORCEABILITY; ARBITRATION

[12].1 The rights and obligations of the AfDF and the Lender under this Agreement shall be valid and enforceable in accordance with their terms notwithstanding the law of any state or political subdivision of the Lender to the contrary. Neither the AfDF nor the Lender shall be entitled in any proceeding under this Article to assert any claim that any provision of this Agreement is invalid or unenforceable because of any provision of the Agreement establishing the AfDF.

[12].2 The foregoing provision notwithstanding, any dispute, controversy or claim arising out of or relating to this Agreement which has not been settled by amicable agreement of the parties, shall be submitted to arbitration in accordance with the UNCITRAL Arbitration Rules in effect on the date of this Agreement, and the following provisions:

(a) the appointing authority shall be the Secretary-General of the Permanent Court of Arbitration;

(b) the place of arbitration shall be London, the United Kingdom; and

(c) the language of the arbitral proceedings shall be English.

[12].3 Nothing in this Agreement shall operate as or be construed to constitute

a waiver, renunciation or any other modification of any privilege or immunity of the AfDF under Chapter VIII of the Agreement establishing the AfDF or under any applicable law.

[12].4 The award of the Arbitral Tribunal shall be final and binding on the parties and enforceable in any court of competent jurisdiction. The parties shall carry out the award without delay.

ARTICLE [13]. MISCELLANEOUS

[13].1 The obligations of AfDF under this Agreement are not the obligations of any member of the AfDF, or its government.

[13].2 Neither party shall disclose the contents of this Agreement, nor any non-public information or documentation received from the other party hereunder, in any communication, written or verbal, to any third party without the prior written consent of the other party.

ARTICLE [14]. NEGATIVE PLEDGE

For as long as any payment obligations of AfDF under this Agreement shall be outstanding and unpaid, AfDF will not cause or permit to be created on any of its property or assets any mortgage, pledge or other lien or charge as security for any evidences of indebtedness at any time issued, assumed or guaranteed by AfDF for money borrowed (other than any purchase money mortgage, or other pledge or lien, on property purchased by AfDF as security for all or any part of the purchase price thereof, any lien arising in the ordinary course of business, or any extension or renewal of any of the foregoing), unless the payment obligations of AfDF under this Agreement shall be secured by such mortgage, pledge or other lien or charge equally and rateably with such other evidences of indebtedness.

[***** Remainder of the Page Left Blank Intentionally*****]

IN WITNESS whereof, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names as of the date first above written.

[NAME OF LENDER]

By: ________________________

(Authorized Representative)

Name:

Title:

THE AFRICAN DEVELOPMENT FUND

By: ________________________

(Authorized Representative)

Name:

Title:

Appendix I

Account Details for Deposit of the Disbursement Amount

Account Name:	[•]
Account Number:	[•]
Swift:	**[•]**
ABA:	**[•]**
Name of Depository Bank:	**[•]**
Address of Depository Bank:	**[•]**
Reference:	[•]

When making such deposit, the Lender shall instruct its corresponding bank to include in the payment details information (remittance advice) field of its SWIFT payment message, information indicating: the amount paid, that the payment is made by the Lender for [*insert reference*], and the date of the deposit.

Appendix II - Repayment Schedule

Principal Payment Due	Principal Amount of the Loan repayable (expressed as a percentage)*
On each ___ and _____: commencing ____ to and including _______________	**[•]%**
On __________	**[•]%**

* The percentages represent the percentage of the principal amount of the Loan to be repaid.

Appendix III – Account Details for Repayment

Model Form (Standard)-subject to change

Bridge Loan Agreement

between

[□]

and

THE AFRICAN DEVELOPMENT FUND

Dated --

BRIDGE LOAN AGREEMENT

AGREEMENT dated [•], between [•], ***[name of donor]*** (the "Lender"), as the lender; and the AFRICAN DEVELOPMENT FUND (the "AfDF"), as the borrower.

WHEREAS the AfDF's Board of Governors has approved contracting concessional financing from the AfDF's State participants in the context of the Sixteenth Replenishment of the AfDF's resources ("ADF-16") and on such terms and conditions as may be approved from time to time;

WHEREAS the Lender has decided to further contribute to the AfDF by way of providing a loan in accordance with the provisions of this Agreement;

WHEREAS the AfDF has accepted such loan in accordance with the provisions of this Agreement;

NOW, THEREFORE, the parties hereto hereby agree as follows:

ARTICLE 1. DEFINITIONS, INTERPRETATION AND CONSTRUCTION

In this Agreement, unless otherwise defined, or unless the context otherwise requires, terms used herein shall have the following meanings:

"Agreement" means this agreement and its schedules.

