AfDB EVALUATION BY AFRICAN CLIENTS

WORKSHOP OF AFDB FINANCE MANAGERS

3-4 May 2011

Bamako, Mali
I. Introduction
The AfDB has asked Development Finance International (DFI) and the University of Oxford (Global Economic Governance Programme) to survey and analyse the views and recommendations of its African clients on how to improve its performance in meeting Africa’s development needs. In this context, a workshop was held in Bamako, on 3-4 May, involving 25 participants from 18 countries, represented at Director or unit head level: Benin, Burkina Faso, Burundi, Cameroon, Central African Republic, Chad, Congo Republic, Gambia, Ghana, Guinea-Bissau, Lesotho, Liberia, Mali, Mauritania, Mozambique, Niger, Togo and Tunisia.¹ The composition of participating countries was diverse in terms of types of borrowers (6 fragile states, 9 other LICs, and 3 MIC); sub-regions (9 West Africa, 4 Central, 1 East, 1 North, 2 Southern and 1 Maghreb); and languages (12 Francophone, 4 Anglophone and 2 PALOPs).

II. Workshop Programme and Methodology
The workshop drew strong commitment from the Malian authorities and the local AfDB office, with the Deputy Minister responsible for the Budget and the AfDB deputy Resident Representative opening the workshop. Both underlined the importance of the project and the workshop for the Malian government and the AfDB and urged participants to be forthright in their conclusions and ambitious in their recommendations. Thereafter, three plenary presentations by DFI resource-people (Matthew Martin and Mame Pierre Kamara) introduced participants to the overall client evaluation, the workshop programme and methodology, and the work expected of participants to evaluate AfDB policies and procedures.

The workshop used a methodology developed by 32 African countries to evaluate the performance of their funders, in the context of the HIPC CBP. It consists of 25 criteria evaluating policies and procedures, with an objective matrix for each criterion allowing the country to score the AfDB on a scale of 1 to 5 (with 5 highest). This methodology had already been utilised in 14 of the participating countries in 2008-09 during national workshops to design future development financing strategies, which involved 30 participants from each country, including experts on the AfDB, with all the data and documents necessary for a comprehensive evaluation. Many participating officials were already aware of this methodology and the country results; others had received them shortly before the workshop, but (with perhaps one exception) produced highly reliable assessments of AfDB performance, drawing also on recent evaluations conducted for the Paris Declaration and their own national donor performance assessment frameworks.

In addition to these criteria, the workshop also discussed important issues such as the impact of AfDB decentralisation initiatives; AfDB internal systems; transparency and communication of information; partnership with other African institutions; and future inter-African assistance and exchange to increase AfDB results and hold the AfDB accountable for progress.

The countries were split into two working groups, one of francophone countries and the other of mixed linguistic background. Each group was supported by one resource-person. In a plenary session, each group presented its conclusions through a chair and rapporteur. The two groups then exchanged on all issues before agreeing key conclusions and recommendations.

¹ All 58 RMCs were invited to attend but, given the short time available between contract signature and the workshop dates (due to the need to produce some initial results before the AfDB Annual Meetings), only 18 were able to attend. A further workshop (with no additional cost implications) is planned for the remaining countries in Johannesburg during 29 June-1 July.
III. Workshop Results
3.1. AFDB Policies
Participants indicated that there had recently been a considerable improvement in AfDB policies. Nevertheless, they suggested the following further improvements:

- **Lending Capacity.** AfDB is or should be African governments’ partner of preference, because it is the premier financial institution dedicated to financing Africa’s development, and because its policies have become increasingly aligned with African priorities. Its lending capacity has been considerably enhanced in recent years, but African governments feel that they could absorb considerable additional AfDB funding because of its generally high quality and focus on areas of key importance to their development strategies. Therefore the AfDB should receive considerable additional inflows of finance (especially for ADF) in order to enhance its lending capacity further – in other words, bilateral donors should see it as their preferred multilateral channel for financing Africa’s development.

- **Concessionality.** There is need for greater flexibility in matching the concessionality of AfDB lending to country and project needs. In some cases this would mean allowing AfDB to blend AfDB and AfDF financing so as to provide “less concessional” (eg 25-35% grant element) financing for low-income countries with lower debt levels and/or projects with high rates of return. In others this might mean enhancing levels of grants for post-conflict and fragile countries even if they no longer have a significant debt burden.

