

Review of Policy-Based Operations Under ADF-11

Discussion Paper

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Executive Summary

This paper responds to Deputies' request for a review of ADF-11 policy-based operations (PBOs). PBOs are one of a range of aid instruments that the African Development Fund uses to achieve long-term development objectives, primarily in the strategic priority area of economic governance and financial management. Under ADF-11, PBOs have primarily comprised budget support operations (92 percent of all PBOs by value) consisting of general or sector budget support. Exceptionally, in response to external shocks or extremely weak fiduciary environments, the Fund has provided import support PBOs (8 percent of PBOs by value) as part of coordinated donor action.

By using PBOs in a balanced, complementary, and predictable manner that respects the Fund's Paris Declaration commitments and responds to ADF countries' own priorities, the Fund has strengthened its policy dialogue with recipients. The Fund exploits PBOs as part of a strategic instrument mix that complements other multilateral and bilateral donor programs, including those of the International Monetary Fund. In contrast to ADF-10, when the Bank did not chair any budget support groups, under ADF-11 the Bank has chaired or is chairing joint budget support groups in Burkina Faso, Madagascar, Malawi, Rwanda and Tanzania.

Over the course of ADF-11, the Fund expects to approve 33 PBOs for a total value of UA 1.06 billion. These approvals will account for 24 percent of Performance-Based Allocations by end-cycle and thus fall below the ADF-11 cap of 25 percent. The Fund complements its PBOs with capacity-building activities in over 80 percent of countries with an approved or a planned governance-related PBO (90 percent in the case of fragile states). As the Fund does not have a stand-alone crisis instrument, PBOs' flexibility is the means by which the Fund provides exceptional support to RMCs in crisis.

In conjunction with other donors, the Fund has also provided fast-disbursing assistance to fragile and post-conflict countries to meet their particular and immediate requirements. This assistance has included support to maintain essential social safety nets, to consolidate peace processes, and to help clear arrears as part of internationally agreed packages.

While initial results indicators are encouraging, the nature of PBOs—particularly PBOs in the governance sector—challenges all donors to attribute and measure results in an accurate and timely manner. Over the past year, the Bank's Action Plan for Quality and Results and its Results Measurement Framework have systematically strengthened systems to improve quality at entry and boost development outcomes for PBOs. Yet as the Operations Evaluation Department's annex on measuring PBO results notes, "Unpacking the results set and tracing specific results to particular interventions is extremely difficult." Joint or pooled financing implies shared accountability.

The Fund proposes to continue with the broad thrust of its current PBO approach, reviewing the PBO framework as necessary based on the findings of the Operations Evaluation Department's evaluation of PBOs, scheduled for completion in December 2010. In the interim, Management has identified several areas for improvement and action. These include strengthening the fiduciary risk management framework and safeguards and updating and consolidating the existing PBO policy and guidance.

Deputies are invited to share their views and endorse the following approach for the use of PBOs under ADF-12:

- Performance and fiduciary assurance would continue to anchor the Fund's PBO approach and drive most PBO decisions.
- Based on experience to date, and in recognition of the value of flexibility associated with PBOs, the PBO framework would give the ADF the latitude to use PBOs in low-performing countries along three main dimensions:
 - Maintaining essential expenditures in situations of crisis or urgent need;
 - Assisting countries emerging from conflict and consolidating peace; and
 - Contributing to arrears clearances as part of internationally agreed packages for countries normalizing their external financial status.
- The Fund would accompany its use of PBOs in these situations with exceptional fiduciary risk assessments and mitigation efforts along with supervision to ensure the appropriate use of Fund resources.

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Abbreviations

ADB	African Development Bank
ADF	African Development Fund
ADF-8	Eighth General Replenishment of the African Development Fund
ADF-9	Ninth General Replenishment of the African Development Fund
ADF-10	Tenth General Replenishment of the African Development Fund
ADF-11	Eleventh General Replenishment of the African Development Fund
ADF-12	Twelfth General Replenishment of the African Development Fund
CPIA	Country Policy and Institutional Assessment
IMF	International Monetary Fund
OECD	Organisation for Economic Co-operation and Development
OPEV	Operations Evaluation Department of the African Development Bank Group
PBO	Policy-Based Operation
PCR	Project Completion Report
RMC	Regional Member Country
UA	Units of Account

REVIEW OF POLICY-BASED OPERATIONS UNDER ADF-11

1. Introduction

- 1.1 The African Development Fund (ADF or Fund) principally uses policy-based operations (PBOs) to support regional member countries (RMCs) in strengthening economic governance and public financial management. PBOs rely on country systems and national budget processes to support country-owned poverty reduction initiatives and improve the delivery of social services while promoting policy and institutional reforms. The Fund's PBOs are complemented by policy dialogue, capacity-building projects, and technical assistance, and are undertaken in close coordination with other development partners as part of common partnership frameworks. As such, PBOs help meet the African Development Bank (ADB or Bank) Group's commitments under the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action to affirm country ownership and align Bank operations with national development processes.
- 1.2 During the Eleventh General Replenishment of the African Development Fund (ADF-11) Mid-Term Review, Deputies expressed interest in better understanding the framework, operations and expected results of the Fund's PBOs¹ under ADF-11. This paper responds by (i) summarizing the ADF's PBO instruments, framework and approach; (ii) reviewing the Fund's use of PBOs under ADF-11, including in fragile states and contexts of crisis; (iii) discussing the challenges inherent in measuring PBOs' results and presenting PBO results to date; (iv) presenting emerging issues under ADF-11 for Deputies' guidance; and (v) proposing adjustments to the Fund's PBO approach going forward.
- 1.3 The paper includes five annexes, two of which have been prepared by the ADB's Operations Evaluation Department. Annex II assesses PBOs under the Eighth, Ninth and Tenth General Replenishments of the African Development Fund (ADF-8, ADF-9 and ADF-10). Annex III briefly reviews the literature regarding the measurement of PBO results.
- 1.4 This paper is not an independent evaluation of the Fund's application of PBOs. In response to a request by the Bank's Committee on Development Effectiveness, the Operations Evaluation Department will conduct an evaluation which is expected to be completed by December 2010. Annex IV provides the summary terms of reference of the proposed evaluation.

2. The ADF's Policy-Based Operations Instruments, Framework and Approach

PBOs: Rationale and Instruments

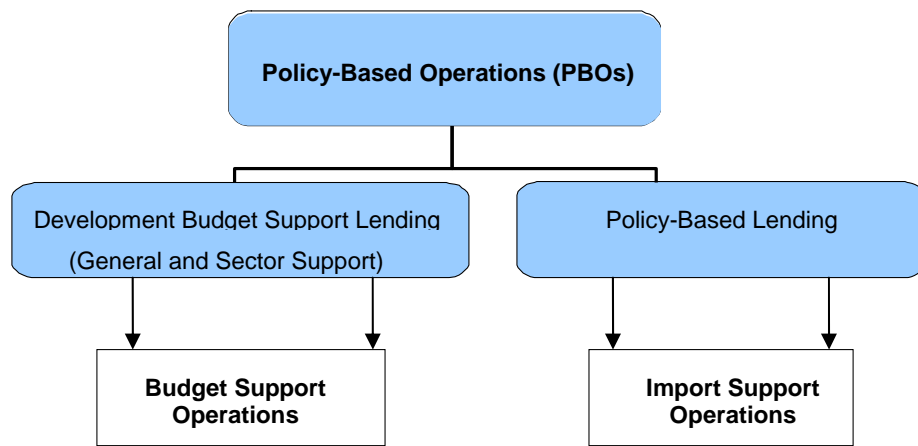
- 2.1 PBOs are aid instruments that support RMCs while helping the Bank Group meet its commitments to the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action. The ADF uses PBOs to strengthen country governance systems and encourage policy and institutional reforms, primarily in the areas of economic governance and public financial management. By using country systems to provide financing, PBOs leverage improvements to country systems and national budget processes and help to make public expenditures more efficient, transparent and accountable. Budget support in fragile states also helps rebuild countries' basic economic and financial architecture and meet recurrent expenditures. In doing so, budget support helps to ensure the sustainability of benefits from investments, including investments made through projects.
- 2.2 The Fund uses two PBO instruments: (i) development budget support lending ("budget support"), which comprises general budget support and sector budget support, and (ii) policy-based lending ("import support") (Figure 1). Of the two instruments, budget support is the predominant instrument used under ADF-11 and is the focus of this review. Under ADF-11,

¹ For the purposes of this paper, reference is made to "Fund PBOs" or "ADF PBOs." A number of PBO-related policies are guided by ADB Group policy papers.

92 percent of the value of the PBO portfolio including the pipeline through 2010 is comprised of budget support operations, only one of which is for sector support (for energy in Nigeria). The remaining 8 percent of the PBO portfolio is made up of import support operations.

- 2.3 General budget support consists of supplementing a country’s national budget with resources that support the longer-term development objectives of a national development plan or Poverty Reduction Strategy Paper, usually as part of a joint donor program and within a common partnership framework. In this scenario, funds are not allocated to a given sector. Sector budget support, in contrast, finances part of a national budget in the context of a sector strategy. Both general and sector budget support are referred to here as “budget support.”
- 2.4 Import support is akin to other donors’ balance of payments support and may be used in exceptional cases to mitigate short-term macroeconomic instability, to sustain reforms, or to supplement country resources in cases where the fiduciary environment of a national budget system is too weak to permit budget support.

Figure 1: Overview of the ADF’s Policy-Based Operations Instruments



Source: African Development Bank

- 2.5 The balance and choice of aid instruments, including PBOs, that the Bank Group uses in a given RMC depends in part on the RMC’s request (ownership), its capacity-building needs and reform priorities (alignment), and the nature of the support granted it by other donors (harmonization). Aid instruments are identified in the course of Country Strategy Paper dialogues between RMCs and the Bank’s regional departments, sector departments and Senior Management. In the process of preparing Country Strategy Papers, the Fund reviews the strength of country systems and analyzes combinations of aid instruments in view of their likelihood to reach a given development objective. The Fund allocates notional resources to PBOs when the client country requests it; when to do so is appropriate to the resources available, the country’s financing needs, and the country’s performance; and when suitable conditions and a conducive environment are in place. Table 1 summarizes key characteristics of the two PBO instruments, including elements considered by the Bank when selecting instruments.

