



**AFRICAN DEVELOPMENT BANK
AFRICAN DEVELOPMENT FUND**



**SIMPLIFICATION OF PROCEDURES FOR OPERATIONS
APPROVAL BY THE BOARDS OF DIRECTORS**

OCTOBER 2007

**OPERATIONS POLICIES AND COMPLIANCE DEPARTMENT
(ORPC)**

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ACRONYMS AND ABBREVIATIONS

ADB	African Development Bank
ADF	African Development Fund
APL	Adaptable Program Loan (World Bank)
AsDB	Asian Development Bank
CODE	Committee on Operations and Development Effectiveness
IADB	Inter-American Development Bank
IPPF	NEPAD Infrastructure Project Preparation Facility
LIL	Learning and Innovation Loan (World Bank)
MDBs	Multilateral Development Banks
MIC	Middle Income Country
NEPAD	New Partnership for Africa's Development
UA	Unit of Account
USD	United States Dollar
BPWG	Business Process Working Group
RAG	Rolling Agenda of the Boards
RMC	Regional Member Country

Executive Summary

1. This paper presents proposals on how to simplify the procedures for approval of Bank Group operations by the Boards of Directors of the Bank and the Fund. In addition to increasing the efficiency of the Boards through focusing their meeting time more on strategy and policy issues, this proposal will also contribute towards greater harmonization of the Bank's practice with emerging best practices in sister institutions.
2. The current provisions of the Bank Agreement and the Fund Agreement have been implemented by having decisions for the provision of financing for studies, projects or programs, taken by the Board(s) of Directors, exclusively, and only after consideration at a meeting convened in accordance with each Board's Rules of Procedure.
3. Experience has shown that implementation of approval procedures not requiring prior discussion of the proposal at a Board meeting, in particular for small size and non complex operations, could contribute to better utilization of Boards and staff time.
4. This paper proposes a simplified framework for operations approval by the Boards, under which operations which are below, or equal to, the threshold amount of UA 10 million and those that are non complex in nature will be approved using the lapse-of-time procedure. Operations above the threshold of UA 10 million or which are complex in nature will continue to be approved under a standard procedure, which requires prior discussion at the Boards prior to their approval.
5. This proposal will be implemented in conjunction with other measures to ensure continued high quality of Bank Group operations. Appropriate safeguards will also be implemented to give Board members adequate oversight of all Bank Group operations, including those, which will be approved using the lapse-of-time procedure.

I. INTRODUCTION

1.1 This paper presents proposals on how to simplify the procedures for approval of Bank Group operations. Its focus is on the Board approval procedures for operations related matters. The simplified framework for operations approval, which is proposed in this report, is part of a package of measures needed to improve the efficiency of the Boards and enhance the Bank Group's responsiveness to client needs. It is also part of efforts of the Boards and Management aimed at simplifying the operations approval procedures. If approved, this proposal will also contribute towards greater harmonization of the Bank's practice with emerging best practices in sister institutions.

1.2 The paper is organized as follows: Following this introduction, Section II presents the current processes for operations approval, and the lessons learned, drawing from the various assessments carried out to date. Section III reviews the experience of other institutions. Section IV presents the key features of the proposed operations approval procedures, which is anchored on the concept of requiring Board discussions prior to approval for policy documents, and tailoring projects and programs approval procedures to the size and complexity of the operation or the project. It also discusses some safeguards, which are aimed at ensuring that the Boards continue to exercise adequate oversight on all Bank Group operations even though certain operations are proposed to be approved under a lapse-of-time procedure. Section V reviews the risks and mitigating measures associated with the proposed framework for operations approval procedures, to ensure integrity and accountability of the process. Section VI is the conclusion and recommendations.

II. CURRENT FRAMEWORK FOR OPERATIONS APPROVAL

The salient feature of the current framework for operations approval is that Boards discussion and approval is the standard procedure for operations-related policies, projects and programs. The exceptions to this procedure are the approval by the Boards on a lapse-of-time basis and the delegated authority for processing and approval of activities to be financed using the various Trust Funds and facilities administered by the Bank. These two approval procedures are summarized below.

