

AFRICAN DEVELOPMENT BANK GROUP



OPERATIONS EVALUATION DEPARTMENT (OPEV)

Evaluation of Paris Declaration Implementation at the African Development Bank

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Preface

The Paris Declaration on Aid Effectiveness, endorsed in 2005, is a landmark international agreement and the culmination of several decades of attempts to improve the quality of aid and its impact on development. The Accra High Level Forum in 2008 adopted an Agenda for Action to accelerate progress toward the Declaration objectives, and to strengthen or sharpen a number of commitments.

This report summarizes the findings, conclusions, and recommendations of an independent evaluation of the “Paris Declaration Implementation at the African Development Bank.” The evaluation is one of a series of donor and partner country evaluations undertaken as part of the global evaluation of the Paris Declaration commissioned and overseen by an International Reference Group. The Group comprises representatives of donors and multilateral agencies, partner countries and representatives of civil society. All the evaluations will feed into a global synthesis report for the 4th High Level Forum in Busan (Korea) on aid effectiveness (29 November-1 December 2011).

The evaluation was undertaken by an international team of consultants from Information Training and Agricultural Development LTD (ITAD), commissioned by the Bank’s Operations Evaluation Department (OPEV).

It is worth noting that the emphasis of the AfDB evaluation was on the processes the Bank put in place to enable it fulfil its commitments under the Paris Declaration. The expectation is that the 21 country evaluations undertaken as part of the global evaluation of Paris Declaration will enrich the AfDB study by providing information on the contribution of the Paris Principles to development results at the country level. This information is in the various country evaluation reports and the global synthesis report.

The evidence in the AfDB report is based on a policy document review, organizational review, staff survey, country studies, visits to the Temporary African Development Bank Headquarters in Tunis, country visits to four of the Bank’s field offices, and a review of the transport sector and trust funds programs. The working papers from these various components of the consultation, together with the full report of the evaluation, will be posted on the Operations Evaluation Department’s home page: <http://www.afdb.org/OPEV>.

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An independent team from ITAD undertook this evaluation. The core team included Johanna Pennarz (Team Leader), Dane Rogers (Deputy Team Leader/Organisation Specialist), Mark Watson (Economist/Sector Specialist Infrastructure), Jups Kluyskens (Social Sectors Fragile States Specialist) and Ines Rothman (Economist/Policy Analyst). The country case studies included a team of National Aid Effectiveness Specialists: Gerrishon Ikiara (Kenya), Fernand Sanou (Burkina Faso), Palimatou Kaghere Ripa (Cameroon), and Edward Chisala (Malawi).

The evaluation was commissioned by OPEV. The OPEV team included Colin Kirk (former OPEV Director), Jessica Kitakule-Mukungu (Evaluation Manager), Akua Arthur-Kissi (Research Assistant), and other OPEV staff who provided comments.

As part of this evaluation, the team conducted four country visits. All visits were well prepared and coordinated by the field offices in Kenya, Malawi, Burkina Faso, and Cameroon, and the team would like to thank them for their support.

The evaluation conducted a series of interviews and focus groups, as well as a staff survey, at AfDB headquarters in Tunis. The team would like to thank all of the staff who contributed their time and views to this evaluation.

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ACRONYMS

AAA	Accra Agenda for Action
AE	Aid Effectiveness
ADF	African Development Fund
AfDB	African Development Bank
CAR	Central African Republic
CCI	Commitment, Capacities and Incentives
CFAA	Country Financial Accountability Assessment
COO	Chief Operating Officer
CPA	Country Performance Assessment
CPAR	Country Procurement Assessment Report
CPIA	Country Policy and Institutional Assessment
CSO	Civil Society Organisation
CSP	Country Strategy Paper
DAC	Development Assistance Committee
DBSL	Development Budget Support Lending
DHN	National Department of Hydraulics (Mali)
DNACPN	National Directorate for Pollution and Environmental Nuisance (Mali)
DP	Development Partner
FSF	Fragile States Facility
FO	Field Office
GBS	General Budget Support
GEFS	Good Engagement in Fragile States
GRZ	Government of the Republic of Zambia
H&A	Harmonisation and Alignment
HQ	Headquarters
HR	Human Resources
JAS	Joint Assistance Strategy
MDB	Multilateral Development Bank
MfDR	Managing for Development Results
MICs	Middle Income Countries
MOPAN	Multilateral Organisations Performance Assessment Network
NEPAD	New Partnership for Africa's Development
NGO	Non-Governmental Organisation

OECD	Organisation for Economic Co-operation and Development
OPEV	Operations Evaluation Department (AfDB)
ORPC	Operational Resources and Policies Department
ORQR	Quality Assurance and Results Department
ORVP	Vice President for Country Operations, Regional Programs and Policy Complex
PBL	Policy-based Loan
PBO	Policy-based Operation
PD	Paris Declaration
PEFA	Public Expenditure and Finance Accountability
PER	Public Expenditure Review
PFM	Public Finance Management
PIU	Project Implementation Unit
POPR	Operations Policy and Review Department
PRSP	Poverty Reduction Strategy Paper
QEA	Quality at Entry Assessment
RBCSP	Results-based Country Strategy Paper
RBM	Results-based Management
RMC	Regional Member Country
RMF	Results Measurement Framework
SMART	Self-Monitoring, Analysis and Reporting Technology
SWAp	Sector-wide Approach
TA	Technical Assistance
TCB	Technical Assistance and Capacity Building
TFIR	Task Force for Institutional Reform
TOR	Terms of Reference
UA	Unit of Account
UNRA	Uganda National Roads Authority

EXECUTIVE SUMMARY

Purpose and approach to this evaluation

1. This evaluation is one of a series of donor agency and country evaluations contributing to Phase Two of the Global Evaluation of the Paris Declaration (PD). The purpose of this evaluation is to assess African Development Bank's (AfDB) performance as an institution in fulfilling its commitments to the Paris Declaration. The evaluation focuses on the context and institutional aspects of PD implementation. The institutional aspects have been reviewed according to three dimensions: leadership and commitment, capacity, and incentives.

2. The evaluation has used a range of methods for data collection, drawing from different sources, including policy document review, organisation review (including staff survey), review of country strategies and portfolios (covering 15 regional member countries, RMCs), country visits (Kenya, Malawi, Burkina Faso, Cameroon) and stakeholder interviews and discussions at AfDB headquarters in Tunis.

Key findings

3. **Overall performance:** The review of Bank policies, country strategies, and portfolios shows that the Bank has performed well on ownership and harmonisation principles. The Bank has consistently promoted country ownership and leadership. With its greater field presence, the Bank has increasingly participated in consultative mechanisms and frameworks. The Bank's performance has not been satisfactory with regard to alignment, managing for development results (MfDR), and mutual accountability, although some progress has been noted in these areas. Performance ratings are consistent with Paris Survey data¹ and country visit findings.

4. There are a number of areas where the Bank has made good progress towards Paris Declaration principles since 2005:

- The Bank has signed on to the Joint Assistance Strategies (JAS) for a number of countries (Central African Republic, the Gambia, Sierra Leone, Tanzania, Kenya, Liberia, Zambia, and Uganda).
- It has harmonised its procurement rules and procedures with other multilateral development banks and removed the rules of origin for the African Development Fund (ADF), which were a major impediment to further harmonisation and alignment of Bank support.
- The Bank has, within the limitations set by the African Development Fund (ADF), increasingly used budget support to respond to the needs of RMCs.
- It has made substantial contributions to building country capacity in public finance management and statistical capacity.
- It has increased its field presence, and as a result has strengthened the Bank's engagement with RMCs and other development partners.

¹ Paris Declaration Survey data are available from the OECD-DAC website (<http://www.oecd.org>). At the time of this evaluation, only 2005 and 2007 were available.

- It has made efforts to strengthen the broad-based ownership of its Country Strategy Papers (CPS) and align country programmes with RMCs' priorities.
- The Bank has strengthened Africa's leadership on development through support of regional institutions promoting economic and financial governance.
- Practices for mutual accountability are emerging as a result of stronger partnerships at the country level.

5. Progress has been generally better where the Bank's mission has overlapped with the aid effectiveness (AE) agenda. The Bank has communicated its commitment to ownership of the aid agenda consistently, through policies and strategies; and its efforts to build RMC capacities for effective leadership have been consistent with this commitment.

6. Progress has been inconsistent in areas that are not supported by the Bank's corporate strategy. Alignment with country systems has been ad hoc, often as a result of demands by country governments. A long-term approach has been missing. Performance-related issues (time lapse between approval and effectiveness, low disbursement rates, slow procurement of goods and services) have often been addressed through short-term solutions (training, consultants). The Bank's cautious approach to risk management has made it reluctant to use country systems, which has slowed progress. The Bank has no strategic stance on the use of more aligned modalities other than budget support and, as a result, progress in the use of common instruments (such as participation in pooled funds or sector budget support) is slow and variable.

7. The transition to new ways of working under the aid effectiveness agenda is creating dilemmas and conflicts. Bank staff perceive the inherent tension between the key drivers of Bank performance (risk awareness, disbursement pressure) and the new ways of working under the aid effectiveness agenda. The existing Bank documents do not provide clarity on how choices and challenges resulting from the aid effectiveness agenda should be addressed at the operational level.

8. Decentralisation offers a unique opportunity to harness the latent capacities and intrinsic motivation available within countries. Delegation of authority to field offices and a stronger focus on technical capacity within the country will help to harness those potentials.

9. The Bank has not yet leveraged the opportunities of policy dialogue within the new aid architecture. The Bank has traditionally treated budget support as a funding mechanism rather than as part of a package which includes policy dialogue to support effective country leadership. The Bank often lacks the critical mass of qualified staff on the ground that would enable an effective role in policy dialogue.

10. The Bank has missed opportunities to link institutional performance with aid effectiveness principles within its corporate strategy. Reference to aid effectiveness is scattered throughout the Bank's corporate strategies. There is no overall strategy document to guide the Bank's approach to aid effectiveness in line with its mission.

11. The Bank has not invested substantially in developing and implementing an organisation-wide approach to integrating aid effectiveness principles into its work. The Bank's efforts over time have been fragmented, inconsistent, and under-resourced. In the absence of a clear rationale and strategy for implementing aid effectiveness principles, aid effectiveness has often been treated as an add-on. Aid effectiveness principles are addressed on a case-by-case basis rather than in response to an overarching strategy for aid effectiveness.

