

**AFRICAN DEVELOPMENT BANK  
AFRICAN DEVELOPMENT FUND**



**A ROADMAP FOR IMPROVING PERFORMANCE ON AID EFFECTIVENESS  
AND PROMOTING EFFECTIVE DEVELOPMENT**  
Turning Commitments Into Action

**Quality Assurance and Results Department**

## Abbreviations

AfDB	African Development Bank
ADER	Annual Development Effectiveness Review
COO	Chief Operating Officer
ICB	International Competitive Bidding
LIB	Limited International Bidding
NCB	National Competitive Bidding
OECD	Organisation for Economic Co-operation and Development
OpsCom	Operations Committee
OPEV	Operations Evaluation Department
ORPC	Operational Resources and Policies Department
ORPF	Procurement and Fiduciary Services Department
ORQR	Quality Assurance and Results Department
OSGE	Governance, Economic and Financial Reforms Department
RMC	Regional Member Country
RR	Readiness Review

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## Executive Summary

When the African Development Bank endorsed the Paris Declaration on Aid Effectiveness in May 2005, it did so not as an end in itself, but as a way of increasing the development impact of its support to its RMCs.

Indeed, the Bank's Medium-Term Strategy 2008-2012 spells out a vision for Africa's development in which aid is only ever a means to an end. If aid is truly effective, it will eventually do itself out of a job. Ultimately, development must be grounded in robust and equitable growth, more capable states and better economic integration. Support for development should therefore be designed to strengthen, not displace, domestic energy and capacity; and to build up, not replace, domestic sources of finance. Put simply, effective aid is an important building block in the pursuit of a greater goal: effective development.

In the Bank's vision, delivering development financing—both concessional and non-concessional financing—more effectively remains an important objective. The Bank can and should do more to support client countries' development and build their capacity, for example by using country systems rather than bypassing them. And it should do more to cut RMCs' costs of doing business with the Bank by better coordinating country missions.

By assisting the AfDB to achieve these objectives, this roadmap will not only help the institution meet its commitments under the Paris Declaration and the Accra Agenda for Action, but will promote more effective development overall. To achieve this, it proposes to concentrate the Bank's attention on the three areas most likely to bring about positive transformational change:

- Strengthening transparency and accountability for development results

- Expanding the use of country systems to reinforce country ownership

- Enhancing field-level engagement by increasing decentralisation

This roadmap supplies a framework—rather than a blueprint—for sequencing, guiding and coordinating Bank efforts on effective aid as a way of promoting effective development. Implementing it will require a corporate-wide effort: purposeful and coordinated actions by a range of Bank departments working in synergy. Primary responsibility for producing change within the Bank lies with frontline operations and Field Offices. To be effective, however, actions need coherent Bank-wide policies and the support of back offices.

Building on lessons learnt in implementing the Paris Declaration,<sup>[1]</sup> the roadmap sets out five mutually reinforcing areas for action:

- **Raising awareness and reinforcing priorities**—establishing the Paris principles as an integral part of the Bank's priorities and ensuring that corporate communications and organisational arrangements help the Bank to meet its commitments

- **Mainstreaming the monitoring of aid effectiveness** and regularly reporting on progress in implementing the Paris Declaration indicators

- **Reviewing Bank policies, processes and practices**—adjusting the Bank's policies, practices and incentive structures to enable the Bank to meet its commitments

- **Operationalising guidance on policies, processes and practices**—developing specific and practical guidance that help oper-

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<sup>[1]</sup> African Development Fund. 2009. *Implementing the Paris Declaration Commitments and Building on the Accra Agenda for Action*. Helsinki, Finland: background paper, October.

ationalise good practice on aid effectiveness

■ ***Engaging in international dialogue on aid effectiveness*** and advocating on behalf of RMCs ahead of the Fourth High Level Forum on Aid Effectiveness in Busan, Korea (29 November – 1 December 2011)

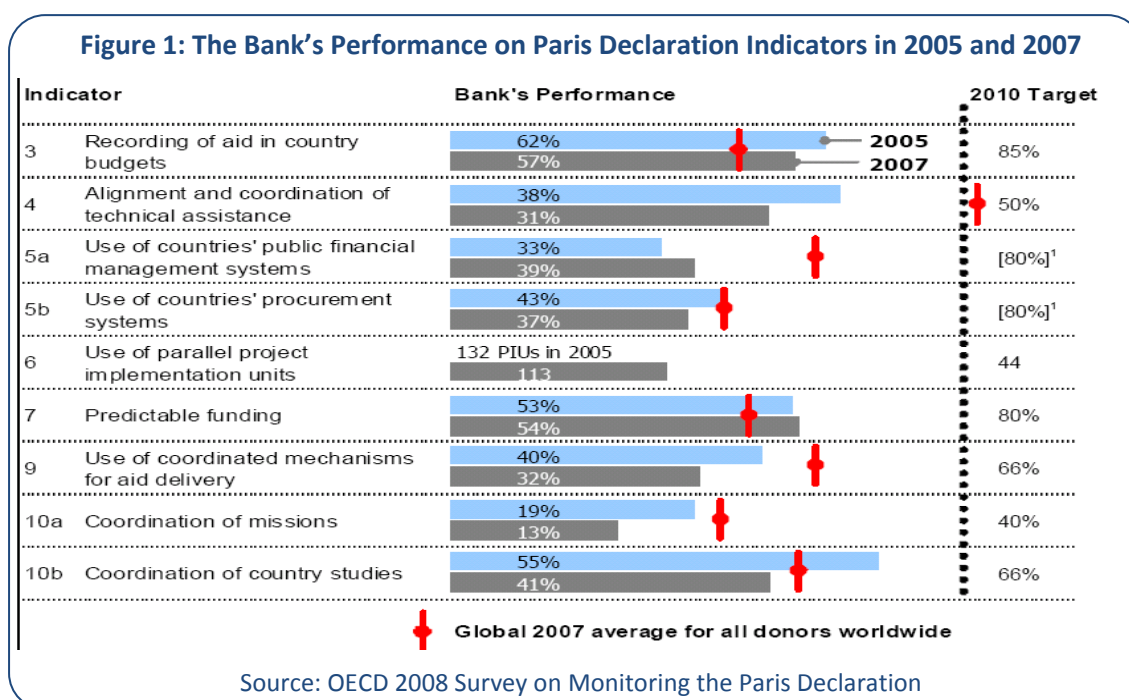
For each of these areas, the roadmap spells out a small number of key actions that will maximise focus and improve the Bank's

performance. Although most of these initiatives will be implemented over the short term, they also lay the foundation for durable improvements in Bank practices.