2.1 Discussion prior to Approval is the Standard Procedure for Boards Approval

2.1.1 The Agreement establishing the Bank (the "Bank Agreement") and the Agreement establishing the Fund (the "Fund Agreement"), respectively, assign approval authority for operations of the Bank and the Fund (collectively the "Bank Group") to each institution's Board of Directors.

2.1.2 In particular, Article 32 of the Bank Agreement provides that the Board of Directors of the Bank "*shall be responsible for the conduct of the general operations of the Bank and for this purpose shall, in addition to the powers provided for it expressly in the Bank Agreement, exercise all the powers delegated to it by the Board of Governors and in particular:*

- b) Take decisions concerning particular direct loans, guarantees, investments in equity capital and borrowing of funds by the Bank;*
- c) Determine the rates of interest for direct loans and of commissions for guarantees."*

2.1.3 Article 26 of the Fund Agreement also provides that the Board of Directors of the Fund “shall be responsible for the direction of the general operations of the Fund and for this purpose shall exercise any functions expressly given to it in the Fund Agreement or delegated to it by the Board of Governors and, in particular, shall:

“(ii) in conformity with the general directives of the Board of Governors, take decisions regarding individual loans and other forms of financing to be provided by the Fund.”

2.1.4 Finally, Article 15(3) of the Fund Agreement further provides that:

“Before financing is provided, the applicant shall have presented an adequate proposal through the President of the Bank and the President shall have presented to the Board of Directors of the Fund a written report recommending such financing, on the basis of a staff study of its merits.”

2.1.5 Generally, the above-mentioned provisions of the Bank Agreement and the Fund Agreement have been implemented by having decisions for the provision of financing for studies, projects or programs, taken by the Board(s) of Directors, exclusively, and only after consideration at a meeting convened in accordance with each Board’s Rules of Procedure. The standard approval procedure described above applies to the following operations-related matters:

- Country Strategy Papers
- Operations policies
- Loans, Guarantees and grants
- Equity participations

2.2 Exceptions to the Standard Procedure

2.2.1 The exceptions to the standard procedure under the current framework for operations approval are the approval by the Boards on a lapse-of-time basis. Pursuant to this approval procedure, the operation is deemed to have been approved by the Boards if no objection is received from a member of the Boards of Executive Directors within a specified period¹. This approval procedure applies to the following operations:

- Emergency operations financed from the Special Relief Fund (maximum amount of USD 500,000);
- Changes in conditions in investment projects, policy-based loans and grants, and technical assistance; and
- Waivers to conditions in investment projects, policy-based loans and grants, and technical assistance operations.

¹ This period varies depending on the items. In practice, it has varied between one and three weeks

2.2.2 The Bank has also established various Trust Funds and facilities with thresholds under which approval is on a lapse-of-time basis:

- African Water Facility (Euro 2 million threshold)
- Middle Income Countries Trust Fund (UA 500,000 threshold)
- NEPAD Infrastructure Project Preparation Facility (US\$ 500,000 threshold)
- ADF – Project Preparation Facility (UA 250,000 threshold)

2.2.3 The Boards have also established committees among which the Committee on Operations and Development Effectiveness (CODE) plays a key role in the approval process of Bank Group guidelines² and procedures. The mandate of CODE also includes the review of general policies and strategies before they are presented to the full Board.

2.3 Lessons Learnt

2.3.1 The current operations approval authority has resulted in almost all operations related policies and all projects and programs, irrespective of size and complexity, being submitted to the Boards of Directors for discussion prior to their approval. Three key lessons can be drawn from the Bank's experience in implementing the current operations related approval authority framework.

- Firstly, considering the requirements of Board discussions, referring all operations approvals to the Boards of Directors for discussion prior to approval reduces efficiency as the Boards devotes valuable time deliberating on small and sometimes routine and non complex operations;
- Secondly, implementation of approval procedures not requiring prior discussion of the proposal at a Board meeting, in particular for small size and non complex operations could contribute to better time management by allowing the Boards to spend more of its meeting time considering policy and strategy issues; and
- Finally, the current framework for operations approval also contributes to inefficient use of staff time as staff spend valuable time preparing for Board discussions of small and routine operations.

