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Ministry of Foreign Affairs

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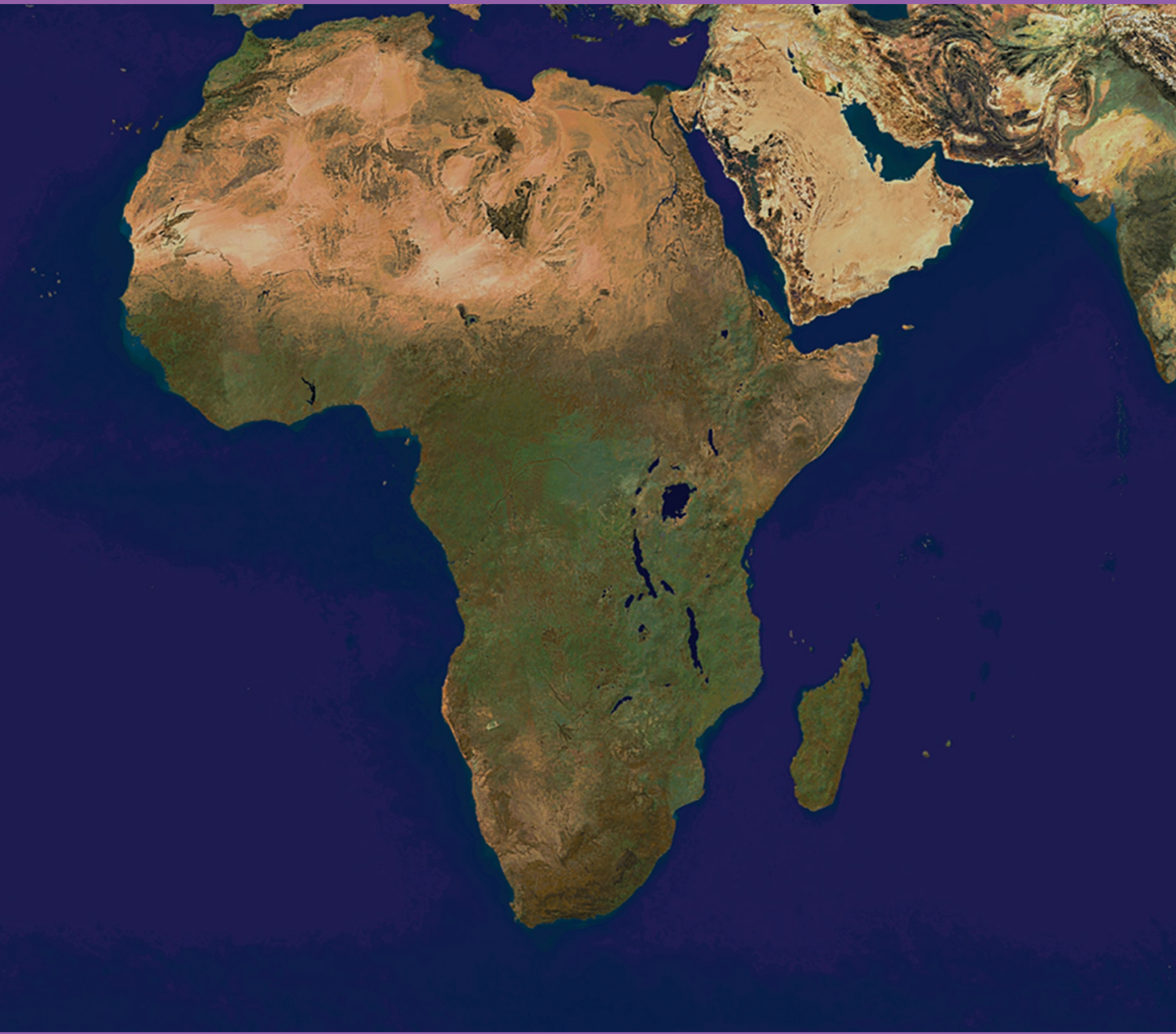
Ministério das Finanças e da Administração Pública

Constituency representing Germany,
the Netherlands, Portugal & the United Kingdom