Next year's High Level Forum on Aid Effectiveness will provide an early opportunity to adjust the roadmap and mainstream key findings into the next Medium-Term Strategy.

## 1. Introduction

- 1.1. In 2011, six years after the Paris Declaration on Aid Effectiveness was agreed in 2005, the fourth High Level Forum on Aid Effectiveness will assemble in Busan, Korea to decide the principles and commitments that will govern development assistance in coming years. It will review the achievements of the Paris Declaration, and perhaps launch a successor agreement.
- 1.2. When delegates meet in Busan, one question will be at the top of their minds: have donors met the Paris targets on aid effectiveness<sup>1</sup>? The latest available data (Figure 1) provides some of the answers: in 2007, most development agencies, including the African Development Bank (AfDB or Bank), were not on track.



- 1.3. These findings are not new. The Bank's performance on aid effectiveness was examined at last year's ADF-11 Mid-Term Review in Helsinki.<sup>2</sup> On that occasion, two important conclusions were drawn. First, the Bank's performance does not reflect a lack of political commitment: Senior Management has long embraced aid effectiveness principles and has taken decisive actions to operationalise the Paris Declaration principles.<sup>3</sup> Many of these initiatives had not yielded results by the time of the 2007 survey. Second, anec-

<sup>1</sup> A full list of Paris Declaration indicators and targets are presented in Annex 1.

<sup>2</sup> African Development Fund. 2009. *Implementing the Paris Declaration Commitments and Building on the Accra Agenda for Action*. Helsinki, Finland: background paper, October.

<sup>3</sup> For example, the recent amendment to the African Development Fund's Articles of Agreement relating to the rules of origin for procurement (effective 31 March 2009) makes it easier for the Bank to participate in pooled funding arrangements.

dotal evidence consistently suggests that the Bank performed better than reported in the first two surveys.<sup>4</sup>

- 1.4. In Helsinki, the Bank agreed that to improve its performance, it needs a more purposeful and coordinated framework to guide, sequence and coordinate its initiatives to implement its commitments on aid effectiveness. The purpose of this roadmap is to fill this gap. Building on lessons learnt,<sup>5</sup> it sets out a small number of specific, time-bound actions in five broad areas:
  - Raising awareness and reinforcing priorities
  - Mainstreaming the monitoring of aid effectiveness
  - Reviewing Bank policies, practices and incentives
  - Operationalising guidance on policies, processes and practices
  - Engaging in international dialogue on aid effectiveness
- 1.5. Taken together, these actions will improve the Bank’s performance and help the institution achieve its targets, including those tracked in the Bank Group’s Results Measurement Framework.<sup>6</sup>
- 1.6. The rest of this paper is structured as follows: Section 2 spells out the principles of change management that guide the roadmap; Section 3 identifies areas that warrant priority attention; Section 4 outlines the roadmap’s five key areas for action; Sections 5 to 9 spell out specific and time-bound actions in each of those areas; and Section 10 lists deliverables and accountabilities.

## 2. Guiding Principles

- 2.1. This roadmap aims to bring about a step change in the Bank’s performance on aid/development effectiveness. It is guided by five principles of change management, detailed in Figure 2:
  - **Prioritisation:** The roadmap should focus on the elements of the aid effectiveness agenda most likely to increase the development impact of the AfDB’s support to regional member countries (RMCs).
  - **Leadership:** Senior Management should clearly and regularly communicate the Bank’s commitment to aid/development effectiveness as an integral part of the Bank’s Medium-Term Strategy.
  - **Operationalisation:** Specific guidance and sound delivery systems are needed to put the Paris principles into practice and ensure that they are aligned to the Bank’s

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<sup>4</sup> African Development Fund. 2009. *Implementing the Paris Declaration Commitments and Building on the Accra Agenda for Action*. Helsinki, Finland: background paper, October.

<sup>5</sup> African Development Fund. 2009. *Implementing the Paris Declaration Commitments and Building on the Accra Agenda for Action*. Helsinki, Finland: background paper, October.

<sup>6</sup> The Bank’s Results Measurement Framework names four indicators on aid effectiveness. With regard to alignment with country priorities (Paris Indicator 3), the Bank’s target is to move from 62% of resources recorded in countries’ budgets in 2005 to 85% by 2012. Regarding the use of country systems (Paris Indicator 5), the Bank’s target is to increase the use of country systems from 37% in 2007 to 53% by 2012. As for the predictability of aid (Paris Indicator 7), the Bank aims to increase the predictability of disbursements from 54% in 2007 to 80% by 2012. And with respect to eradicating parallel project implementation units (Paris Indicator 6), the Bank aims to decrease the number of parallel project implementation units from 122 to 44 by 2012.

mandate and corporate priorities. This means implementing processes through which every level of the organisation can practice aid effectiveness strategies and link actions to results.

- **Performance monitoring:** Routine performance monitoring will help mainstream the Paris Declaration principles into the Bank’s organisational culture. Relevant, regular and timely data on progress in implementing aid/development effectiveness reforms and achieving the Paris Declaration targets is needed.
- **Incentives:** To achieve results, it is essential that the right incentives be in place, especially when staff must manage competing corporate priorities.

**Figure 2: The Conceptual Framework Underpinning the Roadmap’s Approach to Reform<sup>7</sup>**



### 3. Focus and Priorities

- 3.1. Greater strategic focus and selectivity are necessary to implement an aid effectiveness agenda. For that reason, the Bank has chosen to prioritize its engagements under the Paris Declaration and to pay more attention to effective development.
- 3.2. ■ **A sharper focus on key Paris Declaration commitments.** Taken together, the first three High Level Forums on Aid Effectiveness (Rome, Paris and Accra) specified more than 100 commitments for development agencies such as the AfDB. It is likely that next year’s High Level Forum in Busan will add to this list.

<sup>7</sup> The framework is adapted from Michael Barber, 2007, *Instruction to Deliver: Fighting to Transform Britain’s Public Services*, London: Politico’s Publishing.

