Acknowledgements

The Retrospective Report 2011-2014 was prepared by the Fiduciary Services Division of the Procurement and Fiduciary Services Department. It is hoped that this Report will be found useful by member countries of the African Development Bank Group (the Bank), the business community, civil society and the general public. The information provided in this Report may also be used for evaluating the Fiduciary Services Division of the Bank.

Readers are encouraged to submit comments or questions, or to obtain additional information on fiduciary services under Bank-financed projects from:

Ms. Jean Moira Awinja Wameyo
Division Manager - Fiduciary Services Division
African Development Bank

Cover Photo: Sustainable farming, Swaziland: The Bank has helped farmers to create commercially, environmentally and socially sustainable farms.

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Printed in Kenya

Design/Layout by:
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Acronyms

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<tr>
<th>Acronym</th>
<th>Description</th>
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<tr>
<td>CFRA</td>
<td>Country Fiduciary Risk Assessments</td>
</tr>
<tr>
<td>CSO</td>
<td>Civil Society Organisations</td>
</tr>
<tr>
<td>CSP</td>
<td>Country Strategy Paper</td>
</tr>
<tr>
<td>CGR</td>
<td>Country Governance Ratings</td>
</tr>
<tr>
<td>ESW</td>
<td>Economic Sector Work</td>
</tr>
<tr>
<td>EU</td>
<td>European Union</td>
</tr>
<tr>
<td>FM</td>
<td>Financial Management</td>
</tr>
<tr>
<td>FRA</td>
<td>Fiduciary Risk Assessments</td>
</tr>
<tr>
<td>FRMF</td>
<td>Fiduciary Risk Management Framework</td>
</tr>
<tr>
<td>IFAC</td>
<td>International Federation of Accountants</td>
</tr>
<tr>
<td>IP</td>
<td>Investment Projects</td>
</tr>
<tr>
<td>PAFA</td>
<td>Pan African Federation of Accountants</td>
</tr>
<tr>
<td>PAOs</td>
<td>Professional Accountancy Organisations</td>
</tr>
<tr>
<td>PEFA</td>
<td>Public Expenditure and Financial Accountability</td>
</tr>
<tr>
<td>PBO</td>
<td>Programme-Based Operations</td>
</tr>
<tr>
<td>PFM</td>
<td>Public Financial Management</td>
</tr>
<tr>
<td>ORPF</td>
<td>Procurement &amp; Fiduciary Services Department</td>
</tr>
<tr>
<td>ORPF.1</td>
<td>Procurement Division</td>
</tr>
<tr>
<td>ORPF.2</td>
<td>Fiduciary Services Division</td>
</tr>
<tr>
<td>QaE</td>
<td>Quality at Entry</td>
</tr>
<tr>
<td>RMCs</td>
<td>Regional Member Countries</td>
</tr>
<tr>
<td>RR</td>
<td>Readiness Review</td>
</tr>
<tr>
<td>SAIs</td>
<td>Supreme Audit Institutions</td>
</tr>
<tr>
<td>SIDA</td>
<td>Swedish International Development Cooperation Agency</td>
</tr>
<tr>
<td>UA</td>
<td>Unit of Account</td>
</tr>
<tr>
<td>UCS</td>
<td>Use of Country Systems</td>
</tr>
<tr>
<td>USAID</td>
<td>United States Agency for International Development</td>
</tr>
<tr>
<td>WB</td>
<td>World Bank</td>
</tr>
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</table>
Preface

The African Development Bank Group (the Bank), comprising of the African Development Bank (ADB), African Development Fund (ADF), and the Nigeria Trust Fund (NTF), shares a vision for transformation and equitable growth across Africa based on economic empowerment, job creation and sound environmental management.

Underpinning this vision is the Bank’s 10-year strategy which aims to nurture inclusive growth to create employment, reduce poverty and support green initiatives for sustainability. Africa is a continent fraught with fragile ecosystems, rising human populations where global climate change could materially destabilise the sustainability of natural resources and agriculture on which many economies are reliant. The pursuit of green growth entrenches development models that assure sustained food security and the long-term protection of livelihoods. As a matter of priority, the Bank invests in infrastructure development, regional economic integration, private sector development and improved governance and accountability. It views these priorities, and the development of skills and technology, as the pillars for inclusive and green growth in Africa.

Ultimately, however, sustainable economic development and social progress by African nations can successfully be achieved both individually and collaboratively if funds disbursed for development projects and programmes are used for the purposes intended. This, of course, is best facilitated where the capacity and systems for proper Public Financial Management exist. Where they do not exist or are weak - especially for countries in transition - the Bank works through the FM team to ensure adequate mitigating arrangements are in place.

