AFRICAN DEVELOPMENT BANK GROUP
GROUPE DE LA BANQUE AFRICAINE DE DÉVELOPPEMENT

CONCEPT NOTE

Investing in Africa's Resilience: Creating Jobs and Wealth through Regional Markets

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2019 UN ECOSOC Forum on Financing for Development
Side Event Organized by: African Development Bank Group
April 17, 2019, 8:00am – 9:30am
Venue: Conference Room S-2726/2727
U. N. Headquarters, New York

Description:

Despite the enormous progress achieved over the past decades, extreme poverty will be increasingly concentrated in transition states in Africa, i.e. those countries facing fragile situations. Current trends reveal that 80% of people living in extreme poverty will be in countries affected by fragility by 2030. Achieving inclusive development and the Sustainable Development Goals will require creating wealth for the poorest populations and leaving no one behind. The magnitude of challenges facing countries affected by fragility requires more attention and resources, but financing targeted at transition states has not grown in line with these needs, despite the huge untapped opportunities.

With the African Continental Free Trade Agreement (AfCTA) set to enter into force, the opportunities and potential of deeper regional integration and increasing intra-African investment and trade for building resilience and creating wealth cannot be overemphasized. Regional integration can be a powerful catalyst to help transition states – particularly those with smaller national economies – bring in more investments by expanding market access, creating more regional public goods, and better leveraging regional value chains, industrial capacities and infrastructure. Private investment especially can have a strong, positive impact on development and building resilience, bringing in much-needed capital, technology, and jobs.

This special side event organized by the African Development Bank Group builds on the findings of its annual *Africa Resilience Forum* and aims to encourage conversation and action on catalyzing financing in higher risk environments and harnessing the potential of regional integration for all countries to create wealth and jobs for the poorest populations on the continent.

Guiding questions:

- How can policymakers in transition states rethink the approach for creating wealth for its citizens?
- What innovative financing instruments and tools can support private sector in transition states?
- What measures or policies are required to ensure that transition states can also reap the gains of deeper regional integration?
- What lessons have development partner institutions learned to better target interventions?

Panelists:

- H.E. Mr. Samuel D. **TWEAH**, Jr. Minister of Finance and Development Planning, **Republic of Liberia**
- Dr. Khaled **SHERIF**, Vice President, Regional Development, Integration and Business Delivery, **AfDB**
- Ms. Awa **DABO**, Team Leader, Crisis and Fragility Engagement Policy, **UNDP**
- Mr. Jake **CUSACK**, Managing Partner, **CrossBoundary**

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About the The 2019 UN ECOSOC Forum on Financing for Development follow-up (FfD Forum) The FfD is an intergovernmental process with universal participation mandated to review the Addis Ababa Action Agenda (Addis Agenda) and other financing for development outcomes and the means of implementation of the Sustainable Development Goals (SDGs). The FfD will be held on 15-18 April 2019 at UN Headquarters in New York.

Fragility Context in Africa

Based on current global trends, 80% of people living in extreme poverty will be in countries affected by fragility by 2030. Patterns of fragility in Africa are intensifying and fragility is becoming increasingly regional in nature. 250 million Africans are already experiencing the negative impacts of fragility, and this figure is expected to rise. The number of forced displacements associated with conflict and violence in Africa has increased dramatically in recent years, reaching a high of 5.5 million new displacements in 2017. Terrorist activity is also increasing, with the number of terrorism-related deaths in Africa representing 25% of the global total between 2012-2016. Women and girls are particularly affected by this violence. The magnitude of challenges facing states and regions in situation of fragility requires more attention and resources, but aid targeted at transition states or countries affected by fragility has not grown in line with these needs. Levels of overseas development assistance (ODA), for example, targeted at transition states have remained static over the past decade and focus on short-term humanitarian needs, rather than on longer-term interventions. Achieving long-term structural change will require leveraging the catalytic potential of ODA to mobilize other sources of financing for transition states, including private sector investment.

About the African Development Bank & the Fragility Agenda

Addressing fragility is at the heart of the African Development Bank Group's mission. The Bank believes a prosperous Africa is the antidote to poverty, terrorism, rising youth malaise and mass migration. If the world is to achieve the SDGs, it must focus on the most vulnerable and least reachable and the most complex of development situations: nations coming out of fragility.

In 2014 the Bank published its *Strategy for Addressing Fragility and Building Resilience* (2014-2019) to guide engagement in fragile situations and to provide context-specific and evidence-based institutional responses to fragility challenges. The Operational Guidelines that guide its implementation have enabled the Bank to respond more rapidly to the volatile environments that characterize fragile situations. These initiatives have allowed the Bank's approach and funding instruments in fragile situations to become more systematic, flexible and effective.

In tandem with its enhanced approach to fragility, the Bank has also increased its financing for addressing issues of fragility and resilience. Between ADF-11 and ADF-14, resources allocated to transition countries through the Pillar I of the Transition Support Facility (TSF) increased by almost 250% (from UA 253.9 million in ADF-11 to UA 631.15 million in ADF-14). The TSF is assisting countries to address drivers of fragility and strengthen sources of resilience, to prevent relapses into conflict and to lay the foundation for a return to sustainable and inclusive growth. To date, it has funded projects across different dimensions of fragility, including climatic and environmental impacts, externalities and regional spillover effects, economic and social inclusiveness and social cohesion. The TSF continues to be an effective, flexible and responsive instrument for meeting the needs of countries affected by fragility.

The Bank identifies private sector development (PSD) as a top priority for lifting transition states out of fragility, and has stepped up efforts to encourage and facilitate private investment. PSD can strengthen economic growth and result in higher incomes and increased employment. The business environment in transition states, however, is rarely conducive to private investment and can undermine business incentives. The Bank is utilizing instruments such as the Private Sector Credit Enhancement Facility (PSF) to accelerate the delivery of its mandate in fragile situations and to optimize the use of its resources.

Tools to Address Fragility

The Bank is leading the way on understanding fragility in Africa, recognizing the diversity of fragile situations and applying a fragility lens to its work. Since 2014, the Bank has systematically introduced fragility assessments into its country programming processes, allowing interventions to become more tailored. The Bank has also rolled out a Country Resilience and Fragility Assessment (CRFA), a framework that allows the Bank to better assess fragility risks and sources of resilience across all Regional Member Countries. The CFRA can highlight new opportunities for planning and response at the regional, country, sectoral and project levels.

Way forward

The Bank is aware of the need to draw on lessons learned to accelerate the delivery of its mandate in transition states. Reversing the dynamics of fragility takes time and requires continuous engagement based on a learning-by-doing approach. The Bank has recently identified five strategic areas expected to maximize impact in addressing the key underlying drivers of fragility in Africa. These strategic areas are:

i) scaling up the delivery of basic services to communities at the bottom of the pyramid;

ii) catalyzing and crowding-in private investment in transition countries;

iii) leveraging the Bank's fragility analysis tools for the design of operations in fragile situations;

iv) accelerating the empowerment of women and girls in fragile situations; and

v) increasing coordination between security, humanitarian and development interventions to support countries to escape the fragility trap.