- 3.3. As a way of focusing and prioritising actions across this extensive corpus of prescriptions, the Bank will adopt the 12 Paris Declaration indicators as its main benchmark for assessing its progress in implementing its key commitments under the Paris Declaration and the Accra Agenda for Action. Section 6 provides more details on how the Bank routinely monitors and reports against the Paris Declaration indicators.
- 3.4. ■ *Paying more attention to effective development.* So far, the international agenda on aid effectiveness has concentrated on the mechanics of aid delivery, seeking to eliminate bottlenecks in the delivery of more effective assistance. Ultimately, the effectiveness of aid is but one element in the broader question of how RMCs can be enabled to achieve their development potential. This issue lies at the heart of the Bank's mandate.
- 3.5. With this mandate in mind, the Bank's Medium-Term Strategy 2008-2012 spells out a vision for Africa's development in which aid (concessional resources) is the means to an end. Aid that is truly effective will eventually do itself out of a job. Ultimately, the Bank believes that development must be grounded in robust and equitable growth, capable states and better economic integration. Support for development should therefore seek to strengthen, not displace, domestic energy and capacity; and to build up, not replace, domestic sources of finance. Put simply, effective aid is an important building block in the pursuit of the greater goal: effective development.
- 3.6. In the Bank's vision, delivering development resources—both concessional and non-concessional resources—more effectively remains an important objective. The Bank can and should do more to support client countries' development and build their capacity, for example by expanding the use of country systems. The use of country systems will therefore become the Bank's default position, with a renewed commitment to capacity building when systems are assessed to be insufficiently strong. It should also do more to cut RMCs' cost of doing business with the Bank by better coordinating its missions and its economic and sector work.
- 3.7. By assisting the AfDB to achieve these objectives, this roadmap will not only help the institution meet its commitments under the Paris Declaration and the Accra Agenda for Action, but will promote more effective development overall. It proposes to achieve this by concentrating the Bank's attention on three areas most likely to bring about positive change:
- Strengthening transparency and accountability for development results
  - Expanding the use of country systems as a way of reinforcing country ownership
  - Enhancing field-level engagement by increasing decentralisation
- 3.8. Recent international evaluations on aid effectiveness, including evaluations by the Organisation for Economic Co-operation and Development (OECD),<sup>8</sup> suggest that these three areas of intervention are the ones most likely to maximise development benefits for RMCs. Accordingly, the Bank will prioritise improving its position in all three areas, as discussed in Box 1.

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<sup>8</sup> Organisation for Economic Co-operation and Development. 2008. *2008 Survey on Monitoring the Paris Declaration*. Paris: November.

### Box 1: The Bank's Three Priority Areas of Intervention on Aid Effectiveness

**PRIORITY AREA 1: *Enhancing field-level engagement.*** Experience suggests that the more staff, resources and responsibilities are decentralised to the field, the more effective an organisation's use of its resources. In this respect, all three of the Bank's priority areas of intervention on aid effectiveness would benefit greatly from enhanced and effective decentralisation. Decentralisation and the delegation of authority to the country level, exercised within the context of coherent AfDB-wide policies on aid effectiveness and appropriate support from Headquarters, allow Field Offices to better tailor programs to countries' priorities and systems and to better coordinate AfDB initiatives with the initiatives of other development partners and civil society. For that reason, the AfDB will

- Step up the field's engagement in aid effectiveness at the country level.
- Increase the Bank's engagement in country-level coordination mechanisms, and
- encourage RMCs' good economic and financial governance.

**PRIORITY AREA 2: *Strengthening transparency and accountability for development results.*** In development, more transparency and stronger lines of accountability are one of the most effective elements that drive transformational change. For that reason, the African Development Bank (AfDB) will pay more attention to the following:

- Encouraging domestic accountability in regional member countries (RMCs) by ensuring that all Bank resources are recorded in countries' budgets in line with RMCs' normal budgetary practices and regulations. This will improve governments' ability to account for the use of development resources (including AfDB resources) to their citizens and parliaments. It will also strengthen the credibility of budgets as a tool for governing the allocation and use of development resources.
- Transparently reporting the AfDB's performance on aid effectiveness as measured by the Results Measurement Framework in the AfDB Group's Annual Development Effectiveness Report. The AfDB will disseminate and discuss country-level results and review impediments to performance with country authorities, civil society and other stakeholders.
- Predictably disbursing the AfDB's resources in line with the AfDB's commitments under the Paris Declaration and providing timely, transparent and comprehensive information on planned and actual resources flows. As part of its new disclosure policy, the AfDB will fully disclose its disbursements on its website.

**PRIORITY AREA 3: *Stepping up efforts to use and strengthen country systems as a way of reinforcing country ownership.*** The use of country procurement and financial systems must become the Bank's default position for all new operations. If the Bank finds systems to be insufficiently strong to ensure our fiduciary responsibility, the Bank will explicitly describe how it intends to strengthen the systems in appraisal reports to ensure their use in the future. To help develop capable administrations and states in Africa, the AfDB will increase its support for strengthening RMC systems for managing external and domestic public resources by paying more attention to three areas:

- Supporting RMCs' economic and financial governance
- Increasing the use of country systems, inter alia through budget support
- Providing better operational guidance on using country systems while avoiding the use of parallel project implementation units for all operations

## 4. Five Areas for Action

- 4.1. Since the Bank last reviewed its performance on aid effectiveness at the ADF-11 Mid-Term Review in October 2009, it has taken a number of important initiatives and reforms that are directly or indirectly helping it meet its commitments under the Paris Declaration.
- 4.2. Building on these initiatives, this roadmap provides an operational framework for sequencing, guiding and coordinating the AfDB's actions to strengthen its position. It

seeks to leverage the impact of past actions by ensuring that all the components of a reform agenda are in place: prioritisation, leadership, operationalisation, monitoring and incentives (see Section 2).

- 4.3. The roadmap recognises that the aid effectiveness agenda is not new. In recent years, a growing body of practices and principles has emerged and has come to constitute internationally recognised good practice. The roadmap draws on this practice and on the Bank's recent experience implementing the Paris Declaration<sup>9</sup> to set out specific and time-bound actions in five mutually reinforcing areas:
- ***Raising awareness and reinforcing priorities***—establishing the Paris principles as an integral part of the Bank's priorities and ensuring that corporate communications and organisational arrangements are conducive to the Bank meeting its commitments
  - ***Mainstreaming the monitoring of aid effectiveness*** and regularly reporting on progress in implementing the Paris Declaration indicators
  - ***Reviewing Bank policies and practices***—adjusting the Bank's policies, practices and incentives to help the Bank to meet its commitments
  - ***Operationalising guidance on policies, processes and practices***—developing specific and practical guidance that encourages Bank to staff adopt good practices in aid effectiveness
  - ***Engaging in international dialogue on aid effectiveness*** and advocating on behalf of RMCs ahead of the Fourth High Level Forum on Aid Effectiveness
- 4.4. Taken together, these actions will boost the effectiveness of the Bank's aid. While the timeframe covered by this roadmap is a short one, the actions go beyond 2011 and will produce durable improvements in Bank practices.
- 4.5. The primary responsibility for delivering the changes needed within the Bank lies with frontline operations and Field Offices. To be effective, however, these entities need appropriate central policies and support from back offices.
- 4.6. In this connection, the roadmap describes a number of initiatives to help the Bank identify constraints and improve its position. They include an independent evaluation on implementing the Paris Declaration by the Bank's Operations Evaluation Department (OPEV: see Section 7). Internally monitoring the Paris Indicators will also provide valuable information on areas of strong and weak performance. It is fundamental that the lessons learnt and the findings from both of these exercises inform the Bank's policies and practices on aid effectiveness. Next year's High Level Forum on Aid Effectiveness will provide a timely opportunity to review the Bank's approach in light of the conclusions and recommendations that will be made in Busan. These recommendations will then be mainstreamed into the Bank's medium-term strategy for 2013-2017.
- 4.7. Sections 5 to 9 of this paper spell out a small set of actions and initiatives for each of the five action areas. The key deliverables, accountabilities and timeline for each area are summarised in Section 10.