The Bank’s Fiduciary Services Division is instrumental in monitoring compliance with fiduciary safeguards related to the financial management of projects and programmes, for framing financial management policies, guidelines, and rules to support this function. The Division is also mandated to provide capacity building and training activities on financial management to both borrowers and Bank staff alike, for a proper understanding of their obligations with regards to operational fiduciary matters. In so doing, emphasis is placed - in collaboration with other donors - on matters relating to value for money and fit for purpose arrangements.

By monitoring and ensuring prudent public financial management, the Division is, therefore, a pivotal cog in the achievement of the Bank’s development agenda for Africa. The 2011 – 2014 Retrospective Report has been prepared to provide a comprehensive but summarised activity synopsis of the work of the Fiduciary Services Division in:-

(i) Ensuring a reasonable level of assurance on the appropriate use of proceeds of Bank financing; and
(ii) Promoting development effectiveness by supporting regional member countries to improve their FM performance and capacity.

**Vinay Sharma**  
*Director, Procurement and Fiduciary Services Department*
Henry Konan Bédié Bridge, Cote D’Ivoire: Together with other partners, the Bank has helped to decongest the urban traffic, boosting the local economy.
Executive Summary

The Procurement and Fiduciary Services Department (ORPF) reports to the Vice President, Country and Regional Programs & Policy (ORVP). The Fiduciary Services Division (ORPF.2), the subject of this Retrospective Report, is responsible for all financial management and related issues. It has an increasing decentralised country presence anchored primarily by the regional resource centres, but covering all 54 countries.

The Fiduciary Services Division's activities for the review period encompassed:

• The conduct of various diagnostics in support of the Regional Member Countries' (RMCs) overarching desire to manage not only development assistance better, but also their own internally generated resources. The diagnostics included Public Expenditure Financial Accountability (PEFA) assessments, Country Fiduciary Risk Assessments (CFRAs), and in a few instances, assessments of country Supreme Audit Institutions (SAIs). The diagnostics help identify prevailing weaknesses, with a view to assist the RMCs to address any weaknesses, as well as improve aid effectiveness through increased use of existing country FM systems;

• Improving project FM governance and capacity in all project preparations and appraisals by enhancing project quality at entry;

• Buttressing the Bank’s project implementation support by ensuring the continuing adequacy of agreed FM arrangements for ongoing projects, following up audit report submission, and ensuring general compliance with agreed FM covenants;

• Improving FM knowledge acquisition and dissemination through support to the accountancy profession in Africa in general, as well as more targeted project FM capacity building and support through the provision of fiduciary clinics and other hands-on training in conjunction with the African Development Institute;

• Actualisation of the Paris Declaration on Aid Effectiveness through increased cooperation and harmonisation with other development partners operating in the same countries to reduce the transaction costs for the beneficiary countries of engaging with development partners.

While the Division has grown in strength from a personnel of three in 2010 to more than 37 permanent staff and consultants presently, its staffing levels are still overstretched when compared to similar institutions providing equivalent services in the continent.

The diagnostics help identify prevailing weaknesses, with a view to assist the RMCs to address any weaknesses, as well as improve aid effectiveness...
Diversifying energy supply is a priority area for the Bank in alleviating energy dependency, notably by developing local renewable energy resources such as wind energy.
1. Introduction

Global debates on development and aid effectiveness show that effective and efficient financial management underpins the development agenda. This is even more critical for developing countries where Public Financial Management, though central in the implementation of economic and development policy, is generally weak.

Public Financial Management (PFM) is an essential element of the development process. As a function of good governance, FM forms an integral part of all Bank-financed operations and country institutional strengthening efforts, and is crucial to achieving the Bank’s objectives for Africa’s transformation and inclusion by contributing to efficiency, controls, transparency and accountability.

This Report focuses on the activities of the Fiduciary Services Division (ORPF.2), which has the twin responsibilities of ensuring a reasonable level of assurance on the appropriate use of proceeds of the Banks’ financing, and promoting development effectiveness by supporting regional member countries to improve their FM performance and capacity. This is attained through the conduct of FM Diagnostics, through undertaking FM assessments to enhance quality at entry, as well as through the provision of implementation support to ongoing operations.

The Division also takes a lead in supporting the development of the accountancy profession in Africa and plays a key role in the donor harmonisation process in line with the dictates of the Paris Declaration. It now has an increasing country presence in support of the Bank’s decentralisation agenda.

