The preferred partner?

A client assessment of the African Development Bank

NGAIRE WOODS  MATTHEW MARTIN
ACKNOWLEDGEMENTS

This report has been possible only because of the contributions of a large number of people. Foremost among these are the African Development Bank management. President Kaberuka had the foresight to commission this evaluation, making the Bank the first major donor to ask clients for such a detailed assessment. His office — especially Anne Kabagambe and Francois Nkulikiyimfura — as well as the Secretary-General of the Bank, Cecilia Akintomide, have been essential partners in helping us to access senior African clients. The former Chief Operating Officer of the Bank, Nkosana Moyo, together with his senior staff — Thomas Hurley, Colin Kirk and Simon Mizrahi — have been instrumental as our counterparts, in focusing our work on key issues of current concern to management, and managing the project with excellent assistance from Samia Gharbi. The two most recent Chief Economists, Louis Kasekende and Mthuli Ncube, and Directors Desiré Vencatechellum and Victor Murinde, contributed extensively on advocacy, research, statistics and policy formulation; and without Private Sector Director Tim Turner and his staff, Chapter 4 would not have happened. Aly Abou-Sabaa, Cecile Ambert, Senait Assefa, Hakim Ben Hammouda, Antoinette Dinga Dzondo, Mohammed Hedi Manai, Kapil Kapoor, Steve Kayizzi-Mugerwa, Odile Keller, Shahid Khan, Emily Mutambere, Rakesh Nangia, Zondo Sakala and Margit Thomsen all generously spared time to comment on an earlier draft of the report.

As the report indicates, the depth of support among clients for the Bank’s recent reforms, and for further improvements, has made conducting this project a pleasure. So we owe immense gratitude to those who helped us compile the survey sample, including Alessandro Motter of the Inter-Parliamentary Union, Matt Simmonds and Kouglo Lawson of the ITUC, Ingrid Srinath of CIVICUS, Tony Tujan of Better Aid, and Vitalice Meja of the Reality of Aid.

The time and care which respondents devoted to assessing the Bank, was a reflection of their concern to ensure it becomes the preferred partner of all African clients, resulting in a very high response rate, and we thank all 217 of them. In particular, 52 senior African leaders spared an hour or more to be interviewed; and 74 participated in the two project workshops in Bamako and Johannesburg. These face to face discussions were immensely rich and valuable, especially providing the quotes which throughout this report give a more direct flavour of client views.

Several of our colleagues at DFI and GEG have been instrumental in supporting this project. Foremost is Nils Bhinda of DFI, whose tireless work and unique contacts in Africa's private sector explain Chapter 4's high quality. Al-Hassan Adam of the Global Economic Governance Programme, contributed important background work and research support especially on Chapter 5. Jeanette Laouadi of DFI has coordinated the organisation of the project, the face-to-face interviews and the Bamako workshop, and the copy-editing of the report. Lance Karani built the survey, and managed responses together with Maria Holloway, and Maria and Myriam Sallah ran the Johannesburg workshop. Reija Fanous also provided administrative support from GEG, and David Waddock of DFI organised all financial and contractual issues.

Finally, we would like to thank the Governments of Mali and South Africa, and the resident representatives of the Bank, for hosting the two project workshops. Their enthusiasm was indicative of that expressed by all the Bank’s African client stakeholders, and on their behalf we urge the Bank to listen closely to their views in designing its forthcoming long-term strategy and pursuing its next generation of reforms, to ensure it becomes their preferred partner.
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<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
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<tbody>
<tr>
<td>AERC</td>
<td>African Economic Research Consortium</td>
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<tr>
<td>AfDB</td>
<td>African Development Bank</td>
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<tr>
<td>AfDF</td>
<td>African Development Fund</td>
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<td>ATAF</td>
<td>African Tax Administration Forum</td>
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<td>AU</td>
<td>African Union</td>
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<tr>
<td>BWIs</td>
<td>Bretton Woods Institutions</td>
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<tr>
<td>COFEB</td>
<td>Centre ouest-africain de formation et d’études bancaires</td>
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<tr>
<td>CSO</td>
<td>Civil Society Organisation</td>
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<td>CSPs</td>
<td>Country Strategy Papers</td>
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<td>Eastern and Southern African Management Institute</td>
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<td>Fragile States Facility</td>
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<td>GEG</td>
<td>Global Economic Governance Programme</td>
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<td>HIPC</td>
<td>Heavily Indebted Poor Countries</td>
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<td>IATI</td>
<td>International Aid Transparency Initiative</td>
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<td>ICB</td>
<td>International Competitive Bidding</td>
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<td>IPA</td>
<td>Investment Promotion Agency</td>
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<td>LICs</td>
<td>Low-Income Countries</td>
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<td>MEFMI</td>
<td>Macroeconomic and Financial Management Institute of Eastern and Southern Africa</td>
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<td>Public Private Partnership</td>
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<td>RMCs</td>
<td>Regional Member Countries</td>
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<tr>
<td>TA</td>
<td>Technical Assistance</td>
</tr>
<tr>
<td>UNECA</td>
<td>United Nations Economic Commission for Africa</td>
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<td>WAIFEM</td>
<td>West African Institute for Financial and Economic Management</td>
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</table>
The African Development Bank must adapt to a rapidly changing African context and the new global challenges.

The Bank is in good shape to respond to, and to accompany, Africa’s new dynamism. In 2010 our shareholders agreed to sharp increases in our concessional resources and tripled our capital. In recent years we have focused our interventions on such strategic areas as infrastructure, private sector development and regional integration to respond to the need to unlock Africa’s potential. The Bank is more open and transparent, introducing new ways of working with stakeholders on the continent and more effective in producing results. The well-tailored, swift and flexible response to the global financial crisis was instrumental in helping our members overcome the impact of the global economic crisis.

This survey is a key step in that journey. It is an assessment of the institution by its African clients: regional member country governments, private sector and parliamentary leaders, regional partners, and civil society organisations. It is the first such in-depth assessment ever commissioned by management of a multilateral development bank.

This feedback is not only important for us all, but is also a reflection of a confident organisation. We may not always like what we see in the mirror, but we need to look and act on it. Findings highlight that African stakeholders look for customised responses from the Bank and better communication: we need to make tough strategic decisions which will not please everyone.
There is a remarkable degree of consensus among stakeholders on the key actions we need to take to be more client-responsive. This report, whose initial findings were presented at the 2012 Annual Meetings in Arusha, has been well received. It will be of immense value in helping us to formulate our long term strategy, and other initiatives through which we can better identify and fulfil our clients’ needs.

I am grateful to Professor Ngaire Woods, founding Dean of the Blavatnik School of Government, Oxford University and Matthew Martin of Development Finance International who led this work. I also thank all the stakeholders who participated enthusiastically in the study. This type of open and frank engagement will make the Bank stronger, more adaptive, and well placed to better fulfil its mandate.

Donald Kaberuka
Executive summary

In 1964, the newly independent countries of Africa declared their determination to create an African Development Bank, run by Africans, funded by Africans, and serving Africans. This echoes in the Bank’s determination today to be “a preferred partner in Africa, providing high-impact, well-focused development assistance and solutions.”

To test whether this goal is being achieved in 2012, the Bank has commissioned this detailed assessment by its regional stakeholders including policymakers and senior officials, regional partners, private sector companies, civil society organisations and parliamentarians. The methodology comprises more than 80 structured interviews with senior leaders; web-based surveys to gather views from 137 stakeholders; and two regional workshops to gather feedback on Bank policies and procedures, and make consensus proposals for improvement.

The exercise has been marked by overwhelming enthusiasm from stakeholders. They see the Bank as crucial to all of Africa’s citizens, and therefore have the highest expectations for its performance. They support recent reforms and believe that the Bank is on the right track. Many devoted much time and care to responding, including making ten sets of practical suggestions for how the Bank might effectively implement its long-term strategy.

**Becoming the preferred partner requires delivery, policy capacity and African leadership**

The Bank is ‘a preferred partner’ for almost 100% of African government stakeholders, and 84% of all African stakeholders, among the range of all bilateral and multilateral agencies funding African development. It has risen sharply up the ranking due to recent improvements in strategies and policies, and increased financing capacity. However, it is the preferred partner for only 22% of stakeholders: to rise further will require coherent and consistent strategy implementation, faster and simpler delivery, outstanding policy analysis and advice, and greater African leadership in governance, accountability and partnerships.

**The Bank’s sound strategy needs fine-tuning and better sub-strategies**

The Bank’s medium-term strategy commands overwhelming support, with most regional stakeholders seeing the Bank’s priorities reflecting theirs, and giving it a role distinct from other donors. It should however be more flexible in post-conflict countries to prioritise restoring underfunded essential services; add food security, agriculture and climate change to future priorities; and base future strategies on more comprehensive and systematic consultation.

Sub-strategies are crucial to translate the Bank’s overall strategy into action in all countries. In some areas, such as infrastructure, stakeholders see sub-strategies as effective. In others, they urge the Bank to enhance content (on inclusive growth in middle-
income countries), improve implementation (accelerating delivery and case-by-case design in all fragile states, ensuring all RMCs have private sector and higher education programmes) or narrow its focus of direct implementation (eg to infrastructure within regional integration).

The Bank needs more resources for LICs, needs-based allocation and budget support

African stakeholders hugely value the increase in the Bank’s resources, and its efforts to maximise concessionality for low-income countries and provide needs-based allocation to fragile states, as well as to provide budget support and trade finance to members affected by the financial crisis. They made several concrete proposals to increase, and improve allocation of resources. These include: (1) increasing resources available for concessional lending and offering ‘blended’ AfDF/AfDB resources for high-return projects in low-debt AfDF countries; (2) increasing needs-based allocations to fragile states and extending the period during which countries can benefit from them; (3) increasing budget support (and reducing projects) in countries with strong strategies and systems, and reforming technical assistance to build capacity; (4) channelling more resources to other stakeholders such as the private sector, parliaments and civil society organisations.

Regional stakeholders yearn for an African “policy Bank”

Stakeholders welcome the recent improvements in Bank research and statistics, and more systematic efforts to engage in dialogue on key policy issues and provide policy advice. But they yearn for it to be a key source of timely African policy advice, with an independent and leading view in country-level dialogue on key macroeconomic and sectoral policy issues. They would like to see the Bank recruit policy experts and incentivise them to identify countries’ needs and give expert advice; strengthen teams and units working on macro and sector policies; promote inter-African knowledge exchange and capacity-building (working with regional partners already engaged in such work); and make its research and statistics even more timely, actively disseminated, country-specific and policy-focussed.