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<sup>9</sup> African Development Fund. 2009. *Implementing the Paris Declaration Commitments and Building on the Accra Agenda for Action*. Helsinki, Finland: background Paper, October.

## 5. Action Area 1: Raising awareness and reinforcing priorities

- 5.1. Management's leadership and example are the single most effective driver of change. Without clear, top-level signals from Senior Management, this roadmap's suggestions for making the Bank's aid more effective will have limited impact. The benefits of unambiguous corporate communication can be reinforced by institutional arrangements that operationalise and internalise the Paris principles by adapting them to the Bank's mandate and organisational culture.
- 5.2. With this in mind, the Bank will build commitment for its aid effectiveness agenda by taking the following actions:
- 5.3. ■ **Issue a top-level statement.** Bank's Senior Management will issue a statement to all staff stating that aid effectiveness is an integral part of the Bank's mission. The statement will set out objectives and expectations for the Bank's three priority areas: i) strengthening transparency and accountability for development results; ii) stepping up efforts to use and strengthen country systems as a way of reinforcing country ownership; and iii) enhancing the field's engagement in aid effectiveness through decentralisation. It will be issued to all staff upon adoption by the Board of this Roadmap.
- 5.4. ■ **Adopt and disseminate the roadmap on aid effectiveness.** The roadmap described in this paper is essential to the Bank's efforts to communicate its aid/development effectiveness agenda across the Bank's operations and Complexes. The roadmap will be disseminated across the AfDB with a view to raising awareness and sensitising staff to the importance of meeting the Bank's commitments on aid effectiveness.
- 5.5. ■ **Reinforce regular corporate communication.** Top-level statements will be regularly and consistently reinforced at all levels so that the agenda is fully owned throughout the Bank. Developing a shared understanding of what the aid/development effectiveness agenda means in practice also helps avoid a disconnect between the behaviour of Senior Management, Field Office staff, and support personnel (Section 7). The Bank will regularly communicate through a range of internal channels such as Board presentations, the induction of staff, and informal retreats. In addition, the Bank will organise in the first quarter of 2011 a Senior Management Seminar to engage management in an open and candid discussion on a specific set of challenges in operationalising its aid effectiveness commitments..
- 5.6. ■ **Step up the decentralised business model.** Decentralisation's overarching objective is to promote a more efficient business model that brings the Bank's knowledge and its financial and human resources closer to its regional member clients. Combined with more delegation of authority, this model is expected to boost the effectiveness of the Bank's aid by allowing Field Offices to better tailor programmes to countries' priorities and collaborate more closely with other development partners on the ground. While this agenda is not new, Management is stepping up its implementation by executing a new Roadmap on Decentralisation and undertaking other actions.
- 5.7. ■ **Establish an aid effectiveness policy and coordination function.** The Bank will establish a small aid effectiveness coordination function (ORQR.1). Positioned within the office of the Chief Operating Officer, ORQR.1 will give the Chief Operating Officer strategic and operational advice on implementing the Bank's aid effectiveness commitments and adapting them to the Bank's mandate and organisational culture. As part of this function, a help desk will guide staff on operational issues related to aid effectiveness (Box 2).

- 5.8. ■ ***Make Bank activities more transparent.*** As part of the Bank’s new disclosure policy, to be approved in 2011, the Bank will routinely disclose information about its disbursements on a revamped website.

**Box 2: A Help Desk to Guide and Promote Implementation across Complexes**

The Quality Assurance and Results Department (ORQR) will establish a help desk dedicated to helping Bank staff understand the practical implications of the aid effectiveness agenda in real time. Its mandate will include the following tasks:

- Serving as a first port of call for questions related to aid effectiveness
- Liaising with different departments for technical questions: for example, working with the Procurement and Fiduciary Services Department (ORPF) on questions about the use of country systems and with the Governance, Economic and Financial Reforms Department (OSGE) on questions about policy-based operations
- Coordinating the implementation of the 2011 internal survey on monitoring the Paris Declaration (see Section 6)
- Engaging with Field Offices and national coordinators regarding the global survey of the Organisation for Economic Co-operation and Development (OECD)
- Helping country program officers and country economists complete the survey questionnaire and manage other elements of the survey process

## 6. Action Area 2: Mainstreaming the monitoring of aid effectiveness

- 6.1. What gets measured gets done. Monitoring and regularly reviewing the Bank’s performance regarding its commitments on aid effectiveness are fundamental to building and sustaining the momentum needed to make aid more effective over time. Monitoring and measurement drive progress in several ways:
- They signal the Bank’s corporate commitment to the aid effectiveness agenda.
  - They create a shared understanding across the Bank on the practical significance of the aid effectiveness agenda, and contribute to putting the Paris Declaration principles into practice.
  - They strengthen accountability for results.
  - They establish powerful incentives for staff to identify and remove bottlenecks.
- 6.2. The Bank will mainstream the monitoring of aid effectiveness indicators by taking the following actions:
- 6.3. ■ ***Routinely monitor the Paris indicators.*** The Bank will routinely monitor and report annually on progress in implementing the 12 Paris Declaration indicators in all the countries where the Bank is active. The results of the 2011 survey will feed into the OECD’s global survey and will inform the Busan High Level Forum on Aid Effectiveness.
- 6.4. ■ ***Provide practical guidance on improving the Bank’s performance on indicators.*** Drawing on the findings of the Bank’s internal survey, management will prepare a ***Checklists of Actions*** to improve the Bank’s performance on Paris Indicators. The Checklists will be tailored to provide practical guidance to Resident Representatives, Sector Directors and Regional Directors. As part of this exercise, management will

also review mechanisms for creating staff incentives that will help the Bank increase its performance on the Paris indicators including, for example, through the adoption of aid effectiveness criteria in relevant staff's performance evaluations.