"Agreement establishing the AfDF" means AfDF's Agreement effective on November 29, 1972, as amended from time to time.

"Business Day" means any day (other than a Saturday or Sunday) when banks are generally open for business both in Abidjan, Cote d'Ivoire and in ***[Lender's business capital],***

"Corrupt Practice" means the offering, giving, receiving, or soliciting, directly or indirectly, anything of value to influence improperly the actions of another party.

"Default Interest Rate" means the interest rate specified in Section 3.2(a) plus [•]%

"Disbursement Amount" means one third of the Loan or such other amount as may be agreed between the Lender and the AfDF.

"Disbursement Date" means, 2023, , 2024 and , 2025 (or such other dates as may be agreed between the Lender and the AfDF) on which the proceeds of the Loan are disbursed and paid to the AfDF.

["Dollar", "$" and "USD" each means the lawful currency of the United States of America.]

"Drawdown Period" means three (3) years from the date of signature of this Agreement.

["Euro", "€" and "EUR" each means the lawful currency of member states of the European Union that adopt the single currency in accordance with the Treaty Establishing the European Community, as amended by the Treaty on European Union.]

"Event of Default" means any of the events in Section 11.3.

"Fraudulent Practice" means any act or omission, including a misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a party to obtain a financial or other benefit or to avoid an obligation.

"Grant Element of the Loan" means that portion of the Loan, as reasonably determined by the AfDF, that is treated as a grant contribution for purposes of burden-sharing and any adjustment of voting rights to the Lender in its capacity as a State participant in the AfDF that may be deemed necessary by the AfDF.

["Interest Payment Amount" means for each Interest Payment Date, the amount of interest payable on the Outstanding Loan Balance on such date.]

["Interest Payment Date" means each date on which interest on the Outstanding Loan Balance is payable, as specified in Section [3.1].]

["Interest Period" means the initial period from and including the date of the [first] Disbursement Date to but excluding the first Interest Payment Date occurring thereafter, and after the initial period, each period from and including an Interest Payment Date to but excluding the next following Interest Payment Date.[49]]

"Loan" means the loan to be provided by the Lender under this Agreement as specified in Article 2.

"Operations" means the AfDF's operations pursuant to the Agreement establishing the AfDF.

"Outstanding Loan Balance" means the amount of the Loan disbursed to the AfDF and outstanding from time to time.

"Payment Date" means any Interest Payment Date or Principal Repayment Date, as applicable and as reflected as such in the Repayment Schedule.

"Prepayment" means any repayment of the Outstanding Loan Balance in full or in part in advance of its maturity.

"Principal Repayment Amount" means for each Principal Repayment Date, the amount of principal of the Outstanding Loan Balance payable on such date.

"Principal Repayment Date" means each date on which all or any portion of the principal amount of the Outstanding Loan Balance is payable, as specified in [Section [3.2] and accordingly reflected in the Repayment Schedule].

["Renminbi" "RMB' and "CNY" each means the lawful currency of the People's Republic of China.]

"Repayment Schedule" means the schedule for repayment of the Outstanding Loan Balance attached hereto as Appendix [II].

"Sixteenth Replenishment" means the replenishment of the resources of the AfDF for new lending commitments for the period from January 1, 2023 to December 31, 2025 through a general increase in AfDF resources authorized by the AfDF Board of Governors.

"Specified Indebtedness" means any obligation in respect of money borrowed by the AfDF from a State participant (including any government agency or central bank of its State participants or such other entities as may be designated by its State participants) that remains outstanding concurrently with any portion of the Loan.

["Sterling", "£", and "GBP" each means the lawful currency of the United Kingdom.]

["Yen", "¥" and "JPY" each means the lawful currency of Japan]

In this Agreement, unless the context otherwise requires:

headings are inserted for convenience of reference only and do not affect the interpretation of this Agreement;

words importing the singular include the plural and vice versa; and

a reference to a document includes an amendment or supplement to, or replacement or novation of, that document, but does not include any amendment, supplement, replacement or novation made in breach of this Agreement.

