

Evaluation of the Implementation of the Paris Declaration

Donor Study

AFRICAN DEVELOPMENT BANK

Executive Summary

Purpose and approach to this evaluation

- I. This evaluation is one of a series of donor agency and country evaluations contributing to Phase 2 of the Global Evaluation of the Paris Declaration (PD). The purpose of this evaluation is to assess African Development Bank's (AfDB) performance in fulfilling its commitments to the PD as an institution. This evaluation focuses on the context, institutional aspects and outcomes of PD implementation. The institutional aspects have been reviewed according to three dimensions: leadership and commitment, capacity, and incentives.
- II. This evaluation has used a range of methods for data collection, drawing from different sources, including: policy document review, organisation review (including staff survey), review of country strategies and portfolios (covering 15 regional member countries – RMCs), country visits (Kenya, Malawi, Burkina Faso, Cameroon) and stakeholder interviews and discussions at AfDB in Tunis.

Key findings

- III. Since 2005 the Bank has achieved much with regard to aid effectiveness (AE).
 - The Bank has signed up to the Joint Assistance Strategies for a number of countries (e.g. Central African Republic, the Gambia, Sierra Leone, Tanzania, Kenya, Liberia, Zambia, and Uganda).

- It has harmonised its procurement rules and procedures with other multilateral development banks and removed the rules of origin that was a major impediment for further harmonisation and alignment of Bank support.
- The Bank has, within the limitations set by the African Development Fund (ADF), increasingly used budget support to respond to RMCs' demand.
- It has made substantial contributions to building country capacities on public finance management and statistical capacity.
- It has increased its field presence and as a result has strengthened the Bank's engagement with RMCs and other development partners.
- It has made efforts to strengthen the broad-based ownership of its Country Strategy Papers and align country programmes with RMCs' priorities.
- The Bank has strengthened Africa's leadership on development through support of regional institutions promoting economic and financial governance.
- Practices for mutual accountability are emerging as a result of stronger partnerships at country level.

- IV. **Progress has been generally better where the Bank's mission has overlapped with the aid effectiveness agenda.** For example, RMC ownership is at the heart of

the Bank's mission and the Bank has taken country ownership seriously prior to the Paris Declaration. The Bank has communicated its commitment to ownership consistently through policies and strategies and its efforts to building RMC capacities for effective leadership were consistent with this commitment. The Bank has been a reliable partner for RMCs and, as a result, has performed well on policy alignment and predictability of funding.

- V. **Progress has been inconsistent in areas that are not supported by its corporate strategy.** Alignment with country systems has been on an ad-hoc base, often as a result of demands by country governments. A long-term approach has been missing. Performance related issues (e.g. time lapse between approval and effectiveness, low disbursement rates, slow procurement of goods and services procedures) have often been addressed through short-term solutions (e.g. training, consultants). Disbursement targets still provide a strong incentive to maintain Project Implementation Units (PIU). The Bank's cautious approach to risk management has made it reluctant to use country systems, therefore slowing down progress. The Bank has no strategic stance on the use of more aligned modalities other than budget support and, as a result, progress in the use of common instruments (such as participation in pooled funds or sector budget support) is slow and variable.
- VI. **The transition to new ways of working under the aid effectiveness agenda is creating dilemmas and conflicts.** Bank staff perceive the inherent tension between the key drivers of Bank performance (risk awareness, disbursement pressure) and the new ways of working under the AE agenda. An example is the dilemma over whether the Bank should be supporting parallel PIUs or their equivalents. The existing Bank documents do not provide clarity on how choices and challenges resulting from the AE agenda should be addressed at the operational level.
- VII. **Decentralisation** offers a unique opportunity to harness the latent capacities and intrinsic motivation available within countries. Country offices show significant commitment and intrinsic motivation that drives their engagement in the country's AE agenda. Good practices, for example on mutual accountability, are emerging at country level despite the Bank's failure to promote them in a strategic way. Within the countries, the Bank has benefited substantially from joint work with other development partners. Delegation of authority to field offices and a stronger focus on technical capacity within the country will help to harness those potentials. The Bank as a whole could learn from country-level experiences with AE.
- VIII. **The Bank has not yet realised the opportunities of policy dialogue within the new aid architecture.** The Bank has traditionally treated budget support as a funding mechanism rather than as part of a package to support effective country leadership which includes policy dialogue. The Bank is keen to respect governments' views in the dialogue and tends to refrain from pushing difficult issues. For example in the transport sector, the Bank is leaving the more difficult change management aspects to donors such as the World Bank and EU. The Bank often lacks the critical mass of qualified staff on the ground that would enable an effective role in policy dialogue.
- IX. **The Bank has missed opportunities to link institutional performance with aid effectiveness principles within its corporate strategy.** Reference to AE is scattered throughout the Bank's corporate strategies and there is no overall strategy document that would guide the Bank's approach to AE in line with its mission. For example, the Bank does not have a consistent approach to conditionality. It has reduced project conditionalities to speed up implementation, but it still tends to address strategic and institutional issues through conditions rather than dialogue. The Bank's focus on short-term performance targets lacks a long-term view on partnerships and has hindered more aligned and harmonised ways of working.
- X. **The Bank has not invested substantially in developing and implementing an organisation-wide approach to implement aid effectiveness principles.** The Bank's efforts over time have been fragmented, inconsistent and under-resourced. In the absence of a clear rationale and strategy for implementing AE principles, AE was often treated as add-on. AE principles have been addressed on a case-by-case basis rather than in response to an overarching strategy for AE. For example, progress with the harmonisation of procurement practices and assessment of country procurement systems could have been better if there was a consistent strategy and sufficient resources to support it.
- XI. **Institutional arrangements for aid effectiveness have not been adequate and have led to a fragmented approach.** Different parts of the organisation have taken some efforts to address AE principles, but overall progress was fragmented across the organisation. The Bank did not have an effective approach to mainstreaming AE principles in the organisation. It did not provide the organisational arrangements and resources for an AE strategy. Capacity to coordinate an action plan on AE was insufficient.
- XII. **Responsibility to engage on the ground:** The Bank has achieved much with regard to AE. The Bank's commitment to RMC ownership meant that it was exemplary in its efforts to strengthen country leadership. The

