Independent Commission for Aid Impact

The UK's support to the African Development Bank Group

A review

July 2020

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Overall review scores and what they mean			
GREEN	Strong achievement across the board. Stands out as an area of good practice where UK aid is making a significant positive contribution.	AMBER/ RED	Unsatisfactory achievement in most areas, with some positive elements. An area where improvements are required for UK aid to make a positive contribution.
GREEN/ AMBER	Satisfactory achievement in most areas, but partial achievement in others. An area where UK aid is making a positive contribution, but could do more.	RED	Poor achievement across most areas, with urgent remedial action required in some. An area where UK aid is failing to make a positive contribution.

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GREEN/ AMBER

The African Development Bank Group is good value for money, allowing the UK taxpayer to influence development across Africa, but more could be done to strengthen strategic engagement between the UK and the Bank and cooperation on the ground.

The African Development Bank Group (the Bank) is a multilateral development bank that aims to promote sustainable economic development and poverty reduction in Africa. The challenge is enormous. Although Africa has made significant advances in some areas, as measured by achievements during the era of the Millennium Development Goals (MDGs) between 1990 and 2015, progress has not been even. For example, 41% of people in sub-Saharan Africa still lived below the international extreme poverty line of $1.90 per day in 2013 (the most recent data available), down from 54% in 1990[1]. This was well short of the MDG target of halving poverty by 2015, and stands in stark contrast to the progress made in East Asia and the Pacific, as well as South Asia, over the same period.[2]

The Bank supports development in Africa by mobilising finance from its members and the capital markets, allocating resources for investment to its regional member countries, and providing policy advice and technical assistance. The UK joined the African Development Fund, a part of the Bank Group that lends to the poorest countries in Africa, in 1973 and is its largest contributor. It became a member of the African Development Bank, also part of the Bank Group, in 1983 and is ranked 14th in terms of shareholding. The Bank's objectives are well aligned with UK development objectives in Africa, including its focus on renewable energy, risk-sharing instruments to encourage private investment, emphasis on fragile states, contribution to job creation and tracking of gender impact. The Bank's standing as Africa's premier development institution increases the UK's development impact in Africa due to the UK's position as a board member and contributor. The Bank also complements the UK's bilateral aid well. Contributing to the Bank enables the UK to deliver important development results that could not be achieved bilaterally, given the Bank's wider geographical coverage and expertise in areas such as financing large-scale cross-country infrastructure projects.

The Bank is one of the most effective multilateral banks, as evidenced by external reviews of the Bank in comparison to peers, and is making good progress towards achieving its High 5 priorities: Light up and power Africa (energy sector), Industrialise Africa (finance and transport sectors), Integrate Africa (cross-border energy and transport sectors), Feed Africa (agriculture, transport, and water, sanitation and hygiene (WASH) sectors), and Improve the quality of life for the people of Africa (jobs, social sectors and WASH). However, the Bank is also still some way off achieving its potential, particularly in the areas of project preparation and implementation, engagement with the private sector, and leveraging third-party finance. The Bank is highly cost effective relative to other comparable multilateral banks. Indeed, the challenge for the Bank now is less about reducing unit costs and more about the need to resource an uplift of staff in key areas, such as environmental and social safeguards, and fragile and conflict-affected states. The Bank's progress in decentralising the allocation of staff and resources to regional and country offices, a strategic priority for the Department for International Development (DFID), has been especially positive. It generates good-quality research and policy advice, although it could do more to share its underlying data with the wider development community as a global public good.

1 Monitoring of poverty levels in sub-Saharan Africa is severely limited due to its reliance on national agency household surveys, some of which have not been repeated since 2009. *March 2020 Global Poverty Update from the World Bank: New Poverty Estimates for 2018*, World Bank, 2020, link.

2 Sub-Saharan Africa is also the only region where the absolute number of people living below the international poverty line actually increased (from 276 million to 374 million) between 1990 and 2013. *SDG Atlas 2017*, World Bank, 2017, link, and *Year in Review: 2018 in 14 Charts*, World Bank, 2018, link.

The UK is generally well regarded at the Bank, particularly for its inputs at technical level. However, there has been limited ministerial and senior DFID management engagement with the Bank's senior staff in recent years, which has impeded dialogue at strategic level. In September 2017, DFID decided to place the Bank under a Performance Improvement Plan (known in the Bank as an Accelerated Delivery Plan), following two consecutive years in which DFID had scored the African Development Fund with a B.[3] There was a widely shared view among senior Bank officials and some DFID officials that unilaterally holding the Bank accountable against this plan, independently of other board members, undermined the multilateral governance framework of the Bank. Engagement between the government and the Bank on the ground could also be stronger, in particular in aligning DFID's strengths in the area of economic development with the Bank's focus on infrastructure. Increasingly DFID staff recognise the problems of their approach and this is being reviewed.

This report was written ahead of an independent inquiry into allegations of ethical breaches by the Bank's president, although the outcome of the inquiry was announced just prior to the publication of our report. ICAI was aware of the claims, but they were not in the scope of this review.

Individual question scores

Question	Score
Question 1 **Relevance:** How well aligned is the Bank with the UK's aid priorities in Africa?	GREEN
Question 2 **Effectiveness:** How effective is the Bank at delivering UK aid priorities?	GREEN/ AMBER
Question 3 **Efficiency:** How well does DFID ensure the value for money of its contributions to the Bank?	GREEN/ AMBER

3 DFID operates a 5 point scoring system in its annual reviews of projects ranging from A++ to C. A score of B is the second lowest score and implies that the project outputs and/or outcomes 'moderately did not meet expectations'". See: *How to note: Reviewing and Scoring Projects*, DFID, 2011, link.

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Executive summary

This review assesses how the Department for International Development (DFID) manages its contribution to the African Development Bank Group and the value for money this provides for the UK taxpayer. At the time of finalising the review, it has been announced that DFID will be merged with the Foreign Office (FCO), so while DFID, as the lead department during the period under review, is the department referred to throughout most of this review, recommendations are addressed to the new Foreign, Commonwealth and Development Office (FCDO).

Background

The African Development Bank (AfDB) was founded in 1963 by 23 African nations with an initial authorised capital of $250 million. Over time, it has evolved to include shareholders from 80 countries and capital of $208 billion.[4] In 1972, the AfDB and 13 non-regional countries established the African Development Fund (ADF), which lends primarily to low-income countries on terms that are considerably more concessional (favourable) than market rates. In 1976, the government of Nigeria and the AfDB established the Nigeria Trust Fund, which also provides funding on below-market terms. Together, the AfDB, the ADF and the Nigeria Trust Fund are known as the African Development Bank Group ("the Bank Group" or "the Bank").

The overarching objective of the Bank is to spur sustainable economic development and social progress in its regional member countries, thus contributing to poverty reduction. It aims to achieve this objective by mobilising and allocating resources for investment in regional member countries, and by providing policy advice and technical assistance to support development efforts. It is also committed to the pursuit of the Sustainable Development Goals set out in 2015.[5]

The multilateral development banks, of which the Bank is one, allow DFID and other bilateral donors to benefit from the economies of scale associated with their project preparation and supervision infrastructure, their presence on the ground in countries where the UK has no presence itself, and their knowledge base.

The UK joined the ADF (the concessional lending and grants arm of the Bank) in 1973 and became a member of the African Development Bank in 1983. The UK currently has the smallest shareholding of all G7 countries at 1.72% of total shares and is the 14th largest shareholder overall.[6] This small shareholding means that the UK's vote on all AfDB issues carries less weight than many other shareholders. It also means that the UK is required to share its representation on the board of executive directors with two other small shareholders (Italy and the Netherlands) on a rotating basis.[7] This contrasts with the UK's contribution to the ADF where it is the largest donor, representing (on average over recent replenishments) 12.37% of total donor contributions.[8]

Relevance: How well aligned is the Bank with the UK's aid priorities in Africa?

The Bank's objectives were set out in its 2013-2022 strategy, At the Centre of Africa's Transformation. This defined inclusive growth as "growth that is more inclusive, leading not just to equality of treatment and opportunity but to deep reductions in poverty and a correspondingly large increase in jobs", and green growth as growth that is "sustainable, by helping Africa gradually transition to 'green growth' that will protect livelihoods, improve water, energy and food security, promote the sustainable use of natural resources and spur innovation, job creation and economic development".[9] The Bank has also defined five priorities, known as the High 5 priorities, progress against which is measured in the Bank's Results Measurement Framework (2016-2025) by targets drawn from a number of sectors: Light up and power Africa (energy sector), Industrialise

4 *Corporate Information*, African Development Bank, not dated, link.

5 *Annual Development Effectiveness Review*, African Development Bank, 2019, link.

6 The G7, or the Group of Seven, was set up in 1975 as an informal forum bringing together the leaders of the world's leading industrial nations. At the time of joining the AfDB, the UK elected not to take up the full allocation of shares on offer and it has not since been possible to change the position substantially.

7 The executive director currently representing the UK, Italy and the Netherlands (as at June 2020) has been in post since August 2019 and is a UK national. Representation from July 2016 to July 2019 was provided by Italy. A UK national represented the three countries from July 2013 to July 2016.

8 Over the last three replenishments, the UK's share of contributions to the ADF were 13.99% (ADF-13, 2014-2016), 10.67% (ADF-14, 2017-2019) and (subject to parliamentary approval) 12.46% (ADF-15, 2020-2022).

9 *At the Centre of Africa's Transformation* – Strategy for 2013-2022, African Development Bank, 2013, p. 1, link.

Africa (finance and transport sectors), Integrate Africa (cross-border energy and transport sectors), Feed Africa (agriculture, transport, and water, sanitation and hygiene (WASH) sectors), and Improve the quality of life for the people of Africa (jobs, social sectors and WASH).

Africa faces critical infrastructure gaps. While DFID spends about 11% of its bilateral budget on infrastructure,[10] it does not directly deliver large-scale investments in roads and energy, and particularly regional projects.[11] By contrast, nearly 50% of loans approved by the Bank are for transport and energy. Some of these infrastructure investments are complex, regionally significant, cross-border investments.

The Bank also has an extensive on-the-ground presence in fragile states across Africa. In some cases, this presence coincides with that of DFID, but in other cases the Bank provides the UK with indirect reach to strategically important environments.

The Bank's overarching objectives are well aligned with UK development goals, including key cross-cutting priorities such as fragile states and gender. The Bank's standing as the premier African development institution increases the UK's development impact in Africa due to the UK's position as a board member and contributor. The Bank's strategy and tools for engaging in 'transition states' fit well with the UK's focus on stability and development in fragile states. However, the Bank is caught between its ambition as Africa's development bank to provide comprehensive services and pressure from some board members to focus on its core strengths, including transport and energy infrastructure. Overall, we saw a very strong alignment between the Bank's goals and those of the UK. We therefore award a green score for relevance.

Effectiveness: How effective is the Bank at delivering UK aid priorities?

While the Bank's development objectives are well aligned with those of the UK, the extent to which it represents value for money for the UK taxpayer depends on its effectiveness, or in other words, how well and to what extent it delivers on its objectives.

The Bank has been rated by several independent assessments as one of the most effective multilateral banks and is making good progress towards achieving its High 5 priorities in the context of its 2016-2025 Results Measurement Framework. However, the Bank is also still some way off achieving its potential. By its own assessment, the quality of its project preparation is satisfactory for only just over half its projects. Despite some improvements, it has also struggled to instil a culture of performance across the organisation and to recruit sufficient staff in key areas, such as safeguards, and fragile and conflict-affected states (FCAS). Its approach to 'leave no one behind' is improving, with high-level targets for poverty and inequality introduced in its development effectiveness reporting from 2016, as well as indicators capturing jobs created through Bank projects. The Bank made some advances in gender mainstreaming.[12] It appointed a special envoy on gender between 2014 and 2016 and approved a gender strategy for 2014-18, although the rollout of the strategy was not without problems.

The Bank has increased its engagement with the private sector, although additionality[13] is not always clear and it has a poor track record, like peers, in leveraging private finance into development. It has also so far failed to attract significant third-party donor funds into trust funds under its management. The Bank has played a small but valuable role working with China to build agreement around common standards of corporate governance. It also generates good-quality research and policy advice, although it could do more to share its underlying data with the wider development community.

Overall, while the Bank still has some way to travel before it fully realises its potential, it is fundamentally performing well in relation to peers and is playing a central role delivering complex infrastructure projects that are critical to Africa's development. We therefore award a green-amber score for effectiveness.

10 Team calculations based on *Statistics on International Development: Final UK Aid Spend 2018*, UK government, 2018, link. Calculations based on DFID's support for WASH, transport, energy, agriculture, construction and industry. Also see *Aid* by Sector, Development Tracker, undated, link.

11 *Business Case African Development Fund 13th Replenishment*, DFID, 2013, link.

12 Mainstreaming a gender perspective is the process of assessing the implications for women and men of any planned action, including legislation, policies or programmes, in all areas and at all levels. *Report of the Economic and Social Council for 1997*, UN, 1997, link.

13 A key concept when using taxpayer money to fund official development assistance is that of additionality. The idea is that actions of the multilateral development banks must be additional to those of the private sector, meaning their publicly funded projects would not have occurred without them.

Efficiency: How well does DFID ensure the value for money of its contributions to the Bank?

The Bank is highly cost effective relative to other comparable multilateral banks. Indeed, the challenge at the Bank is now less about reducing unit costs and more about the need to resource an uplift of staff in key areas, such as safeguards and FCAS. Business processes have improved and the Bank is continuing to improve efficiency in directions encouraged by the UK, notably through its ongoing decentralisation of staff and resources to regional and country offices.

The UK is well regarded at the Bank, particularly for its inputs at technical level. There is no doubt that the UK is abreast of key issues at the Bank and, through its position on the boards of the Bank and the ADF, as well as through operational exchanges, engages purposefully and energetically. However there has been only limited engagement by ministers and senior management at DFID with the Bank's senior staff in recent years, which has impeded dialogue at strategic level to some extent. In addition, in 2017, DFID unilaterally placed the Bank under a Performance Improvement Plan (known in the Bank as an Accelerated Delivery Plan), following two consecutive years in which the ADF had failed to meet DFID's delivery expectations.[14] *Increasingly DFID staff and senior managers recognise the problems of their approach and this is being reviewed*.

The government's engagement with the Bank beyond DFID has been limited and is still a work in progress. The establishment of the FCDO may bring wider engagement. In this context, the planned uplift of resources for the government's work in Africa appears to offer opportunities. For example, in its work with the Bank, there is scope to bring the UK's approach to the Sahel region, which poses significant security and humanitarian challenges, further in line with the UK's strategic approach to Africa. DFID's management of its contribution to the Bank is generally evidence-based. However, the limited interaction between DFID and Bank offices at country level means that the bottom-up flow of information to DFID centrally is somewhat limited. We therefore award a green-amber score for efficiency.

Conclusions and recommendations

At the time of finalising the review, it has been announced that DFID will be merged with the FCO, so while DFID, as the lead department during the period under review, is the department referred to throughout most of this review, recommendations are addressed to the new Foreign, Commonwealth and Development Office. We offer a number of recommendations to help the FCDO increase the value of its contribution to the Bank.

Recommendation 1

FCDO should minimise unilateral reform interventions (such as the 2017 Performance Improvement Plan) that could undermine the multilateral nature of the Bank's governance structure as well as the UK's reputation as an honest broker.

Recommendation 2

FCDO should take a broader view of value for money than cost-to-income ratios, and focus on ensuring that key areas of understaffing such as fragile and conflict-affected states and safeguards are addressed.

Recommendation 3

FCDO should pay particular attention to ensuring that the Bank's environmental and social safeguards are implemented on the ground.

Recommendation 4

If FCDO is to channel more resources to the Bank via Bank-managed trust funds, it should help to build the Bank's capacity to manage such funds, including technical assistance to strengthen fiduciary and results management.

Recommendation 5

Government country teams could do more to identify synergies with Bank investments, thus encouraging closer working, better information flows and better-informed oversight.

14 DFID scored the ADF with a B under its annual review process, meaning it moderately did not meet expectations.

1. Introduction

1.1 This review assesses how the Department for International Development (DFID) manages its contribution to the African Development Bank Group and the value for money of this contribution for the UK taxpayer. The African Development Bank Group ("the Bank Group" or "the Bank") is a multilateral development bank that aims to promote sustainable economic development and poverty reduction in Africa. The challenge in Africa is enormous. Although there have been significant advances in Africa in some areas, as measured by achievements during the era of the Millennium Development Goals (MDGs) between 1990 and 2015 (the most recent data available), progress has not been even. For example, 41% of people in sub-Saharan Africa lived below the international extreme poverty line of $1.90 per day in 2013 – just 13 percentage points fewer than in 1990.[15] This was well short of the MDG target of halving poverty, and stands in stark contrast to the progress made in East Asia and the Pacific, as well as South Asia, over the same period.[16]

1.2 The Bank has regional (African countries) and non-regional (non-African countries) members and is made up of three entities: the African Development Bank (AfDB), the African Development Fund (ADF) and the Nigeria Trust Fund.[17] It promotes development in Africa by mobilising and allocating financial resources for investment in its regional member countries, and providing policy advice and technical assistance in support of development efforts.

1.3 The UK's total annual contributions to the Bank amount to approximately £181 million[18] which is approximately 1.3% of its overall annual official development assistance (ODA).[19] DFID's engagement in the Bank comprises:

- a shareholding in the AfDB representing approximately 1.72% of the AfDB's capital
- contributions to the ADF through replenishments that take place every three years
- several projects that are managed by the Bank and co-financed by DFID through trust funds, such as the Transition Support Facility and the Sustainable Energy Fund for Africa.[20]

1.4 DFID's rationale for working with the Bank includes the financial and technical support that the Group provides to the poorest countries in Africa, as well as the government's emerging priorities through the AfDB's less concessional finance for middle-income countries and opportunities for co-financing with the CDC Group and the Private Infrastructure Development Group. Working with the Bank also provides the government with an opportunity to expand its reach to places where the UK does not have large programmes or teams on the ground.