- **Types of Assistance.** Disbursing aid as budget support is the best way to promote African country leadership in implementing their national development plans, by allowing governments to allocate aid to their key priorities, strengthening their national systems, and encouraging parliaments and citizens to hold the governments more accountable. Many African governments have made major strides in improving their development programmes in the last decade. The AfDB has provided considerable amounts of budget support to some members, but not enough to others. Participants therefore strongly urge the AfDB to allocate around 40-50% of its resources as budget support (either general or sectoral), and reducing the numbers of small projects as well as technical assistance.

- **Alignment with Country Priorities.** The AfDB is already among the institutions with the clearest alignment with national priorities. Countries congratulated the AfDB on making sure that virtually all programmes and projects are drawn from national development plans, and on having chosen priority sectors in its 2008-12 medium-strategy which fit closely with most African government’s priorities and allow the AfDB to demonstrate clear comparative advantage, partly because other development partners have not always been keen to fund them (infrastructure, private sector, regional programmes, higher and technical education). Nevertheless, some countries indicated that their AfDB portfolios remained too widely spread across sectors, or stuck in sectors which were no longer their priorities; others (especially post-conflict) emphasised that their immediate needs were more closely linked to delivering basic social (health, education, social protection) as well as other (power, water) services. Countries therefore urged the AfDB to match its funding more systematically to country sector and project priorities, and to establish a clear system for identifying priority underfunded sectors when reviewing country strategies.

- **Capacity-Building.** Participants welcomed AfDB efforts to enhance the capacity-building impact of its TA, but indicated that this is not yet translating into change on the ground. They therefore urged an early comprehensive evaluation of AfDB TA programmes, with
the aim to promote a dramatic increase in capacity-building focus and impact, and to ensure that client governments fully manage the TA. They also recommended a sharp increase in partnership with successful African regional capacity-building organisations, as well as establishing a stronger central team in Tunis to quality control TA proposals from country/sector teams, for capacity-building impact and government management.

- **Flexibility.** Participants congratulated the AfDB on the flexibility it showed in responding rapidly and appropriately to many RMCs’ needs during the global financial crisis. However, they noted that such responses had not been systematic and had depended partly on political-level discussions, and that in some cases approval and disbursement of urgent financing had been too slow. They therefore urged AfDB to establish a more formal system for contingency financing allocations within country programmes (and across its whole portfolio), to respond to exogenous shocks, based on assessment of country vulnerability to such shocks. They also urged AfDB to ensure that “fast-track” appraisal, approval and disbursement processes for anti-shock financing are applied to all countries.

- **Predictability.** Participants welcomed the multi-year planning framework used by AfDB for each AfDF funding cycle. However, they regretted the lack of multi-year predictability beyond each AfDF cycle, which reduces predictability at the end of each cycle. They urged AfDB to provide clear indicative commitments based on possible funding scenarios over a 5 to 10-year period, and to agree new country programmes as early as possible after DPs have provided new AfDF commitments, to maximise longer-term predictability. They also urged that disbursement forecasts within the current year and AfDF cycle should be tailored to match country budget years and codes. They welcomed AfDB decision to join the International Aid Transparency Initiative, and urged that disbursement forecasts therefore be transparently published on the AfDB website.

- **Conditionality and Policy Dialogue.** Participants indicated that when the AfDB is negotiating bilaterally with governments, its conditions have in recent years become less numerous and intrusive. However, when it operates in combination with other DPs, through multi-donor budget support and sectoral frameworks, the numbers and enforcement of conditions become much more onerous, causing delay and unpredictability in disbursements. In addition, AfDB is too often “invisible” in country-level policy dialogue to establish conditions at macro-economic or sectoral level, tending to follow demands of other DPs, especially the Bretton Woods Institutions. They therefore urged AfDB to play a much more active and independent role in the national-level economic policy dialogue, and thereby sharply reduce the number of conditions in budget support and sectoral frameworks, as well as increasing flexibility in implementation of conditions.