12. Institutional arrangements for aid effectiveness have not been adequate and have led to a fragmented approach. Different parts of the organisation have made some efforts to address AE principles, but overall progress has been fragmented across the organisation. The Bank has not had an effective approach to mainstreaming AE principles in the organisation. It has not provided the organisational arrangements and resources for an aid effectiveness strategy. Capacity to coordinate an action plan on aid effectiveness has been insufficient.

Conclusions

13. There is a strong case for aid effectiveness as part of the Bank's strategy to improve performance and standing within Regional Member Countries. However, the Bank must respond fully to the aid effectiveness agenda at the country level to fulfil its vision of being Africa's premier financial development institution.

14. The main bottlenecks to implementation of the aid effectiveness agenda on the ground are weak capacities and conflicting incentives. Strong incentives relating to financial performance have been driving country portfolio management, often at the expense of aid effectiveness principles. The move to new, truly country-led ways of working will require strong and sustained commitment in all parts of the organisation and will take further, far-reaching institutional reforms.

Recommendations

15. ***Establish the case for aid/development effectiveness within the organisation:*** The President of the Bank has already made a powerful case for focusing on development effectiveness.² The evaluation endorses this move. In order to achieve better coherence between aid effectiveness (in the following referred to as "development effectiveness") principles and its corporate strategy, the Bank has to make the case that it is in its own interest to strengthen country capacities and leadership if it wants to improve its performance over the long term. The upcoming strategic planning process will be an opportunity to establish the relevance of development effectiveness principles within the Bank's corporate strategy.

16. ***Mainstream development effectiveness principles:*** The Bank will only be able to address development effectiveness in a consistent way if the principles are integrated in all parts of the organisation. The Bank needs to make sure that there are clear responsibilities and incentives and that all staff are pulling in the same direction with regard to development effectiveness. The Roadmap for Aid Effectiveness has been a first step to raise awareness and consolidate efforts through a Bank-wide approach.

17. ***Manage strategic decisions:*** It is not sufficient to formulate policies and strategies and take strategic decisions. Strategic decisions need to be managed purposefully and systematically. This requires a proactive approach to anticipate and mitigate the challenges and risks that accompany change. "Change management" can be purposefully linked to the ongoing decentralization reform. In line with the Decentralisation Roadmap, we propose that the office of the Chief Operating Officer (COO) should be responsible for monitoring the transition to new ways of working. The COO will be reporting to the board on the change initiatives.

² The Tunis Consensus—Targeting Effective Development: From Aid effectiveness to Development Effectiveness. Tunis, 4-5 November 2010.

18. The evaluation suggests specific action points as part of the recommendations highlighted in section 6.2 of this report summary report.

1. INTRODUCTION

1.1 Purpose and scope of this evaluation

1.1.1 This evaluation is one of a series of donor agency and country evaluations contributing to Phase Two of the Global Evaluation of the Paris Declaration (PD). The terms of reference (TOR) for this evaluation are therefore based on the generic TOR for the global evaluation and the generic evaluation framework.

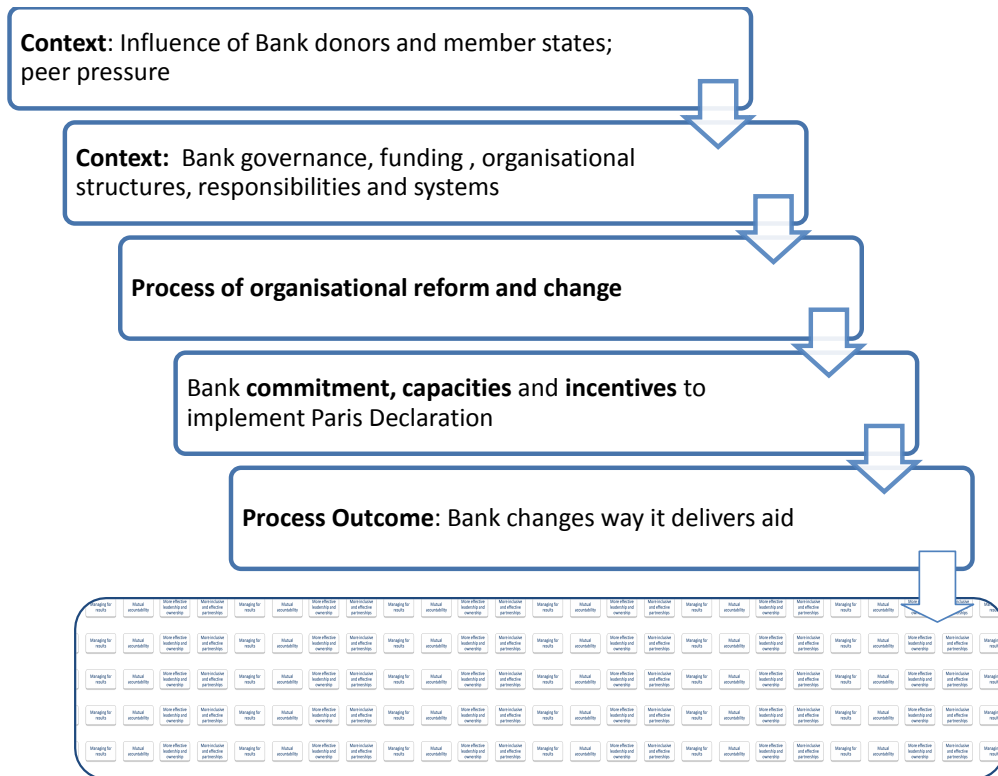
1.1.2 The purpose of this evaluation is to assess the African Development Bank’s (AfDB’s) performance as an institution in fulfilling its PD commitments. The evaluation focuses on learning by asking the questions: ‘Are we doing the right things?’ (relevance of the choices the Bank has made to deliver on the PD commitments); and ‘Are we doing things right?’ (effectiveness of the actions taken).

1.1.3 The analysis of process and results will focus on the following levels:

- **Context:** Contextual factors affecting the relevance and implementation of PD.
- **Enabling conditions:** Institutional aspects that are key to shaping donor behaviour, including *commitment, capacities and incentives (CCIs)*.
- **Process outcomes:** To what extent has the implementation of the PD led to an improvement in the efficiency of aid delivery and better partnerships?

1.1.4 The following chart presents the results chain (theory of change) for this evaluation.

Figure 1: Theory of Change for Paris Declaration Evaluation at the AfDB



1.2. Methodology

1.2.1 This evaluation has used a range of methods for data collection, drawing from different sources:

1.2.2 The Bank's **policy documents review** assessed the extent to which AfDB has promoted PD principles, policies, and strategies. It used a policy timeline tool to assess the progression in AfDB's thinking and the timeliness with which individual policies, strategies, and guidelines have been formulated.

1.2.3 The **organisation review** assessed how organisational factors at the headquarters level have influenced PD implementation, using three tools: the organisational diagnostic tool; a staff capacity and incentives survey; and a focus group discussion. The **staff survey** was designed to explore staff perceptions of the Bank's commitment, capacity, and incentives for implementation of aid effectiveness principles. The total number of responses collected was 295, which equates to a response rate of 59 percent. During two visits to the AfDB headquarters in Tunis, the evaluation team consulted with key stakeholders in this evaluation, and conducted interviews with representatives from all operational complexes. A focus group discussion provided the space to discuss issues relating to CCIs emerging from the staff survey and to analyse underlying issues.

1.2.4 The review of **country strategies** and **country portfolios** covered a sample of 15 countries. In addition, the evaluation team conducted **four country visits** (Kenya, Malawi, Burkina Faso and Cameroon), where it consulted with a wide range of stakeholders, including government and other development partners.

1.2.5 The evaluation included two **case studies**, a sector case study and a thematic case study, for in-depth analysis of key factors driving or hindering AfDB's performance on aid effectiveness. Transport was selected as the sector having a strategic priority for the Bank, and the case study highlights some of the key challenges for aid effectiveness. The review of trust funds focussed on issues of harmonising the number of donors at the headquarters level.

2. FINDINGS

2.1 Contextual factors

2.1.1 **Pre-Paris:** As a result of the Millennium Development Declaration 2000, the Monterrey Consensus 2002, and the Rome Declaration 2003, the Bank took aid effectiveness (AE) principles into account in its Strategic Plan 2003–2007 as a key element to improve its performance. Since then, the Bank has been involved in various partnerships, structured around harmonisation and alignment (H&A) and managing for development results (MfDR) at the country and institutional levels (e.g., OECD-DAC working party on aid effectiveness; multilateral development bank (MDB) technical working groups on financial management, procurement reform, environmental assessment, governance and capacity building, and evaluation cooperation). In addition to the developments in the wider international aid arena, the strong internal push at AfDB towards organisational effectiveness and focus on results since 2005 has led to promotion of aid effectiveness, and in particular, to a focus on MfDR.

2.1.2 **Paris Declaration:** In response to the signing of the Paris Declaration in 2005, the Bank developed in 2006 its main guiding policy instrument for aid effectiveness—the Bank Group Action Plan on Harmonisation, Alignment and Management for Development Results. The Bank was also a major actor in the Accra High Level Forum on Aid and Effectiveness in 2008. The PD has clearly influenced the Bank in putting greater emphasis on development effectiveness, but with a clear focus on H&A and MfDR. For example, the Bank Group

Action Plan on Harmonisation & Alignment and Managing for Development Results 2006 focuses on these three principles; and the Roadmap to Development Effectiveness 2010 initiates monitoring of the PD indicators 3 to 10, which refer to alignment, harmonisation and MfDR.

2.1.3 African Development Fund–11 Mid-term Review: In 2008, in the context of the ADF–11 replenishment process, internal Bank lesson learning and synthesis of experiences on aid effectiveness led to the development of a background paper on the Implementation of the Paris Declaration. These developments motivated the Bank to enhance its policy framework on aid effectiveness. A range of new strategies and guidelines were developed (e.g., on engagement in fragile states, governance, the use of country systems) to provide additional guidance on implementing PD commitments in operations. The ADF-11 mid-term review in 2009 also informed the Bank’s new Roadmap for Development Effectiveness 2010, which has increased the Bank’s emphasis on capacity development. Streamlining the Bank’s financial management and procurement processes was another major development at that time.