15 Sub-Saharan Africa is also the only region where the absolute number of people living below the international poverty line actually increased (from 276 million to 374 million) between 1990 and 2013. *SDG Atlas 2017*, World Bank, 2017, link.

16 See *MDG Report 2015: Lessons Learned in Implementing the MDGs*, United Nations Economic Commission for Africa, 2015, p. 2 link, and 2019 *Africa – SDG Index and Dashboards Report*, SDG Center for Africa and Sustainable Development Solutions Network, 2019, p. 23 link.

17 Since 2009, approved funding for the Nigeria Trust Fund (NTF) has represented 0.1% of approved funding for the Bank as a whole. The UK is not a contributor to the NTF and hence this review does not look specifically at the Nigeria Trust Fund. *Annual Report 2018*, African Development Bank, 2018, p. 47 link.

18 Average value over 2017 and 2018 (authors' calculations), including core and non-core contributions. *Statistics on International Development – Final UK Aid spend 2018*, UK government, 2019, link.

19 Multilateral ODA describes funds from national governments which are pooled with other donors' funding and disbursed as part of the core budget of the multilateral organisation for ODA-eligible activities. Definition and figures from *Statistics on International Development*, DFID, 2018, link.

20 These non-core contributions constitute a very small part of the total value of support to the Bank. From 2014 to 2017 they constituted 2% of all DFID support.

Table 1: Our review questions

Review criteria	Sub-questions
Relevance: How well aligned is the Bank with the UK's aid priorities in Africa?	• How well do the Bank's strategies and portfolio support the UK's development goals for Africa?
Effectiveness: How effective is the Bank at delivering UK aid priorities?	• How well has the Bank delivered its intended results through its lending operations? • How well has the Bank helped mobilise other sources of development finance? • What is DFID's contribution to the Bank buying in terms of outcomes?
Sustainability: How well does DFID ensure the value for money of its contributions to the Bank?	• How effective has DFID been at promoting reform of the Bank (to include unintended consequences and lesson learning)? • How coherent is DFID's engagement with the Bank at central and country levels, and across UK aid channels (including Foreign Office, Department for International Trade and CDC Group)? • To what extent are DFID's contributions based on robust evidence of performance, value for money and comparative advantage?

1.5 A review of DFID's management of its contribution to the Bank is relevant both because it involves use of UK taxpayers' money and because of the Bank's importance for development in Africa. Our review questions, therefore, seek to assess the relevance, effectiveness and efficiency of the Bank, including alignment with the UK's priorities and DFID's oversight of its financial contribution, to ensure it represents value for money for the UK. The review covers the period from 2014 to the present, albeit with a greater emphasis on developments for which sufficient time has elapsed to assess their impact. The review includes an overview of the Bank but does not focus equally on all areas the Bank works in according to its mission and strategy statement. Rather, it focuses on specific themes and sectors that are relevant to the UK and its development objectives or have received the most funding from the Bank in recent years. **Box 1** provides an overview of what Sustainable Development Goals are most relevant to this review.

Box 1: How this report relates to the Sustainable Development Goals

The Sustainable Development Goals (SDGs), otherwise known as the Global Goals, are a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity.

Related to this review: Since this is a review of an entire organisation, rather than a particular development challenge, a broad range of SDGs are relevant to the UK's support to the Bank. The list below is not exhaustive, but instead comprises the SDGs that are most relevant to the UK's support of the Bank:

Goal 1: End poverty in all its forms everywhere - the UK's support to the Bank through the African Development Fund (ADF) is aimed at alleviating poverty and social and economic development. The fund provides concessional financing to countries that are increasing their economic capacities as well as those that remain fragile.

Goal 5: Achieve gender equality and empower all women and girls - increasing the capabilities of women and girls can boost the productivity and participation of half the African population. Gender is a key issue in the Bank's 10-year strategy and a top priority for DFID's engagement with the Bank.

Goal 6: Ensure availability and sustainable management of water and sanitation for all - the Bank's focus on agriculture, water and sanitation is in its 10-year strategy under 'Feed Africa' and 'Improve the quality of life for the people of Africa' is aligned with Goal 6.

Goal 7: Ensure access to affordable, reliable, sustainable and modern energy for all - energy is a key area for the Bank as evidenced by its High 5 priorities. As such, the UK's support to the Bank works towards achieving green growth. The Bank has recently approved the New Deal on Energy for Africa to contribute to this.

Goal 8: Promote sustained, inclusive, and sustainable economic growth, full and productive employment and decent work for all - the Bank promotes job creation through its direct investments and by promoting sustainable growth that leads to the structural change and economic transformation that enables the continent to join global value chains.

Goal 9: Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation - as an infrastructure development bank, the Bank aims to scale up infrastructure financing to the continent significantly – not just through its own lending but by leveraging its financial resources.

2. Methodology

2.1 This review considers the contribution of the Department for International Development (DFID) to the Bank, and the Bank's performance at strategic and corporate-level, and at country level through five country case studies. The review covers the period since 2014, which includes the 13th and 14th replenishments and the negotiation of the 15th replenishment of the African Development Fund (ADF), as well as the Bank's 6th general capital increase (GCI) and negotiations for a 7th GCI, which provide important context for understanding DFID's role and the Bank's performance.

2.2 Our methodology included the four components described below. Further detail on the approach and sampling is available in the approach paper.[21]

Figure 1: Overview of review methodology

21 *The UK's support to the African Development Bank: A review – approach paper*, ICAI, 2019, link.

Component 1: Literature review

2.3 We conducted a review of articles and publications by relevant academic experts, donor organisations and international financial institutions. This informed our understanding of the wider multilateral development bank landscape and how it compares to bilateral aid. We examined the role of the Bank in this context by reviewing its instruments and comparative advantage. Finally, we also examined the Bank's reform priorities and previous recommendations it has received. The literature review is available on the ICAI website.[22]

Component 2: Corporate-level review

2.4 We assessed the relevance, effectiveness and efficiency of the Bank's operations in delivering DFID priorities, reviewing the Bank's and DFID's corporate-level documentation and evidence. This included strategies, frameworks and evaluations of the Bank and DFID reviews of the Bank's operations. We also conducted interviews with key stakeholders in the Bank, including a visit to its headquarters in Abidjan, and in DFID and other UK government departments. The interviews and research allowed us to understand the Bank's strategy and approach to lending and achieving results. This included looking at which countries and sectors have been targeted, how they align with UK aid objectives, how results are monitored and achieved at portfolio level, and how performance data are gathered. It also allowed us to assess how well the Bank has addressed cross-cutting issues, including: fragility, leveraging third-party capital, and 'leave no one behind'.

2.5 In assessing the efficiency of the Bank and whether it represents value for money for DFID, we identified publicly available benchmarks and interviewed key stakeholders in other multilateral development banks, as well as stakeholders with a comparative experience. While we did not benchmark the Bank against other multilateral development banks in a precise way, given the significant differences in resources, mandates and areas of focus, we drew comparisons with other multilateral development banks to learn how they have addressed issues relevant to the Bank.

Component 3: Case studies

2.6 We conducted five country case studies (Nigeria, Uganda, Tunisia, Kenya and Mali) to gain a detailed understanding of how the Bank works in specific contexts and the effectiveness of its lending operations in those countries. We examined a sample of projects in each country across four of the top sectors receiving Bank funding: agriculture, power, transport, and water, sanitation and hygiene.[23]

Component 4: Country visits

2.7 We visited two of our selected case study countries – Nigeria and Uganda – as well as Abidjan, Ivory Coast, which is where the Bank headquarters is located. Our sampling approach is set out in the approach paper.[24] The aim of the visits was to expand on the evidence collected through the corporate-level review and the case studies. Country visits allowed us to conduct interviews with a broader range of stakeholders at country and project levels. This included project sites and people affected by the projects as well as stakeholders beyond the Bank (for example, other donors, other multilateral organisations such as the World Bank Group, sector experts in these countries, investors, and DFID staff).

2.8 During the review we interviewed a total of 109 people comprising: 33 staff members in the Bank headquarters and country offices; 27 people working on, or with, Bank projects; 24 staff members in DFID and other UK departments; and 25 other stakeholders (academics, former advisers to the Bank and staff in other multilateral development banks).

22 Independent Commission for Aid Impact website, link.
23 The sampled projects are listed in Annex 1: List of sampled projects.
24 For more detail on our sampling approach see *The UK's support to the African Development Bank: A review – approach paper*, ICAI, 2019, link. We do not have countries from Southern Africa or Central Africa in our sample.

Box 2: Limitations to the methodology

Negotiations for the recent 15th replenishment of the ADF and the 7th GCI took place during our review. Policy priorities and reform commitments were agreed for implementation with most reforms expected to be delivered by 2022. While we have aimed to reflect any resulting changes in priorities, it is premature to assess their effectiveness as changes resulting from these agreements have not been set in motion.

Our sample of five out of 54 regional member countries cannot be fully representative of the Bank's portfolio or its investments.

A lack of documentation, due to confidentiality considerations, in the case of non-sovereign operations, and the Bank's delays in conducting project completion reports, have affected our ability to make judgements about the Bank's performance on some of our sampled projects.

3. Background

History

3.1 The African Development Bank (AfDB) was founded in 1963 by 23 African nations with an initial authorised capital of $250 million. It is now one of the two largest official non-concessional donors in Africa (see **Figure 2**)[25] with capital of 80 shareholders and $208 billion. In 1972, the Bank and 13 non-regional countries established the African Development Fund (ADF), which lends to low-income countries on terms that are considerably more concessional (favourable) than market rates. The ADF is an important donor in Africa although smaller than some bilateral donors, including the UK (see **Figure 2**). In 1976, the government of Nigeria and the Bank established the Nigeria Trust Fund, which also provides funding on below-market terms. Together the AfDB, the ADF and the Nigeria Trust Fund are known as the African Development Bank Group ('the Bank').

3.2 The Bank is headquartered in Abidjan, Ivory Coast, although from February 2003 until late 2013, it relocated to Tunis, Tunisia, due to the political conflict in Ivory Coast. There are 54 regional and 26 non-regional members, and as of 2020 it has a physical presence in 39 regional member countries across Africa (see **Figure 3**).[26]

Strategy

3.3 The overarching objective of the Bank is to spur sustainable economic development and social progress in its regional member countries, thus contributing to poverty reduction. It aims to achieve this objective by mobilising and allocating resources for investment, and providing policy advice and technical assistance to support development efforts. It is also committed to the pursuit of the 2015 Sustainable Development Goals (SDGs).[27]

3.4 The Bank's ten-year strategy (2013-2022) focuses on two objectives: inclusive growth and the transition to green growth.[28] It has also defined five additional priorities known as the High 5 priorities. These comprise Light up and power Africa, Feed Africa, Industrialise Africa, Integrate Africa, and Improve the quality of life for the people of Africa, and are monitored in the Bank's 2016-2025 Results Measurement Framework.[29] The Bank has linked its priorities to most of the SDGs.

Governance

3.5 The Bank is supervised by a board of governors who elect the president and delegate day-to-day operational policy, lending and other business matters to the board of executive directors.[30] There are 20 executive directors of the AfDB with smaller shareholders, such as the UK, sharing executive directors.[31] The ADF has a separate board with 14 members. The president of the Bank Group is elected for a five-year period. As chief executive, they chair meetings of the board of directors of the AfDB and of the ADF.[32] The Bank Group is staffed by international civil servants. The Bank's regional member countries are divided into five regional groups (North, South, East, West, Central), for each of which a director general is responsible.

25 *Corporate Information*, African Development Bank, not dated, link. The total number of shareholders (80) reflects the large number of countries in Africa (54) as well as the presence of non-regional members, and is larger than in any other multilateral development bank. See also *A Guide to Multilateral Development Banks*, Engen, L. & Prizzon, A., 2018, link.

26 *Country Office Contacts*, African Development Bank Group, undated, link.

27 *Annual Report 2018*, African Development Bank Group, 2019, link.

28 *At the Centre of Africa's Transformation* – Strategy for 2013-2022, African Development Bank, 2013, link.

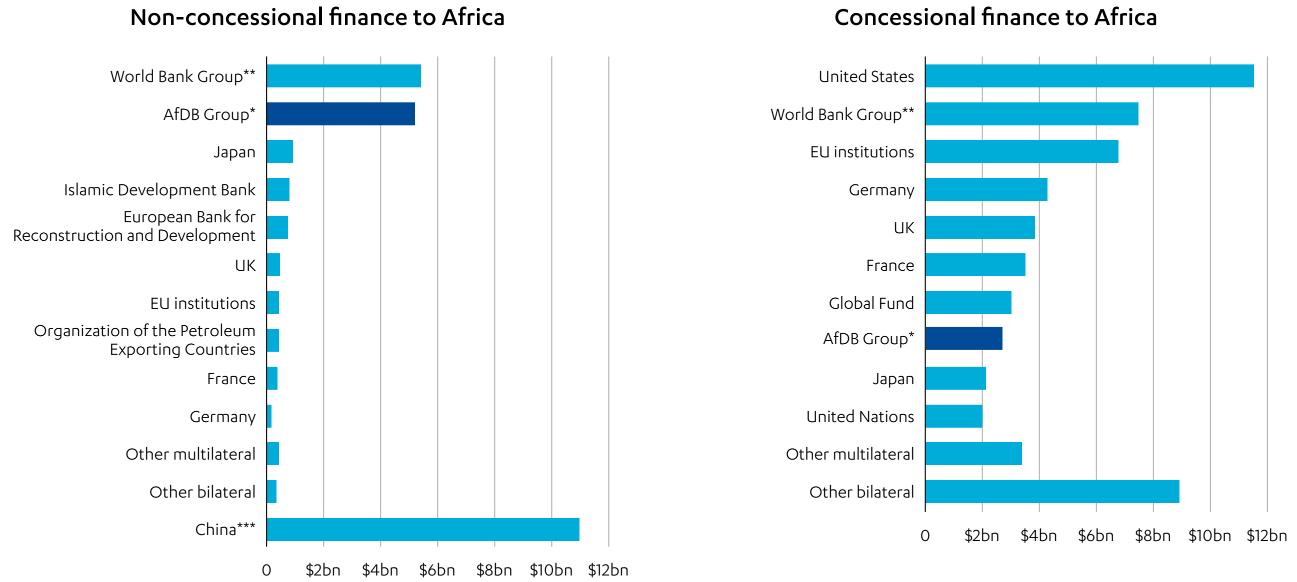
29 The High 5 priorities were introduced by the president of the Bank in September 2015.

30 *ABCs of the IFIs: The African Development Bank, the Asian Development Bank and the International Fund for Agricultural Development*, Collinson, E., Gardner, A. & Morris, S., 2019, link.

31 All 54 regional and 26 non-regional members are also shareholders.

32 *African Development Bank. Institutional Assessment Report*, MOPAN, 2016, p. 1, link.

Figure 2: How the Bank's lending compared to other donors in 2017



*Bilateral lending is shown together with institutional lending on both graphs. Bilateral data may also include funding for the AfDB Group.
**World Bank Group includes the International Bank for Reconstruction and Development and the International Development Association.
***Chinese finance to Africa includes total concessional and non-concessional.

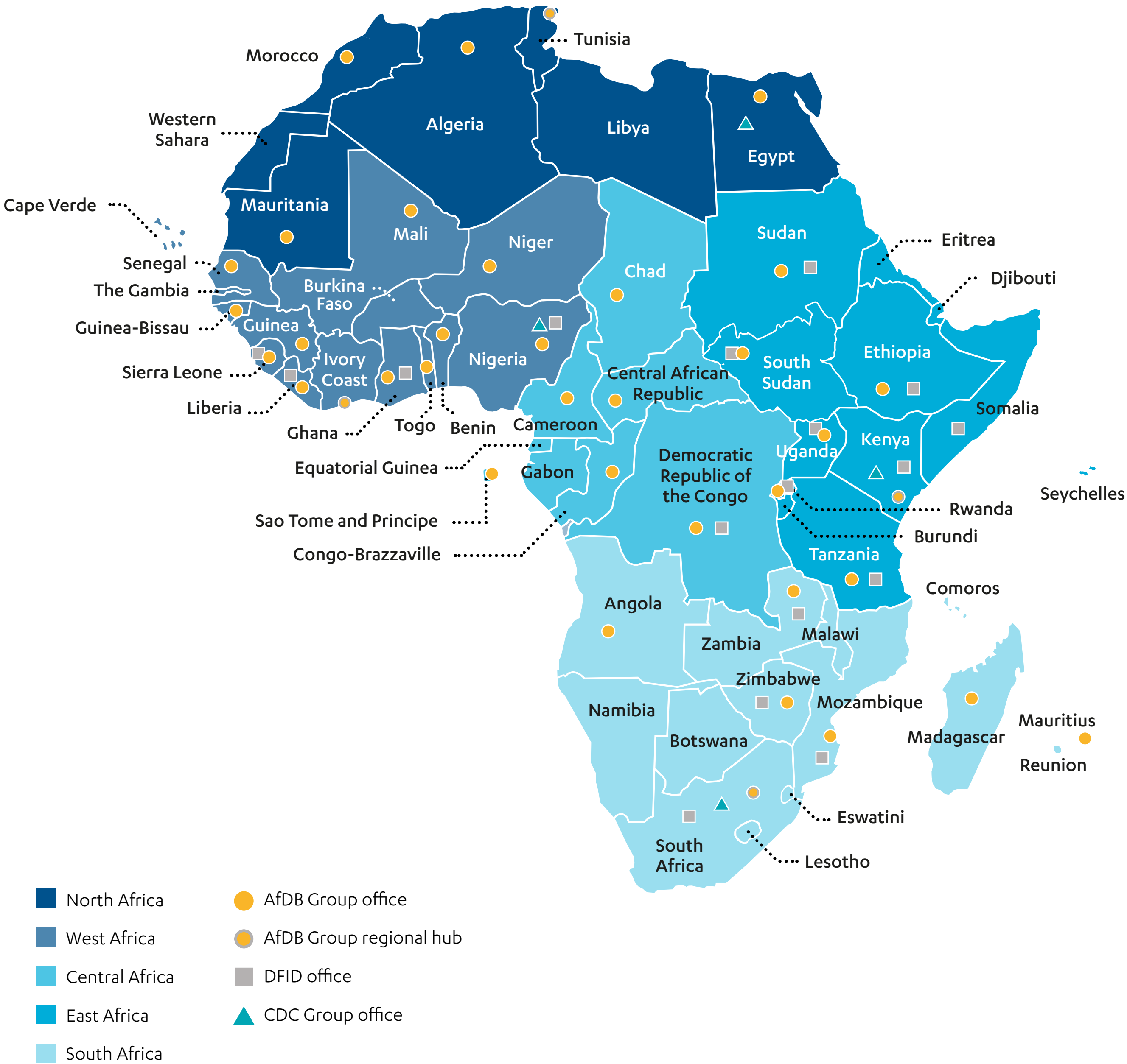
Sources: These graphs have been reproduced by the authors using figures from the *Fifth Extraordinary Meeting of the Board of Governors – GCI 7*, 2019 (unpublished), which drew on data from the OECD, the International Finance Corporation, and the China Africa Research Initiative.

