

## Multilateral Aid Review: Assessment of the African Development Fund

Summary	
Organisation: <b>African Development Fund, African Development Bank</b>	Date: February 2011
Description of Organisation	
<p>The African Development Fund (AfDF) provides highly concessional loans and grants to 38 mainly low-income African countries. The AfDF focuses on a relatively small set of strategic priorities drawn from the African Development Bank's (AfDB's) medium-term strategy: economic growth, infrastructure, governance and regional integration</p> <p>Around 70% of AfDF resources are allocated according to a Performance Based Allocation model. 20% of AfDF 12 is reserved for regional projects. 10% of AfDF 12 is set aside for the Fragile States Facility – which provides additional resources and arrears clearance for (currently) nine fragile states. In 2009, the AfDF committed and disbursed around \$3 billion, all of which is on ODA terms.</p> <p>The UK is the largest donor to the AfDF – providing £567m (14% of donor contributions in AfDF 12) from 2011-2013. The UK also has a 1.67% share of the AfDB's ordinary capital, and shares a seat on the Board of Directors with Italy and the Netherlands.</p> <p>Over the medium- to long-term, shareholders want to see the AfDB extending its role and capacity, possibly working across a wider range of sectors. It is developing a track record of providing intellectual leadership and articulating a strong African voice in the wider development discourse. But shareholders have agreed that over the next few years, it should concentrate on its focus sectors, build up its capacity and establish a strong track record of delivery. Significant reforms have been undertaken and there continues to be a strong forward reform agenda covering decentralisation, aid effectiveness, results management and streamlining bank procedures.</p> <p>This assessment is primarily an assessment of the AfDF, though in places the Bank's ordinary capital is relevant (such as its private sector investments and loans in LICs), and in others it is impossible to distinguish between the AfDF and the Bank as a whole (such as on Bank-wide reforms or policies).</p>	

Contribution to UK Development Objectives	Score (1-4)
<b>1a. Critical Role in Meeting International Objectives</b>	
<ul style="list-style-type: none"> <li>+ AfDF's exclusive focus on low-income African countries fits well with DFID's geographical priorities.</li> <li>+ AfDB invests over 40% of its private sector funds in LICs</li> <li>+ Unique African character enables close work with client governments.</li> </ul>	<b>Satisfactory (3)</b>

<ul style="list-style-type: none"> <li>+ Significant focus on economic growth, large infrastructure and governance.</li> <li>+ Ability to fund cross-border infrastructure projects.</li> <li>- Some progress on climate change, but more required. Post-Copenhagen role not yet established.</li> <li>- Potential contribution constrained by low in-country capacity.</li> <li>= Important role in key sectors, and unique African character a big strength.</li> </ul>	
<p><b>1b. Critical Role in Meeting UK Aid Objectives</b></p> <ul style="list-style-type: none"> <li>+ Entirely focused on Africa and poorest countries</li> <li>+ Strong focus and important contributions on wealth creation (through infrastructure and regional integration), and on governance through budget support instrument.</li> <li>+ Important focus on MDG delivery in water and sanitation although direct MDG delivery (e.g. in health or education) not the AfDF's primary focus.</li> <li>- In countries where Bank presence is small (such as in some fragile states), its contribution does not live up to its potential</li> <li>= Well-focused and delivering on critical sectors in Africa's poorest countries.</li> </ul>	<p><b>Strong (4)</b></p>
<p><b>2. Attention to Cross-Cutting Issues:</b></p> <p><b>2a. Fragile Contexts</b></p> <ul style="list-style-type: none"> <li>+ Clear mandate and good reporting.</li> <li>- Insufficient in-country capacity and capability.</li> <li>= AfDF let down by capacity and capability in fragile states.</li> </ul> <p><b>2b. Gender Equality</b></p> <ul style="list-style-type: none"> <li>+ Good policies and practices.</li> <li>- Limited evidence of impact.</li> <li>= Policies in place but impact unclear.</li> </ul> <p><b>2c. Climate Change and Environmental Sustainability</b></p> <ul style="list-style-type: none"> <li>+ Has new climate change action plan, which sets a good direction.</li> <li>- Details and implementation of action plan still to come.</li> <li>= Big potential contribution but little evidence of implementation so far.</li> </ul>	<p style="text-align: center;"><b>Weak (2)</b></p> <p style="text-align: center;"><b>Weak (2)</b></p> <p style="text-align: center;"><b>Weak (2)</b></p>
<p><b>3. Focus on Poor Countries</b></p> <ul style="list-style-type: none"> <li>+ The AfDF is entirely focused on 38 African low-income countries.</li> </ul>	<p><b>Strong (4)</b></p>
<p><b>4. Contribution to Results</b></p> <ul style="list-style-type: none"> <li>+ AfDB setting (and achieving) management improvements</li> </ul>	<p><b>Weak (2)</b></p>