The Bank needs to improve delivery much more dramatically

The Bank is seen as having dramatically improved its delivery in recent years. It is closely aligned to country priorities, has been highly flexible in helping many countries to respond to global and national crises, and is increasing speed. Yet virtually every respondent expressed frustration with operational performance, and made suggestions for improvements. In particular: (1) making staff more accountable to clients by setting time limits for all stages of projects, basing staff incentives on delivery, and establishing an on-line system to let clients track project progress; (2) simplifying procedures by eliminating counterpart funds, separate bank accounts and PIUs, increasing advance payments and raising thresholds for competitive bidding; (3) increasing flexibility by sharply reducing conditionality, establishing a formal contingency financing system, fast
tracking procedures for all anti-shock finance, and reviewing CSPs annually to ensure they match changing country needs; and (4) enhancing capacity-building support to improve RMC financial and evaluation systems.

**Private sector support needs stronger strategies, targets and promotion**

Regional stakeholders strongly support recent increases in private sector activities. Private sector respondents see it as among the best project partners, especially on infrastructure, and welcome enhanced efforts to assess project contribution to national development via ADOA. However, they want the Bank to (1) **play a key role helping governments design private sector development strategies** (in partnership with investment authorities and business associations) including measures to improve the investment climate, and base operations on priorities set in these and private sector profiles in CSPs; (2) **show it is meeting operational targets for priority beneficiaries** including majority African and nationally-owned enterprises, small and micro-enterprises, women entrepreneurs, and agriculture; (3) **target financing to best serve private sector needs**, with more working capital and microfinance, and more channelled via institutions which build enterprises’ capacity, notably development banks and microfinance institutions; and (4) **promote the Bank’s private sector finance more widely**, increase TA to help a broader range of enterprises to access funds, and provide more transparent feedback on applications.

**African stakeholders want to reinforce African leadership, advocacy and engagement**

The Bank’s ‘African character’ is hugely valued, but many feel the Bank lacks **African leadership** in terms of clear positions in its governance (replenishment negotiations, strategy discussions). Governors see their own role as important, and some propose meeting as an “African caucus”, focussing Governors on a few key decisions at the Annual Meetings, and enhancing recent efforts to improve representation on the Board of Executive Directors.

The global advocacy by the Bank on behalf of Africa, notably around G20 and climate change discussions, is seen as a key recent advance. Several suggest the Bank needs to improve this further by providing more detailed briefings, generating greater consensus among African policymakers, and publicising the views of other African leaders more effectively.

This survey reveals an important gap between regional stakeholders and the Board. Few regional stakeholders know what it does, and many government officials have only minimal contact with their Director. African stakeholders do not see their Board members as important sources of information about, or active interlocutors with, the Bank. They suggest the Board could publicise what it does by issuing summaries of its key strategy discussions, and engage more systematically with government and non-government stakeholders.

This is part of a broader gap between the Bank and **non-executive stakeholders** (parliaments, civil society, labour unions and private sector). In spite of recent improvements, each of the stakeholder groups make important suggestions for how to make the Bank’s engagement more systematic, representative and influential.
There is very strong support for improving transparency, accountability and evaluation

Regional stakeholders fully support the Bank’s efforts to enhance transparency and disclosure, and to strengthen its independent evaluation and review/compliance/anti-corruption mechanisms, which are seen as delivering high quality service with strong influence on the Bank. They emphasize some practical steps towards further improvement. The Bank could disclose and communicate more clearly, more fully, and in a more timely way with all its stakeholders (from Board discussions, to project-tracking). The Bank’s key performance indicators could be developed to include information disclosure, anti-corruption and evaluation activity. The Bank’s public accountability mechanisms — the IRM and IACD — could be better publicised and have more staff. The overall impact of evaluation on Bank policies and procedures could be reported annually to the Board.

Regional stakeholders would like faster decentralisation and improved staffing

Decentralisation is seen by regional stakeholders as a key way to improve communication and delivery, and deal with many operational problems. For this reason they strongly support the Bank’s plans for further decentralisation. Stakeholders would like the Bank to move faster in decentralising to national offices and regional resource centres. Countries who already enjoy a national office urge the Bank to recruit more expert, better trained, and more experienced staff to work in them, and to delegate more authority to them.

Stakeholders also appreciate the high proportion of African staff, the skills officials acquire by working for the Bank, and the recent improved staff survey results. However, further enhancement of Bank performance will require accelerated recruitment; improved skills, training and experience; robust performance incentives; and greater efforts to cut turnover.

Regional stakeholders would like the Bank to strengthen its African partnerships

All regional stakeholders see partnerships as crucial to the African Development Bank’s success, because they increase opportunities for sharing information and analysis, and developing staff skills and capacity. They welcome enhanced recent efforts to promote African partnerships, but many express a concern that the Bank remains too focussed on international partnerships. They would like to see the Bank give even more priority to African partnerships, have a more strategic and selective focus with better planning, invest in long-term core funding and partnership strategies with key organisations, and do much more to build the management and delivery capacity of African partner organisations. They also want to see a strong reinforcement of Bank partnership with non-executive stakeholders (parliaments, civil society, labour unions and private sector).

In summary

The African Development Bank has come a long way since it blazed onto the international scene in 1964. This survey charts a dramatic increase in African confidence in and support for the Bank, and an improvement in its strategic direction and performance, making it a preferred partner for African stakeholders. However, they now want to engage with the Bank to help it implement strategies more coherently and consistently, deliver more rapidly and simply, become a policy Bank offering outstanding analysis and advice,
and elevate African voice and capacity in Bank governance, accountability, staffing and partnerships. In many cases, as detailed in the report, their suggestions match concerns of management, which is therefore already taking measures to respond. Full implementation of these measures under the long-term strategy could allow the Bank to leverage the shared commitment of its management, Governors, Directors and African stakeholders, strengthen its impact on African development powerfully, and become the preferred partner of Africa.
1 Introduction
The African Development Bank blazed onto the international scene in 1964 when African countries declared their determination to create an institution run by, funded by and serving Africans, which represented African confidence in itself and its future. This determination finds its echo in the Bank’s determination today to be a preferred partner in Africa.

This report surveys how regional stakeholders see ‘their Bank’ in 2010. It charts a dramatic increase in confidence since the mid-1990s, and suggests that today the Bank is well on the way to being its African clients’ preferred partner. Among the range of bilateral and multilateral agencies funding African development, the Bank is ‘a preferred partner’ for 84% of respondents, and the preferred partner for 22% (Figure 1.1). Not all stakeholders agree: only 54% of private sector respondents and 53% of CSOs rank it in the top three (Figure 1.2).

The main **positive factors** explaining these results are the Bank’s responsiveness to African government and stakeholder priorities — both in its Medium-Term Strategy, and in supporting key areas of national development strategies; its policies on fragile states, the financial crisis and climate change; its global advocacy of African positions; its leadership and staffing by Africans; and its decentralisation. The Bank has risen sharply up the preference list recently years due to improvements in its strategies and policies, and increased lending.

On the other hand, the main **negative factors** stopping respondents from making it their preferred partner are limited lending; excessive conditionality; insufficient involvement in policy formulation, advice and knowledge exchange; cumbersome procedures; and governance structures which seem to clients to be dominated by non-regional influences.

This survey represents a systematic attempt to ask a wide range of regional stakeholders how they perceive the Bank. It has used three methods to gather views: 82 structured interviews with government, private sector and civil society leaders; a structured assessment
by government technical officials; 135 web-based survey responses by other stakeholders; and two workshops in Bamako and Johannesburg, to make proposals for improvement.

The second chapter of this report examines the Bank’s strategy and policies. The third examines its operational performance. The fourth focuses on private sector development activities. The final chapter addresses governance, organisation and accountability.

“By 2012, the Bank Group will be recognised... as a preferred partner in Africa, providing high-impact, well-focused development assistance and solutions.

(Medium-Term Strategy 2008–12, page 18)
The Bank's strategies and policies
The Bank’s strategies and policies

The MTS: selectivity qualified, more implementation/consultation

The Bank’s selectivity is endorsed....

The Bank’s Medium-Term Strategy 2008-2012 increased its selectivity, focussing lending on infrastructure, governance, private sector development and higher education, science and technology. This would allow the Bank to impact on regional integration, MICs and fragile states, human development, and agriculture. The strategy also aimed to mainstream knowledge generation, climate change, and gender. The priorities were chosen to reflect client priorities, offset low funding in these sectors, and carve out a clear comparative advantage in funding African development (AfDF September 2010; High-Level Panel 2007).

Most regional stakeholders (58%) support this selectivity, seeing the Bank’s priorities as aligned with theirs: 64% say it supports underfunded areas of regional and national development strategies. It is also appreciated for not “following the herd of donors” to the social sectors, or “trying to fund everything” like the World Bank — giving it a clear comparative advantage.

However, when asked to rank the four chosen areas, differences emerge, as shown in Table 1. While all groups agree infrastructure is a top priority, governments see priority 2 as higher education, the private sector underlines funding for itself, and CSOs governance.

Table 1 The priorities of different stakeholders

<table>
<thead>
<tr>
<th>CLIENT GROUP</th>
<th>PRIORITY 1</th>
<th>PRIORITY 2</th>
<th>PRIORITY 3</th>
<th>PRIORITY 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Policymakers</td>
<td>Infrastructure</td>
<td>Higher education</td>
<td>Private sector</td>
<td>Governance</td>
</tr>
<tr>
<td>Parliamentarians</td>
<td>Infrastructure</td>
<td>Higher education</td>
<td>Governance</td>
<td>Private sector</td>
</tr>
<tr>
<td>Private sector</td>
<td>Infrastructure</td>
<td>Private sector</td>
<td>Governance</td>
<td>Higher education</td>
</tr>
<tr>
<td>CSOs</td>
<td>Infrastructure</td>
<td>Governance</td>
<td>Higher education</td>
<td>Private sector</td>
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... But there are additional priorities, especially in fragile states

Respondents also strongly suggest that agriculture and food security should be added to the priorities (60% of policymakers, 50% of parliamentarians and 30% of CSOs). They do so because: i) most people and jobs are in rural areas; ii) many African countries have food security problems which will worsen with climate change; and iii) it is an area where other donors have not been focusing. The Bank has made considerable efforts to support agriculture, notably through rural infrastructure and research (8-10% of AfDB group commitments under the MTS), but this is not seen by stakeholders as a strong enough engagement, so the Bank is intending to make them more central in the Long-Term Strategy.

A large majority of respondents (78%) think the Bank should add combating climate change to its priorities. They see it as a key determinant of Africa’s development, and the Bank as well placed to ensure that Africa gets its fair share of funding and that African priorities in using the funds are taken into account. Many argue that climate change funds should be used to promote broader sustainable...
All the achievements the Bank has made could be obliterated by climate change: it must be a priority.

CSO Continental Coalition Leader

The Bank’s long-term strategy should be designed through comprehensive national, sub-regional and continental consultations with all stakeholder groups.