Conclusions

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Bank's approach to partnership builds on mutual trust and accountability. But the Bank has a responsibility to respond fully to the AE agenda at country level, and to fulfil its vision of being Africa's premier financial institution. AE principles of ownership and alignment require close dialogue with RMC governments, civil society and the private sector. In a strong partnership, there will be many sensitive issues to deal with as well as the means to address and resolve differences of opinion. The Bank should not shy away from addressing controversial issues. As an equal partner in the policy dialogue, the Bank needs to develop a strategic stance on sensitive issues that are complex and require a long-term perspective (e.g. governance and accountability issues, use of country systems).

- XIII. **Case for strategic change:** The Bank could strengthen its institutional performance if it integrated AE principles into its corporate strategy. There is a strong case for AE as part of the Bank's strategy to improve performance and standing within RMC. For this the Bank needs to address the entire spectrum of AE principles. The Bank has generally performed well in terms of ownership and policy alignment and it has made some commendable efforts on management for development results. More needs to be done on systems alignment, harmonisation and mutual accountability, with increased focus on long-term goals and partnerships.
- XIV. **Call for institutional reform:** The main bottlenecks for the implementation of the AE agenda on the ground are weak capacities and conflicting incentives. The Bank as an organisation has not invested strategically into the capacities and skills required within the new aid architecture. Strong incentives relating to financial performance have been driving country portfolio management often at the expense of AE principles. The move to new truly country-led ways of working will take further, far-reaching institutional reforms. For a consistent and coherent approach to AE there needs to be a strong and sustained commitment in all parts of the organisation.

Recommendations

- XV. **Establish the case for aid/development effectiveness within the organisation:** The President of the Bank has already made a powerful case for focusing on development effectiveness.¹ The evaluation endorses this move. In order to achieve better coherence between AE (in the following referred to as "development effectiveness") principles and its corporate strategy the Bank has to make the case that it is in its own interest to strengthen country capacities and leadership if it wants to improve its performance in the long-term. The upcoming strategic process will be an opportunity to establish

¹ The Tunis Consensus – Targeting effective development: From Aid Effectiveness to Development Effectiveness. Tunis, 4-5 November 2010.

the relevance of development effectiveness principles within the Bank's corporate strategy.