ARTICLE 2. THE LOAN

The Lender irrevocably and unconditionally agrees to lend to the AfDF, on the terms and conditions set forth or referred to in this Agreement, the amount of [United States dollars ($[•])] [Euro (€[•])] [Sterling (£[•])] [Yen (¥[•])] [Renminbi (CNY[•])]as a loan.

[49] This assumes that principal repayments and interest payments occur with the same periodicity.

[2.2 The AfDF may request the disbursement of the Loan in full or in three equal instalments, as may be agreed between the Lender and the AfDF, within the Drawdown Period by delivering to the Lender a disbursement request substantially in the form set out in Appendix I hereto, at least [ten (10)] Business Days prior to the relevant Disbursement Date. Upon receipt of the disbursement request, the Lender shall, on the relevant Disbursement Date, deposit the amount of the Loan requested into the account designated by the AfDF.]
or

[2.2 The Lender shall disburse the Loan in full or in no more than three equal instalments within the Drawdown Period and deposit the Disbursement Amount on or before each Disbursement Date into the account specified by the AfDF in Appendix I.]
When making [each] such deposit, the Lender shall instruct its bank to include in its payment details in the information (remittance advice) field of its SWIFT payment message, relevant details indicating: the amount paid, that the payment is made by the Lender to the AfDF as [part of] its loan commitment to ADF-16 and the date of the deposit.
The proceeds of the Loan shall solely be invested in high grade treasury instruments or equivalent securities at AfDF Management's discretion.

The AfDF may, by notice and without penalty to the Lender, fully or partially cancel any amount of the Loan that is not drawn.

ARTICLE 3. INTEREST AND PRINCIPAL PAYMENTS

Subject to the provisions of Section 3.[4], the AfDF shall repay the Outstanding Loan Balance in [twenty (20)] semi-annual instalments, commencing on the first Principal Repayment Date being the date [ten (10) years and six (6) months] after the [first] Disbursement Date in accordance with the Repayment Schedule in Appendix II.
[3.2 (a) Subject to the provisions of Section 3.[4], interest shall accrue on the Outstanding Loan Balance at a rate of ***[specify interest rate]*** per annum during each Interest Period. Interest shall accrue from the [first] Disbursement Date and shall be payable semi-annually in arrears on each Interest Payment Date. [The Interest Payment Dates are___________ [and___________] in each year, commencing ________ to and including _________.] The Interest Payment Amount shall be computed on the basis of the actual number of days elapsed and a year of [three hundred and sixty (360)] days.]
(b) If any portion of the Outstanding Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the AfDF shall pay a Default Interest Rate on such overdue amount in lieu of the interest rate specified in Section 3.2(a) above. Interest at the Default Interest Rate shall accrue from the thirty-first (31^{st}) day after the due date in respect of such overdue amount until such overdue amount is fully paid.
3.3 Subject to Section [11].4, the Lender shall not have the right to demand any payment under this Agreement in advance of maturity.
3.4 After giving not less than 3 months prior irrevocable written notice to the Lender, the AfDF may prepay the Outstanding Loan Balance, in whole or in part, without penalty, on the last day of any Interest Period.

ARTICLE 4. PAYMENT ARRANGEMENTS

On each Payment Date the AfDF shall make payment of the Principal Repayment Amount [and/or the Interest Payment Amount] to the Lender for value on such date.
Except as otherwise agreed by the parties, any payment under this Agreement shall be made in [USD] [JPY] [GBP] [EUR] [CNY].

Any payment which is due to be made on a day that is not a Business Day shall be made on the next Business Day unless the next Business Day falls within the next calendar month, in which case it shall be effected on the last Business Day of the then current calendar month.
All payments by the AfDF under this Agreement shall be made into the account specified by the Lender in Appendix [III] or into such other account as the Lender may specify in writing no less than ten (10) Business Days prior to the relevant payment date.
[4.5 [All] payments required to be made by the Lender or the AfDF under this Agreement shall be calculated without reference to any set-off and shall be made free and clear of and without any deduction for or on account of any set-off.]

[ARTICLE 5. CONSENT OF LENDER TO DENOMINATION

[5]. The Lender hereby grants its approval to the denomination of the Loan in any currency acceptable to the AfDF pursuant to Article 11 of the Agreement establishing the AfDF.]