2.2 Assessment of progress

2.2.1. Overall assessment

The review of Bank policies, country strategies, and portfolios shows that the Bank has performed well on ownership and harmonisation principles (rated ‘moderately satisfactory’; see Annex 2). The Bank has consistently promoted country ownership and leadership. With its greater field presence, the Bank has increasingly participated in consultative mechanisms and frameworks. The Bank’s performance has not been satisfactory with regard to alignment (rated ‘moderately unsatisfactory’), MfDR (‘unsatisfactory’), and mutual accountability (‘unsatisfactory’), although some progress has been noted in these areas. The Bank has implemented a number of institutional reforms (decentralisation, procurement, higher budget support cap) to enable greater harmonisation and alignment, but this has not yet translated into use of more aligned and harmonised ways of working (use of country systems and new aid modalities). The focus on MfDR at headquarters has not yet been translated into a greater focus on results in country strategies and portfolios. Bank policies do not convey a strategic stance on mutual accountability, but some good practices are emerging at the country level. Performance ratings are consistent with Paris Survey data³ and country visit findings (see Annex 3).

2.2.2 Areas where progress has been made

Since 2005, the Bank has made good progress towards Paris Declaration principles in a number of areas.

- ***The Bank has increasingly used budget support to respond to RMC demand.*** The cap on the maximum amount of funding that can be spent as general budget support (GBS) has been increased from 22.5 percent under ADF-10 to 25 percent under ADF-11. Cumulative commitments as policy-based loans (PBLs) in ADF countries rose from 14 percent in ADF-10 to about 24 percent in ADF-11.⁴

³ Paris Declaration Survey data are available from the OCED DAC website (<http://www.oecd.org>). At the time of this evaluation, only 2005 and 2007 were available.

⁴ Within the evaluation sample of 15 RMCs, the Bank provides budget support in 10 countries: Benin, Botswana, Burkina Faso, Burundi, Central African Republic, Malawi, Morocco, Mozambique, Sierra Leone, and Zambia.

- ***With the establishment of a greater field presence, the Bank has become more active in the aid effectiveness agenda on the ground.*** Dialogue with governments and other development partners has led to stronger relationships and improved analysis of the country context, which is gradually translating into better alignment of support. The presence of field offices has deepened the Bank's participation in development partner (DP) sector working groups, particularly since 2007, with many field offices involved in five to eight working groups, and in some cases many more. The Bank has led DP working groups in a number of countries (e.g., general budget support in Tanzania, Malawi, and Burkina Faso; transport in Kenya and Mozambique).
- ***The Bank has made efforts to strengthen the broad-based ownership of its country strategy papers (CSPs) and to align country programs with RMC priorities.*** Bank CSPs are generally aligned with national poverty reduction strategies or mid-term strategies.⁵ The Bank has made progress in aligning its support to government policies and budgets. Paris Survey data for 2005 and 2007 showed that the Bank performed above average on predictability and on reporting aid on budgets. Disbursement through the national treasury has helped RMC governments to monitor aid flows. This was acknowledged by governments during country visits (e.g., to Kenya and Malawi).
- ***Bank country strategies are developed in close consultation with country stakeholders.*** In the CSP review, the highest rating was for ownership criteria.⁶ The participatory approach to CSP formulation, and increased attention to analysis and to strengthening national capacity, are important pre-conditions for RMC ownership. During country visits, stakeholders (including governments and other DPs) made positive comments about the CSP consultation process.
- ***The Bank has provided support to public finance management (PFM) and economic governance to strengthen country ownership and leadership.*** Capacity building in the areas of public sector management and good governance has become an integral part of Bank operations in RMCs. Increasingly, support is being provided to national accountability actors such as parliament, anti-corruption commissions, and supreme audit institutions. The Bank adopted strategic directions on governance in 2008 and formulated an overarching strategy on capacity development in 2010.
- ***Recent initiatives to support country statistical systems are good practice on harmonisation, alignment, and results-based management.*** The AfDB, as part of its focus on results, has committed to helping build statistical capability in all 52 regional member countries. So far, it has undertaken country statistical profiles for Ghana, Kenya, Lesotho, Mozambique, Togo, the Gambia, and Zambia. Reports for these assessments are in the process of being finalised.
- ***Practices for mutual accountability are emerging as a result of stronger partnerships at the country level.*** Joint portfolio reviews, with mutually agreed actions to address identified weaknesses, are emerging as good practice in some countries (Kenya, Burkina Faso).

⁵ See annexes 2 and 3. All 15 CSPs reviewed were rated 'satisfactory' with regard to policy alignment.

⁶ Eleven out of 15 CSPs were rated 'satisfactory' with regard to ownership criteria; 9 were 'satisfactory' on harmonisation; and 6 were 'satisfactory' on alignment (which includes policy alignment and systems alignment).

2.2.3. Areas where limited progress has been made

The evaluation also noted a number of areas where progress has been limited:

- ***Progress on use of country systems has been slow.*** Paris Survey data for 2005 and 2007 indicated some progress in the use of country public financial management systems, but less progress in the use of partner country procurement systems. Progress on the use of audit systems has been uneven, with the main tensions concerning the governance of audit arrangements. In countries where the use of a national auditor is required by law, such as Kenya, reports still have to be counter-signed by the Bank.
- ***Progress in reducing the number of project implementation units (PIUs) has been variable.*** Paris Survey data show that the Bank has made some progress in reducing the use of PIUs since 2005, but country visits and portfolio reviews found there are still many cases where PIUs or PIU-like structures are preferred. Some RMCs are taking a lead in eliminating external PIUs: in Kenya, the Bank has integrated all PIUs into government structures. In Malawi, the Government is committed to eliminating PIUs by the end of 2011; as a result, the number of PIUs used to support Bank projects has dropped from eight to three in the last two years.
- ***The Bank is slow to move towards harmonised ways of operating at the country level.*** Paris Survey data for 2005 and 2007 showed that, at the time the surveys were taken, the Bank had made no progress in the use of programme-based approaches, or in coordinating its missions and country analysis work with that of other development agencies. The 2009 survey by the Multilateral Organisations Performance Assessment Network (MOPAN) noted concerns about the Bank's inconsistent participation in joint missions and programme-based approaches, other than through budget support. In countries where the Bank has joined a sector-wide approach (SWAp) (e.g., Kenya, Cameroon), it still provides its support through project funding.
- ***The Bank has not yet achieved greater results focus at the operational level.*** The Bank's initial efforts to strengthen MfDR went into the design of frameworks and indicators, not into systems for data collection. This partly explains why the MfDR agenda is not yet delivering on an operational level. Currently, Bank programmes monitored through the use of indicators are often derived from poverty reduction strategy paper (PRSP) monitoring frameworks, but insufficient attention has been paid to data availability and reliability, and to alignment of outcome and impact indicators with sector plans.

2.3 Overview: Factors explaining the Bank's performance

2.3.1 The evaluation used three dimensions to explain the Bank's performance on aid effectiveness: *commitment, capacity, and incentives*.

- Strong **commitment** to aid effectiveness principles explains why the Bank has performed well on some aid effectiveness principles. The Bank has a strong commitment to ownership, and has performed well with regard to ownership-related criteria. The Bank's commitment to increase field presence has been strong, and partnerships have been strengthened as a result. Decentralisation reform is seen, by both staff and RMC partners, as the single most important factor affecting the Bank's performance on aid effectiveness. However, slow progress means that delegation of responsibilities is still ongoing, and the scope for effective engagement at the country level remains limited. As part of its commitment, the Bank has to manage the risks

arising from the aid effectiveness agenda. The Bank has been looking for ways to share risks (with regard to fiduciary management) with other development partners.

- Weak **capacity** to implement aid effectiveness explains why—despite the Bank’s strong commitment—overall performance has been patchy. Organisational arrangements to integrate aid effectiveness principles are inadequate, and the Bank has not sufficiently invested in the capacities and skills required to implement the aid effectiveness agenda. Weak staff awareness and capacities has been cited as most important constraint in the staff survey.
- **Incentives** for management and staff to implement aid effectiveness principles are insufficient; and there are strong disincentives, such as financial targets, that explain the persistence of non-aligned practices, such as PIUs.

2.3.2 The following chapter presents, in further detail, the enabling and constraining factors explaining the Bank’s performance on aid effectiveness. These factors are summarized in the table below.

Table 1: Key factors explaining the Bank’s performance

	Enabling Factors	Constraining Factors
Commitment (Chapter 3)	Commitment to RMC ownership (3.2.) Strong RMC partnerships (3.3) Decentralisation - RMCs (3.4.) Decentralisation –DPs ((3.5.) Sharing risks (3.6.)	Gaps in policy framework (3.1.) Decentralisation – slow progress (3.4.) Avoiding risks (3.7.)
Capacity (Chapter 4)	New staff (4.3.)	Internal coordination (4.1.) Insufficient guidance (4.2.) Skills and capacities (4.3.) Field offices capacities (4.4.) Insufficient financial resources (4.5.)
Incentives (Chapter 5)	Intrinsic motivation (5.1)	Performance appraisal (5.1.) Performance targets (5.2.)

3. COMMITMENT

3.1 Policy framework

3.1.1 The policy timeline (see Annex 1) indicates a continuous effort by the Bank to develop a policy framework on aid effectiveness. This has been a dynamic process, with clear phases of slower and faster efforts at reform. The Bank has been responsive to the commitments as well as to new thinking in the aid effectiveness arena over time. Yet, the sequencing in building a policy framework on aid effectiveness has not always followed a linear logic from policies to strategies to guidelines.

3.1.2 Moreover, there is no overall policy or white paper on the Bank's approach to development cooperation that could also provide the overall policy framework for aid effectiveness. There is the Bank's policy on poverty reduction and there are the medium-term strategic plans, but the extent to which they clarify the application of aid effectiveness principles within the context of development cooperation is limited.

3.1.3 The policy documents review identified specific gaps in the Bank's policy framework. While there are guidelines on development budget support lending (DBSL), none of the policies or strategies articulates a clear preference for more aligned aid modalities, such as budget support or other programme-based approaches. There is no strategic framework or fiduciary risk assessment framework which would help the Bank decide on an appropriate aid modality mix. Aside from the general commitments included in the Bank Group Action Plan on H&A and MfDR 2006, there is no specific consolidated guidance on the conditionality approach and the commitment to improved predictability. The policy framework does not provide guidance on the Bank's approach to mutual accountability, division of labour, or untying of aid.

3.2 Ownership—the Bank's commitment

3.2.1 The Bank had promoted country ownership as an important principle for effective poverty reduction prior to Paris. The Bank's commitment to country ownership has been driving efforts to align its support to country priorities ever since it joined the Comprehensive Development Framework⁷ Partnership Group in 1998. The Bank's commitment to strengthen ownership is closely related to the specific role it has to play as an *African* Development Bank within the African context. For example, the High Level Panel Report (2007) highlighted the Bank's responsibility in strengthening African Ownership as part of the aid effectiveness agenda.