Table 1: Summary Characteristics of ADF Policy-Based Operations Instruments

	Budget Support	Import Support
Policy focus	<ul style="list-style-type: none"> Supporting policy and institutional reforms within a Poverty Reduction Strategy, a National Development Plan, or a related sector strategy. The Development Policy Letter and the Policy Matrix define the reform program. 	<ul style="list-style-type: none"> Supporting policy and institutional reforms at the macro or sector level. The Development Policy Letter and the Policy Matrix define the reform program.
Prerequisites	<ul style="list-style-type: none"> Existence of a well-designed Poverty Reduction Strategy, National Development Plan, or related sector strategy A viable macroeconomic and medium-term framework (International Monetary Fund reference program) Strong partnership between regional member countries and donors Strong partnership among donors Satisfactory fiduciary review of the public financial management system through specific diagnostic tools Effective implementation mechanisms Governance diagnosis 	<ul style="list-style-type: none"> Unsustainable balance of payments deficit due to short-term or structural problems Government commitment to maintaining macroeconomic and financial stability through sound policies An International Monetary Fund reference program or the assurance of concluding such a program during the Bank's program period, or a satisfactory letter of assessment from the International Monetary Fund Effective implementation mechanisms Acceptable external auditing arrangements
Financing	<ul style="list-style-type: none"> Loan/grant proceeds finance expenditures in the government budget. Funds are not earmarked. 	<ul style="list-style-type: none"> Loan/grant proceeds finance general imports, subject to a negative list (a list of prohibited imports). Loan/grant proceeds can also be used to finance other expenditures in the government budget. Funds are not earmarked.
Disbursement and fiduciary risk management	<ul style="list-style-type: none"> Disbursement of annual tranches upon the fulfillment of conditions precedent (an operation has one to three tranches) Disbursement to a special or joint account Country procurement rules and audit procedures are to be used. 	<ul style="list-style-type: none"> Disbursement of annual tranches upon the fulfillment of conditions precedent (an operation has one to three tranches) Disbursement to a special account Bank procurement rules are used. External audits to take place after each tranche

Source: African Development Bank

PBOs as an Instrument for Delivering Selective Governance Support

2.6 Increased selectivity concentrates PBOs' focus, frames policy dialogue and channels results. The establishment in 2007 of the Governance, Economic and Financial Management Department (OSGE) has enabled the Bank to use PBOs more coherently and consistently. The Bank's May 2008 Governance Strategic Directions and Action Plan² targets a selection of economic governance and public financial management objectives and, increasingly, aims to develop an enabling environment for the private sector. Reflecting this approach, 74 percent of PBO disbursement conditions are related to economic governance and public financial management. Of these conditions, 73 percent focus on public financial management and 17 percent on economic management, including the business and investment environment.

² African Development Bank. 2008. *Governance Strategic Directions and Action Plan: GAP 2008–2012* (ADF/BD/WP/2008/40.).

The Complementarity and Predictability of PBOs

- 2.7 The ADF's PBOs are designed to complement other multilateral and bilateral donor programs, including those of the International Monetary Fund (IMF). The extent and nature of the Fund's PBOs depend on assessments of the beneficiary country's macroeconomic policy framework, including an assessment by the IMF.³ The beneficiary's fiscal framework and financing arrangements are agreed between the IMF and governments and take the commitments of donors including the ADF into account. The "signaling" function provided by the IMF in this context is often a more distinctive contribution to operations than is the financing the IMF provides. Staff of the ADF and the IMF work closely over the course of each operation.
- 2.8 Just as the IMF takes the commitments of other donors into account, the Bank considers IMF and other donor operations when determining its own mix of aid instruments. The Bank uses complementary aid modalities: PBOs, technical assistance, institutional support projects (i.e., capacity-building activities designed to strengthen the impact of budget support operations), special initiatives (including regional operations), and joint-donor diagnostic work. This approach produces complementary operations that avoid cross-conditionality and duplication.
- 2.9 To improve predictability, the Fund's PBOs are primarily designed as multiyear operations that are committed in the first year of the ADF cycle and disburse over the cycle's lifespan. This structure produces high up-front approvals that decline over the course of the cycle. Multiyear operations with phased disbursements foster predictability, donor coordination and complementarity, and alignment with RMCs' national budget cycles.

Managing and Mitigating Fiduciary Risks

- 2.10 Assessing and managing fiduciary risks is a concern common to all budget support donors. The fiduciary environment is both the subject of policy dialogue within multidonor budget support groups and a key element of common performance assessment frameworks⁴. The Bank assesses and where appropriate takes steps to mitigate fiduciary risk at the PBO design and appraisal stages and closely monitors the risks associated with an operation's environment throughout implementation. In 2008, the PBO Appraisal Report Template was revised⁵ to improve the quality at entry of PBOs, in part through a stronger format for country readiness assessments that includes an assessment of the country's economic framework and a review of the prerequisite conditions (such as fiduciary assessments) for PBOs under Bank policies.
- 2.11 As part of its Paris Declaration commitment to implementing harmonized diagnostic reviews and performance assessment frameworks, the Bank assesses fiduciary risk using diagnostic analyses and tools developed with and/or by other donors, particularly the World Bank and the Organisation for Economic Co-operation and Development (OECD) (Table 2). In assessing fiduciary risk, the Bank pays particular attention to treasury management, financial management information systems, public procurement, and internal and external auditing. If assessments are inadequate or outdated, the Bank initiates an assessment on its own or in conjunction with other donors. For example, in Côte d'Ivoire, the Bank was part of the multidonor 2008 Public Expenditure Management and Financial Accountability Review, which informed ADF support, including risk mitigation measures. In 2010, the Bank will initiate a Public Expenditure Financial Accountability assessment in the Central African Republic as an update to the 2008 assessment.

³ African Development Bank. 2007. Concerning the Use of IMF Assessment Letters to Guide Staff Preparing Policy Based and Budget Support Operations (Operational Instruction No. 01/2007).

⁴ Performance assessment frameworks are the basis for joint monitoring by all PBO donors according to a set of predefined common principles. Each donor makes its own disbursement decision.

⁵ African Development Bank. 2008. Policy Based Lending Operations: Appraisal Report Formatting Rules and Annotated Format Template (ADF/BD/IF/2008/162).

Table 2: Diagnostic Tools Used by the African Development Fund for Fiduciary Assessments

Diagnostic Tool
Country Integrated Fiduciary Assessment (CIFA)
Public Expenditure and Financial Accountability (PEFA) assessment
Country Financial Accountability Assessment (CFAA)
Public Expenditure Review (PER)
Public Expenditure Management and Financial Accountability Review (PEMFAR)
Country Procurement Assessment Report (CPAR)
Local Government Integrated Fiduciary Assessment (LGIFA)
Organisation for Economic Co-operation and Development/Development Assistance Committee (OECD/DAC) Procurement Assessment Methodology

Source: African Development Bank

- 2.12 Based on the fiduciary risks identified in the assessments, the Fund develops and implements various safeguards: reform and capacity-strengthening programs supported by the Bank and other donors; prerequisites such as the adoption of a public procurement code; disbursement triggers linked to specific areas of fiduciary risk, including internal controls and external auditing; additional independent audits where necessary; and enhanced supervision, especially in fragile states (see Annex II of the Twelfth General Replenishment of the African Development Fund (ADF-12) Discussion Paper, “Proposed Adjustments to the Enhanced Approach to Fragile States”).
- 2.13 At the policy level, the Bank participates in donor dialogue and harmonization initiatives such as the Multilateral Development Bank Financial Management Harmonization Group and the OECD’s Development Assistance Committee country systems cluster for public financial management and public procurement. In addition, the Bank, the World Bank, and other donors and stakeholders are exploring common approaches to using country procurement systems and strengthening country audit systems.

3. The Use of Policy-Based Operations Under ADF-11

- 3.1 Guidance on the allocation of Fund resources for PBOs has allowed for the more flexible use of PBOs over the past several ADF cycles. Under ADF-9, the cap for PBOs was a maximum of 22.5 percent of non set-aside resources.⁶ For ADF-10⁷, Deputies increased the cap to not more than 25 percent of the aggregate of non set-aside resources. A general rule was made, however, that the share of PBOs for individual countries should not exceed 50 percent of their Performance-Based Allocation except under certain conditions. Flexibility increased further under ADF-11, when the cap of 25 percent of the aggregate PBA was maintained but country-specific limitations were removed. Management expects the PBO level to fall within the 25 percent cap at the end of ADF-11.

⁶ African Development Bank. 2002. *Report on the Ninth General Replenishment of the Resources of the African Development Fund* (ADF/BD/WP/2002/99).

⁷ African Development Bank. 2005. *ADF-X Financing Policy Guidelines* (ADF/BD/WP/2005/55).

PBOs Under ADF-11

- 3.2 The Fund's approach to budget support in non-fragile states⁸ is guided by ADF Deputies' directions⁹ and Bank policies.¹⁰ This guidance states that the Fund should conduct PBOs in a selective manner, focusing on countries that have ranked well on the Fund's Country Policy and Institutional Assessments (CPIAs). Budget support recipients should have, inter alia, economic and political stability; a commitment to reform; a well-designed Poverty Reduction Strategy Paper or National Development Plan; a strong and genuine partnership with the donor community; strong implementation and monitoring mechanisms; and effective, transparent and adequate fiduciary and budgetary systems.
- 3.3 Including pipeline operations, the Fund expects to approve 33 PBOs under ADF-11: 32 governance-related operations and one sector budget support operation (for Nigeria's energy sector) (Table 3). PBOs are expected to account for 24 percent of all Performance-Based Allocations by end-cycle, below the 25 percent cap¹¹. Although institutional support projects, i.e., capacity-building projects, are not PBOs, they complement and strengthen PBOs and are listed here for information.

Table 3: Number and Volume of ADF-11 Policy-Based Operations Approved or in the Pipeline, by Instrument

(Volume in UA millions)

	Performance-Based Allocation Operations		Fragile State Facility Operations		All Operations		%
	Number	Volume	Number	Volume	Number	Volume	
Policy-Based Operations	24	952.72	9	106.3	33	1,058.9	100
<i>Budget Support</i>	21	781.2	8	96.3	29	877.5	82.9
<i>Sector Budget Support</i>	1	100.0	0	0	1	100.0	9.4
<i>Import Support</i>	2	71.5	1	10.0	3	81.5	7.7
	Performance Based Allocation Operations		Fragile State Facility Operations		All Operations		%
	Number	Volume	Number	Volume	Number	Volume	
Institutional Support Projects*	14	105.7	1	4.4	15	110.1	n/a

Note: UA=Units of Account. Operations in Côte d'Ivoire and Guinea Bissau used both Fragile State Facility and Performance-Based Allocation resources; the UA amounts are split but the operations are counted under "FSF Operations."

* The institutional support projects (ISPs) listed here include only those projects approved/to be approved under ADF-11. Because ISPs are typically 5-year projects, a number of policy-based operations approved under ADF-11 are complemented by ongoing ISPs approved under ADF-10. A total of 80% of the Fund's 33 PBOs are supported by active ISPs.

Source: African Development Bank

⁸ The framework for using PBOs in fragile states is part of the Bank's Strategy for Enhanced Engagement in Fragile States and is discussed in the ADF-12 Discussion Paper *Proposed Adjustments to the Enhanced Approach to Fragile States*. February 2010. Cape Town, South Africa.