Joint Strategic Framework 2 for Partnership with the African Development Bank



2009 – 2011

Joint Strategic Framework 2
for Partnership with the African Development Bank

Contents

Glossary

ADB	African Development Bank
ADF	African Development Fund
AU	African Union
CECAFA	Clean Energy and Climate Adaptation Facility for Africa
CIDA	Canadian International Development Agency
CSP	Country Strategy Paper
EU	European Union
FSU	Fragile States Unit
GDP	Gross Domestic Product
G8	Group of 8 (industrialised countries)
HLP	High Level Panel
HR	Human Resources
JSF	Joint Strategic Framework
KPI	Key Performance Indicator
MDG	Millennium Development Goals
MTSF	Medium-Term Strategic Framework
NEPAD	New Economic Partnership for African Development
PPP	Public Private Partnerships
PSO	Private Sector Operations
RMC	Regional Member Country
TA	Technical Assistance
UN	United Nations

1. Aim and Mission

This is the **second Joint Strategic Framework** (JSF-2) for the engagement by the Governments of Germany, the Netherlands, Portugal and the United Kingdom with the African Development Bank (ADB). The strategy covers the period 2009-2011. It focuses our collective efforts on priorities with a view to further strengthen cooperation and coherence within the Constituency and in order to improve our transparency and effectiveness in the Board of Directors. Thus, the paper serves as a basis for both the work of the Constituency office in Tunis and joint efforts by capitals, and leaves room for the efforts of individual constituency members in other areas.

The Constituency will remain a strong and "critical friend" of the ADB as it works to help achieve its vision. This JSF is written at a time of **great opportunity but also of great challenge** for the African continent. Overall economic performance in most African countries has been good, but progress towards the Millennium Development Goals (MDGs) still needs to accelerate. From an environmental perspective there is need for greater action to prevent further desertification and natural disasters.

The **global financial crisis** has introduced new pressures and uncertainties. Slower global economic growth, more difficult credit conditions, and changes in the international aid architecture pose additional challenges to the continent. At the same time, if these challenges can be overcome, globalisation presents Africa with unprecedented opportunities to grow and modernise.

We share the **vision and mission statement of the High Level Panel** (HLP)[i] that:

- Africa can transform itself into a stable and prosperous continent with growing economies, accountable governance and reduced mass poverty by 2030
- the Bank is on its way to become the premier development institution in Africa and will be an increasingly important voice for development in Africa in the medium term.

We also share the plans set out in the Bank's **Medium Term Strategic Framework** (MTSF), which coincide to a large extent with the agreements reached under the eleventh replenishment of the **African Development Fund (ADF 11)**. This JSF 2 is fully aligned to these strategies[ii].

Whereas the focus of JSF 1 was on contributing to the development of these strategies, the focus of JSF 2 is on consolidating the changes by supporting the **implementation** and **monitoring** of the MTSF and ADF 11 agreement.

i The High Level Panel consisted of a group of eminent personalities from the academic, business and development communities who advised the Bank on its medium term strategy.

ii ADF – 11 Deputies Report [ADF/BD/WP/2008/04] and Medium Term Strategic Framework MTSF [ADF/BD/WP/2008/14/Rev.5]

2. JSF 2 Objectives

The Constituency has identified three key objectives with several outcomes where there are particular challenges and opportunities in the Bank, and where we believe we can add value. The three objectives are:

1. Effective implementation of ADF 11 and the Medium Term Strategic Framework [4 outcomes]
2. Effective implementation of cross-cutting issues by the Bank [2 outcomes]
3. Improving the institutional effectiveness of the Bank [3 outcomes]

The objectives are interlinked as there are elements in Objectives 2 and 3 that are embedded in Objective 1. We have highlighted the specific outcomes as the areas where our work as a Constituency will be focused. A comprehensive results framework for the JSF 2, which includes the AfDB indicators that will be monitored is set out at Annex 1.

Objective 1: Effective implementation of ADF 11 and the Medium Term Strategic Framework

ADF 11 discussions focused on the Bank achieving, monitoring and demonstrating **results**. This needs to be a key element of the Bank's work going forward if it is to play the major role in Africa that shareholders expect of it. ADF 11 also agreed that the Bank should remain relevant to all of its regional member countries (RMC) but should reinforce its support to **fragile states and regional integration**, both of which have been identified by the HLP as crucial for the development of the continent. ADF deputies agreed to allocate 25% of total resources for these two objectives. It is therefore a key task for our constituency to monitor the implementation of these two initiatives, and to help where we can add value.