Action points:

- The Policy Department (ORPC) is well placed to lead the process. Based on the policy documents review undertaken with this evaluation, ORPC should examine the strategic fit between development effectiveness principles and corporate strategies. ORPC should clarify the Bank's policy stance on issues where there are gaps (e.g. conditionalities, funding instruments).
 - The Chief Economist (ECON) should prepare a background paper – as part of the examination of critical issues – of the relevance of development principles for the Bank's strategy. This paper should be prepared in a similar process as that for a new mid-term strategy. It needs to take into account the outcomes of the discussions around development effectiveness to be held during that process. In the background paper the ECON in cooperation with the Strategy Office (STRG) should also clarify the Bank's comparative advantage based on development effectiveness principles.
 - The Chief Operating Officer's (COO) office and Vice President for Country Operations, Regional Programs, and Policy Complex (ORVP) should lead the Bank-wide debate around critical issues that seem to create tensions between AE and elements of its strategy. A priority issue for debate is the use of country systems. The Procurement and Fiduciary Services Department should present a strategy to strengthen the use of the country system for a wider debate in the Bank that includes field offices. ORVP's seminars on operational knowledge could provide the platform for these discussions.
- XVI. **Mainstream development effectiveness principles:** The Bank will only be able to address development effectiveness in a consistent way if the principles are integrated ("mainstreamed") in all parts of the organisation. The Bank needs to make sure that there are clear responsibilities and incentives and that all staff are pulling in the same direction with regard to development effectiveness. The Roadmap for AE has been a first step to raise awareness and consolidate efforts through a Bank-wide approach.

Action points:

- ORPC should prepare a central document that provides guidance on how AE principles will be addressed through the Bank's support. The document does not have to replace existing policy documents, but it should provide clear reference on how AE principles are addressed in the various policy documents.

- ORPC should also provide detailed guidelines for task managers on how AE principles should be taken into account at the operational level.
- The Bank should appoint development effectiveness champions in all three operational complexes who would lead on the preparation and execution of development action plans to implement AE principles at operational levels.
- Action plans will focus on priority areas that are lagging behind. These are likely to differ between countries and sectors and it is therefore recommended that regions/countries/sectors should prepare their specific action plans. The action plans will establish clear responsibilities and targets to be monitored. Activities need to be budgeted and time bound.
- The preparation of action plans will be an important process to deepen the understanding of AE principles. They must be prepared through a consultative process involving field offices. The Bank should disseminate guidance on AE terminology (glossary) early on to enable informed discussion.
- The Performance Management System should require the inclusion of development effectiveness related objectives on a mandatory base. Country Strategy Papers need to include consistent strategies on development effectiveness related issues (e.g. choice of funding modalities, use of country systems). Country portfolio performance reviews must report on development effectiveness indicators as part of a more standardised format.
- The Bank needs to review its approach to risk management. Risks need to be managed (and monitored) at four levels: corporate, divisional, country and project. The Bank should develop a Fiduciary Risk assessment instrument which would help senior management to monitor aligned aid modalities (e.g. budget support) on a more systematic basis.
- Quality Assurance and Results Department will monitor AE targets on an annual base. We recommend focus on a few SMART targets that are

critical to achieve if the Bank is going to fulfil its commitment to AE principles.

- XVII. **Manage strategic decisions:** It is not sufficient to formulate policies and strategies and take strategic decisions. Strategic decisions need to be managed purposefully and systematically. This requires a proactive approach to anticipate and mitigate the challenges and risks that accompany change. The example of decentralisation shows that key organisation-wide reforms should be accompanied by the full package of complementary reforms and strategies required, and by management arrangements that ensure a strategic and responsive approach to implementation.

Action points:

- “Change management” can be purposefully linked to the ongoing decentralisation reform. In line with the Decentralisation Roadmap we propose that the office of the COO should be responsible for monitoring the transition to new ways of working. The COO will be reporting to the board on the change initiatives.
- The Decentralisation Roadmap has a strong focus on strengthening existing field offices. It should explicitly address the need for technical capacity to lead country dialogue and stronger selectivity and focus on comparative advantage within the new aid architecture.
- The Bank’s human resource strategy has to address the need for new skills and capacities as part of the new aid architecture, in particular the “soft skills” needed for effective management of development cooperation in an era of harmonisation and alignment. This includes training for existing staff and deployment of additional staff to provide strong capacities on the ground. Training should include soft skills (negotiation, dialogue etc) as well as technical issues (risk management, funding modalities, analysis of governance related issues etc.).
- The Bank needs to make sure that activities in relation to AE (training, workshops, and studies) are sufficiently resourced.