As a function of good governance, FM forms an integral part of all Bank-financed operations and country institutional strengthening efforts, and is crucial to achieving the Bank’s objectives for Africa’s transformation...
2. Scope

The purpose of this Report is to summarise the work of the Fiduciary Services Division, as well as share actual outputs over the four year period from 2011-2014. It highlights the collaborative nature of the Division’s interventions and efforts to actualise the dictates of the Paris Declaration on Aid Effectiveness, and the resultant growing impact of harmonised approaches to project design and implementation. Data used in the Report is essentially from internal sources, but the compilation process included interviews with both Bank FM staff and borrowers alike.

Water project, Burundi: Since 1974, the Bank has financed water and sanitation programmes that focus on clean water access in the rural areas in Burundi. Launched in 2005, the most recent project benefited more than 200,000 people. By making access to water easier for communities, we allow girls and women to spend more time on other activities, improving their economic and social power.

3.1 DIAGNOSTICS AND USE OF COUNTRY SYSTEMS

In line with the Paris Declaration on Aid Effectiveness and the Bank’s agenda on governance and accountability, the Bank encourages the delivery of development aid through existing country PFM systems. In order to establish whether or not the country systems are sufficiently robust and capable of delivering the aid flows, the Bank participates (jointly with other partners) in the conduct of Public Expenditure Financial Accountability (PEFA) assessments, as well as undertakes its own bespoke Country Fiduciary Risk Assessments (CFRAs) on the subject Regional Members States. The CFRA diagnostic is designed to supplement other existing diagnostics by focusing on specific fiduciary risk issues which the other diagnostics do not cover. Together, the CFRA and PEFA diagnostic activities are used to assess the level of inherent risk in the country PFM arena, as well as help to identify areas of weakness in PFM. This information is useful in determining the nature and type of Bank support in terms of capacity development assistance.

A related objective of both assessments is to evaluate the reliability of the country PFM systems and other mechanisms through which citizens can hold governments to account for transparent and accountable use of public resources.

The diagnostics generally cover the performance of budgeting and budgetary control, treasury, accounting and reporting, internal controls, external audit and related oversight, procurement, and general governance arrangements.

3.1.1 PFM Diagnostics

i) Fiduciary Risk Assessments (FRAs)

In May 2011, the Bank adopted a Fiduciary Risk Management Framework (FRMF) which made the conduct of country fiduciary risk assessments a pre-requisite for all policy-based operations. Subsequently, 38 out of the 54 countries in Africa have undergone CFRAs.

The assessments relied on existing PFM diagnostics such as the PEFA and the Country Governance Ratings (CGR), as well as relevant in-country legislation, government and donor reports, in addition to discussions with government institutions, other development partners and civil society groups with an interest in accountability and transparency in PFM. Follow-up assessments help to establish the trajectory of reforms and inform further support to RMCs.

ii) Public Expenditure and Financial Accountability (PEFA) Assessments

The PEFA PFM performance measurement framework assesses countries’ aggregate fiscal discipline, strategic resource allocation and efficient use of resources for service delivery, with focus on the same areas of budget management and execution, accounting and reporting, external oversight, as well as donor practices. The framework was developed collectively by many stakeholders, including the Bank, the WB and a number of bi-lateral
Cloth factory, Lesotho: The Lesotho National Development Corporation has promoted the industrial sector with the financial support of the Bank. The Private Sector is Africa’s main engine of growth and poverty reduction.
Strengthening Financial Management

development partners. It provides a common platform for dialogue between governments and development partners on the subject of PFM. Repeat PEFAs are useful in portraying the trend in the development of PFM systems in the subject countries. The Bank, jointly with other partners, has completed PEFAs assessments in 26 out of the 54 countries in Africa since 2011, with the Bank being the lead financier and partner in several of these. The status of PEFAs is available on the PEFA Secretariat webpage. http://www.pefa.org/en/dashboard

iii) Supreme Audit Institution Assessments

As part of the 2010 ADB/WB cooperation strategy in strengthening country external audit systems in Africa, the Bank has undertaken to assess the ability and willingness of national Supreme Audit Institutions (SAIs) to perform their statutory duties including the audit of Bank financed projects. Only Morocco has participated in the SAI assessment exercise to date.

iv) Private Audit Firm Assessments

FM staff collaborate with their counterparts at the WB to assess the capacity of private audit firms in member countries. A list of acceptable professional audit firms for use in project external audit has been established, in the event that the national SAI is either deemed incapable of carrying out the audits or the SAI chooses to outsource the work.

The above series of diagnostics are clearly bearing fruit, with the Annual Development Effectiveness Review (ADER) reporting improved quality of FM in 84% of the regional member countries between 2011 and 2014 and how ADB contributes to Africa’s development.