ARTICLE [6]. ADJUSTMENT OF VOTING RIGHTS IN FAVOR OF A LENDER

[6]. The AfDF shall adjust in favour of [the Lender] ***[insert name of member],*** in its capacity as a State participant in the AfDF, voting rights corresponding to the Grant Element of the Loan on such terms as shall be approved by the Board of Governors of the AfDF in accordance with the Agreement establishing the AfDF.

ARTICLE [7]. SUCCESSION

[7]. This Agreement shall be binding upon and tenure to the benefit of each party hereto and its or any subsequent successors or assignees; provided that either party to this Agreement may not assign, transfer, novate or dispose of any of its rights or obligations under this Agreement without the prior written consent of the other party to this Agreement (such consent not to be unreasonably withheld or delayed).

ARTICLE [8]. REPRESENTATIONS AND UNDERTAKINGS

[8].1 REPRESENTATIONS

All the representations and warranties in this Section 8.1 are deemed to be made by the AfDF on the signing date and on each Disbursement Date.

8.1.1 The AfDF is an international financial institution duly established by treaty and validly existing under international law which possesses full international and juridical personality in accordance with the treaty establishing it. The AfDF has the power to own its assets and carry on its Operations as they are being conducted.

8.1.2 The AfDF has the power to enter into, perform and deliver this Agreement and to perform all contemplated obligations. The AfDF has taken all necessary actions to authorize its entry into, performance and delivery of this Agreement and, where applicable, the Operations funded by the Loan.

8.1.3 To the best of its knowledge, the AfDF represents and warrants that the funds invested in its Operations are provided in accordance with Article 4 of the Agreement establishing the AfDF.

8.1.4 In accordance with its policies and procedures, the AfDF represents that it is firmly committed to the international fight against money laundering, terrorism and its financing, Corrupt Practice and Fraudulent Practice, or any other misconduct that may occur in connection with its Operations.

8.1.5 The obligations expressed to be assumed by the AfDF under this Agreement comply with the Agreement establishing the AfDF and are legal, valid, binding and enforceable obligations which are effective in accordance with their written terms.

8.1.6 No litigation or arbitration before any court or arbitral body which, if adversely determined, might reasonably be expected to have a material adverse effect on AfDF's financial position have (to the best of its knowledge and belief) been started or threatened against it.

[8].2 UNDERTAKINGS

The undertakings in this Section 8.2 take effect on the signing date of the Agreement and remain in full force and effect for the duration of this Agreement.

8.2.1 The AfDF shall maintain its organizational existence and the general nature of its Operations and shall not amend or alter its organization existence, its registered office without prior notification to the Lender.

8.2.2 The AfDF shall comply in all material respects with all obligations to which it is subject and take reasonable efforts to ensure its Operations comply with the provisions of the Agreement establishing the AfDF.

ARTICLE [9]. NOTICES

[9].1 Any notice, request, consent, approval or waiver (hereinafter referred to generally as "notice") required or permitted to be given or made under this Agreement shall be in writing in the English or French language. Such notice shall be deemed to have been duly given or made when it has been delivered by hand or by mail or facsimile (or other electronic means agreed between the parties in writing) to the party to which such notice is directed, at the following address (or at such other address as the party shall have designated by written notice to the party giving or making such notice).

(a) For the Lender:
[•]
Attention: [•]
Telephone: [•]
Facsimile: [•]
Email: [•]
(b) For the AfDF:
c/o African Development Bank Avenue Joseph Anoma 01 BP 1387, Abidjan 01
Cote d'Ivoire
Attention: Director, Resource Mobilization Department
Telephone: [•]
Email: [•]
Copy to: Treasurer
Email: [□]
ADF.SOUSCRIPTIONS@afdb.org
back-office@afdb.org

ARTICLE [10]. AMENDMENTS AND WAIVERS; SEVERABILITY; COUNTERPARTS

[10].1 No provision of this Agreement may be modified or supplemented except in a written agreement executed by authorized representatives of the parties hereto.

[10].2 No failure or delay in exercising any right, power or remedy under this Agreement shall impair such right, power or remedy, or operate, or be construed, as a waiver or variation of it or preclude its exercise at any subsequent time, and no single or partial exercise of any

right, power or remedy shall preclude any other or further exercises thereof or the exercise of any other right, power or remedy.

[10].3 Neither party shall be deemed to have waived any of its rights under this Agreement, unless expressly so stated in a notice by the party waiving such a right to the other party.