Chair of Parliamentary Economic Committee

...and mainly in infrastructure

---

Figure 2.1

Table: Proportion of respondents feeling selectivity has been implemented in different sectors:

<table>
<thead>
<tr>
<th>Sector</th>
<th>Yes</th>
<th>No</th>
<th>Unclear</th>
</tr>
</thead>
<tbody>
<tr>
<td>Infrastructure</td>
<td>76%</td>
<td>53%</td>
<td>24%</td>
</tr>
<tr>
<td>Governance</td>
<td>29%</td>
<td>12%</td>
<td>59%</td>
</tr>
<tr>
<td>Private sector</td>
<td>88%</td>
<td>47%</td>
<td>12%</td>
</tr>
<tr>
<td>Higher education</td>
<td>24%</td>
<td>47%</td>
<td>59%</td>
</tr>
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</table>

Stakeholders feel insufficiently consulted on the MTS

Only 17% of African stakeholders felt “fully consulted” in the formulation of the MTS — in spite of what the Bank saw as extensive consultations at the time. This is particularly true for civil society and the private sector, but applies even to 37% of government policymakers. As a result, many suggest the Bank’s long-term strategy should be designed in consultation with all key stakeholders, especially parliaments, civil society, trade unions and private sector, to reflect their goals, needs and concerns. The Bank is already engaging in much wider consultations for the LTS, including with respondents to this survey.

Selectivity is not being universally implemented…

The Bank’s previous record shows how difficult it is to be selective: the 2003-07 Strategic Plan was judged to have achieved “only limited selectivity…: lending was spread across many sectors.” Nevertheless, the mid-term review of the MTS found 88% of Bank commitments were in the four focus areas, though with little funding of higher education.

Surprisingly, 53% of respondents do not feel selectivity has been implemented in their countries. Many countries said their portfolios remain too widely spread across sectors. As figure 2.1 shows, they see selectivity as being successful in infrastructure (59%), but not private sector (47%) or higher education (24%). Delivery on higher education and vocational training is seen as vital now, given growing youth unemployment and discontent.

According to government respondents, another key reason why the MTS is not being applied in...
all countries is their own lack of sector strategies (especially private sector development, and higher and technical education). They therefore urge the Bank to lead assistance to help RMCs develop these sector strategies, through knowledge exchange and policy advice.

Other key strategies: MICs, fragile states and regional integration

MICs want better delivery and more focus on inclusive growth

The Bank’s MIC Strategy identifies four priorities: i) infrastructure, ii) private sector, iii) regional integration, and iv) capacity and knowledge development. Of MIC survey respondents, 89% agree these are the priorities, though parliamentarians and CSOs also strongly support including agriculture, water and the environment as priorities. On the other hand, as shown in Figure 2.2, respondents have dramatically different views on the quality with which the Bank is delivering. A small majority (53%) feel infrastructure assistance is excellent or good compared to other sources; but most feel delivery on the other three priorities has been poor.

As Figure 2.3 shows, there is also strong support (ranging from 60-76%) for the Bank to pay more attention to “inclusive growth” (poverty alleviation, income disparity and employment) in MICs. The Bank is taking this into account in the Long-Term Strategy.

Fragile states want more sector financing and flexibility

The Bank’s Fragile States Facility divides resources for fragile states into 3 pillars:

- pillar 1 (65%): infrastructure, governance and accountability programmes and projects
- pillar 2 (29%): arrears clearance
- pillar 3 (6%): technical assistance and capacity-building.

As shown in Figure 2.4, fragile states policymakers see pillar 2 as sufficiently funded, but not pillar 3 or especially pillar 1 for programmes and projects. They suggest that the Bank should lead in providing sector programme support for basic social and infrastructure services.

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3 It should be noted that many policymakers and other stakeholders objected to use of the term “fragile states” as a “donor-invented” term which seems to imply they are in a state of permanent fragility rather than emerging from conflict or other political instability and trying to build strong sustainable states.
The Fragile States Facility and Strategy had two other goals: to accelerate delivery, and to allow the Bank to be more responsive to individual RMC needs by adopting a more “case-by-case” approach. Fragile states policymakers indicate (91%) that the FSF has accelerated disbursement and procurement, leading to more predictable resource flows — but two-thirds say improvement has been only “slight”, and has not applied to technical assistance. High-profile immediate post-conflict operations have moved rapidly, but thereafter “things have slowed down”. The vast majority (84%) also indicate that the FSF has allowed a more case-by-case approach: but this has been limited by splitting the facility into pillars, its limited resources, and rapid graduation of countries from post-conflict status. Respondents urge the Bank to take more account of the New Deal for Fragile States4, and further reinforce the flexibility of the FSF.

Direct regional integration efforts should focus on the LTS pillars
Regional integration is a “special focus area” of the MTS, especially for infrastructure, and institutional development support to continental and sub-regional bodies. Regional operations were 14% of commitments in 2008–10, in line with MTS expectations, and were concentrated in infrastructure (55%), and financial intermediation (33%).

Survey respondents agree regional integration is less important than the four MTS priorities discussed in Section 2.1. They see regional infrastructure (and networking on higher education or private sector) as Bank priorities, and are happy with the degree to which the Bank has prioritised regional integration in implementing the MTS, especially in infrastructure. They believe that the Bank’s direct efforts on regional integration should focus on MTS and LTS priority areas — leaving other regional and sub-regional organisations to lead other integration efforts, with the Bank providing cofinancing and technical support.

Resource allocation: more for LICs, FSF and budget support
There is overwhelming demand for more bank resources...
The Medium-Term Strategy included forecasts of a sharp increase in Bank group commitments, with AfDB almost doubling and AfDF almost trebling by 2012. This reflected a sharp (50%) increase in AfDF-XII, and a 200% General Capital Increase for the Bank. The mid-term review finds (p.2) that in 2008-10 the Bank exceeded these goals, reflecting its rapid response to offset the negative impact of the global financial crisis. Nevertheless, even after these increases, the Bank group has only 30% of the financing capacity of the World Bank Group for Africa.

The MTS assumed that for AfDB to be among African governments’ preferred partners, it must be among the largest providers of assistance. As already discussed, the survey validates this assumption: the Bank’s relatively low levels of commitment capacity consistently emerge as one factor stopping it from being Africa’s partner of preference, especially in low-income countries.

In addition, as Figure 2.5 shows, given the high quality of its programmes, African governments feel they could absorb much more AfDB funding, with overwhelming support (94%) for sharply higher or higher lending. These findings

4 See http://www.oecd.org/international%20dialogue/anewdealforengagementinfragilestates.htm
...And to increase matching of allocation and concessionality to country needs

On allocation and concessionality of Bank resources, policymakers see the priorities as:

- **Increased transfers of net income from AfDB lending to support AfDF funding (82%).**
  
  To supplement donor pledges of funding (in FY 2010 this amounted to UA50 million, compared to a UA90 million allocation to reserves). This is strongly supported even by MIC policymakers.

- **Higher needs-based allocations to fragile states (79%).**
  
  Approximately 13% of AfDF-XII has been set aside for fragile states on the basis of need, to supplement the small amounts they would receive under the “performance-based allocation” formula. Post-conflict and fragile AfDF clients also urged the Bank to extend the length of the qualifying period for fragile state status, and provide a much higher level of funding to fragile states based on factors relating to needs and vulnerability.

- **“Blending” funding for less-indebted LICs (78%).**
  
  Given lower debt burdens following the HIPC and MDRI debt relief initiatives, many low-income RMCs indicated clearly that they could afford to absorb “less concessional” funding (blending AfDB and AfDF money to provide a grant element of 25-35%), especially if it is allocated to high return projects and analysis has indicated that it will not compromise debt sustainability. They also see this option as allowing the Bank to make its resources stretch further, and persuading RMCs from seeking even more expensive funding — especially for infrastructure projects.

- **Focussing grants on highly indebted fragile states (64%).**
  
  There was little support for increasing the overall share of grants in AfDF. Instead respondents preferred that grants should be focussed closely on fragile states with moderate or high risk of debt distress, which might allow grants to be reduced and AfDF financial sustainability to be increased.

There was very little support for changing the small share of grants to MICs for technical assistance projects which do not have an immediate return. Half of respondents favoured keeping these at current levels, and the rest were evenly split between increases and cuts.

Overall, there is very strong demand for more flexibility in matching concessionality and allocation to country and project needs. The Bank is already reviewing the PBA policy with a view to aligning its parameters more closely with the Bank’s strategic and operational priorities, as well as reviewing its credit policy, as part of AfDF XIII replenishment discussions.

**Stakeholders want more budget and sector support, less projects and TA...**

The Bank group is in principle able to choose freely among instruments and types of assistance (programmes, projects, technical assistance and emergency support) when designing a country strategy and portfolio. However, under AfDF XII, shareholders have agreed a ceiling of 25% on Policy-Based Operations (PBOs) — often known by other funders.

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6 In tests of questionnaires, other stakeholder groups indicated they would not be able to respond on these issues, except on the relative desirability of loans and grants.
Regional stakeholders see budget support (general or sectoral), as the best way to promote country leadership in implementing national development plans. It allows governments to allocate aid to their key priorities, strengthens national systems, and encourages parliaments and citizens to hold governments accountable for delivering budget results. Many African governments have made major strides in improving their development programmes and public financial management/procurement systems in the last decade. As a result, three quarters of policymakers and 62% of all respondents would like to see the Bank increase budget support.

Government officials at Bamako and Johannesburg workshops strongly urged the Bank to make 30% a minimum level of budget support for non-fragile states, especially those which have committed to strong programmes to improve their strategies and systems; and to provide 50% budget support in countries which have stronger strategies and PFM systems, in line with the Paris Declaration objectives. To facilitate this increase, the Bank should take a stronger lead in assisting Governments to reinforce PFM systems, but also in making the case for higher budget support to other development partners at national level, based on the quality of systems. These recommendations chime strongly with the recent new Programme-Based Operations policy of the Bank, especially the new Crisis Response Budget Support instrument.

The other main types of assistance deserving increases are sector programme support, which would be “a good first step to budget support for countries with weaker systems but stronger sector plans”; and trade finance, which is a major financing gap for public and private sectors.

On the other hand, respondents urged the Bank to continue to reduce small projects and the number of sectors in which it is involved at national level, by participating actively in “division of labour” exercises with other donors. They especially want less spent on TA — enhancing its value for money by reducing resident advisors and focussing on developing RMCs’ capacities to assess programme impact and results, and to design and implement economic and sector policies; and by eliminating project management units and allowing governments to manage TA themselves. They recommend a sharp increase in partnership with successful African regional capacity-building organisations, and much more exchange of best practice among African RMCs (therefore welcoming Bank efforts to increase policy seminars and RMC exchange of knowledge, as well as the 2012 Capacity Development Strategy. They also suggested establishing a stronger central team in Tunis to quality control TA proposals from country/sector teams.