⁹ See African Development Bank. 2007. *ADF-11 Report* (ADF/BD/WP/2008/04).

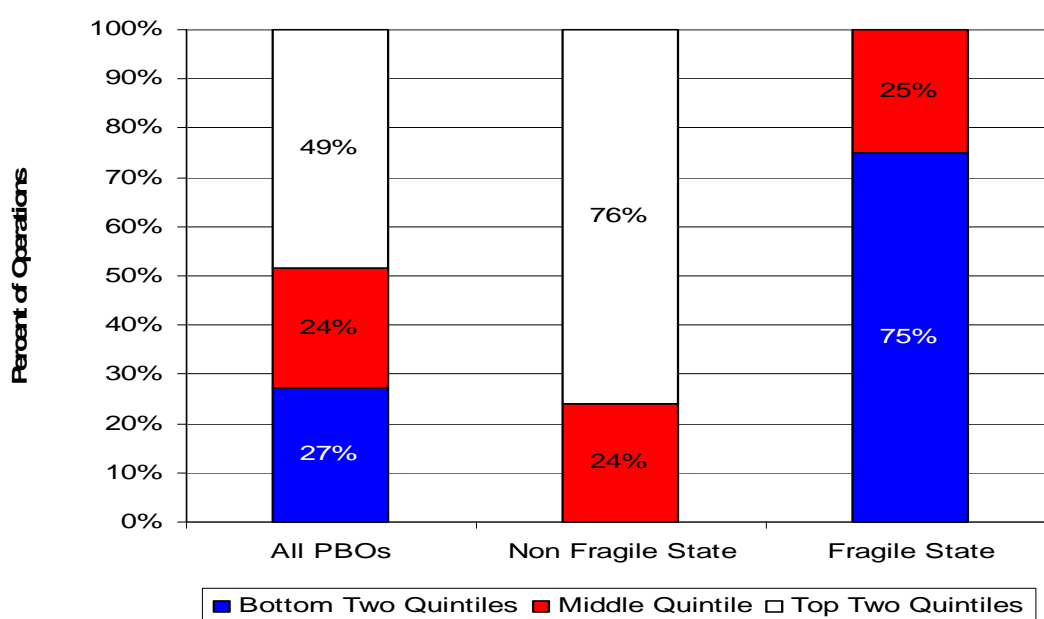
¹⁰ African Development Bank. 2004. *Guidelines on Development Budget Support Lending* (ADF/BD/WP/2003/182/Rev.2); African Development Bank. 2004. *Guidelines for Policy-Based Lending on Governance* (ADFBD/WP/2003/193/Rev.2); African Development Bank. 1988. *Policy Based Lending (PBL) Operations – Supplementary Guidelines and Procedures* (ADF/BD/WP/88/154).

¹¹ See Annex V for a summary of PBOs approved under ADF-11 to date.

PBOs' Country Policy and Institutional Assessment Scores Under ADF-11

3.4 Under ADF-11, the Fund has approved PBOs in both fragile and non-fragile RMCs with a range of CPIA rankings. Including pipeline PBOs, 76 percent of non-fragile state PBOs by number are situated in countries that score in the top two quintiles, with the remaining 24 percent in the middle quintile (Figure 2). PBOs in fragile states are primarily in the lower quintile countries, however as discussed in the section, "PBOs in Fragile States", PBOs are used in fragile states and in response to crises based on factors besides Country Performance Institutional Assessment rankings. Section 5 discusses the challenge of reconciling the goal of using PBOs in good country performers with PBOs' value as a flexible instrument that can be approved on a case-by-case basis.

Figure 2: Country Policy and Institutional Assessment Quintile Breakdown for Policy-Based Operations in Fragile States and Non-Fragile States by Percentage of Operations



Note: PBOs=policy-based operations

Source: African Development Bank

Strengthening Policy Dialogue and Better Balancing Aid Instruments

3.5 PBOs enable the Bank to play a pivotal role as a broker and facilitator between governments and donors. In contrast to ADF-10, when the Bank did not chair any budget support groups, under ADF-11 the Bank has chaired groups in Burkina Faso, Madagascar and Rwanda and is currently chairing the groups in Tanzania and Malawi. In Tanzania, the Bank has renewed and re-energized joint donor dialogue with the Government by leading donor coordination bodies such as the Development Partners Group, the General Budget Support Group, and the Joint Assistance Strategy group. These joint groups improve the effectiveness of the Bank's policy dialogues with RMCs and other donors and strengthen harmonization for a more focused and coordinated approach.

3.6 To promote effective development outcomes, the Fund complements PBOs with a range of other aid instruments. Over 80 percent of countries with a PBO approved or planned under ADF-11 have a complementary governance-related capacity-building project (Box 1). This figure increases to 90 percent for fragile states. RMCs also receive Bank Group technical assistance through other channels, including the Fragile States Facility's targeted technical assistance window, multinational projects that support RMCs indirectly, and special measures such as the Extractive Industries Transparency Initiative.

Box 1: Complementary Instruments Support PBOs

In **Comoros**, the African Development Fund (Fund) combined complementary instruments to re-engage in a fragile state in close coordination with other donors. Through a Unit of Account (UA) 2 million budget support grant made under the Fragile States Facility, the Fund engaged in coordinated dialogue with the Government of Comoros, the International Monetary Fund, the World Bank, the European Commission, the United Nations Development Program, and France to promote policy and institutional reforms in public financial management (PFM). This support enabled Comoros to adopt PFM reforms and prepare a comprehensive PFM strategy scheduled to begin in 2010. This budget support was complemented with a UA 5.3 million institutional support project grant over 3 years to strengthen PFM institutional capacity and planning, financed from the country's ADF-11 Performance-Based Allocation. The Fund also provided targeted technical assistance under Pillar III of the Fragile States Facility to support non-lending activities such as diagnostic work and capacity building, which helped finalize the country's Poverty Reduction Strategy Paper. The Bank's activities were critical to developing the International Monetary Fund's Poverty Reduction and Growth Facility and preparing European Commission budget support.

Import Support Under ADF-11

- 3.7 Under ADF-11, import support has been provided on an exceptional basis and only in fragile states with crisis-related contexts. As of December 2009, import support operations had been approved in three countries under ADF-11: the Central African Republic (October 2008), the Democratic Republic of Congo (August 2009) and Togo (February 2009). The three operations comprise slightly less than 8 percent of approved ADF-11 PBOs (Table 3). As with all PBOs, close cooperation and complementarity with the IMF and other stakeholders was the norm. All cases included post-crisis, crisis-response or crisis-prevention elements. This was particularly the case in the Democratic Republic of Congo, where the program was coordinated in close cooperation with the IMF and the World Bank and aimed to mitigate the impact of the financial crisis. In the Central African Republic and Togo, the decision to use import support was informed by the countries' Public Expenditure and Financial Accountability evaluations, which indicated relatively weak budget and public procurement systems. In the Democratic Republic of Congo, import support enabled the Central Bank to increase the amount of foreign exchange available to commercial banks.

*PBOs in Fragile States*¹²

- 3.8 The Fund uses governance-related PBOs in fragile states in coordination with other donors to help rebuild core systems and institutions for economic and financial management, mitigate persistent vulnerabilities that threaten recovery, and support countries that demonstrate a commitment to reform and the potential for progress. The Fund recognizes that conducting PBOs in situations of fragility can occasion great benefits but also entail considerable risk.¹³ Risk management, particularly for fiduciary risks, is therefore critical to achieving objectives. For that reason, PBOs in fragile states are preceded or accompanied by complementary Fund-financed capacity-building investment projects and technical assistance targeting areas of fiduciary risk. In addition to the use of up-front fiduciary risk assessments common to all PBOs, PBOs under the Fragile States Facility are subject to additional criteria, including the use of fiduciary safeguards (audits, support for country public financial management systems, and multiple tranches). When warranted, import support has also been used in fragile states, as it is less susceptible than budget support to fiduciary risk.
- 3.9 As with all PBOs, the Fund coordinates closely with the donor community on PBOs in fragile states. The Bank participates in joint partnership frameworks at the country level and coordinates fiduciary risk assessments and safeguard actions. In addition, the Bank is working with the European Commission and the World Bank to develop a common approach to budget support in fragile states to be finalized in early 2010. The common approach will lay out a framework for enhanced coordination to support fragile states in Africa through

¹² The Bank Group's framework and approach to the use of PBOs in fragile states are detailed in the Bank's Operations Guidelines of the Fragile States Facility and are discussed in the ADF-12 Discussion Paper *Proposed Adjustments to the Enhanced Approach to Fragile States*. February 2010. Cape Town, South Africa.

¹³ Common risks include fiduciary risk; lack of ownership of the poverty reduction strategy; inadequate macroeconomic management; lack of progress on the implementation of public financial management and procurement reforms; and volatile country performance (hence volatile disbursements).

budget support, pooled risk management, joint diagnostic work (including fiduciary risk assessments), and complementary technical assistance and capacity-building activities.

- 3.10 Under ADF-11, the Fund has or plans PBOs in 10 of the 17 countries classified as “fragile.”¹⁴ The value of these operations totals Units of Account (UA) 228 million, of which 65 percent went to two operations: crisis response in the Democratic Republic of Congo (UA 65.0 million) and arrears clearances in Côte d’Ivoire (UA 83.9 million) (Table 4). PBOs in fragile states are financed through both Performance-Based Allocations and Fragile States Facility resources.
- 3.11 Of the six countries that received Fragile States Facility-financed PBOs in 2008 and 2009, four met all of the Fund’s fiduciary safeguard criteria (Burundi and Côte d’Ivoire did not conduct external audits but Management and the Board granted waivers to allow them to conduct national audits¹⁵). Five of the six operations had multiple tranches, while the operation in Côte D’Ivoire disbursed in a single tranche under a waiver granted by Management and the Board¹⁶. All eight Fragile States Facility-eligible countries with a PBO received accompanying institutional support projects and/or technical assistance from the Fragile States Facility’s Targeted Support Window.

Table 4: ADF Policy-Based Operations in Fragile States by Source of Financing, 2008-2010

(UA millions)

Country	Performance-Based Allocation	Fragile States Facility Resources	Total Resources	Percent of Total
Burundi	0.0	22.0	22.0	9.7
Central African Republic	6.5	0.0	6.5	2.9
Chad	10.0	0.0	10.0	4.4
Comoros	0.0	2.0	2.0	0.9
Congo, Dem. Rep.	65.0	0.0	65.0	28.5
Côte d’Ivoire	38.0	45.9	83.9	36.8
Guinea Bissau	2.1	4.0	6.1	2.7
Liberia	0.0	12.4	12.4	5.4
Sierra Leone	0.0	10.0	10.0	4.4
Togo	0.0	10.0	10.0	4.4
Total	121.6	106.3	227.9	100.0

Source: African Development Bank

PBOs in Contexts of Crises

- 3.12 In accord with the Bank’s Africa Food Crisis Response¹⁷ and the Bank Response to the Economic Impact of the Financial Crisis,¹⁸ the Bank Group has used PBOs as fast-disbursing crisis response instruments on a case-by-case basis. Thus, ADF countries benefitted from the front-loading of budget support commitments, the conversion of uncommitted project finance to budget support, and the fast-tracking of the appraisal process. The Fund’s use of PBOs for crisis response to date under ADF-11 has nonetheless been limited to UA 20 million in 11 countries in response to the food crisis and to UA 84.7 million in 4 countries in response to the financial crisis. Over three-quarters of the financial crisis amount went to the Democratic Republic of Congo (Table 5).