² The approval authority for guidelines is management, but CODE provides guidance and advice

III. EXPERIENCE OF OTHER INSTITUTIONS

3.1 Other Multilateral Development Banks (MDBs), such as the World Bank, the Inter-American Development Bank and, the Asian Development Bank have been implementing various models of operations approval frameworks. The main objective of their operations approval frameworks has been to increase the efficiency of Boards by allocating more time to strategy and to policy issues and to complex lending operations, thereby enhancing responsiveness to client needs. These models include the following³:

- *Standard procedure*, which requires full Board discussion and approval. Applicability of this procedure to loans and grants is determined based on a set of criteria, which includes predetermined thresholds and the policy content of the operation. Thus, this procedure usually applies to loans and grants above certain threshold amounts⁴ or operations, which appear complex such as operations with significant adverse environmental, economic and/or social impacts, or operations involving exceptions to established policy, country strategies, operations that deviate substantially from the country strategy, and operations with a policy content.
- *Streamlined Procedure*⁵: Under this procedure, the operation is placed on the agenda of the Board of Directors. It is considered approved without prior discussion, unless an Executive Director requests that it should be discussed. This applies, for example, to loan and grant operations, which do not qualify for the standard procedure, such as tranche releases under policy-based operations or follow up programmatic loans in a series if there are no substantive changes in the program and if country performance is satisfactory (at the World Bank), individual loans under credit lines (IADB) or repeater projects (at the World Bank).
- *Lapse-of-Time Approval*⁶: Under this procedure, the operation is not placed on the agenda of the Board of Directors but circulated to the Executive Directors for approval on a lapse of time basis. It is considered approved if there is no objection from a Board member within a specified period. This procedure applies, for example, to public sector loans below USD 200 million and private sector loans below USD 50 million (at the AsDB) or to non-reimbursable technical cooperation loans (at the IADB), innovation loans below the threshold of USD 10 million (at the IADB).
- *Delegation to Management*: The MDBs' Boards also delegate authority to Management to approve certain operations. For example, at the IADB, this applies to loans under the Emergency Reconstruction Facility for Natural Disaster Support and to certain non-reimbursable technical cooperation operations. At the World Bank, this applies to learning and innovation loans of up to USD 5 million if included in the Country Assistance Strategy⁷, and to subsequent Adaptable Program Loans (APL).

³ Annex 1 provides a more detailed summary of approval procedures for main lending products in the major multilateral development banks.

⁴ At the Asian Development Bank, the threshold is above US dollar 200 million for public sector loans and grants and US dollar 50 million for loans without government guarantee. At the World Bank, the threshold is above 10% of the country program in the approved three-year lending allocation review or 30% of the current year lending program.

⁵ This is the World Bank's terminology. This procedure is called 'Simplified Procedure' at the Inter-American Development Bank.

⁶ This procedure is called 'Short Procedure' at the Inter-American Development Bank and 'Summary Procedure' at the Asian Development Bank.

⁷ In a legal opinion on this issue, the General Counsel of the World Bank considered that the approval of loans and guarantees are only deemed to be part of the functions of the Executive Director by interpretation and through delegation and therefore cannot be sub-delegated (Shihata, the World Bank Legal Papers, 2000, p.652). The learning and innovation loans are an exception to that general prohibition given the specificities of their legal regime and the strict conditions of such delegation. Cf. the Bank and the Fund where the Boards are expressly authorized by constituent charters to approve operations and therefore approval authority is not derived by interpretation or delegation.

3.2 The following lessons can be drawn from the experience of other MDBs with respect to operations approval authority:

- Most MDBs have streamlined their operations approval frameworks with the view of enhancing their responsiveness to client needs and also contributing towards increasing the efficiency of Board proceedings;
- Streamlining of the frameworks for approval has led to focusing Board discussions of operational issues on policy related matters and to a limited set of loans and grants, which meet certain specified criteria, while resorting to procedures not involving Board discussions and to delegated approvals for small size and non complex operations; and
- The size of loans and grants, and the complexity of operations, therefore, appear to be the key determinant of whether approval will require prior discussion at the Boards.