3.2.2 The Bank has consistently promoted country ownership and partnership through its policies and strategies. Ownership was one of the key elements of development effectiveness promoted in the Bank's Strategy on Poverty Reduction 2003, which highlighted country ownership and stakeholder participation as central components of Bank support. It is largely for this reason that Bank CSPs are based on a consultative approach.

3.2.3 The commitment to partnership also means that the Bank has almost naturally ventured into practices of mutual accountability, even though there is no strategy or policy. Joint portfolio reviews that have been conducted in a number of countries are an example of this.

⁷ The Comprehensive Development Framework—launched by World Bank President James D. Wolfensohn in early 1999—provided conceptual underpinnings for the Poverty Reduction Strategy Papers (PRSPs) and fed into the later aid effectiveness initiatives.

3.2.4 The Bank is seen as a willing and responsive partner that stands by Government in times of political or economic crisis. For example, in Kenya the Bank continued to disburse its support during the political crisis of 2008, when most other development partners had withdrawn funding. In Burkina Faso, the Bank has cancelled non-performing projects and transferred them into budget support (PBL). The commitment to supporting RMCs during difficult times has made the Bank a reliable partner.

3.2.5 Related to the Bank's commitment to strengthen Africa's leadership on development is the support it provides to regional institutions that promote economic and financial governance. These include the Collaborative African Budget Reform Initiative (CABRI), the African Organisation of Supreme Audit Institutions (AFROSAI), and the African Tax Administrators Forum (ATAF) established in 2009 (Annual Report 2009, p. 25).

3.2.6 All of this means that the AfDB has been working towards ownership principles as part of its mission and core values. It has pursued a partnership approach based on mutual trust, and this has strengthened African leadership on development issues.

3.3 Partnership—a responsibility to engage

3.3.1 The Bank's special role as donor and development partner in the African context is also recognised by other development partners. Country visits confirmed that DPs expect the Bank to serve as a role model in strengthening government leadership through credible engagement at the heart of the development agenda. The evaluation has identified several areas where the Bank will have to step up its responsibility as a leading dialogue partner.

3.3.2 *Budget support as part of the policy dialogue:* The Bank sees budget support as the preferred modality of most RMCs because this strengthens national ownership and leadership (Annual Report 2009, p. 23). The Bank has traditionally relied on conditionalities to address governance issues in relation to budget support. Evidence on legal measures and reforms to improve sustainability or effectiveness in the sector, such as establishing measures to strengthen PFM, or clearing a sector-level audit backlog, are often included as conditions in PBLs. But budget support should, in principle, also create the space for engagement in policy dialogue. This point was clearly made in a recent paper on budget support in fragile states, which the Bank prepared in cooperation with the World Bank and European Commission⁸; and in the Evaluation of the Policy Based Operations of the African Development Bank 1999–2009.⁹

⁸ Common Approach Paper for the Provision of Budget Aid in Situations of Fragility (2010).

⁹ Evaluation completed in March 2011. Report available on the Bank website. www.afdb.org/evaluation

Box 1: Budget support as an element of country dialogue

“Rather than viewing budget aid as simply a transfer of financial resources to the country’s budget, and with a narrow focus on public financial management, it should be considered as a key element of an aid package that consists of evidence-based policy dialogue, analytical work, technical assistance, capacity building activities, as well as financial transfers. This package should be more explicitly geared at addressing the underlying causes of fragility and supporting the transition toward resilience. This can be done by highlighting the role that budget aid can play in: stabilizing the macro-budgetary framework and allowing the state to carry out basic functions, to cement its legitimacy and contribute to maintaining political stability; supporting the longer-term endeavours of peace and state-building; and contributing to strengthening the capacity of recipient countries by channelling aid through national systems.”

Source: Common Approach Paper for the Provision of Budget Aid in Situations of Fragility (2010)

3.3.3 Addressing challenges through dialogue. The Bank is generally keen to respect Governments’ views in policy dialogue, and tends to refrain from posing difficult conditions or pushing difficult issues. Country visits showed that there is a perception among development partners that the Bank is an “easy, friendly partner” and that “government finds it easy to access AfDB funding.”¹⁰ They believe that the Bank “should ask more questions and should also address related governance issues” (e.g., in the infrastructure sector). The transport sector case provides some concrete examples. In the transport sector, the Bank has a leading role to play. However, it appears that the Bank is reluctant to challenge Government priorities in the sector, and is leaving the more difficult change management aspects to donors such as the World Bank and EU (see Box 2).

Box 2: The Bank’s role in the transport sector

The transport sector provides strong disincentives to pursue sector reforms, given that these typically take years to implement and can delay project implementation if presented as pre-conditions. As a result, the Bank tends to stay away from more difficult reform issues. For example, in Uganda the AfDB has not directly engaged in the institutional reforms that are ongoing in the sector, including the establishment of the Uganda National Roads Authority (UNRA) and the Uganda Road Fund (URF). Furthermore, the AfDB has not engaged in strengthening the Ministry of Works and Transport, which has responsibility for overseeing sector policy. During the country visit, there was some criticism from other donors in the sector that the AfDB was not prepared to challenge the Government of Uganda in its investment prioritisation decisions which appeared to reflect political rather than economic criteria.

Source: Transport sector case study report

3.3.5 Wider consultation as part of the policy dialogue: A common criticism is that although the Bank is consulting more with country stakeholders, its consultation is often confined to a small number of central government ministries, and in many countries does not include private sector and civil society organizations (CSOs). The Bank is aware that it needs to reach out to other stakeholder groups, to stimulate broad-based ownership of its strategies and support. In countries where civil society has become a major stakeholder in policy dialogue (e.g., Burkina Faso), the Bank engages with CSOs well. Where the

“We need frank and effective partnerships between Bank and civil society, for broader ownership and better impact [of the Bank strategy].”

---- Quote from focus group discussion

¹⁰ The MOPAN survey (2009) reported a similar perception.

Government does not encourage civil society participation, the Bank, and other development partners, find it difficult to engage with CSOs (e.g., Kenya). The country visits, in particular, pointed to the importance of an active and well-informed civil society, which could be an important player in holding both Governments and donors accountable. In many of the Bank's RMCs, civil society is weak, inactive, fragmented, and often not adequately informed about the Bank's operations. Civil society, for its part, expresses concern about its often marginal position and the fact that it has limited access to documents and reports.

3.4 Decentralisation—working with RMCs

3.4.1 Decentralisation has been the single most important factor affecting the Bank's performance on aid effectiveness by staff and country partners. But the reform is progressing at a slow pace, and the Bank still has some way to go to build the presence and capacity that would enable it to become a major player in the aid effectiveness agenda at the country level.¹¹ Delegation of responsibilities to field offices is a key step. However, the Delegation of Authority Matrix (DAM) has not been updated since 2008. The Decentralisation Roadmap thus noted a “persistence of a ‘centralisation’ culture in parts of the Bank that results in insufficient delegation of authority to field staff.” The current share of tasks that are managed by field offices is modest. In 2009, field offices were responsible for overseeing supervision of about 15 percent of the project under implementation, but fewer than 10 percent of new projects under preparation (Decentralisation Roadmap 2010, p. 9).

3.4.2 Field offices remain reliant on decisions and ‘no objections’ from headquarters; and field office staff report that this often undermines their engagement in joint operations and activities with other development partners. For example, in Kenya, a number of stakeholders voiced concerns that the field office delegation of authority is not sufficient. The Ministry of Finance views Bank procedures as cumbersome. Officials noted that there are still too many decisions requiring sign-off in Tunis, and that more delegations would help to lower their transaction costs. Development partners believe that the Bank office is not sufficiently empowered to be ‘taken seriously’ in the policy dialogue.

3.4.3 There are particular concerns around the delegation of fiduciary functions. The AfDB is committed to maintaining and ensuring high standards of probity and accountability, and recognises that many governance and accountability risks concern procurement. Therefore, its procurement systems have incorporated strong elements of centralised control, with key approvals needed (the ‘no objection’ mechanism) at key stages of the procurement cycle. These approvals have been causing major delays and complaints by RMCs about lengthy processing time of disbursement or procurement-related matters.¹² The Bank has been cautious with regard to the delegation of procurement clearance authority to field office staff due to the risk that it could expose staff to external pressure, fraud, and corrupt practices.¹³ In addition, there are tangible barriers that need to be overcome, such as provision of qualified staff, adequate budgeting for field staff, and finalisation of IT solutions, before the delegation of fiduciary responsibilities can be fully rolled out.¹⁴

¹¹ The evaluation of decentralisation noted that “the AfDB is behind schedule in establishing a fully operational FO network” (Evaluation Summary 2009, p. 5).

¹² Decentralisation Roadmap 2010, p. 5.

¹³ Streamlining procurement and financial management functions: proposed process improvements – rev.2, 2008, p. 18.

¹⁴ ORPF 2010. Recent initiatives of the procurement and fiduciary services department

3.4.4 Some progress has been made in streamlining procurement approvals and no-objections as an important step to reduce transaction costs for both Bank and RMC and improve portfolio performance. Procurement assistants based in field offices are working closely with procurement staff in client ministries to resolve procurement issues and problems, thereby reducing delays and limiting the number of rejected procurements.

3.5 Decentralisation – working with other development partners

3.5.1 There is plenty of evidence that decentralisation has benefited the Bank's understanding of the country context and that it has become more engaged with stakeholders at country level. The Country Strategy Paper (CSP) review shows that donor harmonisation has received increasing attention in the CSPs. CSPs describe the institutional structures of the partnership framework well, in particular the structures for donor coordination, the major donors present in a country and the activities they support.

3.5.2 The Bank had signed up to the Joint Assistance Strategies (JAS) for a number of countries (e.g. CAR, the Gambia, Sierra Leone, Tanzania, Kenya, Liberia, Zambia and Uganda) at a time when it did not have a field presence in most of them (see OPEV review of JAS, 2007). The process of joint strategies has recently lost momentum. The Bank has decided to prepare its own country strategies in some countries, such as Uganda and Zambia. Box 3 below highlights some of the sobering findings from the evaluation of the JAS Zambia.