¹⁴ A country with a composite averaged ADB and World Bank Country Policy and Institutional Assessment score of 3.2 or below is considered fragile. This appellation does not equate to eligibility for Fragile State Facility resources.

¹⁵Waivers for Burundi and Côte d’Ivoire were granted in light of existing national audit capacity. The Bank also required that on March 31, 2010, Côte d’Ivoire submit an implementation report specifying how the 2009 budget used ADF budget support resources.

¹⁶ This waiver was granted in light of strong demonstrated commitment; the early implementation of several program measures; and circumstances of crisis and arrears clearances. See African Development Bank. 2009. *Côte D’Ivoire: Proposal for a Grant to Finance the Economic and Financial Reform Support Program*. (ADF/BD/WP/2009/26).

¹⁷ African Development Bank. 2008. *The African Food Crisis Response (AFCR)* (ADF/BD/WP/2008/64).

¹⁸ African Development Bank. 2008. *Bank Response to the Economic Impact of the Financial Crisis*. (ADF/BD/WP/2009/32).

Table 5: The Bank Group’s Policy-Based Operations Portfolio in Response to the Food and Financial Crises (Approved Operations)

(UA millions)

Country	Food Crisis (AFCR)	Financial/Economic Crisis	Total
2008			
Burundi	2.0	-	2.0
Central African Republic	3.0	-	3.0
Comoros	1.5	-	1.5
Djibouti	1.0	-	1.0
Eritrea	2.0	-	2.0
Liberia	3.0	-	3.0
2009			
Congo, Dem. Rep.		65.0	65.0
Gambia	1.0	-	1.0
Liberia	-	3.4	3.4
Mali	-	10.0	10.0
Mauritania	1.0	-	1.0
Niger	2.0	-	2.0
Rwanda	-	6.3	6.3
Sao Tome	1.0	-	1.0
Togo	2.5	-	2.5
Total	20.0	84.7	104.7

Note: AFCR =Africa Food Crisis Response; UA=Units of Account

Source: African Development Bank

4. Policy-Based Operations’ Quality and Results Under ADF-11

Reporting the Results of PBOs

- 4.1 A number of participants at the ADF-11 Mid-Term Review asked, “What does the Fund ‘get’ for its PBOs?” In tracking, measuring and attributing the results of PBO operations, the Bank faces the same challenges as do all donors that use PBOs. To begin with, PBOs typically use national budget processes and related country systems to track and report on expenditures. While these systems can be relatively weak, especially in fragile states, PBOs generally aim to strengthen public financial management systems and increase transparency and accountability.¹⁹ When, however, resources are pooled, performance frameworks are shared and financing is channeled through country systems, it is difficult to trace results to any single donor. As noted in the Operations Evaluations Department’s work on measuring PBO results in Annex III, “Attributing results to a particular donor is therefore all the more complex and is, in fact, not particularly relevant in an era of shared accountability, shared responsibility, harmonized approaches and joint financing.” Additionally, changes in governance indicators often occur incrementally over relatively long timeframes, limiting prompt reporting and making impacts less immediately visible. Consequently, while all of the ADF’s PBOs have logframes that specify objectives, expected results and performance indicators against which progress is regularly monitored and tracked, the very nature of PBOs inhibits the attribution of results and their aggregation across countries.
- 4.2 Presentation of the ADF-12 Discussion Paper entitled “Results Measurement Framework for ADF-12” at the next ADF-12 meeting may create the opportunity for further discussion and guidance. In the interim, trends ascertained from the limited results available to date under ADF-11 are encouraging and the Bank continues to mainstream the Action Plan for Quality and Results, the Results Measurement Framework, and quality-at-entry initiatives across the institution.

¹⁹ Off-budget project expenditures can be much harder to track than budget support, despite seemingly closer links between financial assistance and delivery of outputs. Fungibility means that the overall outcome of development assistance cannot easily be assessed.

Results Under ADF-8, ADF-9 and ADF-10

- 4.3 Although limited to the ADF-8, ADF-9 and ADF-10 cycles, the Operations Evaluations Department's assessment of PBOs in Annex II is a useful evaluation of PBO performance in periods that preceded the Bank's application of the Action Plan for Quality and Results and its consolidation of the OSGE Department. The Operations Evaluations Department assessed 70 percent of PBO Project Completion Reports (PCRs)²⁰ produced under ADF-8, ADF-9 and ADF-10 in both fragile and non-fragile states. Nearly 70 percent of non-fragile state PBOs achieved a "satisfactory" rating. In contrast, only 27 percent of PBOs in fragile states achieved a "satisfactory" rating; however, at 11 operations, the sample size was relatively small (Table 6). Under ADF-11, the Quality and Results Department has taken a number of initiatives to strengthen results reporting for PBOs. Emerging results for ADF-11 PCRs presented in para. 4.5 are encouraging.

Table 6: Policy-Based Operations' Performance in Fragile and Non-Fragile States during ADF-8, ADF-9, and ADF-10

	Percent Satisfactory	Percent Unsatisfactory	Percent Highly Unsatisfactory
Policy-Based Operations in Non-Fragile States	69	24	7
Policy-Based Operations Conducted in Fragile States	27	55	18
All Policy-Based Operations	58	33	10

Source: Operations Evaluation Department, African Development Bank

Strengthening the Quality and Results Framework for PBOs

- 4.4 The Bank's Action Plan for Quality and Results aims to mitigate the quality and results challenges associated with PBOs. Accordingly, the Bank has strengthened its Results Measurement Framework²¹ with regards to designing, assessing and measuring PBOs' contribution to development outcomes (Table 7). Key measures include the development and adjustment of logical frameworks for each PBO; the identification and mainstreaming of output and outcome indicators; and the timely completion of improved PCRs.

²⁰ The Bank's main tool for systematically assessing project performance is the PCR, a mandatory assessment that must be submitted within 6 months of project completion. PCRs rank performance at key stages of the project cycle, including preparation, supervision, and appraisal. They score the relevance and achievement of project objectives on a scale of 1 to 4 and estimate projects' expected contributions to development and sustainability. Projects are rated as highly satisfactory, satisfactory, unsatisfactory or highly unsatisfactory.

²¹ Annex 1 presents the Results Measurement Framework as concerns governance, including governance PBOs, in the context of the development results chain.

Table 7: Key Measures to Improve the Quality and Results of Policy-Based Operations

Action	Time	Status
Define the appropriate logical framework for each policy-based operation (PBO)	Initiated in 2009	The Bank is revising logical frameworks for all operations. This exercise will be completed over the course of ADF-12. An adjusted logical framework tailored to each PBO will be developed to capture the specificities of each intervention.
Develop readiness assessments of the quality at entry of PBOs	Initiated in 2010	Readiness Reviews (RRs) assess and rate projects on a variety of quality-at-entry criteria at the project concept note stage and the appraisal stage. The pilot phase of RRs for investment operations took place in 2009 and lessons are presently being analyzed. As RRs are rolled out to all operations during 2010, criteria specific to PBOs will be incorporated.
Develop standard outcome and output indicators for similar operations in key sectors	Initiated in 2009	Core sector indicators that reflect each sector's technical judgment on how best to monitor the achievement of development objectives within operations were developed in 2009. The Bank is mainstreaming these indicators into project design and supervision.
Minimize delays from approval to disbursement by advancing conditions to pre-Board approval	Initiated in 2008	The timeliness of PBOs has been improved thanks to an increased focus on meeting conditions of effectiveness (i.e. policy triggers) before Board approval. As a result, the average lag between Board approval and disbursement decreased from 2.8 months to 1.8 months and the lag between Board approval and operations' entry into force fell from 2.3 months to 1.3 months.
Ensure that supervision reporting is timely, comprehensive and results-oriented	Initiated in 2007	The Bank is developing a new supervision policy and format for operations that will (i) increase the focus on development results; (ii) move towards evidence-based ratings; (iii) make risk management more effective; and (iv) develop an integrated data management system that provides real-time performance information.
Ensure that timely completion reporting is enforced for all operations	Initiated in 2008	All four ADF-11 PBOs completed so far delivered Project Completion Reports within 6 months of closing. The new PBO reporting format is oriented around assessing results, identifying lessons learned, and complying with Bank policies and Paris Declaration principles.
Develop an integrated results reporting system that gives live information on results	Initiated in 2009	The Bank presented a prototype of its new results reporting system at the ADF-11 Mid-Term Review. Expected to be completed by end-2010, the system will use a simplified project logframe as a starting point for tracking results from design to supervision and completion. Live information on results will be computed by aggregating core sector indicators.

Source: African Development Bank

Preliminary Results Under ADF-11

- 4.5 PBO results under ADF-11 to date are encouraging. Although not yet verified by the Operations Evaluations Department, the PCR scores of all four PBOs that had exited the ADF-11 portfolio as of December 2009 registered as satisfactory or highly satisfactory (Table 8). As more PBOs are completed under ADF-11, more PCRs will be verified and lessons will be derived.²²

²² Thirty-three PBOs will be initiated under ADF-11.

Table 8: Project Completion Report Scores Under ADF-11

Country	Program Outcome Score From Project Completion Reports
Burkina Faso	Satisfactory
Gambia	Highly Satisfactory
Liberia	Satisfactory
Malawi	Highly Satisfactory

Source: African Development Bank

- 4.6 As part of regular monitoring and supervision processes, Bank staff produce supervision reports of ongoing PBOs. Box 2 relates anecdotal qualitative and quantitative evidence of PBO results to date drawn from both supervision reports and PCRs.

Box 2: Delivering Results Under ADF-11

Revenue management. In Liberia, African Development Fund (Fund) assistance helped mobilize domestic revenues by supporting a one-stop customs service facility. When Liberia experienced serious constraints as a result of external shocks, Fund policy measures helped create fiscal space to maintain pro-poverty reduction spending while continuing to give momentum to reforms. In Gambia, institutional reforms within the Gambia Revenue Authority increased tax revenues from 17 percent of gross domestic product in 2008 to about 20 percent in the third quarter of 2009. In Tanzania, Bank support helped the Government implement key actions related to the management of concessions and the licensing of natural resources. These actions increased non-tax revenues by some 31 percent over 2005-2009.