- 6.5. ■ ***Integrate Paris indicators in the Bank's Results Measurement Framework.*** Key Paris Declaration indicators have been integrated into Level 3 (operational performance) of the Bank Group's Results Measurement Framework. Targets have been set and each year's progress in implementing aid effectiveness principles will be published in the Annual Development Effectiveness Review (Box 3).
- 6.6. ■ ***Monitor progress in the Results Reporting System.*** Paris declaration indicators will be monitored country-by-country in the Bank's forthcoming Results Reporting System, a web-based interface that will allow staff to track the performance and the development results of all Bank operations.

### Box 3: The Annual Development Effectiveness Review

The Annual Development Effectiveness Review (ADER) is the primary corporate results reporting tool of the African Development Bank (AfDB or Bank). Each year, the ADER assesses the AfDB's operational performance and progress toward results for all operations financed by the Bank Group. It reviews performance at four levels:

**Level 1:** What progress is Africa making toward key development objectives?

**Level 2:** What are the AfDB's key operational outputs and intermediate outcomes and how are they contributing to country outcomes?

**Level 3:** Is the AfDB becoming more effective at delivering outputs that produce specific country outcomes?

**Level 4:** Is the AfDB becoming more efficient at managing itself to make its operations more effective?

Level 3 of the Results Measurement Framework has time-bound targets for four aid effectiveness indicators covering the AfDB's three priority areas:

- ***Alignment on country priorities (Paris Indicator 3).*** The Bank's target is to move from 62% of resources recorded in countries' budgets in 2005 to 85% by 2012.
- ***Use of country systems (Paris Indicator 5).*** The Bank's target is to increase the use of country systems from 37% to 53% by 2012.
- ***Predictability of aid (Paris Indicator 7).*** The Bank's target is to increase the predictability of disbursements from 54% in 2007 to 80% by 2012.
- ***Eradicating parallel project implementation units (Paris Indicator 6).*** The Bank's target is to decrease the number of parallel project implementation units from 122 to 44 by 2012.

## 7. Action Area 3: Reviewing Bank policies and practices

- 7.1. The Bank's independent Operations Evaluation Department (OPEV) is evaluating the AfDB's implementation of the Paris Declaration. The evaluation, which is part of the OECD's global evaluation, focuses on the key institutional dimensions that drive change: leadership, commitment, capacity and incentives. The findings of OPEV's evaluation will help the Bank adjust its approach to aid effectiveness by identifying strengths, weaknesses and gaps in promoting aid effectiveness. As part of OPEV's evaluation, the Bank will undertake the following actions:

- 7.2. ■ **Review the Bank's policy and operational documents.** The Bank will assess the extent to which its policies and operational framework encourage the practice of Paris Declaration principles across the organisation. The assessment will ascertain whether the Bank has a general policy and a strategic framework that clearly outline how to translate its vision for aid effectiveness into practice. For example the Bank will identify policy barriers to greater use of country systems, and propose relevant changes to enhance aid effectiveness.
- 7.3. ■ **Administer a staff capacity and incentives survey.** The Bank will survey staff's perceptions of commitment, capacity and incentives for implementing aid effectiveness principles. The survey will consult a purposive sample of Bank staff encompassing a cross-section of Management personnel (Managers, Directors, and Vice-Presidents) and operational, Field Office and fiduciary staff.
- 7.4. ■ **Undertake an organisational diagnosis.** Analysis of the staff survey will be complemented by an organisational diagnosis that examines key drivers of change within the institution, such as its context, its commitment and its capacity.
- 7.5. ■ **Conduct four country case studies.** The Bank will undertake case studies of Burkina Faso, Cameroon, Kenya, and Malawi to examine how it implements the Paris Declaration principles at the country level. Each case study will review the Bank's Country Strategy Paper to establish the extent to which the Bank's strategies for delivering country assistance are consistent with the Paris Declaration principles.
- 7.6. ■ **Prepare a synthesis and make recommendations.** Drawing on the findings generated by the measures described above, a final report will summarise the Bank's performance in fulfilling its Paris Declaration commitments and recommend actions to make its aid more effective.

## 8. Action Area 4: Operationalising guidance on procedures and practices

- 8.1. Internal policies, practices and procedures have a strong impact on aid effectiveness. Giving staff direction and guidance on why, when and how to engage in aid effectiveness efforts is important to translating political commitments into behavioural change, especially in situations where competing priorities require sensitive trade-offs. For example, the Bank faces strong and continual pressure to deliver. Operations need to be prepared, agreed with governments, approved by the Board within an agreed timeframe and disbursed swiftly. Tight deadlines encourage solutions—such as establishing project implementation units—that are expedient rather than holistic. They also make it more difficult in general for the Bank to meet its commitments on aid effectiveness, especially when those commitments require protracted in-country dialogue or more elaborate implementation arrangements (e.g., pooled funding).
- 8.2. To counter these pressures, it is essential that the Bank formulate guidance by reviewing and, where necessary, adapting existing policy documents and procedures to incorporate the Paris Declaration principles, such as the case for the use of country systems. This is why the findings of OPEV's evaluation described above will be timely and fundamental in helping the Bank address key constraints; adjust its policies, processes and practices; and refine guidance in general.
- 8.3. As part of its efforts, the Bank will undertake the following actions to strengthen back office functions:

- 8.4. ■ **Mainstream the Paris Declaration principles in the Operations Manual.** As part of the Bank's revision of its Operations Manual, the Paris Declaration principles will be mainstreamed into the Bank's operations, policies, strategies and business processes. The Paris Principles will be addressed in two of the three volumes of the manual. Volume 1 will enshrine the general principles of aid effectiveness as an integral part of the Bank's mission and will set out the Bank's commitments under the Paris Declaration and the Accra Agenda for Action. Volume 2 will give staff and managers specific guidance on good practices to adopt when conducting country analytic work, joint missions, pooled funding, and so forth (Box 4).

**Box 4: Mainstreaming the Paris Declaration in the Bank's Operations Manual**

The African Development Bank (AfDB)'s revised and updated Operations Manual is expected to be finalised in the first quarter of 2011. The Operations Manual is organised in three volumes: Operations Policies and Strategies of the AfDB Group (Volume 1); Business Processes and Procedures (Volume 2); and Non-Sovereign Guaranteed Operations (Volume 3). The Paris Declaration principles are mainly relevant to Volumes 1 and 2.

■ **Volume 1** will present the policies, strategies and guidelines that currently guide the AfDB Group's operations. It will include a chapter that presents the most important global and continental development initiatives, including the Millennium Development Goals and the new international framework on development partnerships anchored in the Paris Declaration on Aid Effectiveness.

■ **Volume 2** is organised according to the principal stages of the AfDB Group's project/program cycle. The core Paris Declaration principles are being mainstreamed into the AfDB's business processes and procedures for all of these stages. This volume will advise staff and managers on good practices for conducting joint analytical economic and sector work, programming the AfDB's country and regional operations, etc.