[10].4 Any provision of this Agreement which is prohibited, invalid or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, invalidity or unenforceability, without invalidating the remaining provisions hereof, and any such prohibition, invalidity or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

[10].5 This Agreement may be executed in counterparts, each of which is an original and all of which together shall be deemed to constitute one and the same instrument.

ARTICLE [11]. EFFECTIVENESS AND TERMINATION

[11].1 This Agreement shall come into force and effect as of the last date of signature by the parties.

[11].2 This Agreement and all obligations of the parties under this Agreement shall forthwith terminate upon full payment of all amounts due and payable under this Agreement.

[11].3 Each of the following shall constitute an Event of Default by the AfDF under this Agreement:

- any Specified Indebtedness of the AfDF is not paid when due or within any originally applicable grace period;
- any Specified Indebtedness of the AfDF is declared to be or otherwise becomes due and payable prior to its original maturity as a result of the occurrence of an Event of Default;
- the AfDF does not pay on the due date any amount payable by it under this Agreement after written non-payment notice thereof shall have been given to the AfDF by the Lender. No Event of Default will occur however if such payment is made in full by the AfDF within thirty (30) Business Days of the due date;
- a representation made or warranty given by the AfDF in this Agreement is materially incorrect or misleading when made or given or deemed to be made or given;
- the AfDF does not comply with any material term of this Agreement, including, without limitation, any of the undertakings it has given pursuant to Section 8.2 (Undertakings); or
- AfDF terminates its Operations in accordance with Article 40 of the Agreement establishing the AfDF.

[11].4 On and at any time after the occurrence of an Event of Default which is continuing, the Lender and AfDF shall consult on the steps that AfDF will take to cure or remedy the Event of Default. If the Event of Default has not been cured or remedied to the satisfaction of the Lender within thirty (30) days of the occurrence of the Event of Default, the Lender may, by written notice to AfDF (i) cancel the undrawn portion of the Loan and/or (ii) declare that all or part of the Loan, together with accrued interest, is immediately due and payable.

ARTICLE [12]. ENFORCEABILITY; ARBITRATION

[12].1 The rights and obligations of the AfDF and the Lender under this Agreement shall be valid and enforceable in accordance with their terms notwithstanding the law of any state or political subdivision of the Lender to the contrary. Neither the AfDF nor the Lender shall be entitled in any proceeding under this Article to assert any claim that any provision of this Agreement is invalid or unenforceable because of any provision of the Agreement establishing the AfDF.

[12].2 The foregoing provision notwithstanding, any dispute, controversy or claim arising out of or relating to this Agreement which has not been settled by amicable agreement of the parties, shall be submitted to arbitration in accordance with the UNCITRAL Arbitration Rules in effect on the date of this Agreement, and the following provisions:

- the appointing authority shall be the Secretary-General of the Permanent Court of Arbitration;
- the place of arbitration shall be London, the United Kingdom; and

the language of the arbitral proceedings shall be English.

[12].3 Nothing in this Agreement shall operate as or be construed to constitute a waiver, renunciation or any other modification of any privilege or immunity of the AfDF under Chapter VIII of the Agreement establishing the AfDF or under any applicable law.

[12].4 The award of the Arbitral Tribunal shall be final and binding on the parties and enforceable in any court of competent jurisdiction. The parties shall carry out the award without delay.

ARTICLE [13]. MISCELLANEOUS

[13].1 The obligations of AfDF under this Agreement are not the obligations of any member of the AfDF, or its government.

[13].2 Neither party shall disclose the contents of this Agreement, nor any non-public information or documentation received from the other party hereunder, in any communication, written or verbal, to any third party without the prior written consent of the other party.

ARTICLE [14]. NEGATIVE PLEDGE

For as long as any payment obligations of AfDF under this Agreement shall be outstanding and unpaid, AfDF will not cause or permit to be created on any of its property or assets any mortgage, pledge or other lien or charge as security for any evidences of indebtedness at any time issued, assumed or guaranteed by AfDF for money borrowed (other than any purchase money mortgage, or other pledge or lien, on property purchased by AfDF as security for all or any part of the purchase price thereof, any lien arising in the ordinary course of business, or any extension or renewal of any of the foregoing), unless the payment obligations of AfDF under this Agreement shall be secured by such mortgage, pledge or other lien or charge equally and rateably with such other evidences of indebtedness.

[***** Remainder of the Page Left Blank Intentionally*****]

IN WITNESS whereof, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names as of the date first above written.