Finance

3.6 The AfDB and the ADF are financed in different ways. The AfDB actively borrows in the capital markets.[33] The Bank is able to issue bonds due to the subscription of capital by the Bank's shareholders in return for their membership. These capital subscriptions are known as general capital increases (GCI). On 31 October 2019, the governors of the Bank agreed the largest GCI in its history (GCI 7) for $208 billion, an increase of almost $115 billion since GCI 6 in 2010.[34] The Bank's capital, together with its risk management policies, determine the Bank's credit ratings. As of June 2020, the AfDB has the highest credit rating from all three major credit rating agencies.[35] The AfDB's high credit ratings signal a low risk of default and enable it to issue securities at attractive interest rates, even in times of market distress.

33 *Capital Markets*, African Development Bank, not dated, link.
34 *African Development Bank Shareholders Approve Landmark $115 Billion Capital Increase*, Signalling Strong Support, African Development Bank, 2019, link.
35 The 'Big Three' credit rating agencies comprise Standard and Poor's, Fitch and Moody's. *Alerte: la BAD maintient sa note triple A*, Financial Afrik, 2020, link.

Figure 3: Distribution of the AfDB Group, DFID and CDC offices across Africa



Note: CDC is included as it is the UK's development finance institution. It should be noted that the CDC Egypt office is not yet established.
Sources: The location of the AfDB Group, Department for International Development (DFID) and CDC country offices has been taken from their websites (AfDB Group website, DFID website, CDC Group website).

3.7 Of the total subscribed capital, only 6% is actually paid in, with 94% being callable capital that the Bank can demand from its donors if, for example, it requires liquidity to pay back bonds. In 2018, the Bank issued bonds amounting to UA 5.57 billion[36] (approximately £6.18 billion) and had a total debt to usable capital ratio of over 83%.[37] The Bank also issues a variety of specific social, green and other themed bonds. Its recently issued COVID-19 social bond is an example.

36 Transactions of the Bank are reported in Units of Account (UA) a weighted average of a basket of currencies. At the time of publication, the exchange rate of UA was approximately UA 1 = GBP 1.11
37 This is a measure of the Bank's financial leverage, calculated by dividing its total debt by usable capital. It indicates what proportion of equity and debt the Bank is using to finance its operations. *Annual Report 2018*, African Development Bank, 2019, p. 43, link.

Box 3: The 15th replenishment of the African Development Fund in context

The ADF-15 replenishment negotiations, which concluded in 2019, agreed a total resource envelope of $7.6 billion (£6 billion),[38] a 32% increase on ADF-14. ADF-15 marks a reversal of a trend of falling replenishments over the previous three replenishment cycles.

The ADF-14 negotiations, which concluded in 2016, resulted in a replenishment of SDR 4.2 billion (£4.62 billion) compared to SDR 4.8 billion (£5.28 billion) in ADF-13 and SDR 5.8 billion (£6.38 billion) in ADF-12.[39] While the decline from ADF-12 to ADF-13 was driven by rapidly declining internal resources, the further decline in ADF-14 largely reflected a reduction of SDR 0.4 billion (£0.44 billion) in donor contributions. While this was undoubtedly in part caused by the decline of many key donor currencies against the SDR, it is noteworthy that, overall, traditional donors cut their contributions more sharply than those to the International Development Association (IDA). Donors outside the Development Assistance Committee also cut their contributions by a similar overall percentage, while increasing them to both IDA and the Asian Development Fund.

European donors reduced their contributions in ADF-14 by an average of just over 15% in SDR terms, the main reductions coming from the UK (down by 27% from ADF-13), two Scandinavian countries (Norway down by over 20% and Finland by over 50%) and Belgium (down by over 35%). In the cases of the UK and Belgium, these were much larger proportionate cuts than the same donors made to the IDA.

3.8 The ADF (the Bank's concessional window), is funded by donor contributions in three-yearly instalments known as replenishments (see **Box 3**). The UK remains the largest contributing non-regional member to the ADF in this replenishment period (a position it has maintained in recent replenishment rounds.) Under the 15th replenishment, it is committing £620 million (subject to Parliamentary approval), negotiations for which concluded in December 2019.

3.9 The Bank's portfolio is dominated by non-concessional lending. During the period from 2014 to 2018, the Bank approved £35.23 billion with £25.3 billion in new lending approved by the AfDB and £6.36 billion in concessional ADF funding.[40] Nevertheless, the share of Bank approvals that are for concessional lending (63%) is greater than the Asian Development Bank (45%) and the World Bank (41%), as is to be expected given the relatively low average income level of regional member countries in Africa.[41] Countries that have received the largest amounts of lending since 2009 are Nigeria and Morocco (8% of the total value of approvals), Kenya (5%) and Tunisia (4%).[42]

3.10 The Bank offers a wide range of financial instruments: loans (both sovereign and non-sovereign guaranteed), grants, technical assistance, lines of credit, guarantees and equity.[43] The Bank's non-concessional loans are provided as either sovereign-guaranteed loans (SGLs) or non-sovereign-guaranteed loans (NSGLs).[44] SGLs are loans provided to regional member governments or public sector entities that are guaranteed by the regional member governments in whose territory the borrowing entity resides. NSGLs are made to public sector entities that do not require a sovereign guarantee, or to private sector enterprises.

3.11 Grants are provided through trust funds and other special funds, often to governments to fund technical assistance activities, or sometimes to non-governmental organisations. Donors transfer money into these funds, which are managed by the Bank, and enable grants to be provided to borrower countries for

38 At a rate of £1=$1.26

39 The special drawing rights (SDRs) serve as the unit of account of the International Monetary Fund (IMF) and some other international organisations. The SDR is neither a currency nor a claim on the IMF. Rather, it is a potential claim on the freely usable currencies of IMF members. SDRs can be exchanged for these currencies. The Bank uses the Unit of Account as its reporting currency. UA 1 = SDR 1.

40 *Annual Report 2018*, African Development Bank, 2018, link.

41 *A Guide to Multilateral Development Banks*, Engen, L. & Prizzon, A., 2018, p. 24 link. See also *Annual review 2018*, African Development Bank, 2019, p. 47, link.

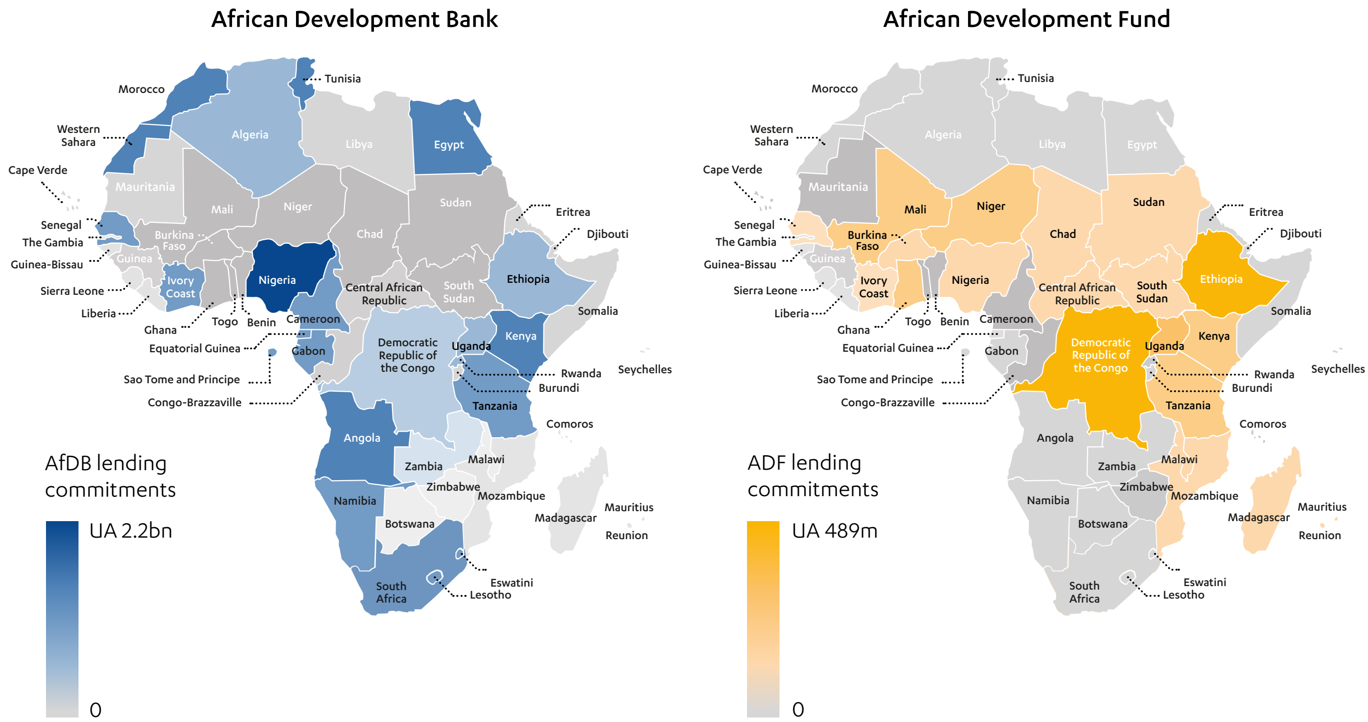
42 African Development Bank Data portal, link (accessed June 2020).

43 The Bank is one of only three multilateral development banks to offer a full range of six financial instruments. The other two are the Inter-American Development Bank and the Asian Development Bank. See *A Guide to Multilateral Development Banks*, Engen, L. & Prizzon, A., 2018, p. 37, link.

44 *Financial Report 2018*, African Development Bank, 2019, p. 7 link.

projects. These funds are separate from the Bank's capital in that the money is provided to be used for specific purposes that are detailed in each trust fund.[45] Technical assistance grants, provided through the Technical Assistance Fund, are financial support given to regional member countries to improve capacity and financial management.

Figure 4: Total lending commitments by country (2014-19)



Note: Bank transactions are reported in Units of Account (UA), a weighted average of multiple currencies. At the time of publication, the exchange rate was approximately UA 1 = GBP 1.11.
Source: AfDB Group Data portal, link.

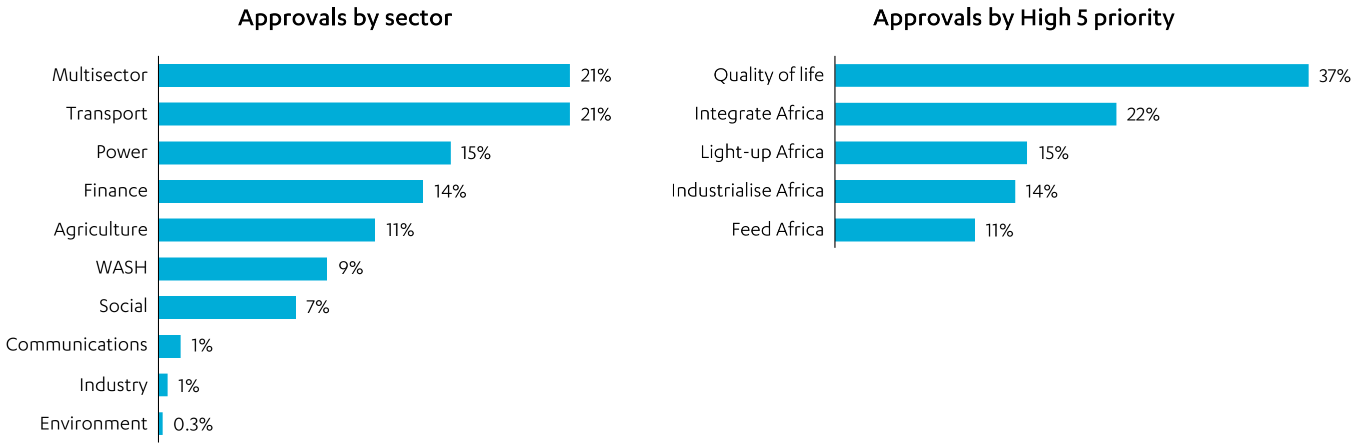
3.12 Lines of credit support the development of small and medium-sized enterprises.[46] Guarantees enable eligible borrowers to make use of the Bank's status as a preferred creditor to borrow from private lenders and capital markets at more generous rates than would otherwise be available to them. The Bank also invests in equities, either directly or indirectly. The aim of the investments is to promote private sector development in the regional member country the Bank is investing in. The specific objective is to be a catalyst for further investment from other actors and lenders.

Sectors

3.13 There is a broad consensus[47] that infrastructure is a priority in Africa and just under 50% of Bank disbursements in 2015 were in transport (25.1%) and energy (21.8%) compared with less than 20% in the social sectors (such as education, water, sanitation and hygiene (WASH), and health).

45 *Financial Report 2018*, African Development Bank, 2019, p. 88 link.
46 *Financial Report 2018*, African Development Bank, 2019, p. 127 link.
47 See for example: *The Face of African Infrastructure: Service Availability and Citizens' Demands*, Leo, B., Morello, R., Ramachandran, V., 2015, link, *Will the 2020s be the decade of Africa's economic transformation?*, Oqubay, A., 2020, link, and *Africa's Pulse – An Analysis of Issues Shaping Africa's Economic Future*, World Bank, 2017, link.

Figure 5: Loan approvals by sector and High 5 priority (2014-19)



Source: AfDB Group Data portal, link.

The UK's engagement with the Bank Group

3.14 The UK joined the ADF in 1973 and became a member of the Bank in 1983. The UK currently has the smallest shareholding of all G7 countries at 1.72% of total shares (it is the 14th largest shareholder among regional and non-regional members).[48] This small shareholding means that the UK's vote on all AfDB issues carries less weight than many other shareholders. It also means that the UK is required to share its representation on the board of executive directors with two other small shareholders (Italy and the Netherlands) on a rotating basis.[49] This contrasts with the UK's contribution to the ADF, where it is the largest donor (12.5% share of the target for donor contributions at the last replenishment). Through DFID, the UK has also contributed to several multidonor trust funds and initiatives (see **Box 4**).[50]

Box 4: Examples of DFID's contributions to AfDB Group trust funds and initiatives

- The African Water Facility (£15 million) – established in 2005 to assist African countries to meet the goals and targets for the water sector in line with the African Water Vision and the Framework for Action.
- Infrastructure Consortium for Africa (£1.5 million) – launched at the G8 Gleneagles Summit in 2005 to support the scaling up of investment for infrastructure development in Africa from both public and private sources.
- NEPAD Infrastructure Project Preparation Facility (£6 million) – established in 2005 to support the preparation of bankable regional infrastructure projects in Africa to attract more investment for infrastructure development.
- Congo Basin Forest Fund (£50 million) – established in 2008 to develop the capacity of the people and institutions in the Congo Basin to manage their forests, by helping local communities find livelihoods consistent with the sustainable conservation of forests, and reducing the rate of deforestation.
- Zimbabwe Multi-Donor Trust Fund (£10 million) – established in 2010 for early recovery and development efforts in Zimbabwe (initially water and sanitation, and energy).
- Multi-Donor Trust Fund for Countries in Transition (£2.4 million) – established in 2012 to respond to needs in the North African region after the Arab Spring.
- Somalia Infrastructure Trust Fund ($1.8m) – part of a multipartner initiative to assist Somalia in consolidating peace and moving along a path of long-term development.
- The Sustainable Energy Fund for Africa (£10 million) – established in 2011 to catalyse investments in commercially viable clean energy mini-grids across the continent.

48 At the time of joining the AfDB, the UK elected not to take up the full allocation of shares on offer, and it has not since been possible to change the position substantially.

49 As of June 2020, the executive director representing the UK, Italy and the Netherlands has been in post since August 2019 and is a UK national. Representation from July 2016 to July 2019 was provided by Italy. A UK national represented the three countries from July 2013 to July 2016.