... And more funding channelled to private sector, CSOs and parliaments
As described in Section 2.1, the MTS established the private sector as a priority and 22% of lending commitments in 2008-10 went to the private sector, with the remaining 78% to public sector national or regional institutions. No similar goals were set for funding any other non-executive stakeholders such as parliaments or civil society organisations.

Overall, 67% of respondents feel Bank group funds are not going to the right recipients. Of these, 44% feel the private sector should receive more funding, with 28% wanting more funds...
channelled to CSOs, and 18% to parliaments — in order to enhance efforts to hold the executive arm of government accountable.

**Improving research, statistics, policy advice and capacity-building**

**Research and statistics need to be better disseminated and more policy-relevant**

The Bank aspires “to become the acknowledged leader in statistics on African development, and a first choice for knowledge on African economic and social developments” (MTS, p.23). It has been implementing a Knowledge Management Strategy, resulting in major improvements in the quality and accessibility of its flagship publications (Africa Competitiveness Report, African Development Report, and African Economic Outlook); online Policy Briefs, Development Research Briefs, and Working Papers; and much more accessible statistics through the Open Data Platform. It has also introduced the annual African Economic Conference (jointly with the UNECA), and expanded seminar programmes at its Annual Meetings.9 Nevertheless, progress has been somewhat hamstrung by low levels of resource allocation and the failure of the proposed Knowledge Management Trust Fund to attract significant contributions.

One of the strongest findings of the survey is that the Bank’s research and statistics are not reaching key government decision-makers or technical officials in their institutions. Around 90% say they “occasionally” or “never” use Bank statistics or research, to inform their policy or business decisions.10 This applies even more to parliamentarians, CSOs and private sector.

The most prominent reasons given for not using Bank research and statistics are that they are not up to date or easily accessible online, and that respondents are unaware of their existence because they have received no communication about them. Research is also seen as not sufficiently detailed, country-specific or tailored to answering policy or business decision-making questions.

Of the 10% who use Bank statistics (and 7% research) “frequently”, few are able to cite a specific product, apart from the African Economic Outlook, which many countries use as a key source for regional and sub-regional economic background sections of budget documents, annual development or central bank reports, and business plans.11 A few respondents also cite the Bank’s work on infrastructure needs, its background studies for G20 and other ministerial meetings, and recent studies on youth, employment, poverty and inequality in North Africa. On the statistics side, no set of statistics is mentioned by more than one respondent.

A few highlight the African Economic Conference as a useful forum for knowledge exchange, but say that it needs to be more policy-oriented, focus on issues of current concern for governments, and attract key policymaking and policy research officials. A few also see the Annual Meetings as useful for knowledge exchange on flagship publications.

There is huge support for the Bank to play a stronger role in this area. The three reasons most commonly given are: i) to enable it to provide timely and relevant policy advice to RMCs; ii) to

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9 This section does not analyse in detail the Bank’s research support to African “voice”, for such platforms as the C-10, G20 and COP negotiations. This is covered in Chapter 4.

10 Testing of questionnaires on CSOs and parliamentarians indicated that they were almost completely unaware of ADB research and statistics, so the ques-tions were omitted from their questionnaires. Had they been included, the proportions of “occasionally” or “never” responses would have exceeded 95%.

11 For more details on private sector views on Bank research and their needs, see Chapter 4.
provide a distinctively African viewpoint on best practices, tailored to the needs of RMCs; and iii) to improve the capacity of Bank staff to engage in policy dialogue between RMCs and development partners at national level. Respondents stress the need to disseminate research and statistics through existing regional and national policymaking and private sector networks, with many offering to help. Among the subjects suggested for urgent research are best practices in policies on infrastructure, agriculture and food security, employment promotion, reducing inequality, climate change adaptation, and in-depth analysis of what drives private domestic and foreign investment into specific sectors and countries. Policymakers also suggest that a policy research reference group of key officials and experts could help ensure the Bank’s research agenda is clearly driven by the needs of Africa’s development leaders.

**The Bank must become a policy bank providing top-quality advice and capacity-building**

The 2007 High-Level Panel report and the MTS both stressed the Bank’s potential to provide policy guidance and advice. A Capacity Development Strategy in 2010 aimed to move the African Development Institute into more policy-relevant training and capacity-building, but its implementation was delayed by staff shortages, reorganisations, and lack of financing.

As of early 2012, respondents were negative about Bank policy advice. Only 24% of officials said it had provided “above average” advice, and only 2% thought it was the best source of advice; 42% rated its advice average or below, and 34% said it had not provided any.

Most of the few countries rating Bank advice as high quality are fragile states. They cited its support on debt relief, Poverty Reduction Strategies, household surveys and sector strategies — valuing it for its rapid delivery and its quality. Some North African countries also valued support on employment and youth policy, and other countries on infrastructure issues. Many also cited support to the continent in combating food and fuel price increases and the global economic crisis. Many other policymakers cited missed opportunities for Bank policy advice, on higher education/employment/skills development, private sector and infrastructure development strategies, and especially macroeconomic policy.

Africa’s policymakers (and private sector — see Chapter 3) are anxious to see the Bank providing much stronger policy advice. According to one respondent, “the Bank is a good ‘project Bank’, but to remain central to African development, it must become a ‘policy Bank’ leading the policy discussion at continental and national level.” To achieve this, respondents suggest:

- promoting high-level exchanges among African governments on best practices, and documenting lessons in publications;
- building staff capacity for policy advice (implying prioritising government technical officials in recruitment, and much more intensive induction and training on advisory roles);
- focussing its policy interventions on issues close to its LTS focus areas, and creating central teams or networks to advise on these across multiple countries;
- creating a department or division to supervise Policy-Based Operations and provide macroeconomic policy advice, separate from the “governance” department;
- empowering country offices to play a stronger role in national dialogue;
spending a higher proportion of country budgets on analysis and policy support, a higher proportion of the FSF on policy support, and a higher proportion of the Bank’s budget on knowledge management, capacity-building and provision of policy advice;

- working more closely with regional policy capacity-building and research organisations and networks such as AERC, ATAF, COFEB, ESAMI, MEFMI, WAIFEM, as well as national policy research institutes and think tanks;
- working with regional intergovernmental organisations to advise on integration policies.

Many of these recommendations are being taken into account in the Bank’s new 2012 capacity development strategy, which aims to provide more policy-relevant capacity-building, in partnership with African and global organisations; and through a refocusing of its research to match its strategic and operational priorities as well as those of RMCs, building on the recent successes of the infrastructure assessments. The Bank is also enhancing its efforts to tackle urgent policy issues through much more regular regional and national policy seminars, and encouraging field offices to be more proactive in identifying key issues for Bank advisory work.
3 Is the Bank delivering?
Is the Bank delivering?

One key issue is the degree to which the Bank is perceived by its regional stakeholders to be delivering efficiently and effectively on its strategies and policies. Overall, the key managers of AfDB funding in government and private sector organisations welcome recent efforts to streamline procedures, including guidelines to increase AfDB effectiveness, but still see onerous procedures as undermining delivery.

Flexible in helping with shocks, less in changing projects

RMCs see the Bank as relatively flexible in responding to exogenous shocks, changing financing needs and national priorities. As shown in Figure 3.1, the Bank has performed well recently, rising from only average multilateral levels in 2007, to well above average by 2011.

Respondents particularly welcome the Bank’s flexibility in responding rapidly to exogenous shocks, notably the global financial and food/petroleum price crises; as well as to extreme national crises for fragile and post-conflict states. However, they note that such responses have not been systematic for all countries, and depend too much on political-level discussions. In addition, in some cases, approval and disbursement of rapidly-agreed “emergency” financing have taken more than a year.

In addition, the Bank is less good at responding to changes in country priorities as a result of new governments or development strategies, or to financing gaps in national programmes as a result of delays or changes of priorities by other development partners. The Bank does not easily take on board areas that are not in Country Strategy Papers (CSPs), even if these fall in its MTS priority areas, and discussions about reallocating funds (even from areas which are not MTS priorities) can be lengthy and acrimonious. Furthermore, almost all Bank resources (especially for AfDF borrowers) are allocated at the beginning of each replenishment period according to performance-based and other criteria, so the Bank’s flexibility to reallocate funding to countries hit especially hard by shocks, emergencies or conflict is very limited.

RMC officials therefore suggest that the Bank should:

- Establish a more formal system for contingency financing allocations within country

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1 This was also a subject of intensive discussion in the two project workshops, where government officials managing Bank funding assessed delivery, using an objective evaluation system designed by African countries themselves and also used by other organisations such as the UK DFID, the OECD, the UN ECOSOC and the Commission for Africa.

2 AfDB 2011b.
programmes (and across its whole portfolio), to respond to exogenous shocks, based on assessment of country vulnerability to such shocks and emerging urgent needs.

- Ensure that “fast-track” appraisal, approval and disbursement processes for anti-shock financing are applied to all countries.

- Institute more regular (annual) reviews of CSPs to ensure that they are in line with national development priorities and financing gaps, and reallocate funding (or allocate contingency funding) much more rapidly where needed. Management have indicated that they are contemplating more systematic and inclusive annual reviews of CSPs.

**Predictable over Medium-Term, but disbursements fall short**

RMCs analysed whether the Bank is providing predictable resources for development, based on two criteria: whether the Bank plans and provides RMCs with medium-term forecasts of disbursements; and whether its annual disbursements in each year live up to these forecasts.

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**Figure 3.2** Continued high and above average multi-year planning

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**Figure 3.3** Still below multilateral average for disbursement on schedule

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Figures 3.2 and 3.3 show a contrast on the two criteria. The Bank scores highly and above average for multi-year planning, with RMC governments welcoming its multi-year framework for each AfDF funding cycle and country strategy. However, to enhance medium-term predictability, they suggest that AfDB provide indicative 5 to 10 year commitments beyond each funding cycle based on possible funding scenarios, and agree new country programmes as early as possible in new AfDF periods.

On the other hand, the Bank performs below the multilateral average in disbursing on schedule, and has not improved in recent years. Predictability of disbursements for budget support and programme-based operations has improved somewhat, partly because many operations are now “single-tranche”; however, too many continue to be delayed by complex appraisal/approval procedures and excessive policy conditionalities (see below). Though project and TA disbursements have accelerated considerably, they continue to lag well behind forecasts.

RMCs also suggest that disbursement forecasts within the current year and AfDF cycle should be tailored to match country fiscal years and budget classification codes. They strongly welcome the Bank’s decision to join the International Aid Transparency Initiative (IATI), and urge that in line with IATI, multi-year disbursement forecasts should be transparently published.
on the AfDB website, and communicated to all RMCs, where possible via online reporting to their national aid information management systems.