IV. SIMPLIFYING THE PROCEDURES FOR OPERATIONS APPROVAL TO INCREASE BOARDS EFFICIENCY AND ENHANCE BANK RESPONSIVENESS TO CLIENT NEEDS

4.1 Key Guiding Principles

4.1.1 In the context of the on-going institutional reforms, which aim at ensuring enhanced operational effectiveness through increased country focus and responsiveness to client needs, Management has recognized the need to simplify the operations approval authority framework, which is important in increasing efficiency of the Boards towards enhancing the Bank's responsiveness to client needs and greater contribution to country level development outcomes. To achieve this objective, the proposed simplified framework for operations approval is anchored on the following guiding principles:

- Enhanced Bank responsiveness to client needs through timely approval of operations is an important ingredient in building client confidence in the Bank;
- Reduced number of Board meetings will lead to efficiency gains in Boards operations and in the operations approval process;
- Adequate safeguards are necessary to ensure continued high standard and quality of Bank Group operations and integrity of the approval process and;
- Tailor operations approval type to the size and complexity of operations.

4.2 Expected Outcome of the Proposal to Simplify the Operations Approval Procedures

The key expected outcome of the proposal to simplify the Bank Group's operations approval procedures is to increase Board efficiency by focusing deliberations at meetings more on strategy and policy issues and less on discussion of standard projects and programs. Based on the guiding principles enunciated above, the proposed simplified framework for operations approval will aim to balance two important considerations, which are the need to (i) continue to give the Boards the opportunity to formally discuss a reasonable portion of Bank Group projects and programs prior to their approval and (ii) substantially reduce the number of projects and programs, which are formally discussed at the Boards prior to approval, with a view to allowing the Boards of Directors to focus more on strategy and policy issues during their meetings. After balancing these two considerations, it is proposed that certain operations should be submitted to the Boards for approval on a lapse-of-time basis.

4.3 Size of Operation as a Key Criterion for Approval Type

4.3.1 Towards achieving the above-mentioned outcome, it is proposed that the size of the operation be a key criterion for determining the type of approval procedure to be followed, with operations below a determined threshold amount being submitted to the Boards for approval on a lapse-of-time basis while operations above the threshold will continue to require formal Board discussion prior to their approval. This proposal would, however, requires that a threshold amount below which projects and programs will be submitted to the Boards for approval on lapse-of-time basis be established. Operations which are considered as complex, even below the threshold would be approved in accordance with the standard procedure.

4.3.2 With a view towards determining the appropriate threshold amount to be selected, the impact of two possible thresholds on the distribution of projects and programs between approval by the Boards following formal discussion and approval by the Boards on a lapse-of-time basis have been simulated using data on projects and programs approvals for the year 2005. The results are reported in Table 1 below: As it appears, if the threshold is established at UA 20 million, it appears that while only 40.2% of projects in terms of number would have gone to the Boards for discussion and 59.8% approved on a lapse-of-time, in terms of value, 83.5% would have gone to the Boards for discussion and 16.5% would have been approved on a lapse-of-time basis. If the threshold amount is established at UA 10 million, it appears that 57.3% of projects in terms of number would have gone to the Boards for discussion and 42.7% approved on a lapse-of-time, in terms of value, 95.3% would have gone to the Boards for discussion and 4.7% would have been approved on a lapse-of-time basis.