Box 3: Findings from the joint evaluation of the JAS Zambia

As an instrument for advancing the Paris Declaration, the JASZ is critically dependent on the activities of the Government of Zambia (GRZ). However, the GRZ's systems and processes for aid management are weak, and there is no mechanism for taking an effective cross-sectoral strategic view on aid issues. In important respects, existing consultative mechanisms are driven by arrangements developed by development partners. The dialogue architecture which has emerged over the period of the JASZ in response to these weaknesses, often does not respect GRZ processes. **Transaction costs** for CPs [country partners] have increased, particularly for those taking a lead position in a specific sector. There is little evidence that the JASZ has promoted greater country **ownership** at the national level. **Mutual accountability** is seen as weak by a majority of CPs, and there has been little progress under the JASZ in developing a mutual accountability framework.

Source: Evaluation of the Joint Assistance Strategy for Zambia (JASZ) 2007-10. Ministry of Foreign Affairs of Denmark, 2010.

3.5.3 Country visits showed that with its increased field presence since 2007, the Bank has become more engaged in the alignment and harmonisation agenda at the country level. Many field offices are working with five to eight working groups, and in some cases many more. The Bank has led DP working groups in a number of countries (e.g., general budget support in Tanzania, Malawi, and Burkina Faso; transport in Kenya and Mozambique).

3.5.4 Harmonisation with other donors also means that the Bank increasingly participates in sector-wide approaches (SWAs). For example, the Bank is participating in a number of SWAs in Kenya and Malawi, although it provides parallel funding only to selected parts of

the sector programme. AfDB's participation in pooled funds operated by other bodies has traditionally been constrained because of the application of procurement rules of origin.¹⁵

3.6 Harmonisation—sharing risks

3.6.1 The Bank has strong incentives for harmonisation in the area of fiduciary management, because harmonisation means sharing analysis and sharing risk management, usually at high standards. An example of shared risk is the joint approach to budget support.

Box 4: Pooling risks through budget support

“Working together to pool risk is a critical source of added value resulting from improved coordination of approaches. The typology of risk, the analysis of different categories of risk and the trade-offs that exist between them could be given more prominent attention in the documentation associated with budget aid. The risk of not engaging should be set against the benefits that can be reaped by successfully stabilizing a country, including the positive regional (and global) externalities that may be generated.”

Source: Common Approach Paper for the Provision of Budget Aid in Situations of Fragility (2010).

3.6.2 Harmonisation of procurement rules is seen as an important step towards reducing transaction costs for country governments. For example, procurement for large infrastructure projects, such as roads or power transmission lines funded by several donors, can take up substantial time simply because of different donors applying different procurement rules and procedures. The Bank organised a conference on Public Procurement in Africa as early as 1998, which led to the Abidjan Consensus Document on Public Procurement Reform. The Bank subsequently worked with the World Bank on revision and harmonisation of bidding and contract management procedures and documents, which was completed in 2008. Full harmonisation of the Bank's bidding documents with those of the World Bank and other multilateral development banks (MDBs) was achieved through the preparation of master procurement documents. This means that private sector contractors and public sector entities do not have to adjust their approaches for different multilaterals, thereby reducing their transaction costs.

3.7. Alignment—managing risks

3.7.1 As an institution, the AfDB has sometimes had to manage risks in a way that may conflict with Paris Declaration Principles, in particular with regard to use of national systems. The Bank has a history of low levels of performance; and under reinvigorated management and with substantially new staff, it is anxious to retain its more recently established reputation for effective risk management, transparency, and accountability. The board has an overarching responsibility to protect the reputation of the Bank, since this determines its future, the confidence of its shareholders, and its credit rating. This

“It is important to consider the country perspective on how risks are to be addressed. This is not always the same as the Bank's. The Bank needs to have a joint strategy to address fiduciary risks, and the country needs to be committed.”

“Development partners often have different views and agendas (on use of country systems). But there needs to be a common understanding of what the strategy should be.”

--Quotes from focus group discussion

¹⁵ The ADF Articles of Agreement relating to the rules of origin for procurement have been amended, effective 31 March 2009 (Roadmap to Development Effectiveness, 2010). Note that the Bank's procurement rules do not apply to budget support.

explains why the Bank has avoided becoming over-dependent on any single risk management unit or department, and instead adopts an approach based on multiple checks and balances.

3.7.2 Use of country systems creates additional risks of delays, poor procurement, and inadequate financial reporting. Corruption is a major risk in many of the AfDB partner administrations. The Bank's "Approach to the Enhanced Use of Country Systems" (2008) thus promotes a two-pronged approach, with rapid progress in PFM and reduction of PIUs on the one hand, and a more cautious approach in the area of procurement and environmental and social safeguards, on the other.

3.7.3 The Bank's cautious approach to fiduciary management has had implications for the use of funding modalities. AfDB's participation in pooled funds operated by other bodies had been constrained because of the application of procurement rules of origin. In 2008, the ADF deputies amended the rules of origin to allow the Fund to participate in pooled funding mechanisms with other donors. Funding for ADB operations remains tied (e.g., for private sector operations and to middle-income countries).

4. CAPACITIES

4.1 Organisational responsibilities and coordination of aid effectiveness strategy

4.1.1 Until 2008, responsibility for coordination of aid effectiveness strategy rested with the Operations Policy and Review Department (POPR), under the Vice President for Policy, Research and Planning. POPR was also responsible for monitoring and reporting progress and challenges, and for dissemination of lessons and best practices. In August 2008, responsibility for aid effectiveness moved to the newly created Quality Assurance and Results Department (ORQR). In the process, aid effectiveness became subsumed into the broader results and quality agenda. Due to high staff turnover within the newly formed ORQR, ownership of the Harmonisation and Alignment Action Plan quickly dissipated. A replacement to the 2006 H&A Action Plan was prepared in 2010—the Roadmap to Development Effectiveness.

"The Bank's AE team has not done enough to communicate across complexes."

"The problem is that the PD is a cross-cutting issue; it cannot be easily coordinated. For example the President has requested setting up a working group on use of country systems. The Bank needs internal mechanisms to coordinate within the Bank."

--Quotes from focus group discussion

4.1.2 The move in location from an operational complex to a department responsible for quality and results, together with the differences between the H&A Action Plan and the Roadmap, indicate a change in emphasis within the Bank. The H&A Action Plan presented an organisation-wide plan for delivery of the Bank's operations in closer adherence to aid effectiveness principles, implemented by all complexes and coordinated by POPR. In contrast, the 2010 Roadmap reflects more of a work plan to improve compliance through internal procedural changes. The Roadmap is very much a response to the 'sobering findings' of the 2008 DAC monitoring survey, and proposes 'corrective measures to accelerate progress towards [Paris Declaration] targets.' As such, it is a work plan for implementation of corrective actions rather than a strategy for implementing aid effectiveness principles and coordinating that implementation process. As a result, responsibilities are only assigned against corrective actions, training, and events rather than for broader coordination roles. Notably, responsibility for all but a few actions rests with ORQR itself, implying a non-mainstreamed approach.

4.2. Guidance on aid effectiveness

4.2.1 With many sector policies and strategies dating as far back as the 1990s, there is a significant lack of guidance on how to address aid effectiveness principles in the programming and budgeting process. Sixty percent of respondents to the staff survey said they believe that the range and quality of guidance on aid effectiveness is inadequate to meet staff needs. Country Office (CO) staff complain about the lack of hands-on guidance and support for addressing problems in implementation of PD principles at the operational level. For example, the adoption of country systems depends on capacity at the country level, and this varies across sectors. The absence of guidance on addressing AE principles in programming and budgeting means that staff must default to existing policies and procedures.

4.2.2 In particular, there is a degree of confusion about the use of aid modalities. The Bank does not have a position on when to use budget support and other programme-based approaches as preferred modalities. The Bank introduced budget support as an aligned modality in 2004, but did not issue guidance on the use of country systems until 2008. Bank staff often consider budget support as the only alternative to project funding. There is no specific guidance on the choice of aid instruments, or the eligibility and risk assessment criteria and standards for specific aid modalities.

4.3. Staff capacities and skills

4.3.1 The HR strategy, prepared in 2007, focuses on addressing existing weaknesses in HR management. Aid effectiveness receives no explicit mention in the strategy document, although a number of its characteristics are consistent with aid effectiveness principles (for example, the focus on results).

4.3.2 Findings from the staff survey indicate that Bank staff view low staff awareness and skills as the main factor constraining or undermining the Bank's willingness and ability to implement aid effectiveness principles. Staff concerns relate mainly to their sense that the aid effectiveness agenda has been poorly communicated within the Bank; that operational guidance is limited (especially where important trade-offs are to be made); and that access to relevant staff training is poor. In the focus group discussions that followed this survey finding, staff further commented that capacity constraints undermine the Bank's ability to take advantage of the potential opportunities that aid effectiveness presents to the Bank: lack of sufficient staff numbers; insufficient staff skills; and inflexible deployment of staff.

"Has the Bank really internalised the thinking across all sectors? Whoever goes out there needs to have the same vision."

---Quote from focus group discussion

4.3.3 At the same time, the significant influx of new staff over the past few years has brought aid effectiveness knowledge and skills into the Bank. Local field office staff are often recruited from other development partners, where they have gained previous experience with aid effectiveness.

4.4. Field office capacities

4.4.1 Field office staffing has been driven mainly by portfolio management considerations. Staff data show that positions in management, IT, and administration account for 60 percent of total field office positions, while sector specialists account for only 33 percent.¹⁶ With only

¹⁶ Decentralisation Road Map 2010, page 7.

a small number of projects being managed by field offices (5 percent in 2009), the Bank is reluctant to increase the budget to recruit additional professional staff for field offices.¹⁷ Economists account for only 6 percent of the field positions, and country program officers only 7 percent. Limited deployment of economists and program staff has constrained field office involvement in analytical work and the generation of knowledge products.¹⁸ Field office economists only recently (2010) started taking over responsibility for economic and sector work (e.g., Kenya).

4.4.2 Field staff are over-committed and feel constrained in their ability to provide the additional time and effort required for aid effectiveness activities. They are stretched thinly over the large number of sectors and thematic areas where the Bank is active. For example, in Kenya, where the Bank has ten technical staff, the field office is active in six sectors and three thematic groups. A similar situation was reported for Malawi, where the Bank has only one specialist per sector and the portfolio is very wide, encompassing policy-based operations (PBOs), social sectors (health and education), infrastructure (transport, water), rural development and agriculture, and private sector development. The field office is also participating in PFM strengthening and governance issues. Managing projects and being involved in the country dialogue is a balancing act, and staff complain that they are overstretched. Among development partners, this often leads to the perception that the Bank is thin on the ground.¹⁹ As a result, the Bank has not yet established the critical mass to lead country dialogue in its areas of comparative advantage.