**Excessive conditionality and too little independence**

Overall, 41% of policymakers see Bank conditionality on policy-based loans as “excessive”. Figure 3.4 shows that RMC officials indicate Bank policy conditionality has become somewhat less onerous in recent years and is therefore delaying disbursements less, but it continues to perform below average on this criterion. Figure 3.5 explains this further, by indicating that from an RMC perspective, Bank conditionality is too closely tied to the Bretton Woods Institutions.

Government officials indicate that when the AfDB is negotiating bilaterally with them, especially for emergency loans, its conditions have in recent years become less numerous and intrusive. However, when it operates in combination with other development partners, through multi-donor budget support and sectoral frameworks, the numbers and enforcement of conditions become much more onerous, causing delay and unpredictability in disbursements. They therefore suggest that AfDB should aim to reduce the numbers of its conditions much more sharply, and conduct its own independent assessment of whether a country has complied with conditions, so as to increase flexibility in disbursing funds.

In addition, the Bank is seen by most RMC officials and other stakeholders as “invisible” in country-level policy dialogue on macro-economic or sectoral conditions: almost 60% of policymakers see the Bank as following other development partners’ positions. However, in many states emerging from conflict, the Bank is seen as leading the dialogue, to reduce conditionality and tailor it to national capacity. Respondents therefore suggest AfDB should play a much more active role in all countries, leading at least one macro or sector policy dialogue group, and advocating flexibility for a broader range of countries. To support this role, RMC officials see a need for strong capacity (technical and negotiation) on policy issues in field offices, and for decentralisation of decision-making on these issues; as well as for the Bank to have a strong central team of macroeconomic and sector policy advisors to support policy-based operations.

*The excessive conditionality in Bank policy loans is one of the major causes of disbursement delays.*

Southern African Governor of the Bank
Well aligned but slow preparation, appraisal and approval

Government policymakers (71%) see the Bank as generally working in ways which encourage country leadership. However, when asked more detailed questions about country strategies and programmes or projects, 61% see the Bank as leading. Private sector, CSO and regional partner respondents are generally more sceptical: 79% of private sector and 84% of CSOs feel they are not consulted about country strategies, and 92% of CSOs feel they are not consulted about specific projects. Though 62% of private sector respondents feel they are allowed to lead the design of projects concerning them, only 35% of regional partners agree.

Bank strategies are seen as highly “aligned” with country priorities (Figure 3.6). This is one of the areas in which the Bank has most sharply improved its performance in recent years, and the area in which it receives the highest assessment score. This reflects its funding not only of priorities within national development strategies, but especially of sectors (especially infrastructure) which many other donors will not fund.

However, performance in moving programmes and projects from country strategy to effectiveness is still seen as poor. Preparation, appraisal and approval periods are highly variable; though there has been improvement since 2007, as shown in Figure 3.7, they are slow compared to other sources. Respondents recommend strict time limits for each procedure.

Four key problems stand out:

- The need for country legal opinions before a grant or loan is declared effective, complicated by the lack of familiarity of AfDB staff with how such opinions are to be mobilised.
- Lack of counterpart funding for individual projects. Respondents recommend eliminating counterpart fund requirements for fragile states, and countries with high risk of or actual debt distress, and reducing them to minimal levels for other AfDF borrowers. Where this is not possible, they recommend that counterpart funds needs be clearly communicated in advance of country budgeting timetables, to minimise disruption to programme execution.
Project implementation units. Apart from undermining use of government systems, delaying projects while they are established, and absorbing scarce funds, they also divert skilled staff from Government service. Respondents recommend that the Bank should prepare plans in all countries for phasing out all such units, including those which are “integrated within” government agencies, moving to use governments’ own implementation units, especially in countries with good implementation records. Where necessary they should supplement these with plans to enhance government capacity.

Separate project bank accounts/currencies. In some countries the Bank requires separate accounts in commercial banks and in foreign currencies. These result in delays and loss of funds due to bank charges, and undermine government accounting systems. Officials urge the Bank to be more flexible in conducting business in local convertible currencies, euro or USD, and putting funds through the central national Treasury account in the central bank.

Disbursement better but could be further simplified

RMC officials feel the Bank has made major strides in improving disbursement methods and procedures in recent years, almost catching up with the multilateral average — but a lot could be done to improve these further. Payments direct to suppliers and contractors are still too prevalent, and undermine national ownership. Low levels of advances in these direct payments reduce the possibility of bids by African and other small enterprises unless they have considerable reserves. Payment by reimbursement rather than advances, as well as replenishment of advances, can be long-delayed due to complex paperwork.

Officials therefore suggest the AfDB review its procedures to maximise payments to government rather than to suppliers, and to increase substantially cash advances, especially for governments or enterprises with good records of managing donor funds and producing results. They also urge it to simplify paperwork, and replenish based on Interim Financial Reports with agreed thresholds for receipts.

Procurement delays could be solved by simplification

In terms of procurement untying, AfDB performs very well — and increased use of budget support has raised the share of Bank funds using national procurement systems. However, as shown in Figure 3.9, in spite of recent improvement, the Bank has long procurement delays. RMCs deplore these, and urge the AfDB to fix clear deadlines for each step by country authorities and AfDB staff, and make these transparent to country officials. In particular, they suggest that “non-objection” procedures should be abolished (reducing needs for senior approval) or made genuinely “non-objection”, with tight deadlines such as 10 days.

“The Bank should review all PIUs in our country and design a plan to phase them out over the next 5 years.

East African Permanent Secretary

“The non-objection process seems to be designed to provoke objections after long delays: instead, it should mean that if nobody objects strongly in 10 days, things proceed.

Southern African Director of Aid
working days, after which non-receipt of objections would mean approval.

The complexities of AfDB procurement procedures are also seen as often militating against what should be another key goal of its procurement policy, to promote (though without preferential treatment) African entrepreneurship. Local enterprises often avoid bidding for AfDB projects due to preconditions and complex ICB procedures. Respondents therefore recommend to AfDB that it increase the thresholds above which ICB must be applied.

Need timetabled plans to increase use of government systems

The AfDB has somewhat increased its use of government systems according to Paris Declaration surveys, mainly by increasing programme-based approaches and budget support. The client survey agrees, as shown in Figure 3.10, but RMCs see progress as too slow, especially on procurement systems. They therefore suggest AfDB could set a deadline to move to 100% use of government financial management and procurement systems in all countries where these are rated moderate or high according to Paris Declaration-related assessments. They also urge it to comply with the Busan Global Partnership for Effective Development Cooperation and publish a plan in each country for increasing use of national systems. They also suggest that it move to using government monitoring and evaluation systems, in line with the aid policies of many RMCs.

Regional member countries are also increasingly realising that advice on PFM and procurement systems comes best from similar countries which have already improved their systems. They therefore urge the AfDB sharply to increase its funding of inter-African assistance in these areas, in order to adapt global PFM, procurement and M&E standards to country needs.

Missions and analysis should be led by RMCs

The final criterion assessed by RMC officials is the degree to which the Bank has been harmonising its missions and reports with other donors by conducting them jointly. The 2011 Paris Declaration survey finds that the Bank has had a lower proportion of joint missions, while increasing joint analysis. Respondents to this survey agree (Figure 3.11), finding that
overall harmonisation by the Bank has risen only marginally though staying slightly above average.

RMC officials acknowledge the Bank’s strong efforts to conduct joint missions and analysis, but suggest that this should go further with the Bank switching to monitoring and evaluating all programmes and projects, and conducting all missions and analysis, as part of government-led sectoral or thematic evaluations where these exist. This would also encourage a focus of even more resources on enhancing government monitoring and evaluation systems.

Overall, clients frankly admit that some of the Bank’s cumbersome procedures reflect gaps and problems in their own public financial management, procurement and monitoring/evaluation systems. They therefore urge the Bank to increase its support for intra-African capacity-building interventions in this area, by designing for each country clear plans to improve country systems, and to increase Bank use of those systems in line with that improvement.

One final key suggestion for improving Bank performance across all stages of projects was made in many interviews, questionnaire responses and at the workshops. This would involve the creation of a “project tracking website” confidential to officials of client organisations who implement the projects, which would track all stages of each project against clear timetables, and show who in the Bank is currently responsible for accelerating the current stage, together with their contact details. This would be similar to those used by document despatch companies and other global enterprises most committed to on-time delivery.
4 The Bank’s private sector activities
The Bank’s private sector activities

As discussed in Chapter 2, one main Bank Group focus under the Medium-Term Strategy has been to support private sector development. This support comprises financing operations, and other activities such as private sector diagnostics and strategy development, and work to improve the enabling environment for private sector development.

The strategy is broadly correct...

The Bank’s private sector strategy update of 2008 (pp.8-9) lists its strategic priorities as: supporting private enterprises; strengthening financial systems; building competitive infrastructure; promoting regional integration and trade; and improving the investment climate. Private sector respondents almost entirely (93%) agree that these are the right priorities. Figure 4.1 ranks them by importance — with supporting enterprises and infrastructure emerging top. One additional priority suggested is technical and vocational training to increase labour skills — partly by reinforcing the higher education, skills and training pillar of the MTS; other suggestions included reinforcing private sector associations and investment promotion agencies, and empowering women entrepreneurs.

But funding for the private sector could be increased

AfDB Group lending to private sector organisations has increased tenfold since 2004, reaching USD 2 billion in 2009. Nevertheless, most respondents (69%) feel AfDB pays insufficient attention to the private sector. The vast majority of respondents (92%) wanted to see lending increased, especially “potential” clients and MSMEs. They also (89%) want grants for technical assistance and studies to be increased.
The Bank’s top priority should be to develop the African private sector, not to cofinance major transnational corporations.

CEO, major West African enterprise

The Bank needs to show which enterprises it is targeting…

The Bank’s statute specifies that it can work only with private sector entities registered in regional member countries, and all projects comply with this. However, registration does not mean that entities are majority African-owned or that their locus of decisionmaking is in Africa. Bank management therefore requested the survey to focus on whether it is seen to be providing adequate support to enterprises owned by Africans, and developing the African private sector.

Around half (48%) of respondents feel that the Bank does not give enough priority to African enterprises, and 59% feel not enough priority is given to nationally-owned enterprises. In both cases, 60-70% of existing AfDB clients are positive, while 65-75% of “potential” clients (largely African and nationally-owned) feel more needs to be done to give these groups priority. Among types of recipients, intermediaries are most positive, large enterprises are evenly split, and MSMEs, associations and investment promotion agencies overwhelmingly want to see more active efforts to develop the African and national private sector.