50 *United Kingdom*, African Development Bank, not dated, link.

4. Findings

4.1 In this section, we set out our findings on the UK government's support to the African Development Bank Group in the context of the UK's broader aid priorities. This includes consideration of the relevance of the Bank's development objectives to those of the UK, the effectiveness of the Bank in meeting these objectives, and how well the Department for International Development (DFID) ensures the value for money of its contributions to the Bank, including its role as a shareholder of the African Development Bank (AfDB) and contributor to the African Development Fund (ADF).

Relevance: How well aligned is the Bank's work with the UK's aid priorities in Africa?

The Bank's overarching objectives are well aligned with UK development goals.

4.2 The Bank's overarching objectives – inclusive growth and green growth – are well aligned with DFID's goals, as set out in its 2019 Single Departmental Plan.[51] The Bank's objectives were set out in its 2013-2022 strategy, *At the Centre of Africa's Transformation*. This defined inclusive growth as "growth that is more inclusive, leading not just to equality of treatment and opportunity but to deep reductions in poverty and a correspondingly large increase in jobs", and green growth as growth that is "sustainable, by helping Africa gradually transition to 'green growth' that will protect livelihoods, improve water, energy and food security, promote the sustainable use of natural resources and spur innovation, job creation and economic development".[52] They also support key objectives in the UK government's new cross-departmental approach to Africa (including "promote mutual prosperity, boost economic growth, jobs, trade and development by growing markets... and improving market access") and DFID's 2017 Economic Development Strategy (notably the latter's emphasis on economic inclusion). Although it is not an overarching objective (as it is for the World Bank), poverty reduction and the number of people who are hungry or malnourished, are monitored as high-level (Level 1) indicators by the Bank. The Bank's four cross-cutting priorities – gender, fragility, climate change and economic governance – overlay its overall objectives. As described in the Bank's proposal for a seventh general capital increase, these priorities reflect the values of the Bank and its shareholders and link the Bank's investments to its objectives of promoting inclusive and green growth. They also align well with DFID's Single Departmental Plan and Economic Development Strategy priorities.[53]

4.3 Progress against the Bank's High 5 priorities is measured in the Bank's Results Measurement Framework (2016-2025) with targets drawn from a number of sectors as follows: Light up and power Africa (energy sector), Industrialise Africa (finance and transport sectors), Integrate Africa (cross-border energy and transport sectors), Feed Africa (agriculture, transport, and water, sanitation and hygiene sectors), Improve the quality of life for the people of Africa (jobs, social sectors, and water, sanitation and hygiene). The High 5 priorities support DFID's sector priorities, and focus on stability, governance and sustainability, as set out in DFID's 2017 Economic Development Strategy – the department's overarching strategy for advancing economic development in the poorest countries. Specific sector priorities in this strategy that are directly supported by the Bank's High 5 include infrastructure, energy and urban development, agriculture, trade, manufacturing and services, and helping countries to capitalise on their extractive potential while increasing transparency. The Bank's focus on fragile states (termed 'transition states' by the Bank) also directly supports DFID's focus on stability and governance, while its emphasis on building resilience aligns well with DFID's focus on sustainability and strengthening resilience.[54]

51 DFID's 2016 Multilateral Development Review scored the Bank's match with the UK's development objectives as 'good' and this assessment was strongly confirmed by our review. Single Department Plan development objectives include: Priority 3.1 (promote economic development and prosperity in the developing world ... supporting inclusive growth and catalysing investment for more and better jobs), Priority 4.1 (Strive to eliminate extreme poverty by 2030 and support the world's poorest people to access sustainable basic services) and Priority 2.3 (Support for efforts to mitigate and adapt to climate change and prevent environmental degradation). Link.

52 *To At the Centre of Africa's Transformation* – Strategy for 2013-2022, African Development Bank, 2013, p. 1, link.

53 Relevant priorities in the Single Departmental Plan include: Priority 1.1 (Tackle the causes of instability, insecurity and conflict), Priority 2.3 (Support for efforts to mitigate and adapt to climate change and prevent environmental degradation), Priority 3.1 (Promote economic development and prosperity in the developing world, including stabilising economies of fragile states) and Priority 4.2 (Prioritise the rights of girls and women). In addition, DFID's 2017 Economic Development Strategy supports the goal of economic governance.

54 The UK Aid Strategy (2015) has four main objectives: strengthening global peace, security and governance, strengthening resilience and response to crises, promoting global prosperity, and tackling extreme poverty and helping the world's most vulnerable. *UK aid: Tackling Global Challenges in the National Interest*, UK government, 2015, link.

The Bank's focus on infrastructure (including large, complex cross-regional projects) complements DFID well.

4.4 Africa faces critical infrastructure gaps. For example, it currently has a road density (km of road per square km of territory) of 0.04, compared to 1.3 in India and 2.1 in Europe, and infrastructure services for water and energy in Africa cost twice as much on average compared to other developing regions.[55]

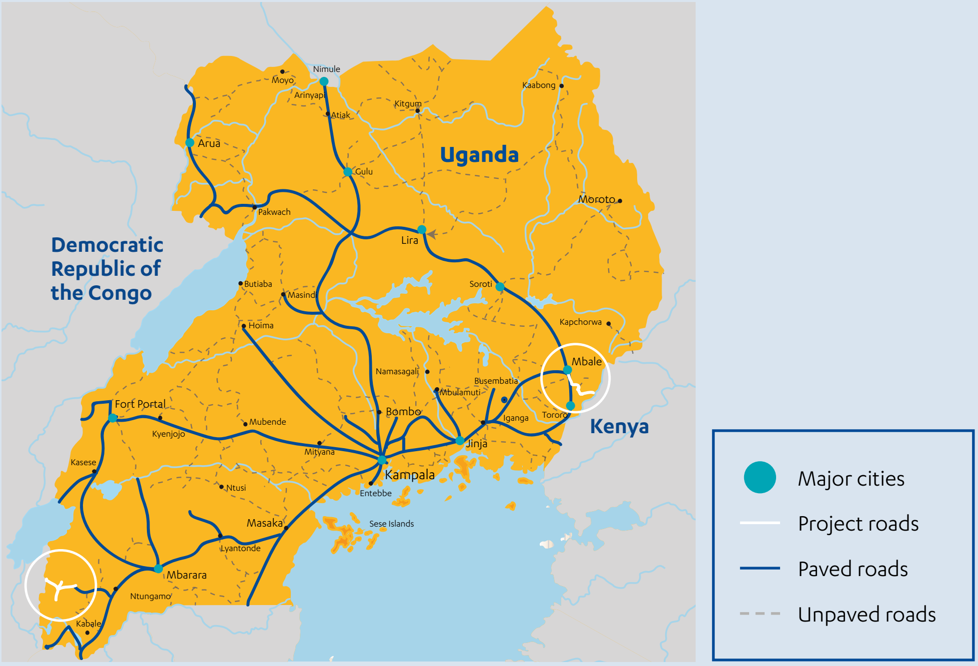
4.5 Capital markets in developing countries remain incomplete and generally unable to tackle the risks and high transaction costs associated with large-scale infrastructure at the scale required. Most bilateral donors, including DFID, are not able to provide the substantial financing that is required for infrastructure projects. DFID itself does not directly deliver large-scale investments in roads and energy, particularly regional projects.[56] We estimate that DFID's spending on infrastructure amounts to no more than about 11% of its total spending.[57] In this context, multilateral development banks (MDBs), such as the Bank, which have the capacity to lend large amounts repayable over long periods of time, are well placed to help fill a critical gap in the market for infrastructure finance.[58] Just under half (47%) of Bank loan approvals during 2014-19 were in transport and power. For instance, in the Bank's strategy for Mali (2015-2019), a country where private capital markets are clearly severely underdeveloped, one of the two strategic pillars is infrastructure development to support economic recovery.[59] During our visit to Nigeria, we found that the Bank clearly has the skills to prepare projects and provide early-stage financing in the infrastructure sector, and hence demonstrate to private investors that such investments are feasible.

4.6 The Bank is also well placed to support regional integration in Africa, another DFID priority. Regional integration is a core aspiration of the African Union whose vision includes "an integrated continent, politically united and based on the ideals of Pan Africanism and vision of Africa's Renaissance".[60] Promoting regional integration through infrastructure, which includes realising cross-border economies of scale, internalising positive and negative externalities among states, and transferring know-how and investment across borders, requires capabilities and a pan-continental mandate that neither DFID nor most other development partners possess. Regional integration is the specific focus of a separate department in the Bank with responsibility for incorporating regional integration across sectors and ensuring that there are synergies and lesson learning. When asked what the Bank's biggest contribution to the region had been, Bank staff often mentioned regional integration projects such as roads and bridges. The Bank-financed Road Sector Support Project V in Uganda, which we visited, is an example (see **Box 5**).

55 *Global Land Transport Infrastructure Requirements*, International Energy Agency, 2013, p. 42, link.
56 *Business Case African Development Fund 13th Replenishment*, DFID, 2013, p. 1 link.
57 Team calculations based on Statistics on International Development: Final UK Aid Spend 2018, UK government, 2018, link. Calculations based on DFID's support for WASH, transport, energy, agriculture, construction and industry.
58 *The New Global Agenda and the Future of the Multilateral Development Bank System*, Bhattacharya, A., Kharas, H., Plant, M. & Prizzon, A., 2018, link.
59 *Mali – Bank Group 2015 -2019 Country Strategy Paper*, African Development Bank, 2015, link.
60 *Agenda 2063 Framework Document*, African Union Commission, link.

Box 5: Linking Uganda and its neighbours: An example of regional infrastructure

The Bank-financed Road Sector Support Project V in Uganda has financed the upgrading of sections of road from gravel to paved surfaces. The upgraded roads, circled below, are supporting cross-border trade and regional Integration by linking western Uganda with the Democratic Republic of the Congo and eastern Uganda and Kenya at the border of Ishasha and Lwakhakha, respectively. The roads serve the highly productive agricultural areas of Rukungiri and Kanungu (in the west of Uganda), and Mbale and Manafwa (in the east of Uganda). The roads will also support the tourism activities at Queen Elizabeth National Park and Mount Elgon National Park.



The Bank's standing as the premier African development institution increases the UK's development impact in Africa, due to its position as a board member and contributor.

4.7 A key comparative advantage of the Bank is that it is African-owned. There was a strong and widely shared sense among those we spoke to that the nature of the Bank as an African bank run by Africans, for Africans, is a strength. It confers a legitimacy that no other development finance organisation operating in Africa possesses. Government officials that we met were confident that the Bank has Africa at its heart and no other agenda.

The Bank's focus on fragile and conflict-affected states in particular fits well with DFID's emphasis on stability and development in fragile states.

4.8 DFID benefits from the Bank's focus and presence in fragile and conflict-affected states (FCAS), which the Bank calls 'transition states'. This complements DFID in countries where they are both present, and provides a presence on the ground in a number of fragile states where neither DFID nor CDC are present (see **Figure 3**). The Bank's Strategy for Addressing Fragility and Building Resilience 2014-21 (extended due to COVID-19) prioritises rebuilding essential state functions, restoring service delivery and promoting inclusive economic growth in 'transition states'. Most of this support takes the form of financial support linked to progress in policy reforms. A Transition Support Department (formerly known as the Fragile States Facility) was established in 2008 and coordinates across departments to enhance the Bank's effectiveness in fragile situations.

4.9 The Bank provides funding and technical assistance to 'transition states' via three pillars. Pillar One provides supplemental financing predominantly for reconstruction of basic infrastructure, provided they have met specific criteria, which includes a clear plan for phasing out the supplemental financing. Pillar Two covers arrears clearance, drawing on the Transition Support Facility and Post-Conflict Country Facility, to help clear outstanding debt. Pillar Three comprises other forms of targeted support, including technical assistance, such as knowledge management and capacity building.[61]

4.10 The Bank has also developed a number of analytical tools to support these objectives, including the Country Resilience and Fragility Assessment tool, which brings new systematic understanding of country fragility and entry points for strengthening resilience. In-depth country and regional fragility assessments have also been instituted, leading to a stronger analytical basis for Bank lending. Fragility assessments are precursors to developing country strategy papers in all 'transition states'.

There is a tension between the Bank's ambition to offer a comprehensive menu of development interventions and the need to focus on its core strengths.

4.11 The overarching goals of the Bank (inclusive and green growth) and the High 5 constitute a multisector comprehensive set of priorities. However, the High 5 formulation of Bank priorities has been criticised for effectively opening the door to intervention across all areas.[62] This view is shared by those in DFID who are responsible for managing the UK's relationship with the Bank and who have also urged the Bank to focus on a narrower set of objectives, especially given its limited resources. During the recent negotiations around ADF-15 and the seventh general capital increase (GCI), for example, the UK called on the Bank to be clearer about its comparative advantage, to be more selective when providing financing and to communicate its priorities better. The UK has urged the Bank to focus on areas where it is particularly effective, notably infrastructure, including transport, energy, and water, sanitation and hygiene (WASH).

4.12 Our discussions with top management at the Bank made clear that they recognised the need for a clearer statement of the Bank's comparative advantage. This was subsequently reflected during ADF-15 negotiations, where deputies agreed on the addition of two pillars to sharpen the High 5 priorities: Pillar One would focus on "quality and sustainable infrastructure aimed at strengthening regional integration", while Pillar Two would focus on "human governance and institutional capacity development for increased decent job creation and inclusive growth".[63] As noted in the report on ADF-15, in practice the Bank retains considerable latitude under the new twin-pillar formulation to intervene across all sectors by financing hard infrastructure (including schools and hospitals) as well as soft infrastructure; in other words, "building institutional capacity, improving infrastructure procurement, promoting an enabling environment for private sector involvement in infrastructure financing, and enhancing vocational skills development that contributes to decent job creation via infrastructure and its maintenance".

The Bank treads a fine line between maintaining close relations with its regional members and ensuring objective selection and supervision of projects.

4.13 It was apparent from our discussions with a range of stakeholders that the feature of the Bank that is at the core of its distinctiveness – its identity as an African multilateral bank run by African governments for Africa – could in some circumstances also risk undermining its independence. At the AfDB, the board comprises a mix of borrowing and non-borrowing shareholders. The weight of borrowing shareholders is greater (nearly 60% of the total) than in other regional development banks, such as the Inter-American Development Bank and Asian Development Bank, and much greater than the World Bank. This potentially exposes the Bank to greater politicisation of decision-making than in other MDBs. According to this view, the Bank's comparative advantage as Africa's bank cuts both ways, as manifested in the Bank's unwillingness to challenge its regional members sufficiently on issues such as environmental and social safeguards, the need for operations and maintenance spending, and government corruption.

61 *Transition Support Facility, African Development Bank*, not dated, link.
62 *The Role of the AfDB and the Future of Africa*, Runde, D. F., 2019, link.
63 *ADF-15 replenishment: Donors commit $7.6 billion, a 32% boost from last replenishment, in support of Africa's low-income, fragile, countries*, African Development Bank, 2019, link.

4.14 Equally, it is possible that it is precisely because the Bank has a better sense of the environment in which it operates that it is able to succeed in environments that are eschewed by other agencies. However, it is noteworthy, for example, that the Bank has maintained a presence in countries such as Equatorial Guinea, where other multilaterals, such as the International Monetary Fund (IMF) (until recently) and the World Bank, have refused to engage, in part because the macroeconomic pre-conditions for lending were not in place. In addition, the top five shareholders represent a smaller share of total votes than in 22 other multilateral banks, which would tend to reduce the scope for individual shareholders to exert excessive influence. Moreover, 66% of votes are required to ensure approval of loans at the board, in other words, including at least 6% from non-borrowing non-regional countries.

4.15 Overall, we found that the Bank does face pressure to align itself with the policies and approach of its larger shareholders – as is the case in all multilateral institutions – many of which are also regional member countries and hence beneficiaries of the Bank's lending. However, the Bank is also able to understand and potentially mitigate country risk in Africa better than other institutions by virtue of its nature as an African institution.[64]

The African Development Fund is highly rated overall for its transparency, although the Bank as a whole provides less information in relation to non-sovereign operations.

4.16 QuODA (an index which measures the quality of official development assistance across 40 bilateral and multilateral organisations) ranks the ADF as the second highest-performing multilateral organisation for transparency and learning.[65] Transparency at the Bank is underpinned by the Disclosure and Access to Information Policy (DAI Policy), which was revised in 2012, and which aims to maximise public access to institutional and operational information.[66] Exceptions to this overall objective include information provided in confidence by private sector entities or third parties, which, in practice, has resulted in limited availability of information on many of the Bank's non-sovereign corporate loans. Other multilateral banks are also more restrictive in the information they make available for non-sovereign than sovereign loans, and the Bank is broadly in line with them in policy. However, in practice we found that, unlike peers, not all non-sovereign operations approved by the Bank (including recently approved projects) are accompanied by basic project documentation, including environmental and social impact assessments (ESIAs), leading to a lack of transparency in some cases. This includes the extractive sector – one of DFID's priorities under its transparency objectives.[67] A 2017 decision to disclose ESIAs for all non-sovereign operations does not appear to have been applied retrospectively.[68]

Conclusion on relevance

4.17 The Bank's overarching objectives are well aligned with UK development goals, including key cross-cutting priorities such as fragile states and gender. The Bank's standing as the premier African development institution increases the UK's development impact in Africa due to its position as a board member and contributor. The Bank also complements DFID well – notably through its financing of infrastructure (including large, complex cross-regional projects). The Bank's strategy and tools for engaging in 'transition states' fit well with the UK's focus on stability and development in fragile states. However, the Bank is caught between its ambition as Africa's development bank to provide comprehensive services and pressures to focus on its core strengths.