Table 1: Governance and Accountability

<table>
<thead>
<tr>
<th></th>
<th>2012 - 2014 Expected</th>
<th>2012 - 2014 Delivered</th>
</tr>
</thead>
<tbody>
<tr>
<td>Countries with improved quality of budgetary and financial management</td>
<td>19</td>
<td>16</td>
</tr>
<tr>
<td>Countries with improved quality of public administration</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Countries with improved transparency, accountability and corruption mitigation in the public sector</td>
<td>19</td>
<td>13</td>
</tr>
<tr>
<td>Countries with improved procurement systems</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Countries with improved competitive environment</td>
<td>13</td>
<td>7</td>
</tr>
</tbody>
</table>

Source: Annual Development Effectiveness Review 2015
Strengthening Financial Management

3.2 IMPROVING PROJECT FINANCIAL MANAGEMENT GOVERNANCE AND CAPACITY

The Bank carries out Quality at Entry (QaE) reviews to ensure that projects and programmes are technically sound and designed to achieve maximum benefit to the beneficiaries. Financial Management staff, as a part of the project task team, are involved in all stages of the project cycle to improve the design of projects, to enhance the Use of Country Systems (UCS) agenda, and to ensure that resources are used for their intended purposes in the most efficient, effective and economic way. This includes technical support to improve borrowers’ financial management systems, and the design of lending operations.

Since January 2010, all public sector lending operations - Investment Projects (IPs) as well as Programme-Based Operations (PBOs) - are subject to a Readiness Review (RR) exercise. The objective of the RR is to enhance the project design and implementation arrangements in order to increase the development impact of the Bank's public sector operations. The RR addresses critical QaE issues during project and programme preparation and appraisal.

As a part of the project task team, the Fiduciary Services Division staff carry out the following activities as part of project appraisal:

i) Financial Management Assessment

This is intended to verify borrower FM systems in the following areas: (a) budgeting; (b) accounting; (c) internal control; (d) funds flow and disbursement including treasury management; (e) financial reporting; and (f) external audit. The Assessment highlights any pending FM issues at the entity level relating to projects previously implemented by the same entity. It also elaborates on the status of the country PFM system in order to determine whether or not elements of the PFM system may be used for purposes of implementing the project. Where the decision is made not to use some elements of the PFM system, the reasons and justification for the choices made are included as part of the Assessment.

ii) Financial Management Arrangements

The FM Arrangements are defined by the borrower and agreed with the Bank assessment team. The FM arrangements denote how a project or programme will operate each of the six FM elements:

(a) budgeting: budget preparation, approval, and execution, including activities to be undertaken and the role of each party;

(b) accounting: key accounting policies and procedures, financial information system, and staffing arrangements;

(c) internal control: the internal control system, including internal audit function;

(d) disbursement: funds flow, disbursement methods, bank/treasury accounts, and the management of local taxes;

...
Thika Super Highway, Kenya: Transport infrastructure development in the continent has opened up the hinterland and increased new economic opportunities.
**Strengthening Financial Management**

*The FM Arrangements are defined by the borrower, and agreed with the Bank assessment team.*

(e) financial reporting: the reporting period, the type and format of the reports to be submitted at interim and end of fiscal year;

(f) external oversight: external auditing arrangements, including the type of auditor (private firm, national audit institution or both), the nature of the reports to be submitted, the type of opinions, the due dates for submission, possible audit exemptions or waivers.

The FM Arrangements also summarise the agreed FM action plan that specifies the actions to be taken by the borrower to achieve the required level of risk mitigation and control. It also indicates the preliminary implementation support plan based on the level of risk and weaknesses identified.

Up to 2013, the rating for the FM arrangements was on a six-point scale as follows - Highly Satisfactory, Satisfactory, Moderately Satisfactory, Moderately Unsatisfactory, Unsatisfactory & Highly Unsatisfactory. This has since been rationalised into a more compact four-point scale:

2 - Unsatisfactory: Quality deficient in important respects
1 - Highly Unsatisfactory: Quality highly deficient in most respects

The figure below from ADER 2015 shows a positive trajectory of New Operations rated satisfactory or highly satisfactory with 100% of all new operations passing the required threshold in 2014.

**Figure 1: Preparing high-quality operations**

<table>
<thead>
<tr>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time to first disbursement (months)</td>
<td>13</td>
<td>10.6</td>
<td>11</td>
</tr>
<tr>
<td>New operations rated satisfactory (%)</td>
<td>96</td>
<td>100</td>
<td>95</td>
</tr>
<tr>
<td>Time for approving operations (months)</td>
<td>7</td>
<td>6.5</td>
<td>6</td>
</tr>
</tbody>
</table>

Source: Annual Development Effectiveness Review 2015

The FM assessment is now a mandatory part of all project appraisals. An indication of the number of FM assessments conducted by the Fiduciary Services Division during the stipulated period can be gauged by reviewing the number of new projects approved as in the table below.