Table 1: Distribution of Projects Approvals for the Year 2005 by Approval Level under Two Hypothesis of Threshold Scenario

Approval Level	Hypothesis 1: Threshold at UA 10 million		Hypothesis 2: Threshold at UA 20 million	
	Percentage of Projects	Percentage Value	Percentage of Projects	Percentage Value
Board Discussion	57.3	95.3	37.8	81.8
Lapse-of-Time Approval	42.7	4.7	62.2	18.2
Total	100	100	100	100

Source: ORPC Data

4.3.3 The results of the above simulation shows that under the two alternative thresholds scenario, the Boards would continue to play a significant role in the operations approval process but its role would be more cost effective. It would also appear that of the two hypothesis, the UA 10 million threshold would better balance the requirements of, on the one hand, allowing the Boards to discuss a reasonable portion of Bank Group projects and programs prior to approval and, on the other hand, substantially reducing the number of projects and programs to enable the Boards to focus on more strategic and policy issues during their meetings.

- Based on the above, it is proposed to retain the threshold of UA 10 million below which projects will be submitted to the Boards for approval under the lapse-of-time procedure.

4.3.4 It is expected that the percentage of operations to be approved by the Board is likely to increase in future as the average size of operations is raised to above UA 10 million. Indeed, Management has during the past five years been seeking to increase the average size of operations with the exception of institutional support projects. For countries with allocations of UA 10 million or lower, only one operation will be considered.

4.4 Complexity of the Operation as a Key Criterion for Approval Type

The proposed simplified framework for operations approval also envisages that the complexity of the operation becomes a key criterion towards determining eligibility for approval on a lapse-of-time basis. In this context, projects that are below a determined complexity threshold will be submitted to the Boards for approval on a lapse-of-time basis. Towards this end, complex operations would be understood to mean operations that meet either of the following criteria:

- Include policy reforms as its major focus e.g policy-based lending and budget support;
- Expected to have significant social and environmental impact and has been assessed under category 1;
- Which are not sovereign and do not involve a government guarantee;
- Involve more than one regional member countries e.g multinational projects; or
- First operation in a post-conflict country or in a country resuming operations with the Bank Group after being under sanctions for more than one year

4.5 Proposed Simplified Procedures for Operations Approval: Size and Complexity Combined

Based on the above discussion, the following operations approval types are proposed:

4.5.1 *Standard Procedure*: This procedure will require full discussion by the Boards prior to approval of the operation under consideration. It will be applied in the case of policy documents as well as projects and programs which are considered complex, including:

- Country Strategy Papers;
- Country Strategy Paper Mid-Term Review Progress Report, whether there is a change in Bank Group strategy or not; (Country Strategy Paper Completion Reports are submitted to the Boards for information).
- Operations policies;
- Projects and programs that include policy reforms as its major focus e.g policy-based lending and budget support⁸;
- Projects and programs that are expected to have significant adverse environmental and social impacts (Category 1);
- Projects and programs involving Bank/Fund resources above the threshold of UA 10 million;
- All loans without government guarantee, which include loans to the private sector and, enclave projects;
- Involve more than one regional member country e.g multinational projects; and
- First Operation in a post-conflict country or in a country resuming operations with the Bank Group after being under sanctions for more than one year

⁸ These include all quick disbursing financial assistance provided to a Regional Member Country either as budget support or as balance of payment support

4.5.2 With a view towards giving the Boards the opportunity to discuss Bank Group operations in all borrowing member countries, Management will ensure that at in all borrowing regional member countries, the first project (over an ADF-cycle for ADF-eligible countries) or over a CSP cycle (for ADB countries) is presented to the relevant Board for discussion prior to approval, irrespective of its amount or complexity.

4.5.3 *Lapse-of-Time Procedure*: Under this procedure, eligible proposals, which do not meet the criteria for approval under the standard procedure described above, will be considered approved by the Board(s) of Directors if no objection or insufficient objections are received from Board members within a specified deadline. This procedure will be applied to the following operations:

- Emergency assistance operations financed under the Special Relief Fund;
- Projects and programs involving Bank Group resources below, or equal to, the threshold of UA 10 million; and
- Amendments to loans/grant conditions.

4.5.4 Table 2 below presents the distribution of the operations approvals by approval procedures under the framework proposed in Paragraphs 4.5.1 and 4.5.3 above. For the year 2005, it appears that under the proposed framework, 61% of projects would have been approved under the Standard Procedure while 39% would have been approved under the lapse-of-time procedure. In terms of value 95.8% of financing approvals would have been through the Standard Procedure while 4.2% would have been through the Lapse-of-Time Procedure. The data for the years 2006 and 2007 (up to October 3, 2007) show a similar distribution with reasonable percentages of projects continuing to require Boards discussion prior to approval. These distributions achieve a reasonable balance between the two important considerations outlined in Paragraph 4.2.