In terms of the size of enterprises, internal data on PSO KPIs indicate that the percentage of new approvals going to operations targeted to MSMEs rose from 23% in 2009-10 to 49% in 2011. Nevertheless, the vast majority (75%) of respondents think the Bank pays insufficient attention to Medium, and especially Small and Micro-Enterprises. So did all private sector participants at the Johannesburg workshop, who particularly stressed the lack of technical support for smaller enterprises to prepare project proposals and business plans. This may in part reflect the AfDB’s current approach of dealing directly and visibly with large enterprises, but only indirectly (via financial intermediaries) and less visibly with most MSMEs (and that many of the indirect operations are not explicitly targeted at MSMEs). Given this pattern, it is essential that the Bank make its internal data and KPIs more visible externally, as part of a process of engaging more closely with this majority of Africa’s business community. In particular, it should increase interaction and dialogue with MSME associations during country strategy activities and project implementation, and dramatically scale up microfinance. To the degree that the Bank is not targeting MSMEs because in some indirect operations it is targeting development of financial sectors and intermediation, or regional integration, this choice needs to be made explicit and tradeoffs for impact on private sector development fully analysed.

Recent initiatives by the Bank (such as the African Women in Business Initiative and African Women Economic Summit) have endeavoured to place a stronger emphasis on promoting women entrepreneurs, and the Bank has a internal indicator assessing this to help decide whether any project will contribute to development outcomes. These measures appear to be

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4 As data are not published on these issues by the Bank, it was not possible to provide respondents with data for them to calibrate their response, so around 50% (on a few sectors 75%) have responded “don’t know” to the questions. They also make very strong demands for the Bank to publish more information on these issues, to allow stakeholders to assess its performance more transparently. Management has indicated that it has internal data and KPIs referring to many of these issues, and has shared these with the authors, but a more detailed publication and wider dissemination is essential to allow survey results and other consultations to be better informed in future, and to demonstrate that the Bank is fulfilling its private sector mandate. This is one of the goals of the new Private Sector Development Strategy for 2012-17. Pending such publication, the responses in this section are inevitably in some cases perceptions of stakeholders, rather than reflections of what the Bank is actually doing.

5 Management has indicated that this finding may reflect perception rather than reality, for 5 reasons: First, about 40% of volume of transaction is with financial intermediaries (which channel resources to African-owned businesses). Second, a large share of enterprises supported directly has regional nationals among their shareholders. Third, this is also true of infrastructure project-executing companies. Fourth, around 1/3 of “private sector” operations are infrastructure contracts with governments. Finally, a high share of all Bank operations benefits African-owned private entities (in terms of procurement and in terms of the facilities and infrastructure that are developed). The findings of the survey therefore may indicate that the Bank needs to do more to publicise its support for African enterprises.

6 In line with definitions used by other international organisations, these are defined as enterprises with less than 250 employees.

7 There may be a valid debate to be had as to whether the Bank should be visible in indirect transactions via intermediaries, or in government-sponsored public sector programmes to promote MSMEs, or whether it is better for financial institutions and governments to be seen as the pro-MSME institutions.
timely because a majority (54%) of private sector respondents feel that the Bank does not give enough priority to enterprises owned by women. More in-depth discussions in Johannesburg recognised that women are highly prominent in the MSME sector, and face huge problems raising finance, notably lack of collateral where women cannot own land. It was suggested that AfDB could do a lot more to prioritise support to enterprises owned by women, including harmonising and scaling up its multiple recent pro-women initiatives; deliberately targeting finance to women; supporting initiatives to promote women into senior positions in all economic sectors; factoring gender (and youth) into criteria for project selection and procurement; setting intermediaries targets to increase credit to women entrepreneurs; and rolling out its Growth-Oriented Women Enterprises programme more widely.

The current private sector strategy does not specify priority sectors, though the 2012-17 strategy will involve a more systematic analysis of the Bank’s sectoral comparative advantage, and there is an internal business plan for PSOs which includes some sector targets. Of direct Bank group lending to enterprises, around 55% went to infrastructure in 2009, with 35% to mining and petroleum, 8% to manufacturing and agro-industry, and 2% to services. The majority of respondents feel that the Bank is paying sufficient attention to mining, manufacturing, utilities, information and communications technology, finance and social sectors; but insufficient attention to agriculture, transport, accommodation/food, and professional scientific and technical sectors. A significant minority feel too much attention is given to construction, commerce and the financial sector.

...and to provide the right type of financing via the best channels

The Bank offers various financial instruments to its clients. In 2009, around 58% of its PSO finance was through direct loans, with 37% through intermediaries as credit lines (25%) or equity funding (12%), and the remainder mostly in trade financing (11%).

Figure 4.2 shows that respondents’ priority financing needs are short-term working capital and long term investment loans. They prefer debt to equity, because it keeps the financier at arms-length. It is a little surprising that trade finance does not feature more prominently, as this was a casualty of the global financial and economic crisis. Insurance and guarantees were much less important, partly because the respondents are already active on the ground (these instruments might be more important for potential investors in Africa for the first time, who may be more risk averse), and partly because they are not felt to be effective in encouraging intermediaries to on-lend to MSME or women clients.

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8 It is hard to track the sector distribution of Bank group financing, because 52% goes to intermediaries (financial enterprises and private equity funds) for onlending, and no sector breakdown is published.
Figure 4.3 shows respondents favour development banks and commercial banks as channels of finance, followed by direct investors and venture capital/private equity. This is closely linked to the types of finance institutions provide, with development banks seen as providing long-term finance, and commercial banks working capital. Microfinance institutions are ranked very highly by SMEs and their associations.

Intermediaries could perform even better

The Bank currently relies on financial intermediaries to run half of its PSO portfolio. Survey respondents were asked how well intermediaries perform in fulfilling their needs. More than half of respondents say they are good at understanding client needs (73%), and providing easy access to services and responding to communications (65%). However, only 45% said that they provide adequately long loan maturities.

Discussions in Johannesburg yielded richer analysis of problems with intermediaries. These included failure of commercial bank and private equity intermediaries to share broader development objectives, so key sectors such as manufacturing and agriculture are overlooked; and intermediaries lending on considerably shorter maturities and higher interest rates to enterprises, than they receive themselves from the Bank.

Respondents and Johannesburg participants suggested that the Bank needs to:

- channel more unding through development financing and microfinance institutions which provide capacity-building assistance in business development and project design/appraisal;
- develop much etter expertise on, understanding of and ability to screen private equity funds, and PPP funding and advisory institutions;
- enhance the degree to which the Bank varies loan maturities on the basis of sector and project needs, and keep a closer eye on the terms on which intermediaries onlend.
- encourage intermediaries to design facilities jointly with business associations and investment promotion agencies, who can provide superior knowledge of business need, creditworthiness and prospects, thereby reducing risk (as in GOWE programmes).
The Bank is already responding on some of these issues to try to reach a greater number of MSME clients, by channeling a large proportion of its funding via development banks, initiating TA programmes for microfinance institutions, considering a special-purpose facility with streamlined processes and differentiated services, and encouraging regulatory and institutional reforms which promote commercial bank competition to fund SMEs. Its Institute is also planning to expand training on private sector/infrastructure financial instruments.

**Private sector operational performance**

**Much could be done to improve service to “potential clients”**

Actual clients perceive the Bank much more positively (above average for 91%) than potential clients (52%). Why are these divergences so great? Of “potential” clients, 59% have never thought about applying, because a) they perceive the Bank as working only with Governments, or supporting only big business, or sectors such as mining, petroleum or infrastructure; or b) they believe its application procedures and criteria would be too challenging or bureaucratic; and are unaware technical assistance was available to help with project proposals.

Of those applying, 40% made initial contacts but eventually decided not to move forward, because the initial stages seemed to confirm a Bank preference for large projects or particular sectors, or fears that procedures and eligibility criteria would be rigid, documentation cumbersome, loan interest rates high or maturities short. Around a third were in the process of applying, and complained about excessive documentation and paperwork, poor communication on progress of projects, and long delays in project finalisation, approval and procurement (up to 15-30 months) which were in some cases encouraging them to look elsewhere for financing. Several said dedicated private sector teams had recently been more proactive and good at getting the rest of the Bank to move faster through stages.

The remaining 27% had applied but been refused. They were mostly unclear why, as there had been no clear explanation. Those clear about reasons for refusal cited lack of sufficient collateral, guarantees or audited accounts for several years, and suggested the Bank should make the procedures and criteria of intermediaries more flexible, especially for newer enterprises. Others indicated the Bank had been unhappy with their business plans, and had not provided sufficient technical support for feasibility and appraisal studies.

To overcome these problems, “potential” clients suggested that AfDB should:

- Dramatically enhance awareness creation of services offered, eligibility prerequisites, and how to access them, especially of the wide range of sectors and projects covered, the Bank’s special facilities for MSMEs, and the technical support available for project preparation.
- Increase interaction with the private sector at national level, by having in country private sector specialists who can play a diagnostic, liaison, investment origination and project oversight role, and making systematic contacts with representative private sector bodies.
The Bank is not close enough to its potential private sector clients: it needs to get out and talk to them more.

Head of national business

- Provide transparent and timely feedback on unsuccessful applications, including information on what needs to be improved for an applicant to access funds in future.

- Enhance their ability to apply for AfDB funding, especially by placing more emphasis on capacity-building assistance for enterprises (via intermediaries or associations where necessary) to improve business plans and proposals.

- Establish more flexible criteria for review of applications by the AfDB and intermediaries, especially in regard to collateral, guarantees and the number of years of audited accounts, especially for relatively new businesses.

The Bank is already responding to some of these issues, by implementing a web-based client interface system, and (as part of the planned implementation of the new Private Sector Development Strategy) increasing publicity for Bank facilities and instruments, liaison with national private sector bodies, and in-country private sector expertise.

**Recipients of financial support rate the Bank highly in most areas**

Those respondents who received Bank financial support were asked to assess its performance in operations. Figure 4.4 shows that more than 60% of clients rate AfDB performance positively in all areas except procurement. It performs strongest on feasibility studies and business plans; slightly less well on responsiveness to communications, environmental appraisal, disbursement and approval procedures, and focus on results delivery across the project cycle; and weakest on procurement procedures, results based design, and value for money. Key problems cited include procurement procedures causing lengthy delays without increasing value for money, patchy results focus in project design and implementation, failure to respond to communications, and lengthy environmental appraisal processes.

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<th>Figure 4.4 Operations mostly strong, less so on procurement</th>
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AfDB is rated very positively compared to other sources (more than 60% very good or good) in terms of providing financing on private sector infrastructure, private sector development, and regional integration (Figure 4.5); however, the "very good" score is much higher for infrastructure and lower for regional projects.
Recipients of technical assistance want more

Clients who received technical assistance were also asked to assess Bank performance. Virtually all respondents find the support very useful or useful. Compared with other organisations, 21% ranked it the best support they receive, but 43% find it only average or below average. They suggest that the Bank needs to communicate better to clients that they can access TA, train its staff better in private sector development issues, and focus the TA more on results orientation. About a third do not think the Bank provides enough TA to the enterprises, financial institutions or associations with which it works.

Private sector policy and research

The bank needs to strengthen its role in policy formulation and dialogue ....