**Table 2: Approved Operations**

<table>
<thead>
<tr>
<th>YEAR</th>
<th>NUMBERS</th>
<th>AMOUNT (UA)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>232</td>
<td>5.05 Billion</td>
</tr>
<tr>
<td>2013</td>
<td>317</td>
<td>4.39 Billion</td>
</tr>
<tr>
<td>2012</td>
<td>199</td>
<td>4.25 Billion</td>
</tr>
<tr>
<td>2011</td>
<td>184</td>
<td>5.72 Billion</td>
</tr>
</tbody>
</table>

Source: Annual Report 2014
Enhancing transparency. The bank is committed to increasing transparency and demonstrating results. It has developed a new geocoding tool, MapAfrica - an interactive, online platform that maps the locations of the Bank’s investments in Africa. Explore our 6,000 project locations by visiting mapafrica.afdb.org.

Source: Annual Development Effectiveness Review 2015
Strengthening Financial Management

3.3 IMPLEMENTATION SUPPORT

During project implementation, and as part of the project task team, the Bank’s Fiduciary Services Division provides implementation support to the sector divisions implementing the projects. This includes participation in supervision missions, with the Division’s staff primary responsibility being to ensure the continuing adequacy of the project FM arrangements in place for each project. As a guide, financial management specialists aim to conduct at least one field-based supervision mission for all active projects per year, with problematic or risky operations allocated more frequent reviews than the less complex and problem-free operations. This risk-based approach ensures that projects that have higher risks are supervised more frequently to ensure they meet project objectives. Fiduciary Services staff follow up the implementation of any previous FM related recommendations, any audit (both Office of the Auditor General and project internal and external audit) recommendations, as well as provide FM related advice, where appropriate.

A further key component of implementation support involves the monitoring of the borrowers’ compliance with fiduciary related covenants, such as the timely submission of quarterly interim unaudited financial reports, as well as the submission of acceptable independent annual project audit reports. The table below shows the numbers of audit reports expected and received by the Bank between 2011 and 2014.

Table 3: Africa-Wide Summary: Audit Submission Status

<table>
<thead>
<tr>
<th>Region</th>
<th>2011 Expected</th>
<th>2011 Received</th>
<th>2012 Expected</th>
<th>2012 Received</th>
<th>2013 Expected</th>
<th>2013 Received</th>
<th>2014 Expected</th>
<th>2014 Received</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>419</td>
<td>393</td>
<td>413</td>
<td>392</td>
<td>437</td>
<td>404</td>
<td>514</td>
<td>314</td>
</tr>
</tbody>
</table>

As a guide, financial management specialists aim to conduct at least one field-based supervision mission for all active projects per year, with problematic or risky operations allocated more frequent reviews...

With these rather large numbers of audit report reviews, a notable feature has been in the reduction of the number of audits rejected by the Bank. If the dwindling numbers of audit report rejections is to be used as a guide, then one benefit of increased supervision and monitoring has been the gradual improvement in the quality of audits submitted by projects.
Strengthening Financial Management

3.4  KNOWLEDGE ACQUISITION AND DISSEMINATION

The Fiduciary Services Division provides technical capacity to the Bank staff in addition to those in borrowing countries to support the design and implementation of the Bank funded projects and programmes.

3.4.1 Knowledge Dissemination

i) Support to the Accounting Profession in Africa

The accounting profession in Africa is generally acknowledged as weak and under-developed when compared to the more advanced economies of the world, with fewer than 100,000 professional accountants serving a population that already exceeds one billion.

In line with the Bank’s strategy to assist institutions that support inclusion and promote accountability, the Bank, working together with other development institutions, signed a Memorandum Of understanding to Strengthen Accountancy and Improve Collaboration (MOSAIC) with the International Federation of Accountants (IFAC) on November 30, 2011 at the High Level Conference in Busan, Korea as part of Paris Declaration Commitments.

Through IFAC, the Bank and like-minded donors aim to strengthen public and private sector accountancy to improve the quality of financial management, reporting, and auditing, especially in fledgling economies with weak accounting systems and under-developed Public Accounting Organisations (PAOs).

In furtherance of the same goal, the Bank is involved at the regional level (Africa) in interventions aimed at developing the accountancy profession within the continent. With the development of the accountancy profession in Africa in mind, in 2011, the Bank helped found the Pan African Federation of Accountants (PAFA), an umbrella body of PAOs in Africa.

Among other roles, PAFA seeks to enhance co-operation amongst PAOs to encourage collaboration and mutual advancement for production of high quality financial information for both private and public sector development.