4.5. Resources to implement the aid effectiveness agenda

4.5.1 A common theme emerging from the country visits and staff survey is that activities to improve aid effectiveness are under-resourced. Sixty-one percent of the respondents to the staff survey feel constrained in their ability to provide the additional time and effort required to implement aid effectiveness-related work.

“We feel embarrassed if we have only one person attending meetings, while others, like the World Bank, come with two or three. This makes it feel very unbalanced and difficult for us to raise our voice during meetings.”

---Quote from Kenya field office focus group discussion

4.5.2 There is a strong perception among staff and other development partners that the Bank has not allocated sufficient resources to implement aid effectiveness-related activities at the country level. Country office staff feel that the real transaction costs required to implement aid coordination at the country level are undervalued, and resources are therefore not made available. During country visits to Kenya and Malawi, cases were brought up in which applications to fund aid effectiveness activities had been rejected by Tunis.

4.5.3 The Bank has traditionally managed a large number of trust funds, which should in principle provide additional resources for non-lending activities, such as those related to studies or training. But, as findings from the case study on trust funds indicate, the cumbersome procedures to access funding from trust funds has made it difficult for the Bank to use this type of funding for aid effectiveness-related activities. Furthermore, many donors are reluctant to commit funds for activities such as workshops, and consider that such activities should be charged to the AfDB’s core budget.

¹⁷ See the Bank’s Annual Programme and Budget Planning 2009 and 2010.

¹⁸ Decentralisation Road Map 2010, p. 7.

¹⁹ The MOPAN survey (2009) conveys similar feedback.

5. INCENTIVES AND DISINCENTIVES

5.1. Staff incentives on aid effectiveness

5.1.1 The Bank's performance planning and appraisal procedures do not explicitly address aid effectiveness, and staff are not formally encouraged to implement aid effectiveness principles. Sixty percent of respondents to the staff survey agreed that it is more important within the Bank to meet disbursement targets than to demonstrate aid effectiveness. The HR management department, (CHRM) has just completed a new competency framework, but it, too, does not address aid effectiveness. The newly designed online Performance Management System provides a format for objective-led performance appraisal, but leaves it to the line manager to define what the objectives should be. Aid effectiveness is therefore only included if the line manager decides that it is important (and there are examples of this).

5.1.2 Staff derive their main incentives for aid effectiveness from intrinsic motivation. This in turn stems from the opportunities and imperatives that arise from engaging with partners and from staffs' own sense of where aid effectiveness fits into the Bank's corporate strategy. In the focus group discussion it was striking that staff saw such a strong coherence between aid effectiveness principles and corporate strategy and results. This suggests that there is also a significant level of latent enthusiasm or motivation to explore more deeply how aid effectiveness principles can help the Bank achieve its strategic objectives.

5.2. Performance incentives

5.2.1 Speed of disbursement is a key performance parameter for the AfDB. This has created an inherent tension between targets for improving country portfolio performance and for fulfilling PD principles, indicators, and targets. For example, task managers are aware that rapid disbursement is used as a proxy for performance and that, therefore, dealing with lengthy pre-contract conditions or managing problematic or aged projects is undesirable. The focus on disbursement targets is significant for the Paris Declaration in several aspects. It implies a continuing focus on project delivery rather than on institutional capacity building and on the challenging sector management issues. In practice, this means there are strong incentives to maintain PIUs in order to circumvent government capacity constraints (see section on PIUs below).

"We need to improve our risk appetite, to strengthen use of country systems."

"ADF needs to take more risks to be relevant and responsive."

---Quotes from focus group discussion

5.2.2 In recent years the AfDB has exerted extra effort to clear non-performing and "at risk" projects. Since the reason that many projects have not disbursed as originally envisaged is due to non-fulfilment or slow fulfilment of conditionalities, there is a considerable incentive to remove or limit such conditions. The Bank has reduced the number of implementation effectiveness conditions and is trying to resolve such issues prior to project signature. Case studies (e.g., in transport) revealed that there is an increasing reluctance to impose conditions that could delay project effectiveness. For example, as part of the Nacala Corridor Road Development Project Phase II (Lusaka-Chipata Road), the AfDB waived its requirement for the traditional 10 percent counterpart contribution from the Government. Reducing or waiving project conditionalities may help to improve project performance in the short term. In such cases, however, additional measures are required to address wider sector issues, as the transport case study shows.

5.3. PIU—A case of competing incentives

5.3.1 The Bank has taken steps to limit the use of PIUs. For example, the Guidelines for Financial Management and Financial Analysis of Projects (2006) require a rationale for using partner country financial management systems or, alternatively, independent PIUs. In addition, the Bank has set clear targets for reducing PIUs. However, at various stages of the evaluation, the team found that reducing PIUs has had mixed results; and that in some cases, PIUs have been preferred, since they remain more effective, for example in fragile states (Central African Republic and Democratic Republic of Congo), over the medium to long term. Country visits and portfolio reviews found that many PIUs still exist.

5.3.2 A review of current project management arrangements shows that there are other forms of project support mechanisms cropping up, which may avoid the formal title of a PIU or a project management unit (PMU) but fulfil the same function. For example, the project appraisal document (PAD) for the Drinking Water and Sanitation Project in the Gao Koulikoro and Segou regions of Mali, highlights that two government institutions (National Department of Hydraulics, DHN, and the National Directorate for Pollution and Environmental Nuisance, DNACPN) will be responsible for a range of tasks that would traditionally have been performed by a PIU supported by additional staff hired by the borrower. There are several current examples of PIU-type arrangements that have direct responsibility for executing the project; for example the Community Agriculture Investment Project in Uganda. Also in Uganda, a former umbrella PIU, which served the needs of donors active in the sector, has been transformed into the Uganda National Roads Authority, a parastatal with its own board. These examples illustrate the strong incentives for the Bank to maintain PIUs, even if they seem to be overriding existing policy directives.

5.3.3 The Bank's treatment of PIUs as a compliance issue has led to apparent solutions that do not really address the underlying capacity constraints. As the examples above show, the problem can only to some extent be addressed through capacity building. The solution also requires changes in the way that the Bank designs and delivers its support. The PIU issue epitomises the dilemma the Bank faces around the use of country systems. The focus group discussion clearly showed that the Bank will perform better in the long term if it invests in building country capacities.

"The shift from control to capacity building [for country systems] will reduce transaction costs for the Bank. But the Bank does not put money on the table to build capacities."

-- Quote from focus group discussion

6. CONCLUSIONS AND RECOMMENDATIONS

6.1. Conclusions

6.1.1 **Responsibility to engage on the ground:** The Bank has achieved much with regard to aid effectiveness. The Bank's commitment to RMC ownership means that it has been exemplary in its efforts to strengthen country leadership. The Bank's approach to partnership builds on mutual trust and accountability. But the Bank has a responsibility to respond fully to the aid effectiveness agenda at the country level, if it is to fulfil its vision of being Africa's premier financial institution. Aid effectiveness principles of ownership and alignment require close dialogue with RMC governments, civil society organizations, and the private sector. In a strong partnership, there will be many sensitive issues to deal with, as well as mechanisms to address and resolve differences of opinion. The Bank should not shy away from addressing controversial issues. As an equal partner in the policy dialogue, the Bank needs to develop a strategic stance on complex, sensitive issues that require a long-term perspective (e.g., governance and accountability issues, use of country systems).

6.1.2 Case for strategic change: The Bank could strengthen its institutional performance by integrating aid effectiveness principles into its corporate strategy. There is a strong case for aid effectiveness as part of the Bank's strategy to improve performance and standing within RMCs. For this to occur, the Bank needs to address the entire spectrum of aid effectiveness principles. The Bank has generally performed well in terms of ownership and policy alignment, and it has made some commendable efforts on MfDR. More needs to be done on systems alignment, harmonisation, and mutual accountability, with increased focus on long-term goals and partnerships.

6.1.3 Call for institutional reform: The main bottlenecks to implementation of the aid effectiveness agenda on the ground are weak capacities and conflicting incentives. The Bank as an organisation has not invested strategically in the capacities and skills required within the new aid architecture. Strong incentives relating to financial performance have been driving country portfolio management, often at the expense of aid effectiveness principles. The move to new, truly country-led ways of working will take further, far-reaching institutional reforms. For a consistent and coherent approach to aid effectiveness, there needs to be a strong and sustained commitment in all parts of the organisation.

6.2 Recommendations

6.2.1 Establish the case for aid/development effectiveness within the organisation: The President of the Bank has already made a powerful case for focusing on development effectiveness.²⁰ The evaluation endorses this move. In order to achieve better coherence between aid effectiveness principles and its corporate strategy, the Bank has to make the case that it is in its own interests to strengthen country capacities and leadership if it wants to improve its performance in the long term. The upcoming strategic process will be an opportunity to establish the relevance of development effectiveness principles within the Bank's corporate strategy.

Action points:

- The Policy Department (ORPC) is well placed to lead the process. Based on the policy document review undertaken as part of this evaluation, ORPC should examine the strategic fit between development effectiveness principles and corporate strategies. ORPC should clarify the Bank's policy stance on issues where there are gaps (e.g., conditionalities, funding instruments).
- The Chief Economist should prepare a background paper—as part of the examination of critical issues—of the relevance of development principles for the Bank's strategy. This paper, which would serve as a kind of mid-term strategy review, needs to take into account the outcomes of the discussions around development effectiveness that will take place during that process. In the background paper, the Chief Economist in cooperation with the Strategy Office (STRG), should also clarify the Bank's comparative advantage based on development effectiveness principles.
- The Chief Operating Officer's (COO's) office and ORVP should lead the Bank-wide debate around critical issues that seem to create tensions between aid effectiveness and elements of its strategy. A priority issue for debate is the use of country systems. The Procurement and Fiduciary Services Department should present a strategy to

²⁰ The Tunis Consensus – Targeting effective development: From Aid effectiveness to Development Effectiveness. Tunis, 4-5 November 2010.

strengthen use of country systems, to be debated at headquarters and in field offices. ORVP's seminars on operational knowledge could provide the platform for these discussions.