[NAME OF LENDER]
By:

(Authorized Representative) Name:
Title:

THE AFRICAN DEVELOPMENT FUND
By:
(Authorized Representative) Name:
Title:

Appendix I

Account Details for Deposit of the Disbursement Amount

Account Name: [•]
Account Number: [•]
Swift: [•]
ABA: [•]
Name of Depository Bank: [•]
Address of Depository Bank: [•]
Reference: [•]

When making such deposit, the Lender shall instruct its corresponding bank to include in the payment details information (remittance advice) field of its SWIFT payment message, information indicating: the amount paid, that the payment is made by the Lender for ***[insert reference],*** and the date of the deposit.

Appendix II
Repayment Schedule

Principal Payment Due	**Principal Amount of the Loan repayable (expressed as a percentage)***
On each___and ________: commencing_______to and including	**[•]%**
On	**[•]%**

* The percentages represent the percentage of the principal amount of the Loan to be repaid

Appendix III – Account Details for Repayment

Annex 10: Draft Instrument of Commitment ADF State Participant

[DONOR'S LETTER HEAD- ADF STATE PARTICIPANT]

[*Date*]

Secretary General
African Development Bank
Avenue Joseph Anoma
01 BP 1387 Abidjan 01
CÔTE D'IVOIRE

Dear Secretary General,

INSTRUMENT OF COMMITMENT OF RESOURCES TO THE CLIMATE ACTION WINDOW OF THE AFRICAN DEVELOPMENT FUND

Reference is made to Resolution No. F/BG/[2023]/[●] of the Board of Governors of the African Development Fund (the "Fund") relating to the Sixteenth General Replenishment of the Fund, adopted on [*date*] (the "Resolution").

The Government of [*country*] hereby notifies the Fund that it shall pay to the Fund an amount of [*currency and amount in numbers*], in respect of its contribution (the "Contribution") to the Climate Action Window of the Fund (the "CAW") established under the Resolution. Our commitments are as follows:

(a) An amount of [*currency and amount in numbers*] payable on [*date*];
(b) An amount of [*currency and amount in numbers*] payable on [*date*];
(c) An amount of [*currency and amount in numbers*] payable on [*date*];
(d) An amount of [*currency and amount in numbers*] payable on [*date*]; and
(e) An amount of [*currency and amount in numbers*] payable on [*date*].[50]

The Contribution shall be in the form of a grant and shall be paid, with notice to the Fund, into the account specified by the Fund.

[While it is the preference of the Government of [*country*] that the aforesaid Contribution be applied to [*climate adaptation/mitigation*],[51] it is understood and agreed that ten percent (10%) of the Contribution shall be directed to technical assistance.][52]

[50] To be completed in accordance with the agreed payment schedule. If the Contribution will be made in one instalment, delete subparagraphs (b) to (e).

[51] Indicate the sub-window preferred.

[52] This paragraph may be omitted if the donor has no preference regarding the sub-window to which its Contribution may be directed.

I hereby confirm, on behalf of the Government of [*country*], that all necessary action has been taken to authorize the commitment set out above and that the commitment constitutes a binding obligation of [*country*] in accordance with the terms of the Resolution.

Sincerely,

[*Name and Title of Signatory*]

Annex 11: Policy Commitments

Objectives	#	Commitments
PILLAR I: SUSTAINABLE, CLIMATE-RESILIENT AND QUALITY INFRASTRUCTURE		
Energy	1	Support the pursuit of just energy transition in ADF countries through technical assistance and development of inclusive, gender-responsive Just Energy Transitions Plans aligned with country's NDCs/LTS as applicable as well as with the Paris Agreement and in collaboration with partners (5 by Mid-Term-Review [MTR] and 10 by End-of-cycle subject to application by Regional Member Countries).
	2	Assist ADF countries to transition to more climate-resilient and decarbonized economies supporting the increase of (i) sustainable on-grid and off-grid electricity access (4 projects by MTR and 10 by end of cycle), (ii) renewable energy generation capacity (approving projects generating 200 MW by MTR and 500 by end of cycle) and (iii) support energy efficiency in order to considerably reduce and/or avoid greenhouse gas emission (2 projects by MTR and 5 by end of cycle).
Agriculture and food security	3	Improve ADF's countries food self-sufficiency by investing in 4 regional projects, 2 of which by MTR, aiming at supporting small scale food producers, increasing agriculture productivity, climate smart, resilient and natured based solutions, value chains development and food security while enabling job creation and inclusive agricultural private sector development with a focus on women led business.
Water and sanitation	4	Improve sustainable, inclusive and pro-poor access to climate-resilient water and sanitation services for strengthened water security, through investment projects in 9 countries (6 by MTR) and knowledge-based services enhanced advisory and water sector programming (12 new Country Water Sector profiles by end-of-cycle).
Health infrastructure	5	Increase access to resilient quality health services investing in quality national health infrastructure projects, including mother-child health (3 projects by MTR and 5 by end-of-cycle).