Maintaining **sectoral focus** will be key to ensuring that the Bank dedicates its scarce human capacity to reaching its full potential in each priority sector. The MTSF proposes four focus areas: infrastructure, building capable states, private sector operations, and higher education. As stated in the HLP Report, 'selectivity is not neglect' but a requirement in an increasingly complex aid architecture. Avoiding strategic drift is a major challenge. At the same time, from the perspective of the Bank's relevance in the continent, this needs to be balanced by some pragmatism towards emerging issues. The quick reaction of the Bank to the recent food crisis by integrating new measures within the existing portfolio and the first steps with regard to the financial crisis are excellent example of how both needs can be harmonised.

In order to avoid the mistakes of the past, diversions from the agreed focal areas should be discussed, agreed and kept to a minimum.

Outcome 1: Embedding a results culture throughout the Bank

Our aim is a results-based culture embedded throughout the organisation. In order to achieve this, the Bank needs to monitor results regularly and report on **Key Performance Indicators (KPI)** as outlined in the MTSF. To ensure this is successful, more managerial attention is needed on planning, monitoring, reporting, learning and evaluation.

We are encouraged that the Bank now has *one* results system (for ADF and ADB operations) in place which is cascaded down to departmental level. It is important that management uses these tools and reports regularly to the Board.

The major risk regarding this outcome is the absence of broad staff buy-in and we encourage the Bank to increase communication, incentives, training, monitoring and coaching in this particular area. All staff need to know what is required of them and be adequately equipped to deliver on the results agenda. Results should also, in turn, help to encourage and motivate staff.

Outcome 2: Increased impact on Regional Integration

Africa has 53 countries with small economies with an average national GDP of only $4 billion (compared to a world average of $250 billion). Its share of world trade has plummeted to just over 1%. Integration has large potential gains for Africa, but it entails huge challenges. The Bank is in a unique position to support this. It has been entrusted with leadership in implementing the AU/NEPAD programme in infrastructure and regional integration.

The Bank is developing a focused strategy for regional integration. The funding for multinational operations and the new framework under ADF 11 will help in this regard. This should result in a set of **regional projects** which have a balanced geographical distribution, are focused and selective, tackle main development challenges with particular attention to transportation gaps and are implemented quickly. 'Hard' infrastructure investments should be accompanied by 'soft' regional and continental activities in areas such as trade facilitation. In addition, we expect the Bank to help strengthen the capacity and further streamline Regional Economic Communities in close partnership with the AU and NEPAD.

The Bank's department for regional integration needs to be strengthened and constraints in implementing the agreed ADF framework need to be solved. Additionally, the Bank needs to support and engage itself in respective national and regional dialogue in order to foster regional interest and local ownership.

Outcome 3: Increased impact in Fragile States

The emergence of African countries from periods of conflict creates both unique opportunities and compelling reasons for renewed and deeper Bank engagement. The Bank – as an African institution – has the potential to have a good understanding of and communication with countries that face situations of fragility. **Increased interaction with fragile states** will place the Bank well to identify and implement key areas of engagement. ADF partners agreed to provide "top-ups"[iii] for those countries most in need of additional resources. Absorptive capacity in fragile states is limited, so speed of delivery, harmonisation (with a clear understanding of the Bank's value added) and streamlined procedures are even more important than in other countries.

In this context a **quick and fair arrears clearance** mechanism needs to be in place for the Bank to use its increased resources effectively in fragile states. The two proposed areas of intervention: state building and rehabilitation of infrastructure are key. The Bank should also explore mechanisms for joint funding with other donors in order to reduce the administrative burden on fragile governments. Budget support is an option if conditions are conducive. Harmonisation and alignment are always important but even more so in fragile states. Therefore, the scope for an increased field presence in fragile states needs to be explored. The new Fragile States Unit (FSU) should become an integral part of the Bank's operational structure.

We also encourage the Bank to make more active use of its **African voice** in support of **political dialogue** in countries with deteriorating governance situations. We are aware of the potential conflict with the Bank's mandate for political neutrality but also see the broader responsibility for promoting good governance and stability.

Working in and with fragile states is riskier than working in other countries. Some interventions may not succeed and it will be important to learn from experience. To reduce these risks, operational flexibility and enhanced monitoring are needed.

Outcome 4: Increased poverty and development focus in private sector operations

The role of the private sector in African development is critical. Private sector lending has increased significantly and the Bank is developing a strong track record. However, planned and ongoing private sector operations cover a wide range of activities, sometimes without a clear focus or a clear development impact. The design of private sector projects needs to be more rigorous to assess whether alternative options would yield greater development benefits. The same is true for several infrastructure projects.

iii These are additional resources for post-conflict/post-crisis countries, available for a limited period of time.

