Foreword

As the premier financial development institution in Africa, the African Development Bank (the Bank) has, since its establishment in 1964, dedicated to financing the highest quality projects and programmes that maximize its development impact. To enable it to achieve this objective the Bank has mainstreamed good governance into its operations, in a manner consistent with its charter, mandate, and development priorities. To this regards, the Bank Group issued in 1999 its Policy on Good Governance that reflects the growing consensus that good governance is an essential element of sound and sustainable development.

As part of the implementation process for its good governance practices, the Bank’s Board approved in 2000, The African Development Bank Group Guidelines for Financial Management and Financial Analysis of Projects. As a requirement, borrowers are asked to confirm that sound financial management will be a primary objective of investment operations by the efficient employment of appropriate modern financial management systems and techniques in the design, implementation and operation of investments to be supported by Bank loans. The support by borrowers for efficient financial management is to be further evidenced by the provision and regular use of effective financial and performance measurement and reporting systems acceptable to the Bank.

In 2004, the Bank launched a Bank-wide program to promote project quality from inception to completion. Within this context the Bank has undertaken a major review of the 2000 Guidelines to ensure that they mainstream operations excellence and reflect current developments in financial management and analysis practices. In December 2004, a Bank-wide taskforce was appointed, under the leadership of the Governance Division, of the Operations Policies & Review Department (POPR) to guide the revision process. The review process, lasting over nine months, was carried out in consultation with all concerned divisions, units and departments. The taskforce was supported by a consultant. The revision process was significantly informed by the Showcase Project Initiative (SPI) that was launched by the Bank under the stewardship of CHRM, and the coordination of FFMA.

These revised Guidelines are an outcome of the review process. They reflect changes in Bank mandate on governance and its policies and procedures since 2000. They outline the Bank’s policy, approach and philosophy to financial management of Executing Agencies (EAs) and financial analysis of projects and programmes financed through the Bank’s public sector lending window.

These Guidelines have been prepared for the benefit of Bank staff and others including consultants who evaluate financial management practices of EAs and conduct financial analysis of projects and programmes. They are available on the web and in a CD-ROM. This hardcopy version omits a significant portion of the information available in the Knowledge Management Chapter of the CD-ROM version.

The advice, directions and recommendations in the Guidelines should not be regarded as a substitute for initiative. This recognizes that the Bank deals with countries and sectors that are at different stages of development and that have different resource and staff constraints. Because of these constraints, the Guidelines should be applied in a realistic, practical, and flexible manner. Importantly, Bank staff should at all times exercise resourcefulness and imagination in reaching sound professional judgments.

African Development Bank.