Budget management. The timeliness of budget preparations in Mali improved through the automation of interfaces between sector ministries and the central government. Coverage grew from 45 percent of ministries in March 2008 to 85 percent at end-June 2009. In Comoros, the Fund contributed to the adoption of a modernized legal framework for public financial management. In Gambia, improved budget planning and execution increased poverty alleviation-related expenditures: 2009 budget allocations for poverty alleviation-related spending account for more than 50 percent of all allocations.

Public procurement. In Tanzania, Fund support improved the rate of procurement entity compliance with the Procurement Act from 39 percent in 2007 to 66 percent in 2009. In Benin, public procurement delays were reduced by 8 months and sanctions for fraud were established. In Togo, the Fund's support for the modernization of public procurement systems reduced direct procurement. In Burkina Faso, Fund-sponsored improvements to the transparency of public procurement caused the number of direct agreement contracts to fall to less than 12 percent of all public contracts in 2009.

Government auditing. In the Gambia, Fund support reduced the number of years of backlog of audited accounts from 7 in 2007 to 2 in 2009. Similar improvements were witnessed in Sierra Leone and in Liberia; in Liberia, the General Auditing Commission submitted audits of five key ministries to Parliament before June 2009. In Rwanda, Fund support led to an expansion of audit coverage from 50 percent of government expenditures in Fiscal Year 2006 to over 55 percent in Fiscal Year 2007.

Business environment. In Zambia, the number of days required to register a business fell from 5 to 3. In Cape Verde, the time required to register and start a new enterprise fell from 52 days in 2007 to 1 day in 2008. In Rwanda, the regulatory and legislative private sector environment was strengthened through support for legislation on solvency, business registration, competition, and consumer protection. In Senegal, Fund support helped reduce delays in transfers of ownership from 117 to 60 days.

Social outcomes. Targeted budget support in Ethiopia helped achieve a number of social outcomes: an increase in regional expenditures from 41 percent in 2004/5 to 51 percent in 2007/8; an increase in primary school enrollment from 11.4 million children in 2004/5 to 14 million children in 2006/7; an augmentation of the net primary enrolment ratio from 68.5 percent in 2004/5 to 79.9 percent in 2007/8; better access to health services; and an improvement in the rural population's access to safe drinking water from 35 percent of the population in 2006 to 46 percent of the population as of end-2008.

5. Emerging Issues for Deputies Under ADF-11

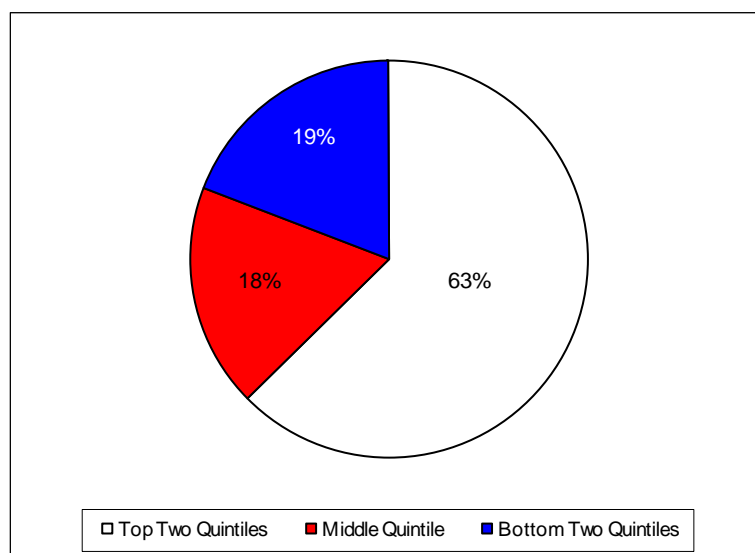
- 5.1 While challenges, lessons and adjustments are expected to be identified more comprehensively through the Operations Evaluations Department's forthcoming evaluation of PBOs, experience under ADF-11 to date has identified areas where Deputies may wish to provide guidance.

Determining Eligibility Using Country Policy and Institutional Assessments

- 5.2 As acknowledged in Section 3, during ADF-11, a minority of PBOs (including pipeline operations) were approved on a case-by-case basis for RMCs—all fragile states—that ranked in the bottom two CPIA quintiles. By volume in UA millions, 81 percent of all ADF-11 PBOs (including pipeline operations) will take place in top and middle CPIA performers, while 19 percent will be in countries in the bottom two quintiles (Figure 3). Note that PBOs in Côte d'Ivoire and the Democratic Republic of Congo comprise 73 percent by volume of PBOs in the bottom two quintiles. In each case, the Fund's operation was part of an international engagement: to clear arrears in the case of Côte d'Ivoire and to mitigate the impact of the economic crisis in the case of DRC. This flexibility is an important strength of the PBO instrument, particularly in situations of crisis, urgent needs, consolidating peace, or in other exceptional contexts, such as arrears clearance exercises.
- 5.3 Management proposes that the Fund maintain performance and fiduciary assurance as the anchor of the PBO approach under ADF-12. However, experience also demonstrates the need for and value of giving the ADF the flexibility to use PBOs on a case-by-case basis in exceptional circumstances, even in low-performing countries and relatively risky environments, when accompanied by appropriate safeguards and supervision.

Figure 3: Country Policy and Institutional Assessment Quintile Breakdown by Amount All ADF-11 PBOs, 2008 – 2010

(UA millions)



Source: African Development Bank

The Fiduciary Environment

- 5.4 The ADF's use of PBOs in relatively risky fiduciary environments presents another seeming contrast between Deputies' guidance and the Bank's policies and commitments—including its Paris Declaration commitment to use an appropriate mix of aid instruments, such as support for recurrent financing—to deliver aid in fragile states. Under ADF-11, Deputies directed that potential PBO recipients should have "effective, transparent and adequate fiduciary and budgetary systems." Bank policies and guidelines direct that Bank staff undertake fiduciary

assessments but also allow staff to use judgment when deciding whether to move forward with PBOs in conjunction with related risk mitigation measures. These measures are designed to strengthen public financial management systems and reduce fiduciary risks. In addition, the Operational Guidelines of the Fragile States Facility²³ allow PBOs to be conducted in fragile states when accompanied by mitigation measures, even when the fiduciary environment is risky.

- 5.5 In practice, Management and the Board have approved PBOs for a broad range of countries, including those where fiduciary environments are improving but could still be considered less than effective, transparent and adequate. In addition, the Bank has used PBOs to respond to crises and/or to support fragile states and promote post-conflict stability when Management and the Board considered it appropriate. While the quality and strength of the fiduciary environment is an important factor in determining a mix of instruments and related safeguard measures, the benefits and risks of each PBO are weighed carefully on a case-by-case basis by Management, staff and the Board. Management will develop a consolidated fiduciary risk management framework and guidelines to provide more systematic guidance on PBOs and fiduciary environments and better link the risk environment and context to the instrument.

6. Consolidating and Enhancing the Fund's Approach to PBOs

- 6.1 As lessons emerge from the Fund's implementation of PBOs under ADF-11 as well as from the experiences of the international community²⁴, the Fund continues to make its PBOs more effective. The Bank centralized the design and management of its PBO instrument in 2007 and has strengthened PBOs' impact in a number of key areas.
- It has strengthened the fiduciary risk management framework, particularly in fragile states.
 - It has increased PBOs' focus on economic and financial governance priorities.
 - It has better aligned PBOs with country fiscal cycles and harmonized its performance assessment frameworks with other donors.
 - It has reduced the number of disbursement triggers while improving the timeliness of disbursements.

These initiatives have refined the design and implementation of PBOs and are expected to improve the delivery of public financial management outputs and development outcomes.

Consolidating Efficiency and Effectiveness and Promoting Innovation

- 6.2 The Fund has learned several lessons under ADF-11 so far, in part through its use of PBOs in fragile states and crisis situations. While any potential significant policy shifts will await the Operations Evaluation Department's evaluation of PBOs in December 2010, Bank Group staff have used internal reviews, inventories of lessons learned, international benchmarking,²⁵ and best practices to identify areas for consolidation as well as more innovative areas in which to apply shared knowledge. Accordingly, during ADF-12, Management will endeavor to take action in the following areas:
- **Policy Consolidation.** Comprehensively review and consolidate the institutional policies and operations guidelines for PBOs to encompass all country categories and sectors of Fund intervention, with a view to improving the efficiency and effectiveness of PBOs.
 - **Fiduciary Framework.** Strengthen, clarify and consolidate the fiduciary risk management framework for PBOs. Currently, guidance is embedded in multiple policy documents, including documents related to governance and fragile states. The new framework will be developed in conjunction and cooperation with other donors.
 - **Leadership.** Advance the Fund's leadership in chairing and participating in donor budget support groups by strengthening and leveraging Field Offices' capacity to engage in policy dialogue and deliver technical, economic and governance advice.

²³ African Development Bank. 2008. *Operations Guidelines of the Fragile States Facility (FSF)* (ADF/BD/WP/2008/60/Corr.1).

²⁴ See Annex III

²⁵ Strategic Partnership with Africa. 2009. *Survey of Budget Support, 2008; Volume II – Detailed Findings* (Final Draft).

Resource Planning. Improve resource allocation and operational planning through country and joint donor dialogues to ensure Fund and other donor resources for complementary technical assistance and institutional support projects.

- **Shared Results Reporting.** Cooperate closely with the international development and evaluation community as well as with RMC networks to address the common challenge of better monitoring and reporting PBO results and impacts beyond initial governance effects.
- **Harmonization in Fragile States.** Orient and where appropriate align the Fund's approach to budget support in fragile states with the common approach being developed by the Bank, the European Commission and the World Bank. Among other benefits, the common approach will strengthen the assessment and management of fiduciary risks and the development of safeguards.
- **Crisis Response.** Develop clear parameters and guidelines for using PBOs as a crisis-response instrument, in particular guidelines on providing additional resources or reallocating resources to ongoing PBOs.