The Private Sector Department is being increasingly **selective** and has begun to apply a development and additionality rating for its operations. They are also working towards **innovative approaches**. These initiatives have our full support. The Bank should look into the use of new instruments (e.g. guarantees for ADF countries) and an enhanced use of instruments which have a high development impact. Special attention should be given to low income countries and fragile states. Public Private Partnerships should be explored more systematically. This is of special importance for infrastructure development and synergies between these two areas need to be exploited. The Bank, as a development institution, should probably have a bias towards higher risk operations but this needs to be further discussed in the context of capital adequacy, a balanced portfolio and the current economic situation.

Objective 2: Effective implementation of cross-cutting issues across the Bank

The selection of clear focus areas paves the way for further improving the effectiveness of the Bank's operations. One area that needs to be tackled in this perspective is the integration of cross-cutting issues in project design and implementation.

Outcome 5: Increased impact on climate change and environmental mainstreaming

The challenge is well-known: Africa has contributed the least to climate change but is likely to suffer the most. Costs could be as high as 5-10% of the continent's GDP. The focus therefore has to be on **adaptation and renewable energy**, yet African countries are the least prepared. Access to energy is indispensable to generate economic growth and achieve the MDGs. The Bank should help in the development of an adaptation strategy trying to minimise negative impacts and capitalising on opportunities for low-carbon growth. With its focus on renewable energy the Bank will add to the sustainable development of the continent and make countries less dependent on fossil fuels. In addition, the Bank should help African countries benefit from developing carbon markets.

A lot has to be done to generate and disseminate relevant knowledge and we support the Bank's plans to step up activities in this area. In particular, the Bank needs to mainstream climate change in its own projects by assessing low-carbon alternatives and by offering adaptation and mitigation measures as required. Climate proofing instruments are still in early stages but we would like to see the Bank playing an active role here. The development of Africa's hydropower potential should be an important task for the Bank. The development of the Clean Energy and Climate Adaptation Facility for Africa (CECAFA) is encouraging as an instrument to pool resources.

In addition, proper attention to **environmental and social impact assessment** becomes even more important with an increased focus on infrastructure and private sector operations. This is an area which bears huge reputational risks if neglected. We encourage the Bank to continue to follow their strict safeguard policy and pay due attention to this during the whole project cycle and particularly during implementation.

Outcome 6: Increased impact on empowering women in Bank operations

The achievement of all the MDGs depends on greater progress being made towards increasing the rights of women and girls. The argument for gender equality is not only about equity but also about economic realities: women play a vital role in household food security, child survival, and poverty reduction. Malnourished, disempowered women and girls who are poorly educated perpetuate the poverty cycle. Where women have equal chances in education, work and politics, when they are given equal rights to men, they can become agents of development for communities as a whole.

The ADB is committed to promoting gender equality across its work, but there has not been sufficient and consistent attention given to gender mainstreaming in the design and implementation of programmes. Accountability is unclear and incentives are lacking. However, recent developments like upgrading the new unit for Sustainable Development and the designation of the Vice President for infrastructure as Gender Champion are encouraging.

Appropriate skills for addressing gender issues need to be developed within the Bank. But there also needs to be a culture change to encourage gender mainstreaming across the organisation, including attitudes towards gender issues and greater recognition of the role of gender experts. Sex-disaggregated data and information on gender impact will have to be collected as a matter of course and managers should scrutinise projects to ensure the gender dimension is well reflected. The Bank as an organisation should itself be a positive role model for gender equality.

Objective 3: Improving the institutional effectiveness of the Bank

This third area focuses on the internal organisation of the Bank and its institutional effectiveness. Outcomes are addressed to both the Bank and us as shareholders. Many reforms and measures are well under way. It is, however, important to keep the momentum and increase the speed of the reform agenda.

Outcome 7: Make better use of the Bank's financial and human resources

The Bank has two types of resources at its disposal to be able to deliver on its agenda: financial resources and human resources. As donors and shareholders we have the responsibility to ensure that the Bank is using both effectively.

On financial resources, the Bank needs to be able to demonstrate that it is using these resources to have the maximum possible **impact on poverty reduction** in Africa while assuring the Bank's financial solidity. Especially in the context of the current economic climate, the Bank should ensure that its resources are carefully used to achieve the highest developmental impact. Options include increasing the number (or risk) of private sector operations; increasing lending volumes for ADB countries or a higher allocation for ADF countries. All these (and others) need to be considered carefully and discussed openly.