Table 2: Distribution of Projects Approvals by Approval Procedure
under the Proposed Simplified Procedures for Operations Approval, 2005, 2006, 2007

Approval Procedure	2005		2006		2007(Up to October 3, 2007)	
	Percentage of Projects	Percentage of Value	Percentage of Projects	Percentage of Value	Percentage of Projects	Percentage of Value
Standard Procedure	61	95.8	66.7	96.1	77.6	97.6
Lapse-of-Time Procedure	39	4.2	33.3	3.9	22.4	2.4
Total	100	100	100	100	100	100

Source: SEGL Data

4.5.5 *Processing of Approvals under the Standard Procedure*: Operations submitted to the Boards of Directors for approval under the standard procedure will continue to follow the established practice for ADB and ADF Boards respectively.

4.5.6 *Processing of Approvals under the Lapse-of-Time Procedure*: Board approval on a lapse-of-time basis will be assumed after a period of fourteen calendar days in the absence of a request for discussion of the item and in the absence of a sufficient number of objections representing more than twenty-five percent of the votes (for an ADF operation) or more than one-third of the votes (for an ADB operation). Board approval of a proposal will be recorded by Resolution, as is the Board's practice. If the objections exceed 25 % of the votes for ADF or more than one third of the vote for the ADB, the proposal will be considered as rejected and so recorded.

4.5.7 A Board member may request for a full Board discussion of a proposal that was submitted for consideration and approval by lapse-of-time procedure. In the event of such a request, the

proposal will be scheduled for consideration by the Board at a meeting, as soon as possible, after the deadline for the lapse-of-time procedure, with sufficient time allowed for Board members and staff to prepare for the discussion at the Board meeting.

4.6 Safeguard Measures

4.6.1 CSPs will include a pipeline of projects to be financed over the CSP period. The CSP will clearly indicate for each project, the anticipated approval procedure. The other information to be provided will be detailed in the revised CSP format, which is under development.

4.6.2 Reforms being implemented to enhance operations quality include (i) the establishment of the Operations Committee, (ii) the strengthening of the review process through introduction of well focused and clear concept notes, effective role of Lead experts, (iii) the strengthening of the functioning of the country teams (iv) revised format for project appraisal reports aimed at focusing operations appraisal on results.

4.6.3 The Rolling Agenda of the Boards (RAG) will include a pipeline of the projects to be approved under lapse-of-time procedure. This will enable Board members to have a prospective view of the operations to be approved under this procedure and to be informed at an early time of operations in the Bank Group lending program for the period covered by the RAG.

4.7 Expected Impact of the Proposed Framework for Operations Approval

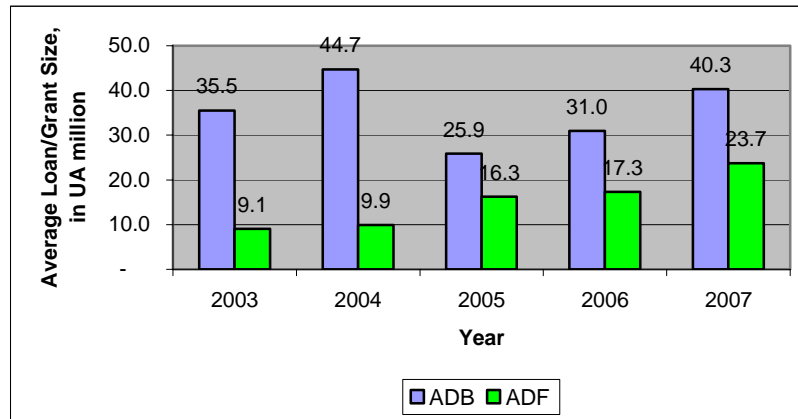
4.7.1 Although the proposed framework will result in a substantial reduction of the percentage of projects and programs formally discussed at the Boards prior to approval, a high percentage of operations in terms of value will continue to be discussed at the Boards.