- 8.5. ■ **Address aid effectiveness principles when designing operations and Country Strategy Papers.** Prior to Board approval, Readiness Reviews assess the quality of Bank operations and Country Strategy Papers against a set of dimensions that cover key areas of the Paris Declaration such as ownership, the use of country systems, harmonised operations, predictability and conditionality (Box 5).
- 8.6. ■ **Strengthen the role of the Operations Committee.** Working through the Operations Committee (OpsCom)'s review of operations proposals, the Bank will pay special attention to its three priority areas for promoting aid effectiveness: strengthening transparency and accountability for development results, stepping up efforts to use and strengthen country systems as a way to reinforce country ownership, and enhancing field-level engagement through decentralisation. OpsCom will also champion and provide senior-level guidance and strategic leadership on the overall implementation of the roadmap.
- 8.7. ■ **Develop better operational guidance notes on using country systems.** The Procurement and Fiduciary Services Department (ORPF) will refine the AfDB's policies and guidance on operationalising its commitment to promote the use of country public financial management and procurement systems. In May 2008, the Board approved the Bank Group Approach toward Enhancing the Use of Country Systems. As part of this approach, the Bank's fiduciary department (ORPF) will finalise a proposal for piloting a programme in two to three countries. The programme, aimed at designing a methodology for expanding the use of country procurement systems, is based on a three-pillar approach: i) enhancing the use of national procurement procedures for non-International-Competitive-Bidding contracts (i.e., NCB, LIB, Shopping, ...etc.) in Bank-financed opera-

tions; ii) joining the World Bank's Use of Country Systems piloting programme for ICB contracts; and iii) setting up a Bank's financing mechanism to support procurement reform programmes. In developing operational guidance on use of country systems, the Bank (ORPF) will review and draw on relevant good practice developed by other Multilateral Development Banks including the World Bank and the Inter-American Development Bank (IADB)<sup>10</sup>.

- 8.8. ■ **Scale up support for stronger country systems.** In line with the Bank's governance strategy (the Governance Strategic Directions and Action Plan (GAP) 2008-2012), the Bank will scale up its support for strengthening country public financial management and procurement systems, inter alia by writing operational guidance notes on how to strengthen country public financial management and accountability systems, procurement systems, and audit systems. The Bank's Governance, Economic and Financial Reforms Department (OSGE) is increasing its support for policy reforms and institutional capacity building in public financial management and procurement systems.<sup>11</sup> The AfDB will also further its engagement to assess country systems with other donors, for example through Public Expenditure and Financial Accountability assessments, Public Expenditure Management and Financial Accountability Reviews, and Country Procurement Assessment Reports.

#### Box 5: How Readiness Reviews Improve the Bank's Compliance with the Paris Principles

The AfDB is undertaking reforms to enhance the quality at entry of its operations and country assistance strategies. As part of these reforms, the Bank developed a new quality-at-entry tool: the "Readiness Review" (RR). The RR aims to assess and improve the quality at entry of the Bank's operations and country assistance strategies prior to Board approval. Both operations and Country Strategy Papers are assessed against a standard set of criteria that cover key dimensions of the Paris Declaration:

**Ownership.** The RR encompasses review criteria to ensure that all Bank interventions undergo a broadly based consultative process during preparation to encourage full ownership by relevant stakeholders. On **conditionality**, the RR considers whether the conditions for entry into force and first disbursement are sound. Appropriate conditions increase the likelihood of smooth implementation and minimal delays. The RR also thoroughly assesses whether the conditions for policy-based loans are feasible and aligned to good practice.

**Alignment.** The RR requires new Bank operations and strategies to demonstrate they that are fully aligned with country strategic frameworks (e.g., Poverty Reduction Strategy Papers, sector strategies). On the **use of country systems**. The RR verifies that project documents discuss the use of country systems and that proposals for parallel project implementation units are justified.

**Harmonisation.** To ensure joint and harmonised interventions, the RR makes sure that the cooperation framework is presented at the sector level and that all Bank initiatives are conducted in close dialogue with other development partners.

**Managing for results.** The RR emphasises development results by using results-based logical frameworks that demonstrate the cause-effect relationship between elements of the results chain and their link to the country's overall development objectives.

<sup>10</sup> E.g., the World Bank's pilot programme on International Competitive Bidding and good practice developed by IADB in strengthening country procurement systems.

<sup>11</sup> In 2010, over 60% of OSGE's ongoing operations supported country budgeting systems, almost 50% supported country procurement systems, 40% supported country internal control systems, and over 50% supported country external auditing and oversight systems.

## 9. Action Area 5: Engaging in international dialogue on aid effectiveness

- 9.1. With the Accra Agenda for Action, the Bank reaffirmed its commitment to promote country ownership by agreeing to support RMCs' efforts "to increase the capacity of all development actors (...) to take an active role in dialogue on development policy and on the role of aid in contributing to countries' development objectives."<sup>12</sup>
- 9.2. To this end, the Bank will increase its support for strengthening country capacity by taking the following coordinated actions:
- 9.3. ■ *Organise a regional consultative event on aid effectiveness.* In November 2010, the Bank hosted a regional event on aid effectiveness to help African countries develop a common perspective on aid effectiveness ahead of the Fourth High Level Forum in Korea in 2011. The regional event was an important milestone in RMCs' influencing of the international agenda on development effectiveness. It was also an opportunity for the Bank to exercise leadership on an issue of high visibility and relevance.<sup>13</sup>
- 9.4. ■ *Issue a statement on the future of aid effectiveness in Africa.* Among other things, the statement will outline an emerging consensus on the issues that Africa should pursue in the lead-up to the next High Level Forum in Busan. In doing so, it will spell out the Bank's role in promoting this agenda both internally and externally.
- 9.5. ■ *Host a regional workshop on monitoring the Paris Declaration in Africa.* In partnership with the OECD and the United Nations Development Programme, the Bank will host a regional workshop to train country coordinators in technical and procedural matters related to the OECD's 2011 global survey on monitoring the Paris Declaration.
- 9.6. ■ *Support the African Community of Practice on Managing for Development Results.* The AfDB will continue to support the African Community of Practice on Managing for Development Results, a virtual community that builds capacity to manage for results by giving practitioners in Africa and around the world a forum for sharing their experiences, networking and building strong learning relationships. The AfDB will also support national communities of practice that engage in concrete, country-level actions to promote a results-oriented culture in national administrations.
- 9.7. ■ *Represent Africa's voice in international fora.* The Bank will continue to be an active member of working groups of the OECD's Working Party on Aid Effectiveness and a member of its executive committee.

## 10. Timelines and Accountabilities

- 10.1. The following table details accountabilities and timelines for the deliverables of the roadmap's five areas for action. It shows key initiatives taken, or about to be taken, since the Helsinki Mid-Term Review in October 2009.