Regional Integration	6	At least 30% of resources from the regional envelope allocated for operations in Sahel, Lake Chad Basin and Horn of Africa regions by end-of-cycle (15% by MTR).
	7	At least 3 PIDA [Programme for Infrastructure Development in Africa]-related operations (transport, energy, water, or ICT) financed by MTR and 6 by end of cycle.
PILLAR II: GOVERNANCE, CAPACITY BUILDING AND SUSTAINABLE DEBT MANAGEMENT		
Capacity Building Governance	8	At least 18 ADF Country Strategy Papers are informed by country diagnostic notes that cover governance and capacity development issues, and subsequently propose an appropriate response to the identified needs (either through policy dialogue, training, technical assistance, Economic and Sector Work [ESW] or ADF lending activities) by end of cycle.
	9	Strengthen ability of Regional Member Countries to implement policies that promote macro-economic stability and ensure the effective, accountable, and transparent management of public finances. (projects in 6 ADF countries by MTR and 10 by End-of-cycle).
Governance	10	Strengthen ADF countries' ability to mobilize domestic resources aiming at increasing the tax-GDP ratio by 10 %, end of cycle.
	11	Scale up support for reforms to combat corruption and illicit financial flows by assisting 7 countries by end of cycle in designing and implementing comprehensive risk-based approaches and mitigation plans taking into account the need to adopt adequate legal frameworks and to build administrative capacity informed by the Convention on Mutual Administrative Assistance on Tax Matters.
Debt Management	12	Strengthen capacity of RMCs to manage debt productively and transparently (6 RMCs supported through the use of Program Based Operations [PBOs] or Institutional Support Projects (ISPs) by MTR; 10 supported by end of cycle) including through support to publish comprehensive timely debt reports with accurate debt data while conducting creditor engagement to complement RMCs' efforts through debt data sharing in coordination and cooperation with peer institutions such as the World Bank and the IMF.
	13	Support 7 ADF countries enhance debt management capacity and formulate prudential borrowing policies through technical assistance and policy advice by end of cycle.

	14	Monitor the implementation of the Bank's new sustainable borrowing policy in ADF countries while ensuring that 6 projects complement the Agreed Policy Action [APAs] discussed with RMCs through capacity building to strengthen the support of national debt re-profiling and negotiations with private and bilateral creditors, in close cooperation with development partners, including the World Bank and the IMF. This may also include technical and legal support to RMCs seeking debt treatment under the Common Framework."
INSTITUTIONAL REFORMS		
Sexual Exploitation Abuse and Harassment (SEAH)	15	In ADF operations, ensure operationalization of the new Bank directives on Sexual Exploitation, Abuse, and Harassment [SEAH] in the workplace as well as in projects funded by the Bank and report at MTR on progress.
LENSES		
Climate Change	16	Assist, including through joint support, ADF countries in developing; revising, and/or implementing their country climate plans including Nationally Determined Contributions [NDCs], National Adaptation Plans [NAPs] and/or Long-Term Strategies [LTSs] aligned with the Paris Agreement. (7 ADF countries by MTR and 15 by end-of-cycle) and systematically inform the Country Strategy Papers [CSP] on the findings of those national climate-related actions plans.
	17	All ADF-16 operations are aligned with the Paris Agreement's 1.5 degrees target and are fully aligned with (i) the Paris Alignment building blocks 1, 2 and 3 by MTR, and (ii) all six building blocks by the end-of-cycle.
	18	At least 40% of ADF core annual investments (not including investments under the Climate Action Window) allocated as climate finance, out of which at least 50% is attributed as adaptation finance.
	19	Establish indicators for biodiversity conservation, and restoration, in addition to land degradation neutrality co-benefits of all relevant new projects by MTR; and fully operationalize the indicators as part of project appraisals, supervisions and reporting by end-of-cycle.
	20	Roll-out projects for increasing access to clean cooking solutions including through collaboration with partners (1 by MTR and 3 by end-of-cycle).
	21	100% of ADF operations will use climate-informed design[i] with clear climate-related results indicators.