4.7.2 The proposed framework would have a significant positive impact on the overall Bank efficiency. First, timely approval will mean increased responsiveness of the Bank to client needs. Secondly there will be a positive impact in terms of staff time as operations staff time spent preparing for Board presentations and discussions will be allocated to other activities.

4.7.3 There will also be a reduction in the number of Board meetings and, therefore, an increase in the time Board members can devote to policy and strategic issues. Assuming that the Boards can consider an average of five projects per meeting, it is estimated that the projects, which under the proposed framework would be approved by the Board on a lapse-of-time basis, would have required ten Board meetings in 2005 to consider them.

4.7.4 In fact, Management has been concerned with the limitations and constraints that arise from preparing, committing and subsequently supervising numerous small projects (in monetary terms) with the same transaction and human resources costs as for large projects. In this regard, Management has been working to increase the average size of operations to reduce transaction costs and the work load of the Boards. In this regard, the average size of operations is expected to increase to above UA 20 million in the coming years. In addition, efforts will be directed at incorporating technical assistance (TA) as components of the large operations. As shown in Figure 1 below, the average size of loans and grants approved by the Bank Group between 2003 and 2006 has increased from UA 9.1 million to UA 17.3 million and is projected to reach UA 23.7 million in 2007 for ADF Operations. For ADB operations, the average size of loans and grants has fluctuated between UA 35.5 million and UA 31 million and is projected to reach UA 40.3 million in 2007.

Figure 1: Evolution of Loans/Grants Size in the Bank Group Work Program, 2003-2007



Source: ORPC Data

4.7.5 In addition to yielding many benefits including higher developmental impact of operations, and reduced transaction costs, these efforts towards increasing the average size of operations are also expected to progressively increase the proportion of operations to be approved under the Standard Procedure.

V. RISKS AND MITIGATING MEASURES

5.1 The Bank is already familiar with most of the operations approval procedures currently being used in the major MDBs, although delegation of approval to Management has only been implemented for the various facilities and Trust Funds managed by the Bank. In this context, implementation of the framework for operations approvals, which is proposed in this paper, will not pose additional significant risks for Bank Group operations. The potential risk associated with the proposed framework is related to the operational quality risk resulting from reduced Board input in the case of lapse of time approval of mainstream Bank Group operations.

5.2 As indicated above, the Bank is currently working towards concurrently introducing a number of complementary reforms such as revised and strengthened operational review process, which will foster increased accountability of Country Teams, Managers, Lead Specialists, Directors and Senior Management. The revised review process will reduce significantly the chances of low quality documents going through the process. The introduction of the Operations Committee to among other functions, assess document quality will contribute towards improved quality of documents. This revised review process will contribute towards ensuring continued high standard and quality of Bank Group operations even in cases where approval will be on a lapse-of-time basis. Also, the proposed framework ensures that the Boards will have the opportunity to discuss the first project in all borrowing RMCs over an ADF cycle (for ADF-eligible countries) and over a CSP cycle (for ADB countries).

VI. MONITORING AND EVALUATION OF THE PROPOSED FRAMEWORK

An evaluation of the implementation of the operations approval framework proposed in this report will be carried out after a period of twelve months following its adoption. This evaluation will provide an opportunity for the Bank to take stock of the lessons learned going forward.

VII. CONCLUSION AND RECOMMENDATION

7.1 *Conclusion:* As part of the on-going process of institutional reforms aimed at assuring enhanced operational effectiveness through deepening country focus and selectivity and client responsiveness, Management has found it necessary to streamline the Bank business processes to reduce transaction costs, enhance the Bank's responsiveness to client needs and harmonize with best practices at other MDBs. As part of this process, this paper is proposing a simplified framework for operations approval, which is designed to significantly increase the efficiency of the Boards, and enhance the Bank's responsiveness to client needs. Under this framework, the complexity and size of operations are the key determinants of whether an operation will require formal discussion at the Board(s) prior to its approval or if it will be approved by the Board(s) on a lapse-of-time basis.