<sup>12</sup> High Level Forum on Aid Effectiveness. 2008. *Accra Agenda for Action*. Accra: 4 September.

<sup>13</sup> The 2008 High Level Panel stated that "the Bank should...be an authoritative voice in Africa. It should be the institution that African countries look to for guidance and information and to help set standards of best practice. It should also be proactive in advising them on wider international development issues and what those issues mean for Africa." High Level Panel for the African Development Bank. 2007. *Investing in Africa's Future: The ADB in the 21<sup>st</sup> Century*. Joachim Chissano and Paul Martin, co-chairs: Page 4.

**Table 1: Roadmap Timeline and Accountabilities**

TASK	DEPARTMENT	TIMELINE
<b>1. RAISING AWARENESS AND REINFORCING PRIORITIES</b>		
1.1. Ensuring enhanced application of a decentralised business model	PECOD	20011/12
1.2. Adoption by the Board of the roadmap on aid effectiveness	ORQR	March 2011
1.3. Organising a Senior Management Seminar on Aid Effectiveness	COO	Completed
1.4. Installing an aid effectiveness policy and coordination unit	ORQR	Completed
1.5. Raising awareness regularly in-house	ORQR	Ongoing
1.6. Promoting transparency by approving a new disclosure policy	ORPC	December 2011
<b>2. MAINSTREAMING THE MONITORING OF AID EFFECTIVENESS</b>		
2.1. Monitoring the Paris Declaration internally	ORQR	March 2011
2.2. Establishing a Checklist of Action to improve performance	ORQR	June 2011
2.3. Integrating Paris Declaration indicators in the Results Measurement Framework	ORQR	Completed
2.4. Publishing the Annual Development Effectiveness Review	ORQR	May 2011
<b>3. REVIEWING BANK POLICIES, PRACTICES AND INCENTIVES</b>		
3.1. Reviewing key policy documents	OPEV	Completed
3.2. Surveying staff capacity and incentives	OPEV	Completed
3.3. Making a diagnosis of the organisation	OPEV	Completed
3.4. Conducting country case studies	OPEV	Completed
3.5. Producing a final synthesis and recommendations	OPEV	June 2011
<b>4. OPERATIONALISING GUIDANCE ON POLICIES AND PRACTICES</b>		
4.1. Mainstreaming Paris principles in the revised Operations Manual	ORPC	December 2011
4.2. Mainstreaming Paris principles in Readiness Reviews	ORQR	Ongoing
4.3. Improving operational guidance on the use of country systems	ORPF	June 2011
4.4. Improving operational guidance on the use of budget support <sup>14</sup>	OSGE	June 2011
<b>5. ENGAGING IN INTERNATIONAL DIALOGUE ON AID EFFECTIVENESS</b>		
5.1. Organising a regional event on aid effectiveness	ORQR	Completed
5.2. Organising a regional workshop on monitoring the Paris Declaration in Africa	ORQR	Completed
5.3. Issuing a high-level statement on the future of aid effectiveness	ORQR	March 2011
5.4. Supporting African communities of practice	ORQR	Ongoing

Notes: COO=Chief Operating Officer; OPEV=Operations Evaluation Department; ORPC=Operational Resources and Policies Department; ORPF=Procurement and Fiduciary Services Department; ORQR=Quality Assurance and Results Department; OSGE=Governance, Economic and Financial Reforms Department

<sup>14</sup> This is referred to in OSGE's work programme as the *Comprehensive Bank Policy on PBOs to Improve Bank Instruments for Aid Effectiveness*.

## Annex 1: The Bank Group's Performance on the Paris Declaration Indicators

### List of Paris Declaration Indicators and Targets

<b>1</b>	Partners have operational development strategies	<b>At least 75% of partner countries</b> have operational development strategies.	
<b>2a</b>	Reliable PFM systems	<b>Half of partner countries</b> move up at least one measure (i.e., 0.5 points) on the PFM/CPIA scale of performance.	
<b>2b</b>	Reliable procurement systems	<b>One-third of partner countries</b> move up at least one measure (i.e., from D to C, C to B or B to A) on the four-point scale used to assess performance for this indicator.	
<b>3</b>	Aid flows are aligned on national priorities	<b>Halve the gap</b> — halve the proportion of aid flows to government sector not reported on government's budget(s) (with at least 85% reported on budget).	
<b>4</b>	Strengthen capacity by coordinated support	<b>50% of technical cooperation flows</b> are implemented through coordinated programmes consistent with national development strategies.	
<b>5a</b>	Use of country PFM systems	Population 'A' countries — Partner countries with a <b>score of 5 or above</b> on the PFM/CPIA scale of performance (see Indicator 2a).	<b>Reduce the gap by two-thirds</b> — A two-thirds reduction in the proportion of flows to the public sector not using partner countries' PFM systems.
		Population 'B' countries — Partner countries with a <b>score between 3.5 and 4.5</b> on the PFM/CPIA scale of performance (see Indicator 2a).	<b>Reduce the gap by one-third</b> — A one-third reduction in the proportion of flows to the public sector not using partner countries' PFM systems.
<b>5b</b>	Use of country procurement systems	Population 'A' countries — Partner countries with a <b>score of 'A'</b> on the Procurement scale of performance (see Indicator 2b).	<b>Reduce the gap by two-thirds</b> — A two-thirds reduction in the proportion of flows to the public sector not using partner countries' procurement systems.
		Population 'B' countries — Partner countries with a <b>score of 'B'</b> on the Procurement scale of performance (see Indicator 2b).	<b>Reduce the gap by one-third</b> — A one-third reduction in the proportion of flows to the public sector not using partner countries' procurement systems.
<b>6</b>	Avoiding parallel PIUs	<b>Reduce by two-thirds</b> the stock of parallel PIUs.	
<b>7</b>	Aid is more predictable	<b>Halve the gap</b> — halve the proportion of aid not disbursed within the fiscal year for which it was scheduled.	
<b>8</b>	Aid is untied	<b>Continued progress over time.</b>	
<b>9</b>	Use of common arrangements	<b>66% of aid flows</b> are provided in the context of programme-based approaches.	
<b>10a</b>	Missions to the field	<b>40% of donor missions</b> to the field are joint.	
<b>10b</b>	Country analytic work	<b>66% of country analytic work</b> is joint.	
<b>11</b>	Results-oriented frameworks	<b>Reduce the gap by one-third</b> — Reduce the proportion of countries without transparent and monitorable performance assessment frameworks by one-third.	
<b>12</b>	Mutual accountability	<b>All partner countries</b> have mutual assessment reviews in place.	