Towards this end, the Bank provided a grant of USD 374,600 from the South South Cooperation Trust Fund (SSCTF) to PAFA towards the formation and development of national PAOs in the Bank’s Regional Member Countries (RMCs). The Bank also co-financed the PAFA Conference in Cape Town in 2012 to the tune of USD 140,000 and has also contributed funding and personnel to the holding of the biennial African Congress of Accountants (ACOA) since its inception in 2011.

At the individual country level, the Bank, working collaboratively with the WB, developed a joint strategy in 2010 to boost country external audit systems that support sound public financial management and good governance. In this regard, the Bank disbursed EUR 98,730 to co-finance the 2013 PFM Exchange Event to build partnerships between Supreme Audit Institutions (SAIs), Civil Society Organisations (CSOs),
Al Harkan Primary School, Sierra Leone: The Bank and its partners combine improving school infrastructure, raising community awareness and tackling gender-based violence thereby encouraging girls to attend and stay in school.
Strengthening Financial Management

media and PFM professionals in North African countries. The above series of initiatives create synergy between accounting professionals and organisations in different countries, help to improve financial management systems and standards, and facilitate movement towards the achievement of uniform and shared growth across the continent. This is over and above other projects funded by the Bank - through the Bank Group Resources - to support its Governance Pillar in Regional Member Countries.

ii) Improving Public Finance Management Through Fiduciary Clinics

Technical capacity for internal project financial management is needed to support and oversee project implementation and ensure funds are expended for intended purposes.

The Division runs fiduciary clinics based on the needs of RMCs receiving development assistance to improve fiduciary capacity and enhance the skills of project and programme staff by acquainting them with the Bank’s FM policies, procedures and best practices. Fiduciary clinics are a collaborative exercise incorporating the Procurement Division (ORPF.1), the Disbursement Division (FFCO.3) of the Financial Control Department, Fiduciary Services Division, and the African Development Institute (EADI). Fiduciary clinics have been held in 31 out of 54 African countries (see Map 2).

In addition, the Division also runs audit improvement workshops for project FM staff, internal and external auditors with the aim of enhancing both audit quality and timeliness, and ensuring mutual understanding of requirements by projects and countries.

Fiduciary Clinic, Kenya: The Bank strengthens the quality of financial management, reporting and auditing through training and support of project and government officials responsible for Bank funded projects.
Strengthening Financial Management

Map 2: Fiduciary Clinics Conducted 2011 - 2014

Fiduciary Clinics Conducted:
Angola • Benin • Burkina Faso • Burundi • Cameroon • Cape Verde • Chad • DRC • Djibouti
Ethiopia • Ghana • Guinea-Bissau • Kenya • Liberia • Madagascar • Malawi • Mauritania
Mauritius • Morocco • Mozambique • Niger • Nigeria • Sao Tome & Principe • Senegal
Sierra Leone • Sudan • Tanzania • Togo • Tunisia • Uganda • Zambia
Strengthening Financial Management

3.4.2 Knowledge Acquisition

i) Internal Training for Bank Staff

The Division undertakes regular training of the Bank’s FM staff on topical fiduciary issues as a means of providing the staff with continuous professional development and for more effective aid delivery. This training, which is based on internally produced manuals or tailored workshops by professional firms and institutions, provides staff with a comprehensive understanding of the FM framework for the Bank financed projects and programmes.

Since 2010, staff have been trained on International Public Sector Accounting Standards (IPSAS), International Financial Reporting Standards (IFRSs), the Committee of Sponsoring Organisations of the Treadway Commission (COSO) and internal auditing, Public Expenditure and Financial Accountability (PEFA) based Public Financial Management (PFM) assessment, training of trainers, as well as in-depth training on the Bank’s new Financial Management Guidelines.

Internal staff training: The Bank provides regular training for its staff to build capacity for effective aid delivery and professional development to assist in project implementation.
Strengthening Financial Management

3.5 DONOR HARMONISATION

In the development partners’ efforts to provide ‘more effective aid’, focus has been placed on an increased level of donor harmonisation and cooperation since the First High Level Forum on Aid Effectiveness in Rome in 2003 to the Fourth High Level Forum in Busan in 2011. Together with other multi-lateral institutions, bilateral donors, civil society and a host of beneficiary countries, the Bank is a signatory to the Paris Declaration on Aid Effectiveness as well as a keen participant in all the high level forums.

In the development partners’ efforts to provide ‘more effective aid’, focus has been placed on an increased level of donor harmonisation and cooperation...

At the Paris meeting, multilateral and bilateral development institutions committed their countries and institutions to far-reaching and monitorable actions to significantly increase aid effectiveness and efficiency by reducing duplication, transaction costs and misdirected aid. This included a commitment by the donors to help developing countries’ governments formulate and implement their own national development plans, using their prioritisation, planning and implementation systems, wherever possible. The five key principles of the Paris Declaration were:

• **Ownership**: Partner countries exercise effective leadership over their development policies, and strategies and co-ordinate development actions.