4.18 Overall, we saw a very strong alignment between the Bank's goals and those of the UK. We, therefore, award a green score for relevance.

Effectiveness: How effective is the Bank at delivering UK aid priorities?

4.19 As set out above, there is a very strong alignment between the Bank's goals and those of the UK. In this section, we examine how effective the Bank has been in delivering against its own goals and hence UK aid

64 *A Guide to Multilateral Development Banks*, Engen, L & Prizzon, A., 2018, pg. 18 link.
65 *QuODA*, Centre for Global Development, not dated, link.
66 The Policy was adopted by the Bank Group board of directors in May 2012 and became effective in February 2013, link.
67 *Economic Development Strategy: Prosperity, Poverty and Meeting Global Challenges*, DFID, 2017, link.
68 In 2017, the Bank decided that full-text EISA documents would be made available for all non-sovereign operations approved thereafter.

priorities. By focusing on the sectors where the Bank lends the most, we throw light on how well the Bank uses the UK's money. This builds on our findings with respect to relevance and seeks to establish how successfully strategies are being implemented in practice. This section also includes a discussion of how the Bank measures and reports results at sector and project levels in selected case study countries. We also look at how successful the Bank has been in leveraging third-party finance.

Several independent comparative assessments find that the Bank performs better than most other development organisations.

4.20 The Bank is one of the most effective multilateral banks. In a recent review of multilateral aid assessments, there were only two multilateral organisations that ranked in the top quartile of organisations for all multilateral aid assessments reviewed, namely the Bank and the World Bank.[69] QuODA ranks the ADF as the third best-performing entity with UK bilateral aid ranking 24th.[70] The Bank scored first under 'maximising efficiency'.

The Bank has made satisfactory progress towards many of its High 5 priority objectives.

4.21 In 2016, the Bank developed a Results Measurement Framework to help it track its development impact across the High 5 priority areas.[71] The framework comprises four levels, each designed to answer a different question:

- Level 1 – What development progress is Africa making?
- Level 2 – How well is the Bank contributing to development in Africa (ie the Bank's outputs)?
- Level 3 – Is the Bank managing its operations effectively?
- Level 4 – Is the Bank, as an organisation, managing itself efficiently?

Table 2: High 5 priorities and component sectors

The number of indicators that have been achieved, partially achieved, or not achieved mapped across each High 5 priority and component sector

	Integrate Africa	Light up & power Africa	Feed Africa	Industrialise Africa	Quality of Life	Percentage of indicators achieved and partially achieved
Agriculture			3 (Achieved), 2 (Unachieved)			60%
Energy	1 (Partially achieved)	6 (Partially achieved), 1 (Unachieved)				88%
Finance				2 (Achieved), 1 (Partially achieved), 2 (Unachieved)		60%
Jobs					2 (Achieved)	100%
Social					4 (Unachieved)	0%
Transport	1 (Partially achieved)		1 (Achieved)	2 (Achieved), 1 (Unachieved)		80%
WASH			1 (Unachieved)		2 (Achieved)	67%
Percentage of indicators achieved and partially achieved	100%	86%	57%	63%	50%	

Squares represent the number of indicators in a sub-section that have been achieved.

Achieved   Partially achieved   Unachieved

Source: Annual Development Effectiveness Review, African Development Bank, 2019, link, and ICAI team calculations

69 *A U.S. Multilateral Aid Review*, Pipa, A. F., Seidel, B. & Conroy, C, 2018, pg. 20 link. The multilateral aid assessments reviewed were conducted by the Multilateral Organisation Performance Assessment Network (MOPAN), the Netherlands and the UK.

70 2018 results. This index, developed by the Centre for Global Development and the Brookings Institute, calculates indicators of aid effectiveness based on the principles of aid effectiveness agreed in the Paris Declaration on Aid Effectiveness, the Accra Agenda for Action, and the Busan Partnership Agreement.

71 *The Bank Group Results Measurement Framework 2016-2025*, African Development Bank, 2017, link.

4.22 For each of the High 5 priorities, the new Results Measurement Framework identifies a small set of strategic indicators and targets drawn from the sectors (and associated strategies approved by the board of directors). For example, overall progress towards the Bank's Feed Africa objective is measured by indicators and targets drawn from the agriculture, transport and WASH sectors (see **Table 2**).

4.23 The Bank's Annual Development Effectiveness Report shows the Bank's (both AfDB and ADF) progress towards 2018 and 2025 targets from a 2015 baseline. The Bank assesses its own performance using a traffic light system, like the World Bank Group's Independent Evaluation Group (IEG).[72] It gives a green light to targets that are 95% achieved or better, amber if targets are less than 95% achieved and red if results are below the baseline value.[73] There is some evidence that the Bank has tended to set over-ambitious targets. For example, the Bank's 2025 targets envisage an exponential increase in results across most indicators relative to 2018, without a corresponding increase in financing or change in operating approach that might justify this. Clearly, this creates a significant risk for the future of apparent under-delivery, generated by unrealistic target setting rather than any underlying underperformance. However, ranking the High 5 priorities based on the share of indicators that have so far achieved either a green or amber rating shows that in no case does the share of indicators rated green or amber dip, as measured in 2018, below 50%.[74] The two High 5 priorities for which the Bank is recognised to have a comparative advantage, namely Integrate Africa, and Light up and power Africa, are rated highest, with Quality of life rated lowest. Driving these results are the relatively strong performances of the energy and transport sectors as well as the Bank's jobs targets, while its performance in the social sectors (primarily relating to education) has been weakest.

4.24 There are no comparable operational data for the Africa region alone at the World Bank that track progress against targets. However, the World Bank's IEG ratings for projects satisfactorily completed in the Africa region during 2014-2017 ranged between 60% and 75%. The AfDB Group's Independent Development Evaluation (IDEV) unit found that 77% of operations completed at the Bank during 2016-17 (the most recent data cited in the 2019 IDEV report) were independently rated as 'satisfactory' or above.[75]

4.25 The Bank's investments are creating jobs through multiple channels. Our interviews with people living and working near two AfDB-financed road projects, and with managers of a power generation facility in Uganda, helped illustrate how these benefits are generated.[76]

Like others, the Bank has struggled to have an impact in fragile and conflict-affected environments, although there is some evidence of inconsistent focus from senior management.

4.26 In our case studies, we found evidence that the Bank was clearly seeking to understand the needs of fragile contexts in order to design and deliver projects. The AfDB's 2014 fragility assessment of Mali helped identify several dimensions of fragility facing the country, including security, political and economic governance, social fragility, environmental fragility, and sub-regional fragility. These carried through to project-level design. For instance, the Integrated Development Project to Build Climate Resilience by the Niger Delta assesses how fragility in Mali is affected by drought. While Nigeria is not classified as a 'transition state', we learned during our visit to Nigeria that the Bank's country office is delivering important projects in northern Nigeria and the River States, where poverty and conflict are high. In practice, however, the Bank has sometimes struggled to be effective on the ground. DFID's 2016 Multilateral Development Review gave the Bank a rating of 'weak' (2 out of 4) for its record in assisting fragile states.[77] Our interviews with DFID suggested that in Somalia the Bank had been unable to raise financing for a trust fund, perhaps because of perceived problems with delivery.

72 The development impact of completed operations is assessed through individual project completion reports for public sector operations and extended supervision reports for private sector operations.

73 The World Bank's Independent Evaluation Group accords a green light to targets even if they are below 95% achieved, amber if there is a moderate gap between targets and actual results, and red if there is a wide gap.

74 *The Bank Group Results Measurement Framework 2016-2025*, African Development Bank, 2017, link.

75 *IEG Data*, World Bank, undated, link (accessed July 2020).

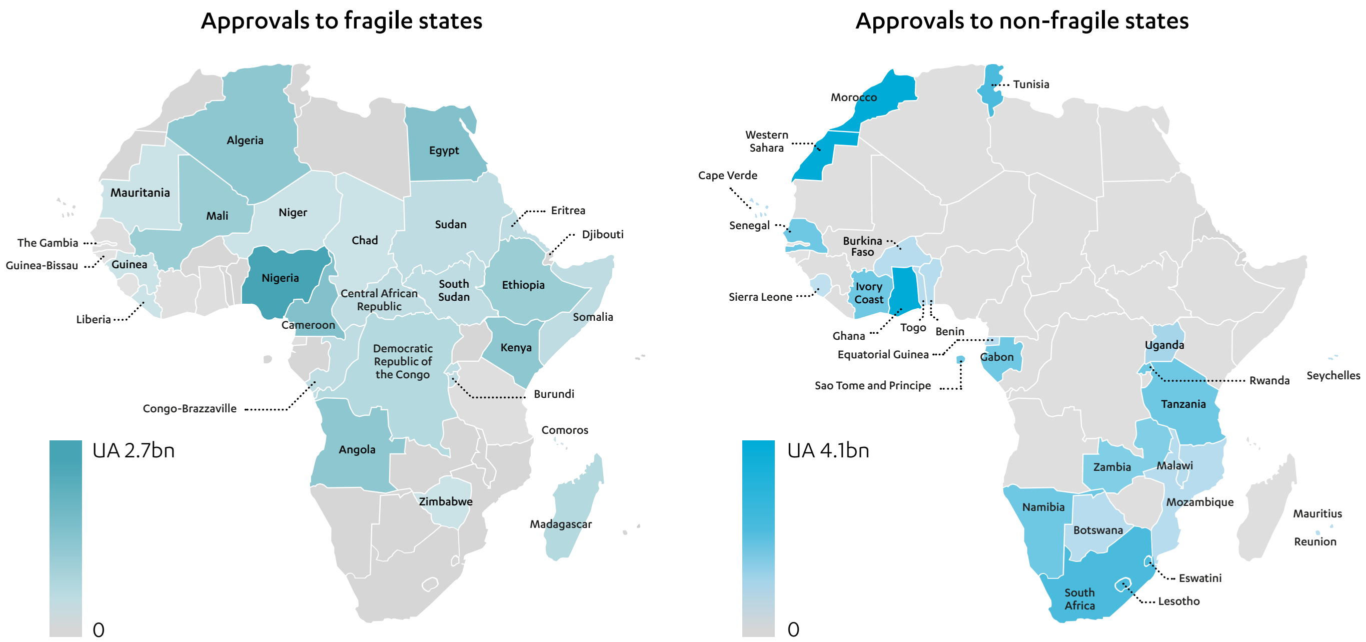
76 These projects and itineraries were selected by ICAI. Conversations with individuals were in the presence of Bank project staff, who also translated for us. However, at no time did we feel that interviewees were providing scripted responses.

77 *Raising the Standard: the Multilateral Development Review 2016*, DFID 2016, link.

4.27 We identified three principal factors preventing the Bank from having greater impact in FCAS. First, operating in FCAS is, objectively, more challenging than in other contexts. The policy and institutional environment is considerably weaker in fragile countries. For example, according to the World Bank's Country Policy and Institutional Assessment Index, the score for fragile countries in sub-Saharan Africa is 2.8 compared with 3.4 in non-fragile sub-Saharan countries. This reflects a number of factors, including a weaker public sector, economic, financial and budgetary management capabilities. For these reasons, other MDBs have also struggled to have an impact in FCAS. While 72% of country strategy development outcomes at the World Bank were rated 'satisfactory' during 2014-18, this figure fell to 46% in the case of FCAS.[78]

4.28 Second, the Bank has faced challenges in recruiting the right mix of skilled staff for field offices in fragile states in its efforts to decentralise its operations. Again, however, the Bank is not alone in facing this challenge. The World Bank, for example, has recently launched a drive to recruit a further 150 staff to work in FCAS, reflecting the difficulty it has faced in posting staff in these difficult environments. Third, there is some evidence that the Bank has not pursued this agenda as energetically as other peer organisations, such as the World Bank. We heard that the Bank's senior leadership is not as engaged with the issue of FCAS as in the past and has lost momentum in this area. Bank approvals in fragile states during 2014-19 varied over time. Total approvals by volume in fragile states since 2017 have increased. However, the share of total approvals has dipped in recent years, although it is too early to draw firm conclusions from this.

Figure 6: AfDB Group lending to DFID fragile states (2014-19)



Note: We use DFID's definition of a fragile state. Libya is the only fragile state not to receive any AfDB Group funds over the period.
Source: DFID Methodology note, link, and AfDB Group Data portal, link.

There is scope to improve the quality of project management both during preparation and implementation of projects.

4.29 In October 2018, the Bank's Independent Development Evaluation unit published two reports covering the quality of the Bank's identification, preparation and appraisal of projects (known as quality at entry),[79] and the quality of Bank project supervision and exit.[80] The evaluations benchmarked the Bank against a number of other organisations, including the World Bank in Africa and the Inter-American Development Bank.

78 *Results and Performance of the World Bank Group 2018*, World Bank, 2019, link.
79 *Evaluation of the Quality at Entry of the African Development Bank Group's Sovereign and Non-sovereign Operations (2013-2017)*, IDEV, 2018, p. 44, link.
80 *Evaluation of the Quality of Supervision and Exit of the African Development Bank Group's Operations (2012-2017)*, IDEV, 2018, p. 12, link.

Project preparedness

4.30 IDEV found that the Bank's project preparedness was deficient when assessed against some criteria. It found that the Bank adopted the same review process for projects irrespective of risk.[81] It also found that the Bank's approach lacked mechanisms to ensure contestability of project owners' assertions, as well as verification and independent review. More generally, IDEV found that the Bank's main tool for assessing the preparedness of projects, known as the Readiness Review, did not include a number of key determinants of project success, notably evaluability and implementation readiness. The Bank has acknowledged these shortcomings and through its Integrated Quality Assurance Plan aims to improve the design, implementation and monitoring of projects.

4.31 IDEV found that a combination of these two factors was able to explain 31% of the variance in project performance and that, on average, projects achieving a composite score of 2.75 had a 65% chance of being high performing. Using this approach, IDEV found that in only one year (2017) did more than half (eight out of 15, or 53%) of projects meet the benchmark composite score of 2.75. However, these results are broadly comparable with the Independent Evaluation Group's own independent assessment of project preparedness at the World Bank (Africa region), which shows that only 55% of projects were satisfactory in this respect in 2017.[82] IDEV further found that country context, project complexity and the strength of project implementation units in the country all affected the likelihood of projects reaching the benchmark.

Box 6: Generating local economic benefits through road upgrading

In May 2014, the Bank approved a loan of UA 82 million to finance an upgrade of the Rukingiri–Kihihi–Ishasha/Kanungu and Bumbobi–Lwakhakha roads in south-west and east Uganda, respectively. Local traders and householders described how the road is bringing economic benefits to their localities:

"There is less dust from the road and customers can find transport easier... before the road there were lots of potholes but now I can return [from buying goods] to my shop quicker."

Local store owner

The local store owner also said that the transport fare for his local trip had fallen from $1.36 to $0.82 since the road was made.

"The number of customers has increased and also the number of Kenyans that we see is increasing. Every Wednesday during the market we see more than we did before."

Woman selling kitchenware by the side of the road

"This road has brought lots of development to the area. I now have more customers, and the land prices around the road have increased."

Woman selling clothes by the roadside

"School enrolment increased. The competition for becoming a teacher in the local school increased. The population of students in the secondary school has increased three times over since the roads came [children are being brought to school on motorbikes]. The medical centre is now receiving patients late at night and also transporting patients to Mbale."

Member of the local Grievance Redress Committee

Project supervision and completion

4.32 Project supervision and exit at the Bank has got better but there is still ample scope for improvement. IDEV's report on Bank project supervision and exit was somewhat more positive than its conclusions on quality at entry. It found that the Bank's project supervision policies and tools were broadly relevant and clear. However, it further found that: (i) the lack of an integrated data system was an obstacle preventing

81 It found that approval times were not dissimilar to other comparable organisations, but that this was not a relevant factor for project quality.
82 *IEG Data*, World Bank, undated, link.

effective project management, (ii) projects were not always well aligned with the gender and fragility priorities of the Bank, (iii) reporting on environmental and social safeguards was weak, (iv) mid-term reviews were insufficiently used as an opportunity to take stock and adjust projects where necessary, and (v) there was a persistent backlog in delayed project completion reports (PCRs).[83] The Bank has made efforts to address this by greater decentralisation of monitoring and project design through the Development Business Delivery Model (DBDM) and greater coordination through the Integrated Quality Assurance Plan. Completion of good-quality PCRs that capture results and draw lessons at the end of a project is a critical component of corporate monitoring and evaluation.[84] Among those validated by IDEV, the share of satisfactory PCRs rose from 74% in 2014 to 77% in 2017. The World Bank equivalent of the Bank's PCRs are ICRs (implementation completion reports). Like the Bank, these are produced by project or country teams and a selection is then validated by IEG, the World Bank's independent evaluation team. IEG assesses the quality of over 85% of World Bank ICRs to have been satisfactory since 2015.

4.33 Our examination of project documentation in our case study countries illustrated some of the weaknesses in the Bank's preparation of project completion reports and implementation project reports (IPRs). In our case study of Kenya, we looked at IPRs of the Last Mile Connectivity Project (approved in March 2017),[85] and found that only 50,000 customer connections had been completed, well short of the 314,000 connections targeted for September 2017. Slow progress was attributed to delays in processing invoices in the Ministry of Energy and the Treasury. At the time of the final review in September 2017, the issue had still not been resolved. Despite this, the final review reported that the two outputs of length of low-voltage distribution constructed, and number of customers connected, were 'progressing well' and the project maintained a score of 3 ('satisfactory'). Indeed, the summary of findings across all three annual reviews (September 2016, March 2017 and September 2017) was limited to one-word sentences stating that the project was 'satisfactory' or 'on track'. The project has since improved, but the 2019 IPR still did not provide sufficient explanation as to why certain targets were missed. This suggests that there has been little improvement since a 2015 IDEV review found that PCRs often provide little information about the quality of projects. The same review also found that the Bank's independent validation of PCRs was akin to undertaking a piece of detective work.[86] The 2019 IDEV review scored PCR quality at 2.8 out of 4 and found that there was still a need for further improvement.