Opinion varies widely on whether the Bank is playing a leading role in dialogue on private sector development policy in each country. Overall, only 53% think the Bank plays an independent role in national policy dialogues, with 47% thinking it follows other donors partly or entirely. Private sector respondents and governments urged the Bank to deepen its country-specific analysis and response to challenges facing African business. There is a strong demand for the Bank to enunciate clearer private sector development policy views at regional and national level.

On the other hand, the Bank is seen by two-thirds of respondents as playing a positive role in national forums for dialogue between public and private sectors. One third of respondents suggest that the Bank may play an important positive role behind closed doors in policy dialogue. Many respondents urge the Bank to make its role in public-private dialogue much more prominent, building on best practices in some countries where it has facilitated and sponsored forums.

The Bank also aims to play a prominent role in improving the enabling environment for investment in Africa, by improving the Investment Climate (PSO Strategy page 9), including through its own projects, and by cofinancing the Investment Climate Facility for Africa (ICF). However, almost half the private sector respondents do not know anything about the Bank’s efforts in this area; of the remainder, more than two-thirds see little or no success. The Johannesburg workshop indicated that the Bank is not alone in struggling to make major investment climate progress.

Bank assistance in designing government policies related to the private sector is ranked positively compared to other agencies. This applies particularly to assistance in strengthening the performance of financial systems, which 80% of respondents rank as good or very good. However, respondents suggest the Bank should make much greater efforts to inform the private sector about its work and results in this area. In particular they stress that it could make this a 2-way dialogue, working closely with...
The Bank’s private sector activities

national investment promotion authorities and private sector associations to conduct surveys of investment climate issues among existing investors. They urge it to focus on gathering views of SMEs, African-owned enterprises and women entrepreneurs, and on presenting these to national public-private dialogues and using them to help governments formulate clearer policies. These could then be used as one key input for identifying new opportunities for private sector financing operations, as is the intention under the new private sector strategy with inclusion of private sector profiles in Country Strategy Papers.

“\nThe Bank does not provide the sector- or enterprise-level research we need for business decisions.\nCEO, regional agribusiness enterprise\n
...And its private sector statistics and research

As discussed in Chapter 2, private sector respondents are no different from other client groups (see Chapter 2) in seeing the Bank as being far from its aim to be the primary source of statistics and research for their decisions. Most private sector respondents indicate that AfDB data and research are “too macro” for them to use, except for overall forecasts of market trends. There is a major gap in statistics and research on sector and micro-level developments, such as key infrastructure needs, market trends, sources of investment, types of financing, employment, and rates of return and profitability, which could support potential projects and partnerships. Those using Bank statistics and research cite studies of individual sectors especially financial development, PPPs, infrastructure provision, and women’s activities as being useful in preparing business plans, taking decisions, and directing resources.

Respondents recommend that AfDB should support national institutions (business associations, IPAs and infrastructure ministries) to gather micro level data and conduct research which they can feed into feasibility studies to identify investment opportunities and partners. AfDB could then link this national level data via its own website, as it has done in the Open Data Platform, and train clients to source and use data and research for decisionmaking. As priorities for future research, they emphasise availability of financing (financial sector performance and products offered to entrepreneurs), as well as infrastructure provision and the role of public-private partnerships. They give moderate priority to social and labour impact analysis, and regional trade/integration.
The governance and accountability of the Bank
The governance and accountability of the Bank

The governance arrangements of the Bank matter greatly to its regional stakeholders. In August 1995 the Bank became the only multilateral development bank ever to have its credit-rating downgraded due to the “increasing politicisation’ of the Bank’s corporate governance and management”.1 Subsequently, the Bank has greatly improved, and today it aspires through its governance arrangements to protect its African nature, to facilitate effective leadership, and to ensure it is accountable to its regional members.

The Bank’s ‘African voice’ matters to its regional members

The Bank was an exclusively African organisation until 1972. Non-African donors were brought in from 1972 when the African Development Fund was created as a way to bring more resources to the Bank. In 1982, after long negotiations, the Bank rewrote its original Charter and invited non-regional members to join its Board. In 2012, the AfDB has the largest non-regional shareholding of the regional development banks. However, its African members hold 60.7% of votes, its President is African, its headquarters are Africa-based, and the Bank is seen as having sensitivity to African government priorities.

Over the years, outsiders have been sceptical about the degree to which the Bank’s African identity matters.2 However, our results highlight the importance of this to its regional members. More specifically, ‘African-ness’ is one of the major reasons why its regional members rank it as a preferred development partner (see Chapter 1).

In elaborating their answers, senior government officials explained that the Bank “is closer to Africa, understands the African way, and African solutions”; “has always stood beside us — through all our troubles”; and “shares our aspirations and development goals”. It is seen as an ‘honest broker’ in dealing with donors.

Advocacy for Africa in global forums is seen as having been a powerful recent contribution by the Bank, with well over half of regional stakeholders rating

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performance in this respect as the best of any African institution. The Bank’s direct advocacy is seen as most effective on the global financial and food crises and Africa’s response, and Africa’s financing needs.\(^3\) However, members would now like to see the Bank more successfully supporting advocacy by other African leaders, by assisting them to generate consensus on issues, providing more detailed briefings, and publicising their views in global fora and media more effectively.

It is also clear that the Bank cannot rest on its laurels as an African organisation. As highlighted in previous chapters, a majority of regional stakeholders believe that in spite of its general reputation as an honest broker, close to its African clients, the Bank tends somewhat to follow other donors rather than playing an independent role in policy dialogue.

**Africa needs to play a leading role in governing the Bank**

Although African members dominate both the Board of Governors and the Executive Board of the Bank, regional stakeholders do not perceive themselves as effectively using their majority position to influence key issues. Many senior African officials interviewed for this study said that “African governments need to engage more strongly with the AfDB to ensure that they, rather than donors, govern it”. When asked to provide an example of an issue on which African members of the Board have had a key influence, overwhelmingly, respondents could not think of a single issue.\(^4\) As a result of this, several argued that the Board needs an African caucus where positions can be developed among African representatives.

Instead, the Bank is seen by its regional stakeholders as strongly influenced by non-regional donors. Both policy-makers and civil society representatives rank ‘donor governments’ as the group which most holds the management of the Bank to account. The ADF Deputies and ADF replenishment negotiations, along with those on the Bank’s capital increase, were cited as major conduits for donor influence. In the words of one official: ‘Too much time is spent in meetings on donor initiatives’.

African members of the Bank believe that their representatives on the Board should ensure the Governors’ decisions are implemented, advise the Governors on how to improve policy, and ensure the Bank has a clear strategic focus, achieves its strategic goals, and discharges its fiduciary duties. However, scepticism pervades a majority in all stakeholder groups who believe that ‘it is not clear that the Board does any of these things’. Several Ministers and senior officials suggest that the Board is of unclear or questionable use. Many respondents proposed solutions including: higher quality representation; and deeper Board engagement with Regional Member Countries.

"**Africans need to make more effort to govern the African Development Bank.**

African Governor of the Bank

We have no idea what the Board does — there are no detailed reports of their work programme or their meetings on the website.

African CSO coalition leader

High quality representatives are key to a stronger African contribution. Because of their doubts about what the Board achieves, and because “qualified staff are too valuable in country” while many countries have increased the strength of their representation in recent years, not all African members send senior, trusted, and experienced representatives to ensure their countries’ interests are properly represented (including

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\(^3\) The survey was conducted before the Bank scaled up its efforts to advocate an African position on climate change before and during the Durban COP.

Discussions with policymakers, CSOs and management indicate that this would certainly have featured prominently in responses to a survey conducted more recently, as a good practice example of the Bank supporting negotiating positions by African policymakers, and advocacy by a wide range of African stakeholders rather than just the Bank itself.

\(^4\) The very few respondents who named an issue cited: the Middle-Income countries’ strategy, decentralisation, regional integration, fragile states, and the Bank’s move to Tunis. Four respondents mentioned the Bank’s capital increase.
by building coalitions) and that the Bank operates correctly. In addition, the accountability channels of Board members are unclear. Some members are paid and held accountable by the country they represent. Others are paid by the institution. There is no robust annual performance appraisal of each Executive Director, by the countries they represent, or the institution itself.

**Engagement, communication, and consultation**

are increasingly important for all multilateral development banks. Here the African Development Bank’s Executive Board is falling behind. Only 27% of senior officials report that they have contact with their country representative on the Board once a month, and more than half do so less than once a quarter. In addition, Board contact with parliamentarians and civil society is very sparse. In other multilateral organisations, Executive Directors are increasingly engaging with Parliaments and civil society. However among the AfDB’s regional stakeholders, 62.5% of parliamentarians, rising to 96% for civil society respondents, say they have not had any engagement with their country representative on the Board. Greater Board engagement with these stakeholders might also offer a way to enhance Bank performance in engaging with these stakeholders, and in gathering and disseminating knowledge and information.

Many senior officials and policymakers also say that African members of the Board of Governors needed to enhance their role in the governance of the Bank. To this end, propose more sharply focussed Annual Meetings. They currently find the meetings useful for finding out what the Bank is doing, influencing management, conferring with other RMCs, and meeting other development partners. However, to improve the governance of the Bank they suggest a narrower agenda focussing on 2-3 key strategic issues — with an emphasis on Bank performance and results, and clear decisions for Governors to take.

Perhaps reflecting the perceived doubts about the Board and the Annual Meetings, and the need for further decentralisation, half of government policymakers see ‘Directly contacting the President or senior management’ as the most effective way of influencing the Bank. Senior officials believe that where the Presidency is directly engaged, and the country is a priority for senior management, the results can be electrifying, offsetting some of the Bank’s bureaucratic slowness, inflexibility, and poor quality work. In other countries, however, there is a sense that without Presidency attention, RMCs struggle to get timely, effective responses from the Bank. Many therefore also express a preference that President and management
should spend more time meeting client policymakers, both at the Annual Meetings and in
country, to review country strategies and programmes.

**Engagement with other stakeholders must be strengthened**

The Executive Board’s low level of engagement with other stakeholder groups
(parliamentarians, civil society organisations, labour organisations and the private sector)
is symptomatic of what all these groups express — frustration at a low level of strategic and
operational engagement with the Bank. About 71% of African parliamentarians see the Bank
as not doing enough to partner non-executive African organisations. The same percentage
responded that they have had no experience of Bank advocacy activities, and 100% said
that parliament does not play any role in design of Bank projects. Equally, some 84% of
civil society thinks the AfDB is not doing enough to partner with other organisations (92%
said they had not been consulted on projects, although 60% have had some experience of
advocacy activities).