On human resources, the Bank faces a number of challenges. The high vacancy rate is a key issue and the Bank has to ensure that it delivers more efficiently. The aim is to make the Bank an **employer of choice** in order to attract and retain the right people.

Knowing what type of skills the Bank needs is a challenge and the skills mix assessment is critical to adapt staffing levels to strategic priorities. We acknowledge that the ADB does not have enough personnel to deliver on our expectations, and we agreed to increase the Bank's administrative budget to start building a much stronger and better staffed institution. For the future, we need to see clear evidence that the Bank is making the most of the human resources it has. In this regard, a good performance management system is indispensable.

The major risk is that the cultural change in human resource management will take place too slowly for the institution as a whole to deliver on ADF 11 and the MTSF. We therefore encourage the Bank to place particular attention to an adequate internal communication strategy and provide managers with specific training courses in leadership skills, team motivation and management.

Outcome 8: Deeper and more effective country presence

On decentralisation, we are certainly on the right track but there is a long way to go The Bank continues to engage routinely in Joint Assistance Strategies and budget support processes. We have had encouraging feedback from our Constituency field offices and embassies confirming that Bank participation is more effective. However, low staffing levels in Bank field offices and problems with pooled funding continue to be areas of concerns. While the latter is being addressed through changes in procurement policies, **proper staffing and delegation of authority in field offices remain serious concerns**.

We commend the Bank for opening a large number of field offices in recent years. However, the performance of many of these offices is constrained by inadequate staffing and the limited delegation of authority. There are not enough sector specialists in the field and key decision-making continues to take place in Tunis. Strengthening existing field offices should be the focus for the period of the next three years. An evaluation of the quality, effectiveness, cost-efficiency, number of staff and the location of existing offices should be done before the Bank makes any significant further expansion of its network of regional and country offices. However, we also encourage the Bank to develop creative solutions to cover countries where there is no field office (e.g. through liaison persons in other donor's offices).

Outcome 9: Improved Board effectiveness and better use of Annual Meetings

There is a shared consensus that Board effectiveness has improved over the past years. The Board has to continue to be focused on giving **strategic directions** and refrain from interference in day-to-day operations which sometimes is a challenge. Our Constituency is committed to self-critically evaluate the effectiveness of our activities. We support a Board self-evaluation and we will take its findings seriously. The recommendations of the 2007 Board Retreat remain relevant and need to be implemented.

Another important area is the use of the Annual Meetings. We think that these gatherings should be used more effectively, particularly as these meetings are one of the rare occasions where a substantial number of Regional and Non-Regional Ministers meet. We will therefore actively participate in the Bank's efforts to reduce the procedural requirements in order to be able to increase the time for **effective dialogue** between decision makers on African development issues.

3. Instruments

Our Constituency is committed to supporting the Bank in the areas identified in this JSF in various ways.

Apart from our **core contribution to the ADF**, and financial assistance, through **Trust Funds** and other Bank initiatives, our Constituency can help to stimulate activities in areas where funds are lacking. Pooled resources for specific activities can help focus the attention of staff on an area of particular importance, such as climate change.

Similarly, seconding specialists to the Bank has proved to be an effective way to address weaknesses in areas where capacity is lacking. We will continue to do this.

The Constituency will continue to foster the **partnership and dialogue** between the **Bank and our own institutions**. We will disseminate information and be a knowledge broker between Bank management and Board on one hand, and our respective capitals on the other. We will encourage lesson-learning across our institutions and sharing experiences in specific areas (e.g. on decentralisation). This applies equally to joint working at headquarter level and at the country level. Strengthening the Bank's presence in-country will allow greater collaboration between Bank field offices and our own country offices and embassies. We will continue to foster increased dialogue at this level in order to improve aid effectiveness.

The Constituency can also link the Bank to relevant **international debates**, and in turn engage Capitals in emerging issues that are of great importance to Africa.

4. Building and Maintaining Partnerships to implement JSF 2

The Bank works in a complex international, regional and national environment with both governmental (AU, EU, UN, G8 Countries, World Bank, bilateral donors) and non-governmental players. Africa is at the top of the international agenda with an ever changing aid architecture where many development partners are active, be it the government, the private sector, parliaments or civil society. The need for harmonisation and alignment of different policies towards Africa-owned strategies is therefore acknowledged. The Bank needs to further define its position and be accountable and transparent vis-à-vis its partners, and define what "Voice and Participation" means for the ADB and for Africa. Our Constituency is an important partner as well, through our bilateral policies, through being member states of the UN, the EU (and partly G8) and through being shareholders in the World Bank.