<p>designed to increase the country-level impact of its projects.</p> <ul style="list-style-type: none"> <li>+ Big turn round in problem projects.</li> <li>- Statistics indicate that AfDF projects achieve their objectives, but country-level evidence suggests delays and poor in-country staffing hinders performance.</li> <li>- AfDF able to demonstrate development outputs for part but not all its programme.</li> <li>- Projects not always strongly focused on poverty.</li> <li>- Management not pushing as hard as it might on decentralisation.</li> <li>= AfDB reforms are biting and improving impact, but more reforms required – particularly on in-country capacity to drive and deliver results focus.</li> </ul>	
<b>Organisational Strengths</b>	
<p><b>5. Strategic and Performance Management</b></p> <ul style="list-style-type: none"> <li>+ Clear, defined, mandate and strong (but not complete) focus on mandate.</li> <li>+ Current 2 tier results framework includes inputs and outcomes, currently being expanded to 4 tiers.</li> <li>+ Independent evaluation department, whose evaluations are often acted on.</li> <li>+ Strong governing body that holds management to account.</li> <li>- Governing body does not always support management's efforts to base reforms on evaluation findings.</li> <li>+ Strong leadership through President Kaberuka</li> <li>- Let down by weak internal coordination and inconsistent approach to reform, particularly when more than one complex is involved.</li> <li>+ President and operational staff recruited transparently</li> <li>- Appointment of Vice Presidents and promotions more generally less merit-based.</li> <li>- Effectiveness reduced by centralised programme management.</li> <li>= Well-focused and well-led with an improving results framework, but some evidence of poor human resource management.</li> </ul>	<b>Score (1-4)</b>  <b>Satisfactory (3)</b>
<p><b>6. Financial Resources Management</b></p> <ul style="list-style-type: none"> <li>+ Transparent allocation process.</li> <li>+ Predictable, long-term commitments the norm.</li> <li>+ Extensive financial accountability policies.</li> <li>- Flexibility of budget support instrument limited by 25% cap and no multi-year commitments.</li> <li>- Just 60% of budget support disbursed on schedule.</li> <li>= Largely predictable, transparent financing and extensive financial policies, but some constraints on budget support</li> </ul>	<b>Satisfactory (3)</b>

instrument.	
<p><b>7. Cost and Value Consciousness</b></p> <ul style="list-style-type: none"> <li>+ Plays a strong role in public financial management (PFM) for clients.</li> <li>+ Systems require value for money (VFM) considerations – and the Board ensures compliance.</li> <li>+ Strong procurement systems and publication of procurement data.</li> <li>+ The current methodology for determining AfDB staff salaries tends to imply above-inflation salary rises, but management and the Board manage to find acceptable compromises.</li> <li>+ Zero real admin budget increase in 2010.</li> <li>– Little evidence that the Bank directly challenges its partners to subject their decisions to robust value for money criteria.</li> <li>= Helps clients on PFM and has good consideration of cost-effectiveness in project design. Board effective at controlling admin budgets.</li> </ul>	<p><b>Satisfactory (3)</b></p>
<p><b>8. Partnership Behaviour</b></p> <ul style="list-style-type: none"> <li>+ Good partnership with partner country governments and donor community evidenced in three out of four DFID country visits.</li> <li>– Sometimes hindered by slow procedures and poor in-country capacity.</li> <li>– Overall AfDF Paris performance was poor in 2007 across all areas assessed</li> <li>+ But committed to meet Paris standards and is now taking a leadership role on aid effectiveness in Africa.</li> <li>+ Adequate involvements of clients and beneficiaries in M&amp;E</li> <li>– Little use of county systems.</li> <li>= Often has good relations with partner governments, but historically poor Paris Declaration performance.</li> </ul>	<p><b>Satisfactory (3)</b></p>
<p><b>9. Transparency and Accountability</b></p> <ul style="list-style-type: none"> <li>+ Disclosure policy has presumption of disclosure.</li> <li>+ Systematic and extensive publication of documentation.</li> <li>+ Developing countries comprise 65% of seats on board of directors and have major influence on AfDB's future direction.</li> <li>– Not signed up to IATI but has expressed willingness.</li> <li>= Open, transparent and accountable, with an informative website, but not yet signed up to IATI.</li> </ul>	<p><b>Satisfactory (3)</b></p>
<b>Likelihood of Positive Change</b>	<b>Score (1-4)</b>
<b>10. Likelihood of Positive Change</b>	

<ul style="list-style-type: none"><li>+ Has made significant and demonstrable progress against ambitious reform agenda over the last three years.</li><li>+ Further ambitious reforms planned for the next three years.</li><li>+ Almost all DFID objectives and reforms secured at last replenishment negotiation.</li><li>– Disagreement between management and some shareholders over decentralisation.</li><li>= A strong track record of reform, and big ambitions for the future.</li></ul>	<b>Very likely (4)</b>
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