7. Conclusion

- 7.1 In coordination with and in complement to other donors, the Fund uses PBOs as part of its aid delivery mix for RMCs, particularly in the area of economic governance and financial management. Under ADF-11, the Fund has delivered a broad range of PBOs and conducted technical assistance and analytical work both in the course of regular operations and in response to the food and financial crises and circumstances particular to fragile states. The Fund will continue to refine its results framework through internal processes and in coordination with RMCs and other donors.
- 7.2 As part of its ongoing operations, the Fund will consolidate its successes and lessons learned while exploring operational and policy innovations. Over the coming year, the Bank Group's internal review of PBOs will be complemented by the Operations Evaluation Department's independent evaluation. Drawing on the findings of these exercises, the Bank will continue to monitor, test and adjust its PBO approach and framework to meet its clients' development needs in an effective, transparent and results-oriented manner.
- 7.3 Deputies are invited to share their views and endorse the following approach for the use of PBOs under ADF-12:
- Performance and fiduciary assurance would continue to anchor the Fund's PBO approach and drive most PBO decisions.
 - Based on experience to date under ADF-11, and in recognition of the value of flexibility associated with PBOs, the PBO framework would give the ADF the latitude to use PBOs in low-performing countries along three main dimensions:
 - Maintaining essential expenditures in situations of crisis or urgent need;
 - Assisting countries emerging from conflict and consolidating peace; and
 - Contributing to arrears clearances as part of internationally agreed packages for countries normalizing their external financial status.
 - The Fund would accompany its use of PBOs in these situations with exceptional fiduciary risk assessments and mitigation efforts along with supervision to ensure the appropriate use of Fund resources.
 - As in ADF-11, no more than 25 percent of the aggregate performance-based allocations would be extended via PBOs. This aspect is discussed in greater detail in the ADF-12 Resource Allocation paper.

Annex I: Tracking Policy-Based Operations' Results in Governance

While the African Development Bank (Bank or ADB)'s Results Measurement Framework measures the contributions of policy-based operations (PBOs) primarily in the area of governance, it does not exclude measuring PBOs' contributions to service delivery, poverty reduction, or growth, when improvements in these areas can be safely attributed to PBO-supported activities. The Bank measures and tracks governance-related results at the three levels or tiers on the development results chain:

Level 1:	Progress on high-level country outcomes (Tier 1)
Level 2:	The African Development Fund (Fund or ADF)'s contribution to operational outputs and intermediate outcomes (Tier 2a)
Level 3:	Institutional reforms and performance in supporting activities on the ground (Tier 2b)

In developing this framework, the Bank worked closely with other development institutions and the Organisation for Economic Co-operation and Development (OECD)'s Development Assistance Committee to address the methodological challenges of measuring results in the context of budget operations. These challenges include selecting results and indicators that can be measured over relatively short intervals and can be attributed to the actions supported by PBOs. They also include addressing weak institutional capacity in many ADF countries. Weak capacity limits the availability of governance-related data.

Level 1: Progress on High-Level Country Outcomes

The Bank uses the following indicators to track ADF countries' high-level country outcomes regarding good governance:

- Public Expenditure and Financial Assessment scores (1 to 7)
- Worldwide Governance Indicators average scores (-2.5 to 2.5)
- percent compliance with the Extractive Industries Transparency Initiative
- cost required for business start-up (percent of gross national income per capita)
- time required for business start-up (days)
- Global Competitiveness Index ranking (1 to 7)

Level 2: The ADF's Contribution to Outputs and Intermediate Outcomes

The Bank measures PBOs' contributions to outputs and intermediate outcomes at the individual and aggregate level.

Individual contributions of PBOs. All PBOs include results frameworks that lay out country goals, the operation's objectives and the expected results. However, the Bank's main tool for systematically assessing PBOs' contributions to outputs and intermediate outcomes is the Project Completion Report (PCR), a mandatory assessment that must be submitted within 6 months of project completion. PCRs allow the Bank to track the performance of all interventions over time and across instruments, sectors and countries. They rank performance at key stages of the project cycle, including preparation, supervision, and appraisal. They also score the relevance and achievement of project objectives on a scale of 1 to 4 and estimate projects' expected contributions to development and sustainability. Projects are rated as highly satisfactory, satisfactory, unsatisfactory or highly unsatisfactory. Although prepared by project teams and operational departments, PCRs are independently verified by the Bank's independent Operations Evaluation Department for consistency, accuracy and adherence to the Bank's performance reporting standards²⁶.

Aggregate contributions of PBOs. The Bank's aggregate contribution to outputs and intermediate outcomes is measured by Core Sector Indicators. Core Sector Indicators reflect each sector's strategic priorities and standardize measurements of the most common outputs and outcomes of Bank operations. For the purpose of PBOs, Core Sector Indicators focus on the results achieved in

²⁶ See Annex II: Satisfactory Performance: What Do Project Completion Reports Tell Us About the Performance of ADF Policy-Based Operations Under ADF-8, ADF-9 and ADF-10?

governance in general and in public financial management in particular (Box I-1).

Box I-1: Expected Outputs and Outcomes of Active Policy-Based Operations

Expected Outcomes

- (i) Improved orderliness and participation in the annual budget process (Public Expenditure and Financial Accountability (PEFA) Indicator 11)
- (ii) Increased competition, value for money and controls in procurement (PEFA Indicator 19)
- (iii) Increased scope, nature and follow-up of external audit reports (PEFA Indicator 26)
- (iv) Improved effectiveness in the collection of tax payments (PEFA Indicator 15)
- (v) Improved new business formation

Expected Outputs

- (i) Number of policy measures related to public financial management, procurement and audit
- (ii) Number of laws, regulation, procedures and manuals adopted by the executive with respect to public financial management, procurement, and audit
- (iii) Number of policy reforms focused on the Extractive Industries Transparency Initiative
- (iv) Number of policy measures related to competitiveness and the development of a private sector-enabling environment

Level 3: Measuring Progress in Institutional Reforms and Operational Performance

The ADB's Results Measurement Framework has retained a set of complementary performance indicators to track the quality and results of Bank operations. Although disaggregating these indicators for PBOs is not common practice, Box I-2 lists indicators that could be disaggregated. As the Bank strengthens the quality and focus of its PBOs, disaggregation will be encouraged. In future, a separate section for PBOs in Annual Portfolio Performance Reviews will allow for more regular tracking of PBOs' performance.

Box I-2: Selected Institutional Effectiveness Indicators Under ADF-11

- Project baseline data at entry
- Timely Project Completion Reports (PCRs)
- Elapsed time to first disbursement
- Satisfactory supervision
- Share of problem projects
- Annual disbursement rate
- Percentage of the portfolio managed by Field Offices
- Projects eligible for cancellation
- Missions conducted jointly
- Twice-yearly supervision
- High-quality PCRs
- Gender-based data in PCRs
- Percentage aid delivered through common arrangements

Annex II: What Do Project Completion Reports Tell Us About the Performance of ADF Policy-Based Operations Under ADF-8, ADF-9 and ADF-10?²⁷

This annex examines the performance of the African Development Fund's policy-based operations (PBOs) over the periods of the Eighth, Ninth and Tenth General Replenishments of the African Development Fund (ADF-8, ADF-9 and ADF-10). Its main purpose is to assess the extent to which the performance of the PBO portfolio can be considered satisfactory. Given recent changes in PBO policy and the PBO approach, it would have been useful to include performance data for operations implemented under the Eleventh General Replenishment of the African Development Fund (ADF-11). Because only a very limited number of Project Completion Reports (PCRs) are available for ADF-11, however, the sample is too small for inclusion.

The African Development Bank (ADB or Bank)'s main tool for systematically assessing PBOs' performance is the PCR, a mandatory assessment that must be submitted within 6 months of project completion. PCRs allow the Bank to track the performance of all loan interventions over time and across instruments, sectors and countries. They rank performance at key stages of the project cycle, including preparation, supervision, and appraisal. They also score the relevance and achievement of project objectives on a scale of 1 to 4 and estimate projects' expected contributions to development and sustainability. Projects are rated as highly satisfactory, satisfactory, unsatisfactory or highly unsatisfactory.

The analysis presented here is based on the PCRs of policy-based lending operations verified by the Bank's Operations Evaluation Department (OPEV) over ADF-8, ADF-9 and ADF-10. It looks only at those PCRs that were independently reviewed by OPEV and does not include all PBOs implemented over the period²⁸. PCRs from ADF-11 operations have not been independently verified and are not included in the analysis.

During ADF-8, ADF-9 and ADF-10, nearly 70 percent of the PBO portfolio in non-fragile states performed satisfactorily.

A Small Sample Size

Of the 61 PBOs approved over the 1999-2007 period, 43 PCRs or 70 percent of the total were independently reviewed by OPEV (Table II-1).

Table II-1: Project Completion Report Samples Analyzed

Time Period	Number of Policy-Based Operations Approved	Number of Project Completion Reports Reviewed by the Operations Evaluation Department	Percent of Policy-Based Operations Whose Project Completion Reports Were Reviewed by the Operations Evaluation Department
ADF-8	20	11	55
ADF-9	22	21	95
ADF-10	19	11	58
Total	61	43	70
<i>of which in fragile states</i>	13	11	85

Source: Operations Evaluation Department and African Development Bank

The sample size was largest for ADF-9, with 21 of 22 PCRs reviewed. Without more complete and evenly distributed samples, it is not possible to draw definitive conclusions regarding performance over the three cycles. Once a more complete sample has been independently verified, OPEV will analyze all PCRs for PBOs conducted over the 1999-2007 period, and in due course, the PCRs for PBOs conducted during ADF-11 (2008-2010).

²⁷ This note has been independently prepared by the Bank's Operations Evaluation Department (OPEV). It is a preliminary review and will be followed by a more complete independent evaluation, also conducted by OPEV (see Annex IV).

²⁸ Although prepared by project teams and operational departments, PCRs are independently verified by OPEV for consistency, accuracy and adherence to the Bank's performance reporting standards.

The Over-Representation of Fragile States

Of PCR that were independently reviewed, PCR for PBOs in fragile states are over-represented in every cycle. During ADF-8 and ADF-9, PCR were submitted for all PBOs in fragile states; for ADF-10, only two PCR remain outstanding. As a result, of the 43 PCR reviewed, 11 PCR or 25 percent of the sample were for PBOs conducted in fragile states. The true number of fragile state PBOs, meanwhile, is just over 21 percent of all PBOs conducted over this period (Table II-2).

Without a more complete and representative sample of PCR, it is difficult to draw definitive conclusions about PBOs' performance. However, it is possible to compare the performance of PBOs conducted in fragile states to the performance of PBOs conducted elsewhere.

Table II-2: Number and Ratings of Policy-Based Operations for Which Project Completion Reports Were Submitted in ADF-8, ADF-9 and ADF-10: Fragile and Non-Fragile States

	Satisfactory	Unsatisfactory	Highly Unsatisfactory	Not Rated	Total	Project Completion Reports Outstanding
ADF-8 PBOs	5	4		2	11	9
of which in fragile states	1	2			3	-
ADF-9 PBOs	12	6	2	1	21	1
of which in fragile states	2	3	1		6	-
ADF-10 PBOs	6	3	2		11	8
of which in fragile states		1	1		2	2
Total PBOs	23	13	4	3	43	18
of which in fragile states	3	6	2		11	2

Note: PBOs=policy-based operations

Source: Operations Evaluation Department, African Development Bank

Non-Fragile PBOs Perform Better

Over the review period, there is evidence that PBOs conducted in non-fragile states performed better than those conducted in fragile states. Nearly 70 percent of PBOs in non-fragile states were considered satisfactory, compared to 27 percent in fragile states (Table II-3). Around 73 percent of fragile state PBOs conducted over the period ranked either "unsatisfactory" or "highly unsatisfactory," compared to 30 percent of non-fragile state PBOs.