• **Alignment**: Donors base their overall support on partner countries’ national development strategies, institutions and procedures.

• **Harmonisation**: Donors will harmonise their actions, and become more transparent and collectively effective.

• **Managing for Results**: Managing resources and improving decision-making for results.

• **Mutual Accountability**: Donors and partners are mutually accountable for development results.

To help monitor progress in the achievement of the principles, a set of 12 monitorable indicators was agreed upon some of which fall – in whole or in part – under the ambit of the Fiduciary Services Division mandate:

i) Improving the quality and reliability of beneficiary country PFM systems;

ii) Increasing the proportion of coordinated technical assistance as a percentage of total technical assistance;

iii) Increasing the use of country systems in the delivery of donor assistance;
Water system, Democratic Republic of Congo: The Bank focuses on management of water resources to boost water security and sanitation. By providing clean water and toilets to all children in the poorest countries, we could prevent more than 50 deaths per 1,000 children.
Strengthening Financial Management

iv) Reducing the number of stand-alone project implementing units and conversely increasing mainstreamed interventions;

v) Increasing the proportion of development assistance delivered in the form of ‘policy based operations’;

vi) Improving the quality of country performance assessments; and, for the beneficiaries themselves;

Efforts aimed at ensuring that partner countries’ FM systems are robust enough to manage public funds...

Clearly, this is a target that goes beyond just the Bank, and within the Bank it goes beyond the Procurement and Fiduciary Services Department.

Efforts aimed at ensuring that partner countries’ FM systems are robust enough to manage public funds (including funds provided by the Bank and other development partners) are covered through enhanced risk assessment, control and accountability measures. This – in turn - contributes to the increased delivery of assistance through Policy-Based Operations.

The Bank’s technical assistance in supporting the accountancy profession and Supreme Audit Institutions has increased exponentially and been done – in coordination with strategic partnerships - with other Development Partnerships such as through the PAFA for the accountancy profession and INTOSAI for Supreme Audit Institutions. The RR exercise has rated FM satisfactory for the decreased use of stand-alone project implementation units for delivery of the Bank’s assistance and harmonisation with other development partners through innovative arrangements for most projects. The Bank’s efforts aimed at increased use of country PFM systems are demonstrated by the increased UCS percentage in the annual aid effectiveness surveys for some specific countries for the period 2011 to 2015 in the figure below.

Figure 2: Strengthening results at country level

Source: Annual Development Effectiveness Review 2015

The Bank’s efforts aimed at increased use of country PFM systems are demonstrated by the increased UCS percentage...
Rice paddies and local artisanal fishing boats Freetown, Sierra Leone: The Bank helps African governments to include environmental indicators in their public policies. The environment in general and countries’ capacity to adapt to climate change is of central importance.
Strengthening Financial Management

DONOR HARMONISATION

Mainstreaming the delivery of donor assistance also generally involves cooperation with other donor partners to rationalise interventions and minimise duplication. Examples of Bank interventions which were harmonised with other partners include:

• **Liberia** - the Integrated Public Financial Management Reform Project (IPFMRP): This is co-financed by the Bank and the WB, with a third and larger contribution coming out of a trust fund supported by SIDA, USAID, EU but managed by the WB. Based on an MoU signed between the financing partners and the government, all supervision missions are conducted jointly to produce one aide memoire, task leadership of the supervision missions is taken in turns between the WB and the Bank, common IFRs are submitted, common audit arrangements with one audit report submitted to all partners, and disbursement made to a pooled bank account.

• **Multinational** - the Cameroon–Central Africa–Chad Transport Facilitation project: This is jointly financed by the Bank and the WB, other bilateral partners and corresponding countries. The project implementation unit within the Ministry of Public Works in Cameroon (dubbed ADB-WB Unit) and in Chad implement on the technical as well as on all fiduciary measures related to the transport sector in the respective countries. The FM team comprised of public servants (leadership) and technical assistance is jointly used. Over the years, the accounting software, the manual of procedures, the interim quarterly financial reporting, and audit terms of reference have been harmonised by the ministries. A single quarterly progress report is prepared and shared with all financiers and does detailed breakdown by funding and expenditures sources. A single internal audit team is in place and covers all financiers within the ministry in Cameroon. Further, the operating expenses of the Unit are now jointly shared; it was initially borne by a single partner.
Clean water, Ethiopia: Good water resource management meets social, economic and environmental goals especially for rural populations where 80% of the populace lives.
### Table 4: How well AfDB manages its operations

This table presents the Bank’s progress in achieving its 2014 targets for portfolio management.