## Bank's Performance

### Aid Is Aligned To National Priorities

#### Indicator 3

**What's being measured**—The percentage of aid flows to the government sector that is reported on partners' national budgets

**Target**—To halve the proportion of aid flows to the government sector that are not reported on governments' budgets (with at least 85% reported on budget)

**Current performance**—The average for the 31 donors surveyed by the Organisation for Economic Co-operation and Development (OECD) in 2008 was 45 percent. At 57 percent, the score of the African Development Bank (AfDB or Bank) was above average. The Bank is probably performing better now than at the time of the survey because of ongoing efforts to align Bank operations to Poverty Reduction Strategy Papers and other national development plans through new results-based Country Strategy Papers. In addition, the Bank's progress in decentralisation is deepening dialogue on country priorities. Capacity-building efforts and timely information provided by the Bank on indicative multiyear allocations over a period of three years are also helping make partner countries' budgeting more accurate.

### Technical Assistance Is Aligned And Coordinated

#### Indicator 4

**What's being measured** —The percentage of donor capacity development support provided through coordinated programs that are consistent with partners' national development strategies

**Target**—To flow 50 percent of technical cooperation through coordinated programs that are consistent with national development strategies

**Current performance**—The Bank's performance on this indicator dropped from 38 percent in 2005 to 31 percent in 2007. This is significantly below the average donor performance of 59 percent, which has already surpassed the 2010 target of 50 percent. Targeted efforts are therefore required to improve the Bank's performance in this area, in cooperation with beneficiary countries. Progress is expected to result from the Bank paying more attention to project design and increasing its participating in Joint Assistance Strategies. More joint consultations between the government of a given country and the donor community and more joint statistical capacity-building efforts and enhanced partnership arrangements are also expected to bear fruit.

### Aid Flows Use Country Public Financial Management Systems

#### Indicator 5a

**What's being measured**—The percentage of donors and aid flows that use public financial management systems that either adhere to broadly accepted good practices or have a reform program in place

**Target**—Targets are set on a country-by-country basis and cannot be aggregated.

**Current performance**—The Bank's use of country public financial management systems grew from 33 percent of aid volume in 2005 to 39 percent of aid volume in 2007. Both percentages are below the 47 percent average of the 31 donors who participated in the OECD's 2008 survey. Nonetheless, ongoing monitoring indicates that the Bank is on the right track. The use of country systems (including public financial management systems and procurement systems) is an important proxy for ownership and alignment. In line with their commitments under the Paris Declaration, many donors recognise budget and sector support as the most suitable instrument for promoting ownership and alignment and lowering the transaction costs of international aid.

### Aid Flow Use Country Procurement Systems

#### Indicator 5b

**What's being measured**—The percentage of donors and aid flows that use procurement systems that either adhere to broadly accepted good practices or have a reform program in place

**Target**—Targets are set on a country-by-country basis and cannot be aggregated.

**Current performance**—The AfDB’s use of country public procurement systems fell from 43 percent to 37 percent between 2005 and 2007 and is therefore not in line with the AfDB’s aim to increase its use of such systems. In 2007, the average use for all donors was 44 percent. It should be noted that this indicator is especially sensitive to the use of budget support, which often uses country systems. This is an area in which the Bank is expected to improve as countries build their procurement capacity, as measures to reform internal procurement systems bear fruit and as the Bank pursues efforts to implement the actions on the use of country systems outlined in its paper (including the piloting of innovative approaches).

#### Aid Flows Avoid Project Implementation Units

#### Indicator 6

**What’s being measured**—The number of parallel project implementation units per country  
**Target**—To reduce by two-thirds the stock of parallel project implementation units

**Current performance**—Between 2005 and 2007, the Bank reduced from 132 to 113 the number of its parallel project implementation units in the 17 countries surveyed. While this reduction represents progress, much work remains to reach the target of 44 parallel project implementation units in these countries by end-2010. More effort must be made to help countries build their capacity so that more of the tasks currently performed by parallel project implementation units can be integrated into existing government structures.

#### Funds Are Predictable

#### Indicator 7

**What’s being measured**—The percentage of aid disbursements released according to schedules agreed in annual or multiannual frameworks  
**Target**—To halve the proportion of aid not disbursed within the fiscal year for which it was scheduled

**Current performance**—The AfDB disbursed 53 percent of aid on schedule in 2005 and 54 percent of aid on schedule in 2007. The average for all donors was 43 percent. While some countries received more than the amount scheduled, in most cases, the Bank disbursed less than was scheduled and/or the country recorded less than it received. The Bank’s ongoing institutional and business process reforms have since improved the timeliness of its budget support operations and reduced delays in loan and grant effectiveness. Reforms in this area, together with capacity-building activities in recipient countries, are expected to accelerate the Bank’s performance on this indicator.

#### Aid Is Delivered Using Coordinated Mechanisms

#### Indicator 9

**What’s being measured**—The percentage of aid (total aid, not just aid to the government sector) provided as part of a program-based approach  
**Target**—To supply 66 percent of aid in the context of a program-based approach

**Current performance**—The Bank’s performance on this indicator dropped from 40 percent to 32 percent between 2005 and 2007. The 2007 average of all donors was 44 percent. A significant improvement in the Bank’s performance on the use of programmatic approaches is expected to result from a recent amendment of the African Development Fund’s Articles of Agreement on the rules of origin for procurement, which now allow the Bank to participate in more pooled funding arrangements. Because this amendment only came into force on 31 March 2009, results are not yet reflected in the data.

#### Missions Are Coordinated

#### Indicator 10.A

**What’s being measured**—The percentage of field missions conducted jointly  
**Target**—To conduct 40 percent of donor missions to the field as joint missions

**Current performance**—Meeting the 40 percent target for this indicator has proven difficult for most donors: only eight met the target, and donors’ average score only reached 21 percent. Increased involvement in pooled funding arrangements and programmatic approaches and a stronger role for Field Offices in coordinating and planning missions will help the Bank improve its performance in this area. Ongoing monitoring and internal assessments already showed more participation in joint missions in 2008 and 2009.

**Country Analytic Work Is Coordinated****Indicator 10.B**

**What's being measured**—The percentage of country analytical work, including diagnostic reviews, conducted jointly **Target**—To conduct 66 percent of country analytical work jointly

**Current performance**—Performance on this indicator has varied widely: some donors have achieved rates of 70 percent or above, while others have scored as low as zero. With 20 of 31 donors yet to meet the 2010 target of 66 percent, the gap is significant for many, including the Bank, whose performance of 41 percent is just below the average (44 percent). However, progress on this indicator is within reach because of ongoing, targeted efforts to coordinate the Bank's analytic work and knowledge products with the work and products of major partners.