This data suggests that PBOs function better in non-fragile, well-performing environments²⁹. But the sample size for fragile state PBOs is small and a more detailed investigation of PBOs' performance in fragile countries is necessary to draw firm conclusions³⁰.

While PBOs in fragile states could, in general, be considered high risk and less likely to perform well, evidence shows that this is not always the case. Three PBOs in Sierra Leone, for instance, consistently scored satisfactorily over ADF- 8 and ADF-9. This finding suggests that PBOs in fragile states work well in certain circumstances. OPEV's proposed evaluation of the Bank's PBO instruments and of ADB operations in fragile states may help pinpoint the factors that contribute to PBOs' success in fragile countries.

²⁹ This finding is consistent with findings reported in the World Bank's 2009 "Development Policy Lending Retrospective."

³⁰ OPEV has prepared an approach paper on the evaluation of the Bank Group's support to fragile states.

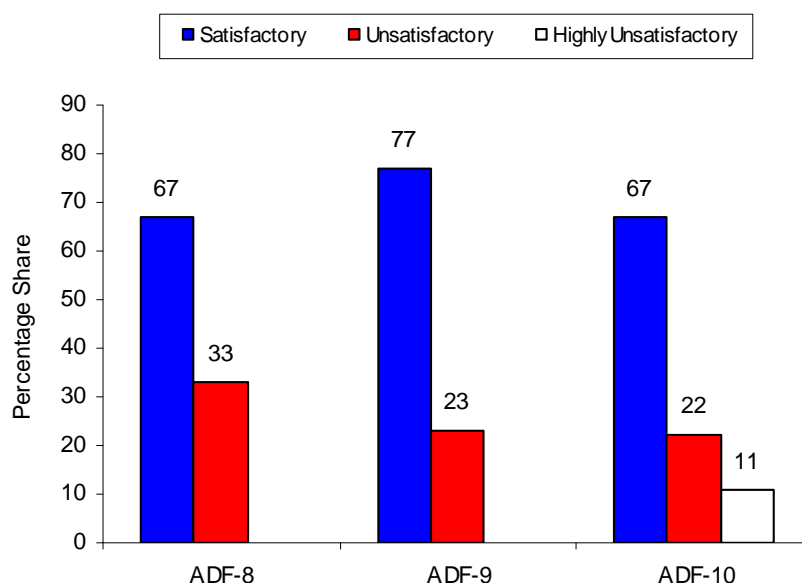
Table II-3: Policy-Based Operations' Performance in Fragile and Non-Fragile States

	Percent Satisfactory	Percent Unsatisfactory	Percent Highly Unsatisfactory
Policy-Based Operations Conducted in Fragile States	27	55	18
Policy-Based Operations Conducted in Non-Fragile States	69	24	7
Total	58	33	10

Source: Operations Evaluation Department, African Development Bank

Figure II-4 illustrates the performance scores of PBOs over ADF-8, ADF-9 and ADF-10. ADF-9's dataset is the most complete. Nine PCRs for ADF-8 and eight for ADF-10 have yet to be reviewed. Insofar as the dip in performance in ADF-10 is concerned, it will not be possible to comment conclusively until all PCRs have been reviewed. In general, however, the data show that if PBOs conducted in fragile states are excluded from the analysis, nearly 70 percent of PBOs over the ADF-8 to ADF-10 period performed in a satisfactory manner. Furthermore, while the sample size is small, the variation in performance across the three ADF cycles is not large. For that reason, performance can be considered consistent over the 1999-2007 period.

Figure II-4: Policy-Based Operations' Performance During ADF-8, ADF-9 and ADF-10 in ADF Countries Excluding Fragile States



Source: Operations Evaluation Department, African Development Bank

Assessing the Performance of Policy-Based Instruments

Verifying PBOs' PCRs is the Bank's principal means of assessing the performance of both projects and policy-based lending instruments over ADF cycles, across countries and over time.

The brief analysis presented here shows that nearly 70 percent of PBOs worked satisfactorily in non-fragile states. There is emerging evidence that PBOs can work well in fragile states as well.

Donors are increasingly recognizing that current means of defining the results of PBOs leave room for improvement. Work in this area is underway and is being supported by several country-based evaluations³¹. OPEV's evaluation will look closely at emerging best practices, at the Bank's design of PBOs, and at ways to link PBO-supported actions to results.

³¹ The European Commission is conducting country case studies of budget support in Mali, Tanzania and Tunisia.

Annex III: Emerging Good Practice for Measuring the Results of Policy-Based Lending Instruments: Lessons from the Literature³²

This paper looks at recent development literature on measuring the results of policy-based operation (PBO) instruments. PBOs have become an increasingly important mode of development assistance in Africa and stakeholders have high expectations of what it can achieve (Box III-1).

Box III-1: The Expected Benefits of Policy-Based Operations

- Increased country ownership of the development process, including accountability to elected bodies;
- Greater donor alignment;
- Expanded service delivery;
- Improvements in planning, budgeting and public financial management;
- Increased transparency through public expenditure tracking;
- Maximal use of country systems;
- Reduced aid transaction costs; and, consequently,
- Greater development effectiveness.

It is legitimate to ask whether these results are being achieved.

Like investment projects, PBOs are more likely to achieve results when there is a clear link between the actions supported by the PBO and the results expected. The issue is not to choose one aid instrument over another, but to ensure that the actions supported by the instrument chosen are clearly linked to the desired results.

Recent literature suggests that aid instruments work best when used in appropriate combinations and sequences. To optimize results, PBOs must be complemented by policy dialogue, technical assistance, capacity building and traditional investment lending³³. Similarly, investment projects can only deliver sustainable results within a supportive policy and institutional environment, which may require policy-oriented operations, technical assistance and capacity building.

This annex reviews emerging good practices for measuring the results of PBOs.

What Are Results?

When used in the context of policy actions, the term “results” generally refers to the positive net benefits or returns to society of a given policy or program. The ability to measure results depends on the ability to define and quantify them.³⁴ Quantifying results can be complicated, particularly if the results accumulate slowly, if the process of change is uncertain or intangible, or if benefits are multidimensional and multisectoral. In addition, the longer it takes for results to manifest, the harder it is to measure them in the short term.

Arguably, measuring results is more straightforward when there is a well-defined link between actions and results, a well-developed monitoring and evaluation system, and a good set of statistics that can be used to measure program implementation.³⁵ This observation suggests that results are easier to measure and capture where policy and statistical capacity is well developed. This is usually the case in more developed countries.

³² The literature review was independently prepared by the Bank’s Operations Evaluation Department (OPEV). OPEV’s forthcoming evaluation will include an extensive literature review that draws lessons from recent international good practice.

³³ Organisation for Co-operation and Economic Development/Development Assistance Committee. 2006. *A Joint Evaluation of Budget Support 1994-2004*.

³⁴ Jack Rabin, W. Bartley Hildreth, Gerald J. Miller. 2006. *Handbook of Public Administration*.

³⁵ World Bank. 2009. *2009 Development Policy Lending Retrospective*.

Results of Policy-Based Operations

PBOs are usually intended to contribute to

- an expansion in service delivery, particularly but not exclusively in health and education; and
- greater efficiency in the use of public resources through improved planning and budget and public financial management reforms.

Emerging evidence supports progress in both of these areas. The World Bank's Policy Lending Retrospective (2009) finds that the public financial management of countries that hosted a public financial management Development Policy Operation³⁶ improved in comparison to countries without such an operation. Evidence also shows that results are more likely to be realized where the design of a lending instrument identifies key weaknesses in public financial management, describes government measures to address these weaknesses, and links specific policy actions to the government's reform priorities. This suggests that results are more likely to manifest when donor-funded actions are clearly linked to government reform priorities. But this is a general finding and applies to all aid instruments, not just PBOs.

The World Bank's retrospective also finds that while all World Bank PBO instruments link to a performance framework of actions, outputs and outcome indicators drawn directly from government programs, PBOs are more successful when (i) a clear link between the program supported and the expected results can be demonstrated and (ii) the program includes baseline and target indicators with which to measure progress.

Conversely, results frameworks are less successful where the link between the actions supported and the results expected of the operation is not explicit³⁷. This happens when PBOs set targets that are either too ambitious or when results cannot be attributed to the operation. Effective results frameworks show very clear linkages between the actions supported and the expected results and/or country goals. As noted in the retrospective, "Some of the best examples of stronger linkages between actions and results...were in operations for countries with a well-designed medium-term development strategy, an already well-developed monitoring and evaluation system, and a good set of statistics that could be used to measure programme implementation."³⁸

In other words, the relationship between PBO instruments and results tends to be clearer where

- the government has a well defined medium-term development strategy;
- the link between policy actions and expected results is clear;
- the government agrees on a clear set of monitoring indicators to assess progress in program implementation, particularly when capacity to implement longer-term reforms is weak; and
- monitoring and evaluation systems are in place and are supported by strong statistical capacity.

Nevertheless, PBOs sponsored by donors remain one contribution among many to longer-term results.

Another consideration that affects the measurement of PBO-related results is that PBOs are increasingly delivered through multidonor operations. This makes it especially difficult to attribute specific results to the inputs provided by a particular donor. The key is to link a harmonized set of programmed inputs to a set of pre-defined development results. Unpacking the results set and tracing specific results to particular interventions is extremely difficult; attributing results to a particular donor is therefore all the more complex and is, in fact, not particularly relevant in an era of shared accountability, shared responsibility, harmonized approaches and joint financing.

³⁶ The Bank Group's PBOs are equivalent to the World Bank's development policy operations.

³⁷ This has been more common in development policy operations in International Development Association countries in Africa and the Middle East and North Africa Region.

³⁸ World Bank. 2009. *2009 Development Policy Lending Retrospective*.

Long-Term Ambitions and Short-Term Results

As stated above, recent findings suggest that the results of PBOs and other aid instruments often improve when the link between the policy action and the expected results has been clearly articulated. However, measuring results is likely to be complicated when

- results are only achievable in the longer term (e.g., a better quality of education, public financial management reform);
- reforms are implemented in an unpredictable environment (e.g., in post-conflict countries or in environments where the capacity to sustain longer-term reform is weak);
- statistical capacity is limited; and
- policy actions are funded by more than one donor.

A solution to the first two problems is to sequence policy actions logically and build them up over time, with one policy action following from another³⁹. This allows results to be captured on an incremental basis. It also allows progress toward longer-term results to be tracked and could prove useful in environments where longer-term commitment to reform is weak⁴⁰.

The goal is to balance longer-term ambitions and shorter-term results. In practice, using a variety of aid instruments—including PBOs, technical assistance and capacity building—is likely to be appropriate. Again, this observation supports the principle that results must be carefully defined.