- **We have achieved or are within 90% of achieving the target**
- **We are regressing against the baseline or are within 80% of achieving the target**
- **We are not moving towards the target**
- **Data points are missing**

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<td><strong>STRENGTHENING RESULTS AT COUNTRY LEVEL</strong></td>
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<td>Average CSP rating (1-6)</td>
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<td>4.9</td>
<td>4.7</td>
<td>5</td>
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<td>Timely CPPR coverage (%)</td>
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<td>Development resources recorded on budget (%)</td>
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<td>74</td>
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<td>Predictable disbursements (%)</td>
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<td>New ESW and related papers (number)</td>
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<td><strong>DELEVERING EFFECTIVE AND TIMELY OPERATIONS</strong></td>
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<td>Preparing high-quality operations</td>
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<td>Time to first disbursement (months)</td>
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<td>10.6</td>
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<td>New operations rated satisfactory (%)</td>
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<td>more than 95</td>
<td>95</td>
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<td>Time for approving operations (months)</td>
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<td>6.5</td>
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<td><strong>Ensuring strong portfolio performance</strong></td>
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<td>Disbursement ratio of ongoing portfolio (%)</td>
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<td>19</td>
<td>22</td>
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<td>Time for procurement of goods and works (months)</td>
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<td>9</td>
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<td>Operations with satisfactory mitigation measures (%)</td>
<td>60</td>
<td>72</td>
<td>68</td>
<td>68</td>
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<td>Operations no longer at risk (%)</td>
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<tr>
<td>Operations at risk (%)</td>
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<td>17</td>
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<td>Operations eligible for cancellation (%)</td>
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<td><strong>Learning from our operations</strong></td>
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<td>Completed operations rated satisfactory (%)</td>
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<td>94</td>
<td>77</td>
<td>77</td>
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<td>Completed operations with sustainable outcomes (%)</td>
<td>81</td>
<td>82</td>
<td>85</td>
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<td>Completed operations with a timely PCR (%)</td>
<td>91</td>
<td>66</td>
<td>95</td>
<td>95</td>
<td>69</td>
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<tr>
<td><strong>DESIGNING GENDER- AND CLIMATE-INFORMED OPERATIONS</strong></td>
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<td>New CSPs with gender-informed design (%)</td>
<td>75</td>
<td>89</td>
<td>85</td>
<td>85</td>
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<tr>
<td>Projects with satisfactory gender-equality outcomes (%)</td>
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<td>78</td>
<td>71</td>
<td>71</td>
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<tr>
<td>New projects with gender-informed design (%)</td>
<td>78</td>
<td>89</td>
<td>83</td>
<td>83</td>
<td>91</td>
</tr>
<tr>
<td>New projects with climate-informed design (%)</td>
<td>65</td>
<td>75</td>
<td>90</td>
<td>90</td>
<td>80</td>
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</tbody>
</table>

.. = Data not available; AfDB = African Development Bank; ADF = African Development Fund; CSP = Country Strategy Paper; CPPR = Country Portfolio Performance Review; ESW = economic and sector work; PCR = Project Completion Report.

1 This indicator builds on five dimensions: sector-specific gender analysis, a gender-equality-related outcomes statement, a gender-equality-related baseline, specific activities to address gender gaps, and adequate budgets and human resources to implement the activities.

Source: African Development Bank

A tool to check that our strategies are of appropriate quality. These measures have helped to drive improvements in quality, against some demanding targets. In 2014, readiness reviews rated our

**Country Strategy Papers**1 5 on a scale of 1–6, which was above our target and reflects steady improvement since 2012.

One important change to the preparation of new CSPs and Regional Integration Strategy papers is that they will be informed by dedicated fragility assessments. This helps us better understand the volatile and dynamic context in which we engage, the political economy and underlying risks to our engagement.

Source: Annual Development Effectiveness Review 2015
4. Conclusion and Recommendations

In preparing this Retrospective Report, the following areas have been identified for improvement and follow-up:

- Improvement in the quality and timeliness of data entry into the core Bank Systems SAP-PS to ensure ease of measuring outcomes. Accurate, timely and complete data recording in the system is not only essential for preparing reports and policy analysis, but also crucial for the Bank to perform its role in fiduciary services by closely monitoring the FM activities carried out by the Bank staff and borrowers.

- Strengthening the Bank’s assistance in building up of the borrowers’ capacity to conduct and manage FM activities to work on the Bank financed projects is critical.

- Annual reporting of FM activities and achievements.

Carnegie Mellon University, Rwanda Campus: The regional Information and Communication Technology hub for East Africa equips youth for employment and successful entrepreneurship.