We do therefore commit ourselves to contribute to a clearer understanding of different roles and to an agreed understanding of division of labour. These tasks include:

- A sharper vision of the respective roles and comparative advantages of the African Development Bank and the World Bank
- A further exploration of possible synergies under the Africa-EU-Partnership.
- A stronger involvement of parliaments and civil society of both, regional and non-regional member countries and on different levels. This would also increase the legitimacy and accountability of the Bank.

In addition, within the Bank structure special working relations will be established with the units dealing with the focal areas mentioned in this paper (i.e. regional integration, cross-cutting issues, monitoring & evaluation).

5. Timing, Monitoring and Evaluation of JSF 2

In addition to regular monitoring tasks as part of a routine management system the Constituency will monitor progress of this Joint Strategic Framework. For this purpose a results framework has been developed (see Annex 1).

The constituency office will monitor progress against these objectives as part of its annual report. Also, regular and periodic communication between the constituency and the capitals, and among them, will be strengthened through regular meetings (video conferences, annual meeting etc.). This will be informed by information from Bank management on the results framework.

At a broader level, the ADF 11 Mid Term Review will represent an opportune time for the assessment of both the Bank's results and our impact.

A final end of cycle review will be carried out jointly by capitals when this JSF expires at the end of 2011.

Annex 1: Results Framework for JSF 2

Outcome 1: Embedding a results culture throughout the Bank
• The results measurement framework is functional and running • Management reports every six months on corporate KPIs
Outcome 2: Increased impact on Regional Integration
• A sound ADB strategy for regional integration is approved and sufficient resources are available for its implementation • One third of ADF 11 funds allocated for RO (17.5%) are disbursed • The staffing of the Regional Integration and Trade department is adequate to fulfil its mandate
Outcome 3: Increased impact in Fragile States
• At least 50% of top-ups are committed in the first two years and of those 30% are disbursed • The business process framework for the FSU (including workplan for 2008-2009, pipe line of potential projects for top-up and TA pillars) is operational • Acceptable risks are formulated
Outcome 4: Increased poverty focus in private sector operations and in infrastructure projects
• The proposed PSO rating tool (ADOA – the ex-ante Additionality and Development Outcome Assessment) is tested and up and running by end 2009 • The Bank presents a wide range of different kind of PSOs some of which are innovative • The number of PPPs is tracked and increases significantly • New instruments (or possibilities for an enhanced use) are presented to the Board
Outcome 5: Increased attention to climate change and environmental mainstreaming
• Renewable Energy options are integrated into mainstream Bank projects • African countries are getting Bank support in Clean Development Mechanism Certificate trading • Climate Proofed Projects constitute 5%, 7% and 10% in 2009, 2010 and 2011 respectively[iv]
Outcome 6: Increased attention to women empowerment in Bank operations
• Gender Mainstreaming in Operations constitutes up to 20% of new projects and Results Based CSPs in 2009-2011[v] • Capacity in gender issues is increased • Consistent collection and monitoring of sex-disaggregated data in the Bank's results-based monitoring frameworks, in particular for projects and CSPs • Policy documents brought to the Board provide a Bank-relevant gender analyses of the specific theme • Target of 33% female professional staff is achieved

iv Source: The 2009-2011 Programmes and Budget Proposals – Revised version [ADF/BD/WP/2008/116/Rev.2] – Annex 3
v Idem.

Outcome 7: Making better use of Bank's resources
• Staffing matches strategic priorities • A voluntary redundancy programme is up and running. • A staff performance management system is in place • Staff Survey is followed up in letter and spirit.
Outcome 8: Deeper and more effective country presence
• Reports on country operations are complemented with staffing information on the corresponding field office (function & seniority/level). • Greater clarity on roles and responsibilities of field staff to ensure authority to carry out role. • Clear criteria for further field offices are in place and provide a sound basis for selection of further offices. • A clear strategy is developed on how to cover countries where there is not a field office with particular attention to fragile states.
Outcome 9: Further improving board effectiveness and better using the Annual Meeting
• The Board self evaluation is done and acted on • The Rolling Agenda and the Board's work programme are reliable planning tools • More opportunities for dialogue among Governors at the Annual meeting is given

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