### 3.2 AFDB Procedures

Participants noted there had been much less improvement in AfDB procedures in recent years, and continuing onerous procedures are undermining the delivery of AfDB’s strategies and policies. They therefore welcomed recent efforts to streamline procedures, including guidelines for accelerating AfDB aid effectiveness compliance. They also recommended:

- **Project Preparation, Appraisal and Approval.** AfDB project preparation, appraisal and approval periods are highly variable and often excessive compared to other sources of financing. Participants therefore recommended strict time limits for such procedures. Where a project is likely to have a second phase, they recommended that funding for such stages of the second phase be built into first phase projects to avoid delays in mobilisation.
• **Counterpart Funding.** Countries indicated that counterpart funding for individual projects continues to be an important factor blocking progress in project implementation and absorption of AfDB funds. They recommended eliminating counterpart fund requirements for fragile states, and countries with high risk of or actual debt distress, and reducing them to minimum levels for other AfDF borrowers. Where this is not possible, they recommended that counterpart funds needs be clearly communicated in advance of country budgeting timetables, to minimise disruption to programme execution.

• **Disbursement Procedures and Methods.** Countries indicated that two further aspects of AfDB procedure are problematic in retarding disbursements or reducing value for money:
  o **Commercial Bank Accounts:** the use of project accounts in commercial banks for disbursements, results in considerable loss of funds to bank charges, as well as delays, and undermines government accounting systems. Participants therefore urged AfDB to generalise what it has already done in some countries, and place all project accounts in the national or regional central bank.
  o **Advances and Reimbursements:** systems for disbursement vary considerably across projects and countries. Payments direct to suppliers tend to undermine national ownership, and payment by reimbursement rather than advance can lead to long delays both by governments and AfDB in processing paperwork, as well as reducing the possibility for African enterprises to bid for project execution unless they have considerable other reserves or cashflows. Participants therefore urged the AfDB to review its procedures to maximise payments to government rather than to suppliers, and to increase substantially cash advance payments, especially for governments or enterprises with good records of managing DP funds and producing results.

• **Project Implementation Units.** The AfDB continues to use too many project implementation units to implement its programmes. This undermines the use of government systems, diverts key staff away from government service, and sometimes adds another layer of communication/bureaucracy which can delay implementation. Participants therefore urged AfDB to abolish all PIUs, including those which are “integrated”, and to use instead governments’ own sectoral/agency implementation units, especially in countries which have relatively high quality implementation records.

• **Use of Government Systems.** The AfDB has somewhat increased its use of government systems according to Paris Declaration surveys, but progress is too slow. Participants urged AfDB to move to 100% use of government financial management and procurement systems, in all countries receiving moderate or high ratings for their systems, and progressively to increase use of systems in line with the PD. These changes would also reduce delays in the execution of AfDB programmes and projects. They also urged it to comply with AAA requests and publish a plan in each country for moving to increase use of country systems, especially given that it is often intimately involved in financing the successful reforms of African systems. They also urged it to move to using government monitoring and evaluation systems, in line with the AAA and the aid policies of several member states. They noted that use of government systems is more normal in MIC RMCs.

• **Procurement Procedures.** In terms of procurement untying, AfDB is one of the best performing institutions due to its multilateral nature. However, the complexities of AfDB procurement procedures often militate against what should be another key goal of AfDB procurement policy, to promote wherever possible (and without any hint of “positive
discrimination” or preferential treatment) African entrepreneurship. Local enterprises often avoid bidding for AfDB projects due to the preconditions and complexities of ICB procedures. Participants therefore recommend to AfDB that it increase the thresholds above which ICB must be applied. Participants also deplored the long delays accompanying AfDB procedures, and urged the AfDB to fix clear deadlines for each step by country authorities and AfDB staff, and make these transparent to country officials. In particular, they urged that “non-objection” procedures should be abolished (ie reducing needs for senior approval) or made genuinely “non-objection”, with tight deadlines such as 10 working days, after which non-receipt of objections would mean approval.

3.3. Other Key Issues

- **Inter-African Assistance and Exchange.** Countries are increasingly realising that advice on PFM and procurement systems is best from similar countries which have already improved their own systems, rather than via international organisation or donor staff or consultants. They therefore urged the AfDB to fund inter-African assistance (from more to less advanced governments) to adapt global PFM and procurement standards to country needs and circumstances, and to build capacity to implement such improved systems.