At the Johannesburg workshop, each group proposed ways in which they could more
constructively engage with the Bank in the formulation of strategies, programmes and
projects, as well as in holding the Boards and management of the Bank to account. Civil
society organisations appreciate the “great strides” the Bank has made in interacting
with them, notably the civil society forums at the Annual Meetings, but want to see these
made more regular and representative by the Bank’s current update of its Engagement
Framework for CSOs. This would permit a much more systematic engagement with their
key coalitions on the issues the Bank is placing at the centre of its Long-Term Strategy
(inclusive growth, climate change, food security, gender). Parliamentarians propose that the
Bank should engage more with national (Committees tasked with national economic policy
and budget financing) and continent-wide (key African members of the Inter-Parliamentary
Union and the AU Parliament) parliaments, and suggest that the Bank consider creating
an AfDB Parliamentary Network. Labour organisations argue that the Bank should engage
with them systematically, at national and continental level through the International Trade
Union Confederation African caucus, not least to enhance the Bank’s accountability on
international standards of decent work and minimum wages, and to promote employment
of nationals and women.

Private sector stakeholders propose much stronger engagement with national-level private
sector associations, MSME groups, women’s groups, and rural cooperatives; and that
continental forums for private sector interaction with the Bank be made more representative,
with strong representation of MSMEs and women entrepreneurs, and including key members
of national investment councils, and Africa-wide groups representing beneficiaries and
intermediaries. They suggest this might be done by creating a new annual Business Advisory
Council meeting for systematic consultations on implementation of the Long-Term Strategy,
especially in terms of private sector development activities.

**More decentralisation and more results-focussed staff are key**

Over the past decade, the Bank has embarked on an ambitious strategy of decentralisation.
Only seventeen years ago, the Bank closed all its country offices because the 1995 Task Force
Report on Project Quality found that field offices were associated with abuses and excesses.
It established a tightly centralised management system, making it the most centralised of
The Bank has more recently been rebuilding its in-country presence and its African stakeholders are strong supporters of this. In countries which already have country offices, they see decentralisation as leading to increased client-responsiveness, portfolio performance, a lesser burden of missions, and more hands-on support (which fits with the findings of OPEV 2009).

However, in line with recent statements at the 2012 Annual Meetings and commitments by management, they are calling for faster and deeper decentralisation including: (1) more offices (all countries seem to want their own country office, but also favour strong regional hubs with senior managers capable of supporting policy dialogue); (2) more autonomy in country offices, with fewer referrals to headquarters; (3) more skilled staff, who can focus less on reducing delays in procedures, and more on conducting policy dialogue, for example on infrastructure or private sector issues.

The Bank has long faced staffing challenges, particularly in recruiting and retaining the best professional staff, especially from RMCs; enhancing staff quality in post, and getting staff to take timely effective decisions (see Harris and Mule 1996; 2004 Evaluation).

African stakeholders see the Bank as having enough African staff (although many felt their country was under-represented). To this end, more than 90% of RMC policymakers and senior officials say they value their own nationals gaining Bank experience (more than 60% “a great deal”). But only 45% report that working at the Bank enhances career prospects “a great deal” upon returning home — because many either stay at the Bank or are not given good enough training while there. Policymakers were therefore clear that they would send better nationals to work for the Bank if (1) it provided high-quality training, making staff more than project managers by providing training in macroeconomic and development policy issues, results focus, rapid delivery and cost-effectiveness of projects; and (2) could ensure return to government service through 2-3 year secondment programmes, as well as more constant contact with their own countries through staff twinning arrangements.

In terms of staff performance, decentralisation is felt to be empowering staff to take more decisions locally. However, on the negative side, some report that staff ‘do not focus on project results’, ‘do not find solutions’, are ‘not expert enough’, and resort to defensive bureaucracy. This also chimes with the 2010 staff survey, where 45% felt they had authority to make decisions (12% up on 2007); but 62% saw lack of recognition in the Bank for performance and contribution; 71% did not think staff were rewarded according to their performance; and 77% did not think promotion was based primarily on merit. Management is continuing to address these issues, with the recruitment of external human resource specialists to advise the Bank.

**Stronger African partnerships are a priority**

The Bank is committed to working with regional partners, and its stakeholders overwhelmingly see partnerships between the Bank and other African organisations as mutually beneficial in terms of enhancing information-sharing, staff capacity and skills. However, 56% of respondents think the Bank is not exerting enough effort to work with regional public or private sector partners. The Bank’s African stakeholders report that they would like to see:
1) More focus on African partners (and less on international partners)
Senior officials want to see in-region partnerships which spread lessons and best practices in African development, going beyond projects. Many emphasize that the Bank should “not turn to international partners first”, and propose that the Bank should “always give priority to regional organisations” and “make African partnerships the top priority on all issues”. More practically, the Bank should “identify up front in all projects and programmes potential African partners”.

2) A more strategically focussed and better planned approach
Regional stakeholders report that they would like to see the Bank work more systematically and in a less ad hoc way with major credible institutions. They suggest the Bank develop common initiatives, joint evaluations and jointly forged strategies, and develop stronger representation in places where regional organisations and other partners are based. The Bank must also be selective, by “ensuring that potential partner organisations have clear comparative advantages and strong capacities.” They suggest that the Bank “must work out in each country or subject area who are key partners and have longer-term rather than ad hoc strategies to work with them”.

3) Working in ways which strengthen regional partners
Regional partners and other stakeholders urge the Bank to do more to strengthen capacity of partners to help improve programmes, strategies and policies, but also treat them more genuinely as partners — by for example attending their meetings at top level, exchanging information and working together even more closely on policies and financing.

Support for transparency, accountability and evaluation measures
Enhanced transparency and disclosure is strongly supported by the Bank’s African stakeholders. In 2011, the Bank produced a new Disclosure policy which will allow disclosure of any information in the Bank Group’s possession as long as it is not on a list of exceptions. The aim is to maximise disclosure and limit the list of exceptions so as to facilitate information-sharing with a broad range of stakeholders, to promote good governance, transparency, and accountability, to improve effectiveness and give more visibility to the Bank’s mission and strategies. Processes are being reviewed to ensure that the Bank’s information is disclosed systematically through the web site, and it has signed up to the International Aid Transparency Initiative (IATI). As shown in Figure 5.4, regional members strongly support the direction in which the Bank is moving, with a strong preference emerging for all documents and data to be disclosed after Board approval. Regional stakeholders also strongly support the Bank’s other formal accountability mechanisms. Foremost among these is the Independent Review Mechanism (created in 2006) and its efforts to provide people adversely affected by a Bank-financed project with a mechanism to challenge Bank compliance with its own policies and procedures. That said, most CSOs in our survey had little knowledge of, or interaction with, the IRM, in spite of intensive recent activity disseminating information on its activities. Those who did indicated that it was ‘accessible and rapid’. The same characteristics — little knowledge but positive experiences for the few who do know — applied to

5  See AfDB 2012a.
6  See also discussion of the need for greater transparency to government project managers in Chapter 3.
CSO experience of the Integrity and Anti-Corruption Action Division (IACD).

To increase their knowledge and use of the Bank’s transparency and accountability mechanisms, some stakeholders urge the Bank to consider a Key Performance Indicator (KPI) for information disclosure, compliance reviews and anti-corruption activity.

Evaluation and the Bank’s ability to learn from its experiences across the continent are also highly valued by regional stakeholders. They support its recent efforts to strengthen its evaluation policies and processes, including the increased independence of the OPEV. Around 50% of policymakers and senior officials report having been consulted during evaluations, of which three quarters feel their views were accurately reflected in the evaluation; however, figures for other stakeholder groups are much lower on both issues.

Many respondents make positive suggestions as to how the Bank might further strengthen evaluation. These include:

- **Increase participation in the evaluation process** through dialogue with African civil society organisations, greater collaboration with regional members, and joint evaluations with other institutions. Some 96% of civil society representatives interviewed said they had never been contacted in respect of an evaluation, as did 84% of private sector respondents.

- **Further reinforce the independence of the evaluators.** Most regional stakeholders see evaluation as independent from management, yet they express strong views that the Bank needs to ‘continue to protect the independence of the evaluation office’. The Bank needs ‘bold evaluation’ which “recognises much more clearly when strategies and projects are not working, and suggests reallocation of resources”, and evaluators who “put preconceptions to one side so as to listen to the people affected by programmes”.

- **Publish all evaluations and report impact back to stakeholders.** The importance of publishing evaluations was widely mentioned, with respondents calling for all to appear rapidly on the website, and be published and circulated to countries in hard copy. They also want to see greater impact through an annual report showing follow-up on evaluations through changes in Bank policies and procedures.

Finally, it is worth reporting issues which the Bank’s African stakeholders would like urgently to see the Bank evaluate. The top priority is how to ensure fragile state strategies cover more sectors (especially health, education, and water), and disburse even faster. A second issue regularly mentioned is governance, including how the voice of regional members could be increased, and the role of Governors and Board in approving and overseeing the Bank’s strategy. A third set of issues concerns the Bank’s role in economic policy dialogue, advice and capacity-building, as well as its research on country-specific issues. The fourth set concerns
simplifying the Bank’s operations and accelerating delivery: periodic reviews of task managers and project leaders, slow project processes, the alignment of Bank and national systems, disbursement rates, and use of trust funds. A final set of issues are around key aspects of MTS content: poorer performance on private sector and especially HEST, and the Bank’s role in agriculture and rural development.

Private sector respondents want to see urgent evaluations of financing for MSMEs, funding of agricultural and industrial sectors, the development (employment, tax revenue, growth) impact of projects, PPPs and infrastructure, relationships with business associations and government private sector agencies, the effectiveness of intermediaries, and guarantees. In part these demands for evaluation of results reflect a lack of public discussion of the comprehensive Additionality and Development Outcomes Assessment (ADOA) which is conducted for each private sector operation. It would be desirable to publish these assessments with the project documents for each project, so that its contribution to the Bank’s Key Performance Indicators for results can be clearly seen.

“The Bank must evaluate whether its private sector operations are achieving the development goals set in its results framework.”

Head of Continent-Wide Business Association
The preferred partner? 
A client assessment of the African Development Bank
African Development Bank Group


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About this publication
This report presents an assessment of the African Development Bank by its African clients: regional member country governments, private sector and parliamentary leaders, regional partners, and civil society organisations. It is based on interviews with 80 African leaders, a web survey and two regional workshops in Bamako and Johannesburg to gather feedback on Bank policies and procedures, and make consensus proposals for improvement. This is the first such in-depth assessment ever commissioned by management of a multilateral development bank.

About the African Development Bank Group
The AfDB Group is a multilateral development bank whose shareholders include 54 African countries and 24 non-African countries. The AfDB Group’s primary objective is to contribute to the sustainable economic development and social progress of its regional members, individually and jointly. It does this by financing a broad range of development projects and programmes through public-sector loans, including policy-based loans, private-sector loans, and equity investments; by providing technical assistance for institutional support projects and programmes; by making public and private capital investments; by assisting countries with development policies and plans; and by supplying emergency assistance.