Despite some progress, the Bank has struggled to instil a culture of quality and results.

4.34 The Bank has struggled to instil a culture of quality and results in the organisation, and this has held back a more effective implementation of corporate policies and procedures. The IDEV evaluation of Bank supervision and exit found that staff incentives required further attention, and that the ongoing process of decentralisation likewise was incomplete: the share of operations staff based in country offices, which had risen from 29% to 50% between 2011 and 2014, fell back during 2014-16 but rose again in 2017 to 58%.[87] In 2016, the Bank's senior management committed to addressing the staff incentive structure in response to recommendations by IDEV's Comprehensive Evaluation of Development Results. The DBDM launched in 2016 was a significant improvement on earlier reforms, partly because it focused on how to train and incentivise managers. From DFID's perspective, the DBDM and subsequent reform and quality assurance plans are leading to a clearer approach that more succinctly explains how to deliver better results on the ground. The improved approach is also helping to ensure that people are in the right positions, better training is available for managers and that approvals are not the sole focus of KPIs as well as helping to right-size the Bank. If implemented well it should lead to improvements.

4.35 However, in several interviews with managers, inside and outside the Bank, we heard the Bank's culture is characterised as excessively rule-bound, with insufficient weight placed on accountability through

83 A project completion report is a post-completion description and analysis of a project's successes and challenges against a specific criterion.
84 Monitoring and evaluation is the systematic and objective observation and analysis of a project's relevance, effectiveness and efficiency relating to specific objectives.
85 This was a project aimed at providing lines of electricity cables to increase electricity connection for homes in rural Kenya.
86 *Independent Evaluation of Policy and Strategy Making and Implementation Report*, IDEV, 2015, link.
87 *A Proposal for a 7th General Capital Increase – A Stronger Bank for Africa's Accelerated Development,* Figure 2, AfDB, 2019.

results. Our interviews clearly showed that for many it feels like form over function and rules over accountability. Management is seen as risk averse and afraid of staff making mistakes. The share of staff from different member countries has been the subject of controversy, as it is in most multilateral organisations, which has sometimes hampered efficiency, and enhanced the attention to rules as the basis for recruitment or promotion. There may also be specific 'pinch points' in the Bank's overall management resources devoted to supervision and oversight. We heard from senior management at the Bank that oversight capacity and resources are most stretched at the level of middle management, yet donors, including DFID, have not been sufficiently attuned to this.

The Bank's investments support the 'leave no one behind' agenda, though more could be done through engagement with civil society organisations. The Bank has moved to mainstream gender although it has faced challenges in the early delivery of its strategy.

4.36 We were impressed by the Bank's focus on inclusion in some respects, even if this is not as explicit a goal as it is for some other development partners. For example, the Bank does not use the expression 'leave no one behind'.[88] However, as already noted, it includes poverty reduction and the number of people who are hungry or malnourished are included as high-level (Level 1) indicators. It also has a focus on jobs and employment created through its investments. In our visit to Uganda, we saw clear examples of how the Bank's investments in infrastructure were directly benefiting poor people. However, this could be strengthened with more engagement with civil society organisations.

4.37 The Bank has also made advances in gender mainstreaming. It approved a gender strategy for 2014-18 and appointed a special envoy on gender between 2014 and 2016, although the rollout of the strategy was not without problems. According to a review by IDEV, approval of a budget for the implementation of the gender strategy was delayed for at least two years, the rollout of the strategy did not involve staff sufficiently, and while new tools, such as the Country Gender Profiles, contained useful information, they were of variable quality and usefulness, with insufficient analytical depth, and insufficiently aligned with Bank policy and operational priorities.[89] However, in our country visits we saw evidence that the Bank's commitment to gender mainstreaming in the Bank is paying dividends. For example, in Nigeria we found examples where Bank projects were addressing gender appropriately. This included support for women-led small and medium-sized enterprises (SMEs) and increasing the share of women students in science, technology, engineering and mathematics at the tertiary level. The African University of Science and Technology in Abuja had a majority of women students in 2018 and 2019 (who are also offered full grants for postgraduate study), and 40% of postdoctoral research fellows and 20% of the faculty were women. The Bank has also financed a number of microfinance institutions through its financial sector programming whose client base is dominated by women borrowers.

Box 7: Generating local economic benefits through agricultural infrastructure

In May 2011, the Bank approved a loan of UA 42.34 million to finance the Community Agricultural Infrastructure Improvement Programme. The loan was designed, inter alia, to finance rural infrastructure improvements, including improved access to main roads and improving or constructing marketplaces in 68 rural areas. The project also provided agro-processing or value addition facilities in the 68 localities.

Our visit to the project in eastern Uganda revealed the project's integrated approach to value addition activities, including building community access roads together with a grain mill. Interviews with local farmers and the operator of the grain mill indicated that the combination of the roads and the crop processing resulted in an increase in the annual income of maize farmers (many farming less than one hectare of land) from an estimated average of $1,000 to $1,200.

88 'Leaving no one behind' means ending extreme poverty in all its forms and reducing inequalities among both individuals (vertical) and groups (horizontal). *See Defining 'Leaving No One Behind'*, Stuart, E. & Samman, E., 2017, link.

89 The Mid-Term Review of the AfDB Gender Strategy (2017) examined the implementation of the Bank's gender strategy, link.

The Bank's environmental and social safeguard policies are broadly fit for purpose, but delivery is hampered by a lack of human resources.

4.38 The 2016 MOPAN assessment found that the Bank's "AAA rating is testimony to its financial solidity, and its compliance with fiduciary, social and environmental requirements and safeguards is also strong".[90] DFID also found that, overall, the Bank has "well-regarded policies and approaches to transparency and safeguards, that are in line with other multilateral organisations" and this is confirmed by others.[91] For example, the Bank's Independent Review Mechanism enables stakeholders to have a means of ensuring that the Bank's own rules regarding displacement compensation, pollution and human rights are upheld.[92] However, DFID also found that the capacity of downstream partners, both project bidders and implementers, could not be guaranteed and needed close management.[93] The Bank itself in 2019 found that "on environmental issues, 80% of our operations had satisfactory environmental/social safeguard mitigation measures, compared to 87% in 2015 and 90% in 2017. This lower performance is attributed to lack of adequate resources to support project origination as well as implementation to assess the effectiveness of mitigation measures."[94]

4.39 Our interviews confirmed a picture of environmental and social (E&S) safeguard policies that are fit for purpose, but a capacity to implement the policies that is critically under-resourced below the most senior levels. With fewer than 20 E&S specialists, the Bank's safeguards team is unable to meet the demand for its services. For example, our visit to Nigeria, where the Bank E&S safeguards team comprises one in-house staff member and one consultant, showed how under-resourced this function in the Bank is.

4.40 In one instance, we learned that the Bank had not followed up to check on the welfare of project-affected people resettled as a result of the construction of a large power plant. The project team visited a village to which former residents of the area adjacent to the power plant had been moved six years previously. Although the people we interviewed told us that they preferred the physical structures of their new homes, compared with their former homes, the new location was relatively remote and far from the main road. From our discussions, it was apparent that the cost and availability of land was a factor in settling these affected people in locations so isolated from markets and services. Overall, those resettled had mixed feelings about their situation. After rainfall, the village was very hard to reach because mud roads became impassable, and this was a particular concern for women who needed rapid access to appropriate maternity care. We also found that the local school had been closed for approximately one year, and the children of those resettled were not benefiting from any formal education. But no one at the Bank appeared to be aware of the situation and no survey had been undertaken by the Bank since the resettlement.

4.41 In another instance, involving a non-sovereign loan in the extractive sector, we learned that the first mission by the Bank to supervise implementation of E&S safeguards for a major project was not conducted until five years after approval of the loan. In part, this reflected delays in the implementation of the project. When the Bank finally did undertake a supervision mission in 2019, it was underfunded and understaffed, and hence could not supervise key aspects of the project. Unusually, the Bank also disbursed the loan, which was in the hundreds of millions of dollars, in one tranche, as did the other co-financing Development Finance Institution (DFI) in the project. This meant that disbursement was not conditional on ongoing implementation of E&S safeguards. This operation raises a number of questions to which, despite best efforts, we have not obtained satisfactory answers. This, in part, reflects the restrictive access to information that pertains to non-sovereign corporate loans under the Bank's Disclosure and Access to Information Policy. As already noted, restrictive access to such information is common to other MDB non-sovereign

90 *African Development Bank Institutional Assessment Report*, MOPAN, 2016, pg. iv, link.

91 Himberg found that the Bank and the World Bank share very similar safeguarding policies. See *Comparative Review of Multilateral Development Bank Safeguard Systems*, Himberg, H., 2015, link.

92 The Independent Review Mechanism enables those affected by AfDB-funded projects to seek compensation if AfDB rules have not been upheld.

93 DFID assesses the capacity and capability of its delivery partners from a due diligence perspective, across four pillars: Governance and control, Ability to deliver, Financial stability, and Downstream partners. This assessment is the Central Assurance Assessment.

94 *Annual Development Effectiveness Review* 2019, African Development Bank, 2019, link.

operations. Nevertheless, it is clear that the information published by the Bank in relation to some of its non-sovereign loans is less than that available at other MDBs.[95]

Box 8: Generating local economic benefits through hydropower

In November 2017, the Bank provided a loan of UA 46.9 million (£52.1 million) in support of a hydropower project in Uganda. This was a non-sovereign loan, whose objectives included a reduction in the average electricity tariff from the current estimate of 10.7 cents/kWh to 8.2 cents/kWh, and in the overall end-user tariff from 15 cents/kWh to 13.5 cents/kWh, as well as an increased share of renewable energy in Uganda to 90%. Unlike the road infrastructure projects described above, however, the project's benefits were experienced at national level and did not benefit local residents who did not have access to the energy grid. To ensure that local residents benefited, the Spanish operating company contracted to maintain the plant also invested in renewable off-grid energy solutions for neighbouring communities, to ensure goodwill towards, and 'ownership' of, the plant.

The Bank has increased its engagement in private sector development, including targeting key sectors for inclusive economic growth.

4.42 The Bank's ten-year strategy (2013-2022) includes private sector development (PSD) as a key goal that is closely aligned to DFID's economic development strategy.[96] It commits to developing upstream policy work - to be applied across nations, regions and sectors, and using all available Bank expertise - as well as individual projects. The Bank also makes stronger links between the money it lends to governments and the money it lends to private organisations. It promises significant support to small businesses – key elements of the Bank's vision of inclusiveness and green growth. It is operationalising its strategy through three main themes: improving the investment and business climate, expanding access to social and economic infrastructure (including hard infrastructure and soft infrastructure, such as legal and regulatory frameworks, and financial access), and enterprise development, including access to finance, skill development and development of value chains.

4.43 There was some evidence that the PSD had become more central to the operations of the Bank, including through the decentralisation of country offices and through new cross-team work to coordinate public infrastructure and private sector projects. Non-sovereign lending represented a third of total lending by the Bank during 2016-18. In Nigeria, 60% of the country portfolio is in the private sector, with significant financing in the chronically underfinanced manufacturing and agricultural sectors. Significant private sector financing is also provided for trade finance,[97] seed-funding for the Development Bank of Nigeria and financing for microfinance banks, both of which are focused on SMEs, including for female entrepreneurs. This compares well with other development banks. For example, in 2017 the Bank approved $2.4 billion (UA 1.7 billion) in non-sovereign operations as compared with $2.3 billion for the Asian Development Bank, $1.7 billion for the Inter-American Development Bank and $1.6 billion for the International Finance Corporation's (IFC) investments in sub-Saharan Africa.[98] A number of strong technical assistance programmes have been implemented, including for specific goals such as for women entrepreneurs, those living in fragile situations and public sector support to develop public–private partnerships.

4.44 Private sector development requires coordination across public and private investment in infrastructure and investments in private firms to be successful (termed the 'coordination problem' in development economics).[99] The Bank PSD teams are leading cross-department work to develop such coordinated

95 AfDB's non-sovereign disclosure policy includes keeping all information confidential, if requested by the client, for up to three years. By comparison, the International Finance Corporation will only keep commercially sensitive or personal information, and communications of executive directors' offices. See *Policy on Non-sovereign Operations*, African Development Bank, undated, link, and *International Finance Corporation Access to Information Policy*, IFC, 2012, link.

96 Economic Development Strategy: Prosperity, Poverty and Meeting Global Challenges, DFID, 2017, link.

97 Capital Flows and Financial Sector Development in Low-Income Countries, Tyson, J. & Beck, T., 2018, link.

98 A Proposal for a 7th General Capital Increase – A Stronger Bank for Africa's Accelerated Development, AfDB, Table 8, 2019.

99 New Structural Economics – a Framework for Rethinking Development, Lin J., Y., 2010, link.

approaches. For example, in our fieldwork we heard about excellent cross-team coordination for projects developing public infrastructure and private sector investments in agriculture to develop value chains in Nigeria. However, such coordinated approaches have been hampered by projects in the agricultural sector being repeatedly delayed.

Financial additionality is questionable in some private sector development projects and there is a need for greater scrutiny as part of deal preparation.

4.45 The Bank has an established framework for assessing additionality for non-sovereign operations conducted by the Additionality and Development Outcomes Assessment unit. It is based on a framework and deals are approved by the board. Nevertheless, the framework has limitations. It does not cover sovereign operations despite the increases in sovereign bond issuances in the last decade (on both local and international capital markets). Further, 23% of non-sovereign deals are rated as 'below satisfactory' in financial additionality, and the average score is modest at 2.51 (where a score of one is 'strongly positive' and four equals 'none').

4.46 We note that the Bank has been working on increasing financial additionality and these scores show improvement from 2018 when 34% of non-sovereign operations had 'below satisfactory' financial additionality and the average additionality rating score was 3.13. However, we also noted deals where notional values were large (meaning scrutiny should have been ensured) but where financial additionality appeared questionable in both sovereign and non-sovereign operations. Specific deals considered under the case studies did not appear to be additional. In one instance, the financing of a large operation in the oil and agribusiness sector did not appear to be additional, given that the recipient of the financing was one of Africa's biggest corporations with significant existing access to banking and capital markets. The Kampala–Jinja expressway (and related port and energy projects) was also a project with multiple bids from private investors, and it was not clear if Bank finance was additional or simply crowding out private investment. Similarly, some of the microfinance banks that were being financed were substantial national institutions that would appear to be candidates to access finance from private markets.

The Bank has not mobilised as much private finance for development across the institution as peers, although they have led some excellent demonstration transactions.

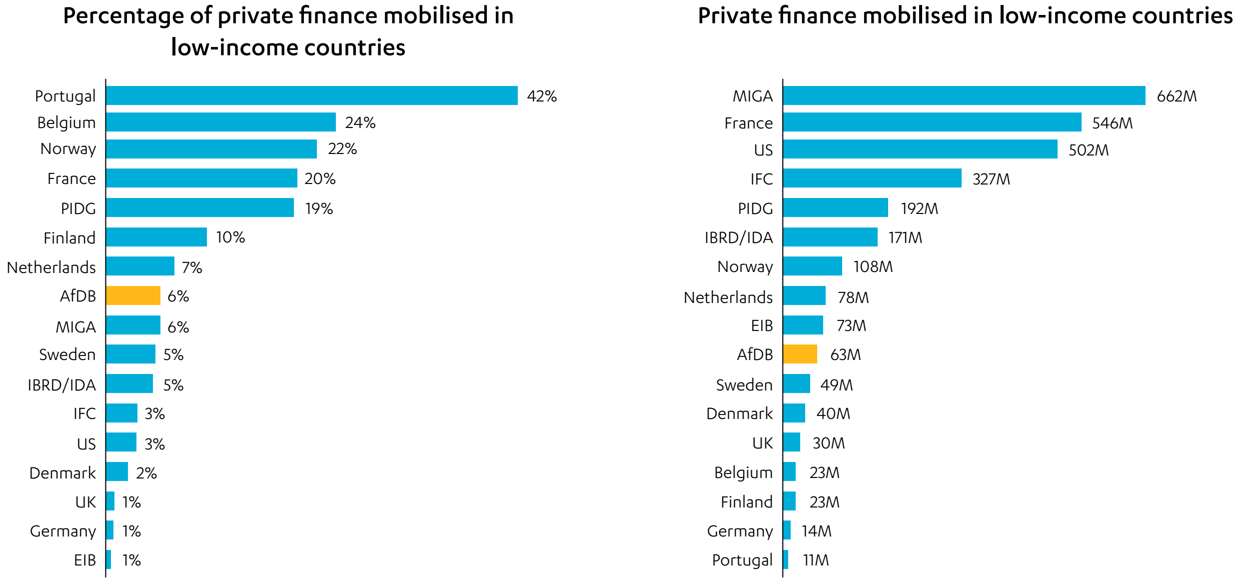
4.47 International financial institutions, including specialist development finance institutions such as the IFC and the UK's CDC, have all struggled to mobilise private finance from third-party investors in sub-Saharan Africa. This reflects multiple supply-side challenges involved in complex infrastructure projects in more challenging markets,[100] as well as global changes in financial regulation following recent financial crises, including the new Basel regulation.[101]

4.48 Nevertheless, the Bank's mobilisation of private finance, especially in low-income countries (LICs), has been modest given its balance sheet, resources and investment environments.[102] According to the Overseas Development Institute (ODI), between 2012 and 2015, the Bank mobilised $0.11 billion of private finance in Africa of which $0.06 billion was in low-income countries.[103] Although private finance mobilised by the Bank in LICs during this period, as a share of the total finance it mobilised, was higher than for some other DFIs, including the IFC and the UK's DFI, CDC, the absolute level of private finance mobilised in LICs compares unfavourably to some other regional and bilateral DFIs with a smaller regional presence. For example, between 2012 and 2015 the Bank mobilised less private finance in LICs than bilateral DFIs from France, the US, Norway, the Netherlands and multi-donor and regional DFIs including PIDG and the EIB, although it did outperform DFIs from Sweden, Denmark, the UK, and Germany.