7.2 *Recommendation:* The Boards of Directors are invited to consider and approve the operations approval procedures proposed in this paper.

Annex 1: Summary of Approval Procedures for Main Lending Products at other major MDBs

	Asian Development Bank		Inter-American Development Bank				The World Bank		
	Standard	Summary	Standard	Simplified	Short	Delegation to Management	Regular	Streamlined/Absence of Objection	Delegation to Management
Investment Loans with Government guarantee	✓	✓ ⁹	✓ ¹⁰	✓ ¹¹			✓	✓ ¹²	✓ ¹³
Investment Loans without Government guarantee	✓	✓ ¹⁴	✓				✓ ¹⁵	✓ ¹⁶	✓ ¹⁷
Policy-Based Loans	✓		✓				✓	✓ ¹⁸	
Economic and Financial Emergency Loans			✓						
Non-Reimbursable National and Regional Technical Cooperation			✓		✓ ¹⁹	✓ ²⁰			
Reimbursable Technical Cooperation (Project Preparation and Execution Facility)			✓						

⁹ If the (i) loan, guarantee, grant or equity investment does not exceed USD 200 million for public sector operations or USD 50 million for loan without government guarantee, (ii) the project does not involve any exception to an existing ADB policy, (iii) the financial assistance should not be for a program, a sector development program or a project with a major policy reform component, (iv) the project does not involve an important new approach for the ADB in the member country concerned, (v) the project does not have the potential for significant environmental, economic and/or social impact, particularly on vulnerable groups that may be unable to absorb such impact, and (vi) the project does not involve use of complementary financing scheme or a novel financing arrangement.

¹⁰ If amount exceeds USD 100 million for Category A countries, USD 75 million for Category B countries, USD 50 million for Category C countries, USD 25 million for Category D countries and, USD 50 million for regional projects.

¹¹ If amount is below the threshold for standard procedure (see thresholds in footnote 9)..

¹² Operations less than 10% of the country program in the current approved three-year lending allocation or 30% of the current year's lending program, repeater projects.

¹³ With the introduction of the Learning and Innovation Loan (LIL), which was designed to permit piloting and innovation over a short timeframe and on a limited scale, provisions were made for the Board to delegate to management the authority to approve LILs. When the Adaptable Program Loan was also introduced, approval procedures for APL provided for the Boards approved the first APL in a series of loans, and for Management to approve subsequent APLs. The Project Appraisal Document for follow up APL is circulated to the Boards for information after approval in principle of the follow up APL by Management. Management's approval becomes effective 10 working days thereafter.

¹⁴ If amount is less than USD 50 million and project meets conditions (i), (ii), (iii), (iv), (v) and (vi) as specified in footnote 9 above.

¹⁵ IFC projects that that meet certain criteria including (i) first IFC investment in country, (ii) large exposure greater than USD 50 million in aggregate exposure or USD 20 million in equity with a limit in Sub-Saharan Africa of USD 20 million or USD 10 million in equity (iii) project with social and environmental issues or risks, and policy issues (iv) new approach in the sector and, (v) novel mobilization features.

¹⁶ IFC investments, which do not meet the criteria for regular procedures. No objection procedure applies to rights issues above USD 10 million or risk managements products above USD 55 million.

¹⁷ IFC approval procedures also provide for approval by management under delegated authority in certain cases such as increases to B loans, interest/currency management products.

¹⁸ Follow up programmatic development policy loans are presented to the Board under the streamlined procedure.

¹⁹ Individual technical cooperation operation for meetings, conferences, and or seminars if amount up to USD 750,000 and operation does not satisfy (a), (b), (c) and (d) as described in footnote 12.

²⁰ Individual technical cooperation operations for meetings, conferences, and or seminars if amount up to USD 750,000 and operation is (a) part of a general program approved by the Board, (b) a country paper or regional paper reviewed by the Board and (c) a Technical cooperation mid-year report approved by the Board.