Fragility[ii]	22	By end of Q2 2023, update the TSF operational guidelines to set the processes, systems, responsibilities, and institutional arrangements needed for the operationalization of the revised eligibility approach and the programmatic approach.
	23	With humanitarian, development, and peacebuilding partners, undertake 4 joint fragility-related activities by MTR, and 8 by end-of-cycle, to promote policy dialogue and mainstreaming fragility and resilience considerations in national sector strategies and development plans.
	24	At least 50% of resources from the TSF programmatic approach approved for transition states (i.e., countries eligible for TSF upfront allocations or Pillar III) by end-of-cycle.
CROSS CUTTING		
Private Sector Development	25	In 2023, develop guidelines for the new funded risk participation and programmatic approach instruments of the Private Sector Credit Enhancement Facility [PSF] and operationalize them.
	26	Implement MSME support programs in at least 5 countries including minimum of 3 Transition States by the end of cycle prioritizing Women-led MSMEs and Youth employment.
	27	Improve the PSD enabling environment in ADF countries through upstream sovereign investments and technical assistance programs that will strengthen public private sector dialogue and private-sector investors and companies.
Project Preparation Facility	28	Target a 30% utilization rate from the UA 75 million allocation for ADF-16. This will be supported through a launch of Calls for Proposals in addition to acceptance of proposals outside the cycle, dedicated micro-site for Project Preparation Facility [PPF] and increased and regular outreach efforts by the PPF Secretariat.
Gender and Youth	29	Improve the monitoring and evaluation system for sex disaggregated data by (i) supporting 4 National Statistics Offices for generating sex-disaggregated data and reporting on gender results by MTR (10 by end of cycle); (ii) and ensure gender diagnostic analysis is well reflected in all Country Strategy Papers for ADF countries during the cycle.
	30	At least 80% of public operations will have direct outcomes that benefit women and girls by end-of-cycle (categories 1 or 2 of the Gender Marker System) and 50% of private sector operations will be gender marked by MTR, increasing to 100% by 2025.

	31	Integrate skills development for green jobs and/or climate adaptation for youth in at least 12 Agriculture, Water, Energy and Transport projects at mid- term and 20 projects by the end-of-cycle.
	32	The Jobs and Skills Marker is to be adopted by the Bank by ADF 16 Mid Term. The Jobs and Skills Marker is applied to at least 50% of ADF public and private sector operations to maximize the creation of jobs for youth particularly green jobs
Results in ADF countries	33	By Q2 2023, Management will complete the Results Tracking System (RTS) with the operational and institutional Levels 3 and 4, following the Board's approval of the Bank Group TYS 2.0 and the RMF.

[i] Climate-informed design is the process through which the Bank mainstreams climate change and green growth into its operations through: i) at strategy level, aligning new Country Strategy Papers with the national climate change plans and strategies, including NDCs, LTSs and NAPs; and ii) at project level, it entails screening projects and programs for climate risks and opportunities as well for climate finance through applying tools such as climate safeguards system, greenhouse gas accounting tool, and methodologies for climate finance tracking.

[ii] Management considers that policy commitments ensure improved efficiency and impact of the Bank's operations. Mainstreaming fragility in all Bank Group programming and operational engagements and documents also ensures that execution of additional commitments is equally fragility sensitive. In other words, an effective mechanism for mainstreaming fragility and resilience considerations, will naturally ensure that execution of new policy commitments reflect fragility considerations.

Annex 12: CAW Policy Commitments

CAW ADF-16 Cycle Policy Commitments

1	By MTR all approved CAW projects receive technical assistance grants, where required, and by end of cycle, these projects are aligned with ADF country's Nationally Determined Contributions (NDCs), National Adaptation Plans (NAPs) and Long-Term Strategies (LTSs)°.
2	By MTR, at least two projects in two countries support energy efficiency including clean cooking technologies and by end of ADF cycle five countries benefit from energy efficiency measures, notably the adoption of modern clean cooking solutions.
3	By end of cycle, 75 % of committed CAW resources are allocated to Adaptation Projects in ADF countries.