100 *Marginal, Not Transformational: Development Finance Institutions and the Sustainable Development Goals*, Kenny C., 2019, link
101 The Basel regulations were brought in after the financial crisis to mitigate the risk of a collapse like that of 2008 by limiting financial institutions' ability to leverage capital.
102 Other DFIs tend to publish leverage ratios for LICs, but not Africa-specific ratios. Hence it is necessary to compare performance among DFIs across LICs. However, given that 25 out of 31 LICs are in Africa, the comparators remain useful.
103 The leverage ratio is the amount of private finance mobilised per $1 of investment by the Bank. See *Blended Finance in the Poorest Countries*, Attridge, S. & Engen, L., 2019, link.

4.49 In our meetings in Abidjan, we learned of examples of transactions where the Bank had mobilised private finance or used innovative financial structuring, but their number and scale were limited. For example, these include the Bank's Treasury department, leading innovative asset swaps to reduce capital applied to its existing lending portfolios (although there was no private finance participation), Africa 50 (an early-stage infrastructure fund),[104] the Africa Finance Corporation (which provides innovative development and financial structuring with private investors),[105] and the Bank's Africa Risks Financing Programme.[106]

Figure 7: Private finance mobilisation in low-income countries (2012-15)



PIDG – Private Infrastructure Development Group
IBRD – International Bank for Reconstruction and Development
MIGA – Multilateral Investment Guarantee Agency

Source: Blended Finance in the Poorest Countries, Attridge, S. & Engen, L., 2019, p. 42, link.

4.50 Based on institutional leverage ratios at comparative MDBs and DFIs, the Bank has mobilised less private finance than other institutions, even taking into account that their mandate is more heavily concentrated in low-income countries where doing so is more difficult. The Bank has led some innovative transactions that demonstrate the ability to mobilise private finance, such as the balance sheet optimisation transaction, and seed-funded some strong satellite organisations mobilising private finance (such as Africa-50 and the Africa Finance Corporation). Overall, however, even compared to peers, the Bank has neither mobilised sufficient private finance for development in relation to the development needs of the region[107] nor to its potential for doing so, given its skills and expertise.

Trust funds are a potential growth area for the Bank, but this will require stronger fiduciary and results management.

4.51 The Bank manages a number of trust funds that are highly regarded by external stakeholders, such as the African Legal Support Facility, the Transition Support Facility, the Nigeria Technical Cooperation Fund and the Africa Water Facility. Overall, though, the Bank manages many fewer trust funds than the World Bank. The Bank is limited by its 2006 Trust Fund Policy, which limits the number of bilateral trust funds to one per shareholder, although there are no such restrictions on multidonor funds. There is currently a review of the policy aiming to include additional financial instruments, address more complex needs and

104 However, since its inception in 2015, Africa 50 has made only limited progress towards its goal of mobilising $3 billion in private capital with only six projects, four of which are in relatively strong investment environments, including Nigeria, Senegal, Egypt and Rwanda, link.

105 However, 30% of the IFC portfolio is in the extractive industries, a sector that is already heavily over-financed in the region. See *2018 Annual Report*, Africa Finance Corporation, 2019.

106 This is of importance for the region because of its exposure to climate change but, to date, it has only created a small fund for agricultural risks for a few countries concentrated in West Africa. The concentration risks related to such insurance are high and this has led to difficulties with reinsurance.

107 Compared to, for example, those identified in the Addis Ababa Action Agenda. See *Addis Ababa Action Agenda*, United Nations, 2015, link.

provide for greater operational efficiency of larger funds. The small number of trust funds may also, in part, reflect the Bank's lower exposure in some sectors where trust funds are a preferred instrument of donors (eg the social sectors) although at least 30% of the trust fund resources managed by the World Bank (and executed by recipients such as governments rather than the Bank itself) are in sectors where the Bank is active.

4.52 Rather, the Bank's low profile in this area probably reflects an approach to trust fund management that is not yet fully mature. DFID's experience of commissioning the Bank to manage trust funds has been mixed. A case in point is the Congo Basin Forest Fund (£50 million). The Fund was established in 2008 to develop the capacity of the people and institutions in the countries of the Congo Basin to manage their forests, help local communities find livelihoods consistent with sustainable conservation of forests, and reduce the rate of deforestation through new financial mechanisms. An IDEV evaluation found that the governance and management of the Fund had been unsatisfactory. It concluded that the Bank should: develop separate operational procedures that fit the type of projects supported by trust funds and explain these procedures to its various staff, manage trust funds with more flexibility and responsiveness to stakeholders, and improve its communication. With respect to its dealings with non-governmental organisations, the evaluation concluded that the Bank should either radically transform the administrative procedures required for this type of grantee, or recognise that such organisations might be unable to comply with the Bank's procedures.[108] But other experiences have been more positive, including DFID's funding of the Sustainable Energy Fund for Africa and the Infrastructure Consortium for Africa.

4.53 There is a risk that overextending the non-core resources it manages could divert the Bank away from its core objectives.[109] But trust funds could also be an effective way of channelling additional resources to the Bank to support objectives in a more flexible manner than may be possible through core funding. In practice, if DFID is going to invest in trust funds managed by the Bank in the future, it should do more to build the Bank's capacity to manage third-party funds and use the Bank as a vehicle for undertaking work that does not easily fit in the Bank's core programming.

The Bank has only limited engagement with civil society organisations, although more in the area of environmental and social safeguards.

4.54 It was also clear from our discussions in Abidjan and visits to case study countries that the Bank's engagement with civil society organisations (CSOs) is still limited. The Bank recognises the value of engaging with CSOs. Engagement with CSOs started to gain momentum under President Kaberuka (2005-2015) with three meetings per year. However, when President Adesina (2015-present) joined the Bank, meetings with CSOs fell back to once per year. According to some, it became 'a paper exercise'. The Bank has recently started to engage more with CSOs in the area of E&S safeguards. However, CSO engagement has been focused on input to strategies rather than at project delivery level for the most part.

The Bank has played a small but valuable role working with China to build agreement around common standards of corporate governance.

4.55 Our discussions in Abidjan as well as with DFID staff in London indicate that, although it is still on a relatively small scale, the Bank's work with China is supporting the UK's goal of building relationships with China and other rising powers. Working with China represents both challenges and opportunities for the Bank. China is now Africa's third-largest investor and trade partner. Yet, China only has a small shareholding at the Bank – it comes 15th in the list of non-regional members with voting rights – and, with some exceptions discussed below, is not substantially engaged in Bank activities. For instance, China is yet to join the Infrastructure Consortium for Africa, although Bank staff told us that specific efforts were being made to secure its involvement.

108 *Independent Evaluation of the Congo Basin Forest Fund*, IDEV, 2018, link.
109 *Bilateral Versus Multilateral Aid Channels: Strategic Choices for Donors*, Gulrajani, N., 2016, pg. 17 link.

4.56 In November 2014, China and the Bank established the Africa Growing Together Fund. Through the Fund, the People's Bank of China and the Bank have jointly backed sovereign and non-sovereign guaranteed development projects, providing total financing of UA 495 million to date.[110] Senior management at the Bank described the arrangement as China agreeing to use the AfDB rules in financing private sector and other projects.

The Bank has deep expertise in the African development context and is generating data and insights that are of value to the broader development community.

4.57 The research output of the Bank is far less than that of its peers: between 2000 and 2017, the Bank published 564 research papers compared with 4,385 by the Asian Development Bank and 5,353 by the Inter-American Development Bank.[111] Nevertheless, we were impressed with the depth and range of policy advice and leadership provided by the Bank on a range of issues – especially infrastructure and realising related economic benefits. We also heard positive assessments of the Bank's economic and policy capacity from experts in DFID with several singling out the Bank's African Economic Outlook for particular mention. One academic observer commented that the African Economic Outlook would not have been done in the same way at the World Bank or other similar institutions, and that it reflected the valuable perspective of regional development banks, integrating some of the Bank's own analysis and analysis by African economists.

4.58 The Bank's policy and research capabilities were also positively assessed by MOPAN in 2015-16 as "providing strong policy advice and intellectual leadership on a range of issues".[112] Staffing costs for economic governance and knowledge management at $16.6 million are significant – greater than, for example, staffing costs for power, energy, climate and green growth ($6.6 million).

4.59 Given its deep knowledge base and the pivotal role it plays in Africa-wide development, we agreed with some interviewees that the Bank could do more to share its data, particularly market data, and disseminate its insights, including with other development partners.

Conclusion on effectiveness

4.60 The Bank has been rated by several independent assessments as one of the most effective multilateral banks, and has made good progress so far (as measured in 2018) towards achieving its High 5 priorities in the context of its 2016-2025 Results Measurement Framework. Looking forward, the Bank's 2025 targets envisage a sharp increase in results across most indicators relative to 2018, without a corresponding increase in financing or change in operating approach that might justify this. Clearly, this creates a significant risk for the future of apparent under-delivery, generated by unrealistic target-setting rather than poor underlying underperformance.

4.61 By the Bank's own assessment, the quality of its project preparation is satisfactory for only just over half its projects. However, this is broadly on a par with project preparedness at the World Bank in the Africa region. Despite some improvements, the Bank has struggled to instil a culture of performance across the organisation, and to recruit sufficient staff in key areas, such as safeguards and FCAS. However, its approach to 'leave no one behind' is improving, with good evidence of creating employment through its investments and some progress in the area of gender, but it could do better on 'leave no one behind' and gender with more CSO engagement.

4.62 The environment for private investors in many parts of Africa can be a challenging one. Despite this, the Bank has increased its engagement with the private sector, and in recent years has invested more in non-sovereign operations than several of its peers, although additionality is not always clear. Like other MDBs and DFIs, the Bank has struggled to mobilise significant amounts of additional private finance from third-party investors. The Bank's track record in leveraging private finance into low-income countries is poor, although better than that of CDC, the UK's own development finance institution, according to

110 *Financial Report 2018*, African Development Bank, 2019, link.
111 *A Guide to Multilateral Development Banks*, Engen, L. & Prizzon, A., 2018, p. 37, link.
112 *ADF-15 Strategic Direction of the Bank Group's Fragility Agenda*, African Development Bank, 2019, unpublished.

ODI analysis. It has also so far failed to attract significant third-party donor funds into trust funds under its management, although this is a potential growth area of business for the Bank. It generates good-quality research and policy advice, although it could do more to share its underlying data with the wider development community as a global public good.

4.63 Overall, while the Bank still has some way to travel before it fully realises its potential, it is, fundamentally, performing well in relation to peers and is playing a central role delivering complex infrastructure projects that are critical to Africa's development. We therefore award a green-amber score for effectiveness.

Efficiency: How well does DFID ensure the value for money of its contributions to the Bank?

4.64 In this section, we assess how well DFID ensures the value for money of its contributions to the Bank. This includes an assessment of actions that the Bank itself has taken to improve its efficiency as well as DFID's contribution to this process. In particular, we assess: how effective DFID has been at promoting reform of the Bank, how coherent the UK's engagement with AfDB has been at central and country levels and across UK aid channels (including the Foreign Office, the Department for International Trade and the CDC Group), and the extent to which DFID's contributions are based on robust evidence of performance, value for money and comparative advantage.

The Bank has improved its business processes in recent years, including through decentralisation of its operations.

4.65 Several DFID staff stated that the trajectory of the Bank's efficiency has been upwards and has improved significantly after some challenges experienced during the move from Tunis. As noted above, the Bank is recognised as one of the most effective multilateral banks. It is also one of the most cost effective. Six multilateral development banks (MDBs) have worked on developing a common framework for value for money through a working group established in 2014.[113] One simple indicator of cost effectiveness under this framework is the cost-to-income ratio. The cost-to-income ratio of the Bank in 2017 was 41.9% and compares favourably with the Asian Development Bank (79.7%) and is only marginally above the Inter-American Development Bank (37.1%).[114] However, driving the cost-to-income ratio too low could be counter-productive if it means that the Bank lacks the human and other resources needed to manage its portfolio optimally, given the challenges of its region.

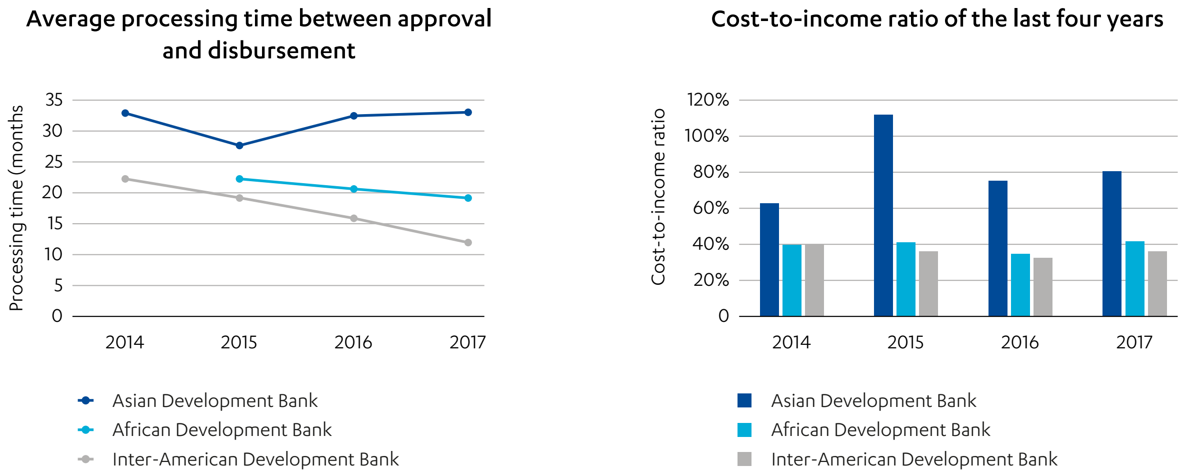
4.66 The Bank has been successful in driving improvements in business processes, aided by the adoption in 2016 of a Development Business Delivery Model (DBDM). The DBDM was designed to help the Bank become a more efficient and effective development organisation through institutional changes in five areas: (i) moving closer to clients to enhance delivery, (ii) reconfiguring the headquarters to support the regions to deliver better outcomes, (iii) strengthening the performance culture to attract and maintain talent, (iv) streamlining business processes to promote efficiency and effectiveness, and (v) improving financial performance and increasing development impact.[115]

113 The group included the African Development Bank, the Asian Development Bank, the European Bank for Reconstruction and Development, the Inter-American Development Bank, the World Bank Group and the International Fund for Agricultural Development, and came together in a mid-2015 meeting. The group also commissioned a study (the Mokoro Report) that considered the utility of applying the value-for-money concept and common metrics to the MDBs' distinctive and often different development operations. See *Multilateral Development Banks' Final Report on Value for Money*, AfDB, ADB, EBRD, EIB, EIF, IDB & World Bank, 2019, p. 23, link.

114 International Development Association and International Bank for Reconstruction and Development ratios are calculated as "administrative expenses as a share of operational revenues". These ratios, which may not be comparable to the cost-to-income ratios reported for the regional development banks, were 97% and 107% for IDA and IBRD respectively.

115 *AfDB to Improve Performance, Development Impact under New Development and Business Delivery Model*, African Development Bank, 2016, link.

Figure 8: Business process indicators of development banks



Sources: 2019-2021 Work Programme and Budget Document, link, Fifth Extraordinary Meeting of the Board of Governors (unpublished), Multilateral Development Bank's Final Report on Value for Money, link.

4.67 Progress on decentralisation (moving closer to the client), which has been a strategic priority for DFID, has been especially positive. In 2017, three new country offices opened (in Niger, Benin and Guinea) and the percentage of operations staff in field offices or regional hubs has been increasing, from 40% in 2015 to 53% in 2018, with 85% targeted by 2025. The percentage of projects managed from field offices rose from 60% in 2015 to 70% in 2018. Also, in 2018 AfDB launched a revised delegated authority matrix to streamline processes, clarify divisions of responsibility, and strengthen the capacity and authority of regional hubs and country offices.

4.68 An evaluation of the DBDM notes that the field offices are more empowered as well as better resourced. There is evidence that moving closer to the client is improving delivery: (i) the DBDM evaluation suggests that the better alignment between operations and the High 5 priorities, and the improved contribution to policy dialogue are a result of better contextual understanding on the part of Bank staff, and (ii) an IDEV evaluation on development results in 2016 found that where the Bank did gather and use contextual information, engage in dialogue and exploit existing country coordination relationships, this was associated with effectiveness and sustainability of results.

Some projects take longer to prepare than they should, often because of complex land rights issues, although overall the Bank is not significantly slower than its peers.

4.69 One measure of the Bank's efficiency is the speed with which it is able to prepare projects and initiate the first disbursement. The evidence suggests that, on this measure, the Bank sits somewhere in the middle, relative to its peers. The MDB working group on value for money found that projects at the Bank take an average of 18.9 months from initial mandate to first disbursement, between 14.8 and 23.9 months at the Asian Development Bank (for non-sovereign and sovereign projects, respectively), and 11.7 months at the Inter-American Development Bank.[116] IDEV's 2011 review of the quality of project preparation at the Bank found that in its sample period the Bank took 18.6 months from mandate to first disbursement, while the World Bank (Africa region) took 23.4 months.[117] Regarding implementation, IDEV found that there are limited resources to support this, including inadequate numbers of staff and insufficient staff training.[118] We saw this ourselves in Nigeria, where the regional integration team, for example, had only one senior staff member.