- **AfDB Internal Systems.** Participants noted a marked variation in the speed and flexibility of procedures (and to a lesser extent of policies) in countries with the same quality of development strategies and systems. They regretted that in many cases this was a function of staff quality and skills (in both AfDB and RMCs). They therefore urged the AfDB to
  - reinforce the focus on speed, efficiency and quality of delivery in its staff performance evaluation and training systems, as well as in the training offered to RMCs on AfDB portfolio management.
  - make staff responsibilities clearer for task managers, including within project documents, so as to make staff responsible and accountable.
  - give countries the opportunity to evaluate confidentially annually the performance of their PIU and task managers, to further improve performance.
  - establish a “focal point” in each vice-presidency or department, responsible for monitoring portfolio performance and helping RMCs to move projects faster;
  - task the unit responsible for results with monitoring and reducing variation in application of policies and procedures among different countries.

- **Transparency and Communication of Information.** Countries congratulated the AfDB for recent advances in transparency including on its website. However, they urged that this should be further enhanced by: improving day-to-day communication and information flows to countries; establishing a web-based system for tracking disbursements, disbursement requests and non-objection approvals; setting clear maximum deadline periods for communications, as well as by establishing networks, webspaces or email newsletters to publicise best practices in application of AfDB policies and procedures.

- **Decentralisation.** Countries welcomed strongly the accelerated decentralisation of AfDB operations with establishment of more regional and national offices. In many (but not all) cases, these had brought major improvements in responsiveness on policy and especially procedural issues. However, they urged that to enhance such trends, apart from continuing to open more offices, AfDB needs to staff such offices with at least one leader able to engage fully on policy (and economic policy dialogue) issues; and another with a strong command and flexibility on procedural issues. They also urged that much greater powers
should be delegated to these offices, in particular by allowing all “non-objection”
decisions to be taken at the level closest to the country and not referred to headquarters.

- **Partnership with Other African Institutions.** Countries noted that the AfDB had vastly
  enhanced its efforts to partner with other African institutions, both in terms of country- or
  sub-region- level programmes and projects, and in continental meetings on key issues.
  However, they regretted that there continued to be multiple planning and programming
  frameworks of different organisations, separate missions and separate disbursement and
  procurement procedures. They urged to AfDB to take the lead in ensuring common
  African disbursement and procurement procedures, joint planning frameworks and
  missions among African regional institutions on all programmes involving partnerships.

**IV. Next Steps**

Participants agreed to take several *follow-up steps* to assist the project, including:

- Informing their policymakers of the success of the workshop and urging them strongly to
  complete the questionnaires targeted at decision-makers.
- Inviting AfDB project coordinators to submit their own responses to the evaluation,
  especially on more procedural aspects.
- Inviting national audit agencies to comment on use of national audit procedures.
- Confirming the scores they have given the AfDB during the workshop with their
  colleagues, and disseminating their recommendations for improvements more widely
  within their government agencies, for feedback and action.

They also urged DFI and GEG to keep them informed about the *progress of the project*, by
publishing outcomes and next steps on their websites; and the AfDB to respond to the project
with a clear *management response* indicating the feasibility of implementing their
suggestions, as well as a provisional timetable for their implementation.

Countries highly appreciated the workshop’s focus on learning from one another, about
practical applications of AfDB policies and procedures in different countries, notably best
practices which are applied in some countries. They urged the AfDB to organise a *network of
government officials* to permit regular exchanges, evaluate progress with implementing
survey recommendations, and propose new ideas.

They also urged that messages from this seminar should be transmitted to all levels of AfDB
government and management. They therefore suggested that there be regular *top-level
discussions between African country authorities (as a group) and AfDB Board/senior
management* to agree next steps and monitor progress. They also suggested that these issues
should be fully discussed in the mid-term review of *AfDF-12*, so that AfDF deputies and
donors are informed of policy and procedural issues.

Finally, participants repeatedly stressed during the sessions that improving the performance of
the AfDB should be seen as a *partnership between RMCs and the AfDB*. This means that
African governments must be continually and proactively communicating their policy needs,
executing efficiently their own systems, and where necessary complying rapidly with AfDB
systems and requirements, as well as continuing to inform the AfDB about where it can
improve. They strongly welcomed the AfDB’s initiative in undertaking the current client
evaluation but urged that such client feedback (and similar feedback to RMCs on how to
improve their own performance) must be integrated into all future AfDB operations.