6.2.2 *Mainstream development effectiveness principles:* The Bank will only be able to address development effectiveness in a consistent way if the principles are mainstreamed in all parts of the organisation. The Bank needs to make sure that there are clear responsibilities and incentives, and that all staff are pulling in the same direction with regard to development effectiveness. The Roadmap to Aid Effectiveness has been a first step towards raise awareness and consolidating efforts through a Bank-wide approach.

Action points:

- ORPC should prepare a central document that provides guidance on how Bank support will address aid effectiveness principles. The document does not have to replace existing policy documents, but it should provide clear references to how aid effectiveness principles are addressed in the various policy documents.
- ORPC should also provide detailed guidelines for task managers on how aid effectiveness principles should be taken into account at the operational level. The ongoing work on the Bank Group Operational Manual should embed aid effectiveness principles into Bank operations.
- The Bank should appoint development effectiveness champions in all three operational complexes who would lead on the preparation and implementation of development action plans to implement AE principles at operational levels.
- The Performance Management System should require the inclusion of development effectiveness-related objectives where relevant. Country strategy papers need to include consistent strategies on development effectiveness-related issues (e.g. choice of funding modalities, use of country systems). Country portfolio performance reviews must report on development effectiveness indicators as part of a more standardised format.
- The Bank (Policy Department, Procurement and Fiduciary Risk Department, Governance Dept, Chief Economist, and operational departments) needs to review its approach to fiduciary risk management. Work in progress needs to cover all aid instruments, including investment lending. A fiduciary risk assessment instrument to monitor budget support has already been developed.
- ORQR will monitor aid effectiveness targets on an annual basis. We recommend focus on the few SMART²¹ targets that are critical to achieve if the Bank is going to fulfil its commitment to AE principles.

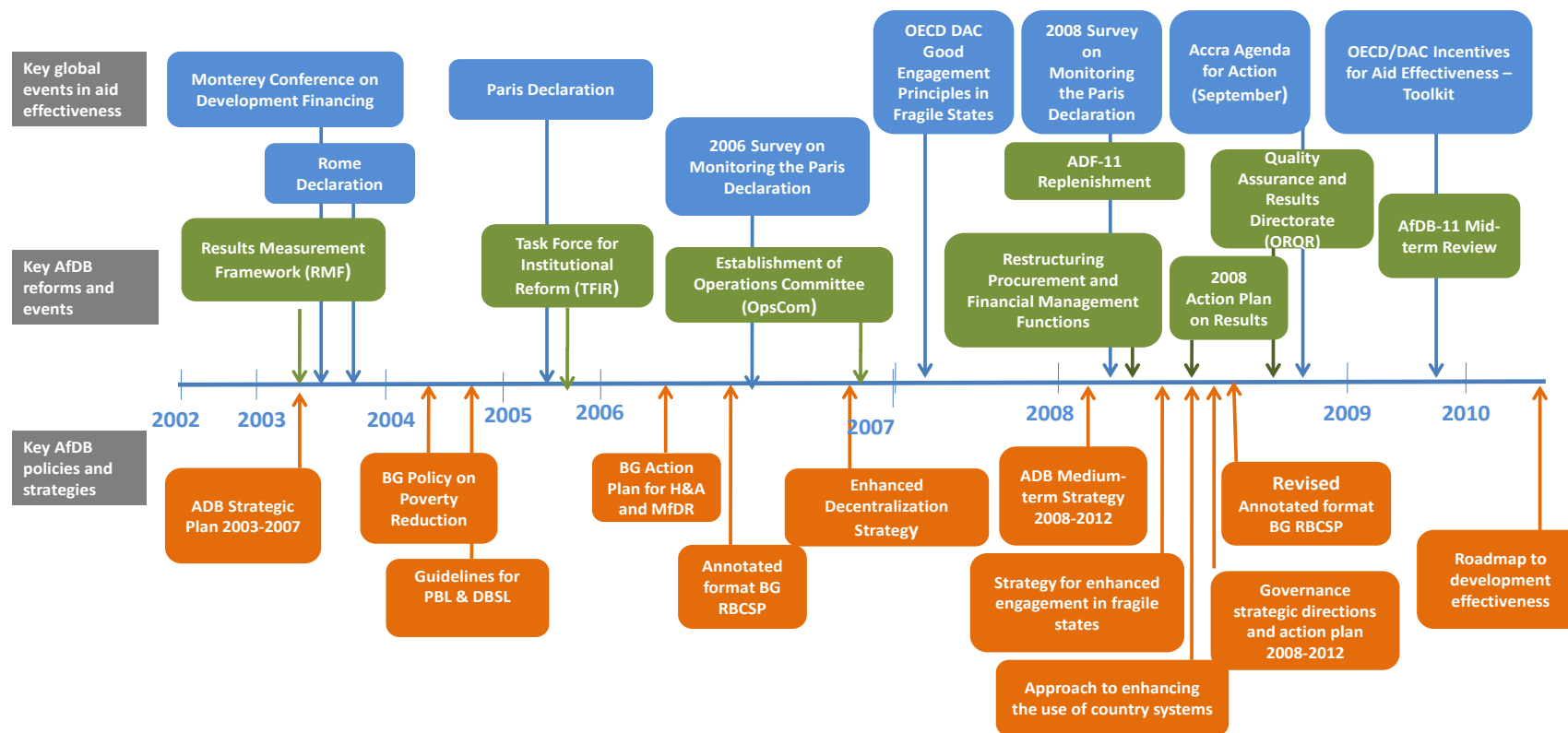
6.2.3 *Manage strategic decisions:* It is not sufficient to formulate policies and strategies and take strategic decisions. Strategic decisions need to be managed purposefully and systematically. This requires a proactive approach to anticipate and mitigate the challenges and risks that accompany change. The example of decentralisation shows that key organisation-wide reforms should be accompanied by the full package of complementary reforms and strategies required, and by management arrangements that ensure a strategic and responsive approach to implementation.

²¹ Self-Monitoring, Analysis and Reporting Technology.

Action points:

- “Change management” can be purposefully linked to the ongoing decentralisation reform. In line with the Decentralisation Roadmap, we propose that the office of the COO should be responsible for monitoring the transition to new ways of working. The COO will be reporting to the board on the change initiatives.
- The Decentralisation Roadmap has a strong focus on strengthening existing field offices. It should explicitly address the need for technical capacity to lead country dialogue, and for stronger selectivity and focus on comparative advantages within the new aid architecture.
- The Bank’s HR strategy needs to address the need for “soft skills” required for effective management of development cooperation in an era of H&A. This includes training for existing staff and deployment of additional staff to provide strong capacities on the ground. Training should include soft skills (negotiation, dialogue, etc.) as well as technical skills (risk management, funding modalities, analysis of governance-related issues. etc.).
- The Bank needs to make sure that activities in relation to aid effectiveness (training, workshops, and studies) are sufficiently resourced. The reform of trust fund management is a step towards mobilising additional funding for capacity building and dialogue.

POLICY TIMELINE



BANK PERFORMANCE ACCORDING TO PARIS DECLARATION PRINCIPLES

1. Overall Assessment

The evaluation assessed AfDB's performance on Paris Declaration aid effectiveness criteria through systematic review of Bank policies, country strategies, and country portfolios. The review of country strategy papers and country portfolios covered a sample of 15 RMCs. The CSPs and portfolios were rated based on a four-point scale, as shown in Table 1 below.

Table 1: CSP and portfolio ratings on aid effectiveness principles

Aid Effectiveness Principle	Progress	Status
Ownership	Bank policies convey a strong commitment to country ownership and leadership. Eleven out of 15 CSPs were rated moderately satisfactory (3) on ownership criteria. Increasing attention is being paid to building RMC capacity for effective leadership. Ownership is undermined by weak country capacities. Only 5 out of 15 country portfolios were rated moderately satisfactory (3).	3 Moderately satisfactory
Alignment	CSPs are strong on policy alignment, but weak on alignment of Bank and country systems. Only 6 out of 15 CSPs and 3 out of 14 country portfolios were rated moderately satisfactory (3).	2 Moderately unsatisfactory
Harmonization	Bank policies promote harmonization. Increased country presence has enabled the Bank to participate in coordination mechanisms. Nine out of 15 CSPs and 8 out of 15 country portfolios were rated moderately satisfactory (3).	3 Moderately satisfactory
Managing for Development Results	MfDR is key element in Bank policies, but this has not yet translated into greater focus on results in Bank country strategies and programs. Only three out of 15 CSPs and one out of 15 country portfolios were rated moderately satisfactory (3).	1 Unsatisfactory
Mutual Accountability	Bank policies do not convey a strategic stance on mutual accountability, although practices on mutual accountability are emerging. Four out of 15 CSPs and one out of 15 country portfolios were rated moderately satisfactory (3).	1 Unsatisfactory

2. Detailed Assessment

a) Findings from review of policy documents ²²

The review of Bank policy documents, action plans and guidelines produced the following overall findings:

Ownership is a key element of development effectiveness promoted in the Bank's Strategy on Poverty Reduction 2003. The Guidelines for Results-based Country Strategy Papers 2006 require consultations with various national stakeholders and at least one stakeholder meeting. The New Staff Guidance 2010 on QEA, CSPs, Regional Integration Strategy (RIS), and public sector operations mention again that "A good CSP/RISPst is underpinned by a consultative process that generates a high degree of government ownership and commitment to the CSP."

Policy **alignment** is primarily promoted in the Bank's Strategy on Poverty Reduction 2003; Guidelines for RBCSP 2006 and 2008; and QEA Guidance 2010, which requires that Bank

²² Detailed findings are presented in the Bank Policy Document Review (2010).

CSPs be aligned with national development plans and/or PRSPs. Systems alignment is indirectly promoted by the Bank's use of budget support (see Guidelines on Development Budget Support Lending 2004). The Bank's Approach to the Enhanced Use of Country Systems 2008 is also a key policy document promoting greater systems alignment.

Harmonization is a key element of the Bank Group Action Plan on H&A and MfDR 2006. The Action Plan emphasizes the need to participate in joint technical working groups and high-level fora on aid effectiveness; as well as the need to adapt the Bank's policy framework and organizational structure to H&A and MfDR. The Roadmap to Development Effectiveness 2011 reiterates this commitment and the need to monitor the relevant PD targets more closely.

MfDR is another crucial element of the Bank's aid effectiveness agenda, given its institution-wide push towards focusing on results. The MfDR agenda provides guidance on how to improve the Bank's portfolio performance and make CSPs more results focused; but it offers limited guidance on how to promote developmental impact and sustainability in Bank operations.

Mutual accountability receives almost no attention in the policy documents under review, as shown in Table 2.