Finally, poor statistical capacity is likely to be a problem in most PBO settings and it is important to ensure that data collection corresponds with the results targeted. In this instance, technical assistance, project lending and capacity building may be appropriate additional inputs for supporting PBOs.

Joint Donor Support for Country Performance Assessment Frameworks

Donors are increasingly harmonizing their PBOs and aligning them to country-owned performance assessment frameworks. This causes problems of attribution: it is difficult to distinguish one donor's contribution to a result from another's. It is also difficult to measure results if the framework sets them at too high a level (i.e. the national level) or if the framework reflects a country's longer-term policy objectives. The fact that financial resources are provided as an input into a country's budget process may not be sufficient to claim results within a performance assessment framework if the path from financial input to result is not clear.

While many donors are able to aggregate the results of investment lending (projects) across countries (e.g., the number of clinics built or the kilometers of road constructed), aggregation of results is not always possible for PBOs, which often target policy reform objectives for which comparable cross-country data is not often available. However, cross-country data series are presently being built, for example by the Public Expenditure and Financial Accountability framework. This framework is widely used for tracking the performance of public financial management systems. Nevertheless, it is possible for the results of a PBO to include tangible deliverables such as roads or clinics, depending upon the design of the intervention. Again, the goal is to define results and ensure that they can be linked to the action supported by the PBO.

Conclusion

In principle, measuring the results of PBOs is similar to measuring the results of other aid instruments. The ability to measure results depends on the ability to define and quantify them. Effective results frameworks clearly link the actions supported by an operation and the results and country goals expected. It is therefore necessary to find an appropriate balance between longer-term development ambitions and short-term results that capture progress. Problems also arise when actions are supported jointly by multiple donors. For PBOs, this is frequently the case. Crediting one donor with a given result is complex and not necessarily efficient or even appropriate in a post-Paris Declaration, post-Accra Agenda for Action setting.

³⁹ World Bank. 2009. *2009 Development Policy Lending Retrospective*.

⁴⁰ *ibid*

The international development community is paying increasingly attention to the transparency and the use of donor resources and the results that they deliver. Channeling funds through country systems for public financial management encourages the use of government systems for monitoring and tracking and promotes scrutiny by elected bodies and civil society organizations. It also encourages greater efficiency in the allocation of total resources (domestic government resources plus external aid), and contrasts to the labyrinth of project finance and multiple reporting and management arrangements unlinked to domestic budget processes.

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Annex IV: Summary Terms of Reference: The Operations Evaluation Department's Evaluation of Policy-Based Operation Instruments

An independent evaluation of policy-based operation (PBO) instruments used by the African Development Bank (ADB) over the 1999-2009 period will be reported at end-2010. The evaluation will focus on

- **The institutional framework:** To evaluate the ADB's formal policy documents and procedures for the design and delivery of policy-based operations (PBOs). How well do these policies and procedures reflect emerging international (and ADB) best practice? Is the ADB organizationally equipped to enact best practices as regards PBOs?
- **Policy and practice:** To evaluate the ADB's approach to the design, appraisal and delivery of PBO instruments and assess how well its approach matches international best practice and country needs.
- **Choice of aid instruments:** To evaluate how aid instruments are chosen for country programs and how relevant these choices are to partner countries' problems, policies and priorities.
- **Effects at the country level:** To assess the ADB's contributions to policy, systems, or institutions in areas where PBOs are focused.

The evaluation will consist of two main areas of work:

(i) A review of the ADB's institutional and policy framework for PBOs: how corporate strategy, policies and guidelines regarding PBOs have evolved and the extent to which they provide a clear and coherent framework for the design and delivery of PBOs. How PBO policy has influenced the choice of aid instruments in country programs, and how the Bank's organizational structure, systems and staffing arrangements for delivering PBOs has evolved over 1999-2009.

(ii) A review of PBOs in practice: how the Bank has used and applied various PBO instruments; details regarding the Bank's approach to the design and appraisal of PBOs in different countries. This part of the evaluation will also focus on

- design issues such as the appropriateness, the choice and the number of conditions and performance targets contained in PBO instruments;
- appraisal issues, such as the assessment of fiduciary risk;
- the experiences of the World Bank, the European Commission, and other donors, and case studies reported in the academic literature.

The evaluation will not examine the extent to which the ADB's PBO instruments achieve macroeconomic or poverty reduction outcomes. It will, however, assess the extent to which the objectives set for PBOs are realistic and whether the Bank's choice of instruments is appropriate, efficient and effective in comparison to emerging international best practice.

Annex V: Overview of Policy Based Operations Approved Under ADF-11 as of December 2009

	Country	Country Policy and Institutional Assessment quintile	Fragile State (Yes/No)	Type of Policy-Based Operation	Program Name	Board Approval Date	Source and Amount of Financing	Key Objectives
1	Burkina Faso	1 st	No	Budget support	Poverty Reduction Strategy Support Program IV (PRSSP IV)	July 2008	Performance-Based Allocation=Units of Account (UA) 45 million	(a) Improve competitiveness and private sector development (b) Strengthen financial governance and the fiduciary framework (c) Reinforce administrative governance
2	Cape Verde	1 st	No	Budget support	Poverty Reduction Strategy Support Program II (PRSSP II)	December 2008	Performance-Based Allocation=UA 5 million	(a) Strengthen public finance management (b) Improve the business climate
3	Ghana	1 st	No	Budget support	Poverty Reduction Support Loan III (PRSL III)	September 2008	Performance-Based Allocation=90 million	(a) Accelerate private sector-led growth (b) Improve governance and public expenditure management
4	Mali	1 st	No	Budget support	Growth And Poverty Reduction Strategy Support Program (PASCRP)	September 2008	Performance-Based Allocation=UA 33 million	(a) Improve public financial management (b) Promote decentralization
					Supplementary to the PASCRP	November 2009	Performance-Based Allocation (Supplement)=UA 5.5 million	
5	Senegal	1 st	No	Budget support	Poverty Reduction Strategy Support Program	December 2008	Performance-Based Allocation=UA 30 million	(a) Ensure better public resource allocation (b) Contribute to the promotion of the private sector
6	Tanzania	1 st	No	Budget support	Support to Poverty Reduction Strategy III	October 2008	Performance-Based Allocation=UA 100 million	(a) Enhance public financial management (b) Improve the performance of the infrastructure sector (the road sub-sector)
7	Benin	2 nd	No	Budget support	Growth And Poverty Reduction Strategy Support Program (GPRSSP III)	April 2009	Performance-Based Allocation=UA 22 million	(a) Improve public financial management (b) Improve the business climate

8	Lesotho	2 nd	No	Budget support	Poverty Reduction Support Program (PRSP)	November 2009	Performance-Based Allocation=6.3 million	(a) Improve public financial management and procurement
9	Madagascar	2 nd	No	Budget support	Poverty Reduction Budget Support Programme Phase II (PRPSB II)	July 2008	Performance-Based Allocation=UA 60 million	(a) Improve public resource management (b) Support the water and sanitation sector
10	Mozambique	2 nd	No	Budget support	Poverty Reduction Support Loan II	October 2008	Performance-Based Allocation=UA 60 million	(a) Improve Government's financial accountability (enhance auditing functions) (b) Strengthen local government frameworks for decentralized financial management
11	Nigeria	2 nd	No	Sector budget support	Economic and Power Sector Reform Program (EPSERP)	October 2009	Performance-Based Allocation=UA 100 million	(a) Improve the electricity system and the business environment (b) Sustain growth through macroeconomic policies and budget priorities
12	Rwanda	2 nd	No	Budget support	Poverty Reduction Strategy Support Program	May 2009	Performance-Based Allocation=UA 30.3 million	(a) Foster an enabling environment for private sector development (b) Improve governance in public finances
13	Zambia	2 nd	No	Budget support	Poverty Reduction Support Loan II	October 2008	Performance-Based Allocation=UA 15 million	(a) Develop the private sector (b) Reform public financial management
14	Liberia	3 rd	Yes	Budget support	Budget Support to Public Financial Management Reform	December 2008	Fragile States Facility=UA 9 million	(a) Strengthen public financial management systems (b) Modernize revenue administration (c) Reinforce procurement and audit systems
					Supplement	May 2009	Fragile States Facility (Supplement)=UA 3.386	
15	Gambia	3 rd	No	Budget support	Poverty Reduction Support Program	January 2009	Performance-Based Allocation=UA 3 million	(a) Promote efficiency, transparency and accountability in the use of public resources (b) Support the implementation of the Government's civil service reform strategy; (c) Help the national budget absorb the fiscal impact of rising food and fuel import prices

16	Ethiopia	3 rd	No	Budget support	Protection of Basic Services II	December 2008	Performance-Based Allocation=UA 110 million	(a) Enhance local financial governance (b) Strengthen the budget process, especially at the sub-national level (c) Improve decentralized service delivery for basic services (health, education, agricultural extension, water and sanitation) at the local level
17	Sierra Leone	3 rd	Yes	Budget support	Economic Governance Reform Program I (EGRP I)	May 2009	Fragile States Facility=10 million	(a) Support core public financial management reforms (b) Improve revenue administration (c) Enhance external audits
18	Malawi	3 rd	No	Budget support	Poverty Reduction Support Grant I (PRSG I)	March 2009	Performance-Based Allocation=UA 10 million	(a) Improve public financial management accountability and transparency
19	Burundi	4 th	Yes	Budget support	Second Economic Reform Support Program (ERSP-II)	November 2008	Fragile States Facility=UA 12 million	(a) Strengthen the public finance control system
20	Central African Republic	4 th	Yes	Import support	Economic Reform Support Program Phase II (ERSP II)	October 2008	Performance-Based Allocation=UA 6.5 million	(a) Improve public financial management (b) Consolidate public sector economic governance
21	Comoros	5 th	Yes	Budget support	Economic Reform Support and Financial Governance Program (PAREGF)	July 2009	Fragile States Facility=UA 2 million	(a) Improve public financial management (b) Streamline reform processes
22	Côte d'Ivoire	5 th	Yes	Budget support	Economic and Financial Reform Support Program (PAREF)	March 2009	Performance-Based Allocation=UA 38.0 million Fragile States Facility=UA 45.87 million	(a) Improve public financial management systems (b) Strengthen public procurement systems
23	Democratic Republic of Congo	5 th	Yes	Import support	Emergency Program to Mitigate the Impact of the Financial Crisis	May 2009	Performance-Based Allocation=UA 65 million	(a) Facilitate the supply of imported essential goods and commodities (b) Finance urgent targeted public expenditures
24	Togo	5 th	Yes	Import support	Reform and Governance Support Program	February 2009	Fragile States Facility=UA 10 million	(a) Strengthen public procurement (b) Improve the business climate

Source: African Development Bank