Table 2: Attention to aid effectiveness principles in Bank policies, plans, and guidelines

	Ownership	Alignment	Harmonisation	MfDR	Mutual Accountability
Bank Policies and Strategic Plans					
Bank group policy on poverty reduction (February 2004)	✓	✓	✓	✓	
AfDB Strategic Plan 2003-2007	✓	✓	✓	✓	
AfDB Medium-term Strategy 2008-2012		✓	✓	✓	
AE Action Plans					
Bank Group Action Plan on H&A and MfDR (April 2006)		✓	✓	✓	
Bank Group approach towards enhancing the use of country systems (May 2008)		✓			
Roadmap to Development Effectiveness (2010)		✓	✓	✓	
Bank Group Capacity Development Strategy (2010)	✓				
Guidelines					
Guidelines on Development Budget Support Lending (DBSL) (April 2004)	✓	✓	✓	✓	✓
Guidelines for Policy-based Lending on Governance (April 2004)	✓	✓	✓	✓	✓
Annotated Format for Bank Group RBCSP (August 2006)	✓	✓	✓	✓	
Revised CSP Annotated Format with data-presentation examples (draft, May 2008)	✓	✓	✓	✓	
Staff Guidance on Quality-at-Entry Criteria and Standards for Country Strategies, Regional Integration Strategies, and Public Sector Operations (August 2010)	✓	✓	✓	✓	

b) Findings from review of country strategy papers

The review of 15 country strategy papers produced the following overall findings²³:

Ownership: The participatory approach to CSP formulation, increased attention to analysis, and assistance to strengthening national capacity have all contributed to promoting ownership by RMCs.

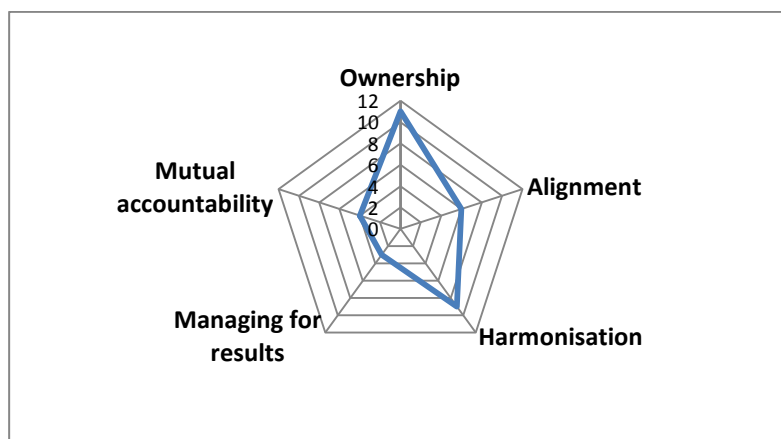
Alignment: Policy alignment with national priorities is adequately addressed, while the lack of alignment of Bank CSPs with national PFM, procurement, and M&E systems is a systematic weakness.

Harmonization: Attention to donor coordination, joint strategic planning, and analysis have promoted greater consideration of donor harmonization. However, CSPs do not specify strategies, targets, or implementation arrangements for harmonization, particularly with respect to joint and more aligned funding modalities, division of labour, or selectivity.

Managing for Development Results: CSPs have strengthened the focus on results by promoting a link between CSP outcomes and national development goals, and the use of relevant M&E tools. Given the increasing emphasis on performance-based management within the Bank, however, progress could have been better.

Mutual accountability: In general, CSPs do not commit to or address arrangements for mutual accountability.

Figure 1: Number of satisfactory (3 or above) ratings for country strategy papers (out of 15 CSPs)



c) Findings from country portfolio reviews

The review of 15 country portfolios led to the following overall findings²⁴:

²³ Detailed findings are documented in the Country Strategy Paper Review (2010).

²⁴ Detailed findings are presented in the Portfolio Review (2010).

Ownership: The AfDB has a history of working closely with Governments. Ownership is affected by slow processes related to Government response; the long time lapses between approval and effectiveness; the low disbursement rate; the poor performance in fulfilling conditions; slow procurement of goods and services; inadequate legal frameworks; and low capacity.

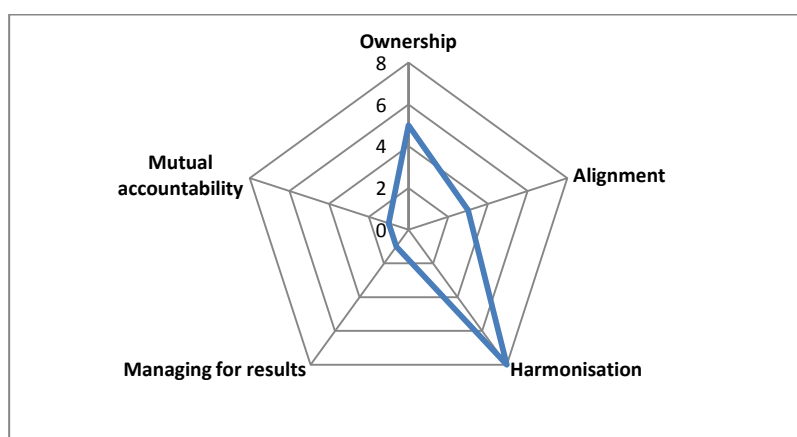
Alignment: The AfDB has a desire to use national systems but is held back by fiduciary risk management concerns, mainly having to do with procurement and financial accounting. Alignment can also delay projects due to Government capacity constraints.

Harmonisation: In general, the introduction of Country Offices has generated the opportunity for much closer collaboration with other (traditional) donors through various partnerships and consultative frameworks.

Managing for Development Results: The results agenda has yet to be mainstreamed at a programme level. The strengthening of statistical systems is a good start.

Mutual accountability: In most cases, mutual accountability is weak at the portfolio level, although some information sharing is undertaken.

Figure 2: No of satisfactory (3 or better) ratings for country portfolios (out of 15 portfolios)



COUNTRY VISIT FINDINGS ON PARIS DECLARATION PRINCIPLES

	Cameroon	Burkina Faso	Malawi	Kenya
Ownership	<p>Government appreciates the Bank's contributions in PFM and procurement and its cooperative and open attitude.</p> <p>Government appreciates that it is consulted and that all information is shared.</p> <p>Development partners underline that the Bank has a privileged position, since it has built a strong relationship with MINIPAT and is much better at estimating the potential for reform.</p>	<p>Government appreciates Bank support in times of crisis, and particularly its flexibility. The Bank increased its budget support during the crisis after reviewing non-performing projects in the portfolio, and transitioned the remaining funds.</p> <p>Government and donors appreciate the Bank's role and leadership in PFM and its support to Government.</p> <p>Dialogue with Government is open and participatory, but weak analysis on the Government's side effects its ownership.</p> <p>Budget support has created a platform for discussion of the Government's strategy, sectors, and policy in relation to the Paris Declaration.</p>	<p>The AfDB has been taking Government ownership seriously in the design of its country program and in sector-level dialogue.</p> <p>Leadership by the Government of Malawi has improved, with current and planned SWAps in several sectors and strengthened aid management and monitoring (e.g., in the Annual Debt and Aid Report prepared by the MoF).</p> <p>Improved consultation with Government partners has supported a move towards demand-led identification of projects.</p>	<p>Government has appreciated Bank support in times of political crisis. The relationship between Bank and Government is strong and built on mutual trust.</p> <p>Government partners commented positively that the AfDB "asks government about their priorities";</p>
Alignment	<p>The Bank's CSP and operations are fully aligned with government policies (Vision 2035 and the DCSE 2010-2019).</p> <p>Bank projects are identified in close consultation with government and development partners who operate in the same sectors.</p> <p>The Bank's field presence since 2008 has contributed significantly to improved consultation among donors as well as a better dialogue with</p>	<p>The Bank's CSP and operations are aligned with Government policies; the PRSP is very general so alignment is easy.</p> <p>The Bank takes the lead in a priority sector, infrastructure, in close cooperation with WB and EU.</p> <p>The Bank's field presence has enabled better consultation, which has led to better alignment with Government priorities.</p> <p>The Bank uses its own procurement systems; non-objections; other lengthy procedures. This affects planning and holds up the mobilisation of funds, which affects other development partners that support a sector through a basket fund.</p>	<p>The AfDB's CSP and operations are well aligned with Government policies including the Malawi PRS – Growth and Development Strategy (2006-11) and the various sector plans.</p> <p>The AfDB's mix of instruments, including PBOs, facilitates participation in the Common Approach to Budget Support (CABS) policy dialogue with Government, and helps to strengthen PFM systems.</p> <p>The GoM coordinates its PFM-strengthening measures through</p>	<p>The Bank's CSP and operations are well aligned with government policies (Vision 2030; Medium Term Plan; 2003-2007 ERS). The Bank's focus on infrastructure is aligned with the Government's vision.</p> <p>Bank projects are identified in close consultation with Government partners.</p> <p>Field presence has enabled better consultation, which has led to better alignment with Government priorities.</p>

Cameroon	Burkina Faso	Malawi	Kenya
<p>government.</p> <p>The Bank uses country systems but is still not satisfied with the PFM reforms or the procurement process.</p> <p>All AfDB projects are on budget, but there are some implementation delays.</p> <p>Cameroon's legal procurement framework is acceptable, but implementation of the framework still raises concern.</p> <p>The Bank's lead role in PFM is important, and other donors follow closely what the Bank can achieve, since that will affect their operations.</p> <p>All projects still require sign-off from Tunis.</p>	<p>The Bank has supported the development of sector policies; cohesion among different organizations in the sector; capacity building; training; analysis; studies; and technical assistance. Support has been targeted at reinforcing Government capacity to articulate its medium to long-term policies and to strengthen its implementation capacity.</p> <p>PIUs still exist in some sectors. Incentives in relation to PIUs have created serious distortions in remuneration.</p>	<p>the Group on Financial and Economic Management (GFM). However, governance controls are still weak:?</p>	<p>The Bank uses country systems to a large extent, and more than most other development partners.</p> <p>All AfDB projects are on budget, although the Bank uses the direct payment method for large infrastructure projects.</p> <p>All projects are also "on audit" by Kenya National Audit Office, as a legal requirement. All reports require sign-off by the Bank's audit department.</p> <p>Since GoK finalised the Procurement and Disposal Act (2005) and established a Procurement Oversight Board (2007), the Bank has been using country procurement systems alongside its procurement system.</p>