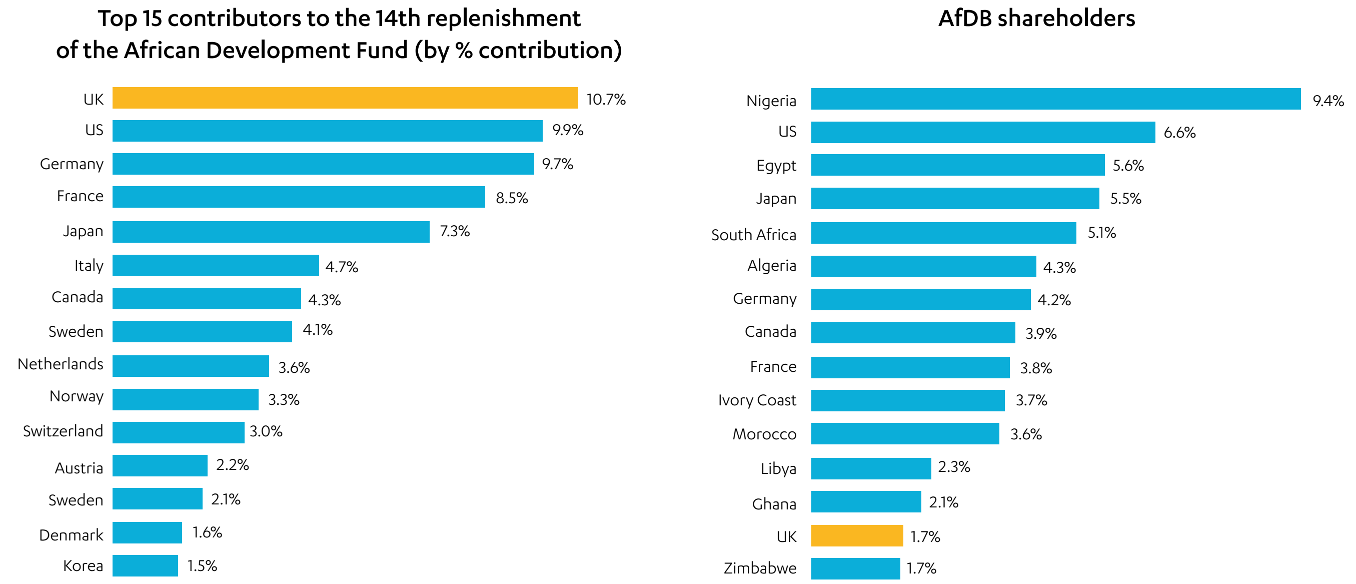
116 *Multilateral Development Bank's Final Report on Value for Money*, AfDB, ADB, EBRD, EIB, EIF, IDB & World Bank, 2019, link.
117 *Always Late: Measures and Determinants of Disbursement Delays at the African Development Bank*, African Development Bank, 2011, link.
118 *Independent Evaluation of Policy and Strategy Making and Implementation Report 2015*, IDEV, 2015, link.

4.70 We saw some evidence that the Bank could be more realistic in its planning assumptions. One of the main causes of slow disbursement that we observed was related to the displacement of people during land sequestration (eg for road construction), where complex patterns of land ownership can easily threaten timely project delivery. In our visit to a road project in eastern Uganda, for example, we found that disputes between the government and contractors on one hand, and landowners on the other, including resolving issues of displacement, were the biggest risk to timely project delivery. This was also a feature of the Last Mile Connectivity Project in our case study on Kenya, and is a well-known issue in many countries in Africa. In the Uganda road project, a further cause of delay were the unrealistic deadlines that resulted from government pressure caused by impending elections and the need to promise that delivery would be sooner than was feasible. We also observed that contractors sometimes agree to unrealistic deadlines for fear of losing contracts if they do not agree.

Although the UK has only a small shareholding in the Bank, its position on the board of the ADF gives it a central role in strategic decision-making.

4.71 The UK's corporate stake in the Bank comprises: (i) a shareholding in the AfDB under GCI 7 of 1.72% (corresponding to an annual payment of just over $15 million during 2020-27), and (ii) a contribution to the ADF under ADF-15 of £620 million for the period from January 2020 to December 2022. As noted earlier in this report, these contributions mean that the UK is the smallest shareholder in the Bank among the G7 (ranking 14th overall) but the largest contributor to the ADF (see **Figure 9**). While the UK's shareholding has remained broadly constant since it joined the Bank in 1983, as opportunities to increase its shareholding have been limited, its contribution to the ADF has fluctuated, with the latest contribution under ADF-15 representing a significant uplift, relative to ADF-14.

Figure 9: Top contributors to the ADF and largest shareholders in the AfDB



Sources: ADF 14-Report, link, AfDB – Statement of subscription and voting powers as at 31 October 2019, link.

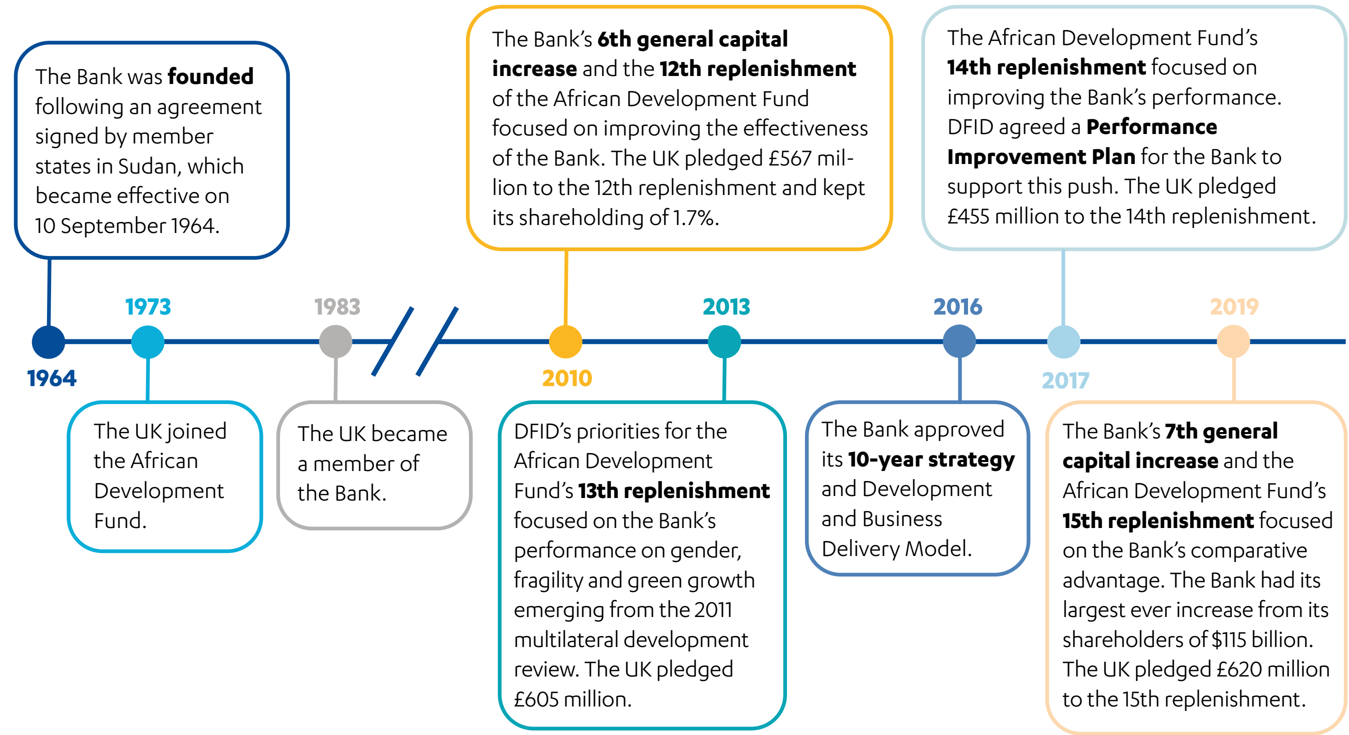
4.72 The UK's influence in the Bank is a function not only of its position as a shareholder, but also as the largest contributor to the ADF. The two institutions share a mutually reinforcing strategic context, management, staff and operational guidelines.[119] Decisions made by the board of the Bank will often have equally important implications for the objectives of the ADF as they do for the Bank itself. Consequently, the UK's position as the largest contributor to the ADF effectively gives it standing to engage on cross-Bank decisions in a way that it could not if it relied exclusively on its (small) weight as a shareholder. The executive director's position on the board of both institutions, the Bank and the ADF, allows the UK to influence the Bank's agenda and to remain abreast of developments.

119 *Report on the Fifteenth Replenishment of the African Development Fund*, African Development Bank, 2020, unpublished.

4.73 The biggest opportunities for the UK to influence the direction of the Bank are the three-yearly ADF replenishments. Every time the ADF is replenished, the UK is able to provide its 'asks' to the Bank. The general capital increases are also an opportunity for the UK to require reforms in exchange for agreeing to requested capital increases, although to a lesser extent than is the case with replenishments (because they are irregular and less frequent, and the UK is a relatively small shareholder).

4.74 Annual meetings are another important opportunity for the UK to engage at a high level with the AfDB and establish key priorities, discuss opportunities to collaborate and agree on issues requiring follow-up. The Central Assurance Assessment, a process to assess the capacity and capability to deliver across all multilateral partners, provides another opportunity to identify gaps in capacity that can be used to influence institutional reform.

Figure 10: Timeline of UK engagement with the AfDB Group



The UK is generally well-regarded as a technical partner at the Bank.

4.75 During our visit to the Bank's headquarters in Abidjan, we heard on multiple occasions that the UK makes a valuable contribution at the technical level in areas such as gender strategy, results management and value-for-money indicators. The UK has also funded training and provided secondments, which have been well regarded by the Bank. Overall, interviewees felt that the UK made an effort to prioritise, look at the bigger picture and align on priorities internally. Some interviewees highlighted the way DFID sometimes appeared to focus on relatively detailed issues, rather than providing support at a more strategic level. This can sometimes be seen as micromanaging and is not always welcome. In discussions on capacity and staff strength, for example, the Bank felt that there was a tendency by DFID to enter into the detail and that the frequency of requests for updates could be excessive.

4.76 In practice, the UK has focused on influencing quite a wide set of issues including: selectivity, fragile states, results, gender, institutional reform, value for money and bespoke assistance for specific projects.

4.77 Senior management at the Bank consider that DFID is at the forefront of the conversation around selectivity. They see the UK as a voice encouraging the Bank to limit and sharpen its priorities in specific countries in line with its resources, and to consolidate operations to achieve greater economies of scale and reduce unit costs.

4.78 DFID values the Bank's relationships with fragile states, including states where the UK does not have a presence itself. Partly for this reason, DFID has pushed the Bank to have a fragility strategy. DFID considers that recent changes to the Bank's approach to fragility and recognition of the need to strengthen its approach under ADF-15 owe a lot to UK influence.

4.79 According to the Bank, DFID has always pushed for monitoring and evaluation to be more central to the Bank and has pushed for disaggregation (for example to show gender results). DFID also claims to have helped shape the choice of indicators in the Results Measurement Framework, including a greater emphasis on gender-disaggregated data and measures of the Bank's contribution to low-carbon development. The indicators in the GCI 6 logframe (which this additional funding will report against) draw from these, reflecting elements that are DFID priorities.

However, the Accelerated Delivery Plan crossed a line between strategic direction in a multilateral context and unilateral micromanagement.

4.80 DFID's annual reviews monitor the progress of the Bank against the Bank's own indicators and targets. In September 2017, for the second year in a row the Bank scored a B at the annual review stage, suggesting the Bank was underperforming against its own delivery targets. DFID's SMART rules[120] require staff to consider improvement measures in such circumstances, and after consultation with UK ministers, DFID decided to place the Bank under a Performance Improvement Plan (PIP), known in the Bank as an Accelerated Delivery Plan. Following negotiations with the Bank on what the plan should include, the PIP was communicated to Bank President Adesina on 14 December 2017 through an official letter.

4.81 Through our interviews, we learned that the PIP increased DFID's sight of the Bank's efforts to improve performance and hence increased confidence. The Accelerated Delivery Plan drew on targets from the DBDM in areas such as the need for increased staffing for anti-corruption work in the Bank, preparation of project completion reports and other issues, but had tighter deadlines. In June 2018, DFID withheld 25% of the 2018 payment (£38 million of £152 million) partly due to a failure to meet targets for senior-level recruitment in the anti-corruption unit. This was hampering the Bank's ability to investigate and process cases in a timely manner, although it was not affecting the quality of investigations. In October 2018, it released 80% of withheld funds (£30.4 million), recognising notable progress against the PIP but also some continued shortfalls.

4.82 Our visit to Abidjan made clear that senior management at the Bank saw the plan as problematic. First, they felt it was not clear how the Bank had underperformed. Senior management were under the impression that DFID's judgement was based on calculations that were not transparent. Second, the Bank had hoped to have a more strategic conversation with DFID, rather than what was perceived as the overly detailed scrutiny contained in the PIP. Third, the PIP was seen as a unilateral intervention that ran counter to the multilateral core of the Bank's governance arrangements and threatened to increase transaction costs disproportionately. It was a widely held view at the Bank that if other donors did the same, transaction costs would rise, and it would become unmanageable. It was generally felt that a bilateral approach was not fair to the ADF's other funders. The approach, including its name – Performance Improvement Plan – was even felt by some senior staff at the Bank to have colonial overtones.

4.83 Interviews with senior managers in DFID indicate that some recognised the problems, while others felt that the Plan had helped focus the Bank's senior management on specific areas requiring improvement. There was a suggestion that the Bank had been seen at times as an easy target, relative to larger multilateral institutions, such as the World Bank. No other multilateral bank has been placed under similar arrangements by other countries, although the UK has used the incentive approach once before with the Caribbean Development Bank, and there are examples of countries unilaterally offering additional financial incentives to reward improved performance, rather than to punish poor performance.

120 DFID's Smart Rules provide the operating framework for DFID's programmes. They provide a clear framework for due diligence throughout the programme lifecycle, define accountabilities for decisions, and set out the processes that are compulsory. *Smart Rules*, DFID, 2020, link

DFID has not always engaged with the Bank at sufficiently senior level.

4.84 Despite the Bank's evident respect for DFID's technical support for the Bank's agenda, a reduction in ministerial and senior (permanent secretary) engagement in recent years has been noted by Bank senior management. Although ministers have met with President Adesina while he has been in London, the UK has not sent a ministerial representative to the last three annual meetings of the Bank (2017-2019).[121] Instead, these meetings have been attended by staff at the level of deputy director or below. Nor have senior officials from DFID or other departments attended replenishment meetings. However, it is also clear that the UK is not unusual among non-borrowing shareholders in this respect. For example, although the World Bank and IMF annual meetings are regularly attended by the chancellor of the exchequer and other senior ministers, these meetings have a status and function that transcend those of similar multilateral meetings. Evidence also suggests that changing political preferences regarding the importance of bilateral versus multilateral aid may play a role in shaping UK engagement at the Bank. Personality and skills among senior officials may also have played a role.

DFID headquarters depends in part on feedback from DFID country offices about the Bank at country level. Yet DFID's engagement with the Bank at country level is limited.

4.85 The UK's relationship with the Bank is managed through a DFID-appointed executive director in Abidjan and through the International Financial Institutions team in London. Relations are currently positive. This is despite the issues mentioned above.

4.86 Beyond these centralised relationships, we observed that there was little broader strategic engagement with the Bank by DFID. DFID's ability to supervise AfDB activity at the level of DFID country offices is limited by a lack of administrative budget. The relationship with the Bank at country level is described by DFID staff as a lower priority, relative to the main Washington-based organisations, namely the World Bank and the IMF. In our interviews, we heard that the Bank is rarely seen as a priority for engagement by country offices. Greater priority is placed on relationships with the UN because of their mandate, the IMF because they are such a strong partner in development coordination, and the World Bank, which is regarded as like-minded and easy to co-fund. There is also an ad hoc approach to engaging the non-sovereign parts of the Bank by CDC and the private sector development team in DFID.

4.87 We did observe some exceptions to this general rule. In Uganda, for example, we observed that the recent arrival of a dynamic new country manager in the Bank office, and a small but highly effective front office, had transformed the Bank's relationship with DFID. In addition, the existence of a project in Uganda – the Road Sector Support Project – which was co-financed by DFID and the Bank, provided a concrete opportunity for DFID to engage with the Bank and, in the case of this particular road project, to demand an improvement in performance.

A planned uplift in resources could help strengthen the government's engagement beyond DFID.

4.88 In February 2018, the National Security Council (NSC) agreed that the UK would reprioritise official development assistance (ODA) resources annually to enable the NSC's agreement to a new long-term approach to Africa. The purpose of the new approach is to enable a reorientation of the UK's approach in Africa in five core areas: (i) a strengthened cross-government focus on inclusive growth, trade, investment and economic partnerships, delivered with, and through, private sector actors, (ii) a longer-term upstream focus on security and stability, with an increase in activities to tackle underlying drivers of fragility, (iii) a step change in efforts to support family planning to help Africa harness a demographic dividend, (iv) a stronger focus on climate change and sustainable natural resource management, and (v) an increased UK presence and influence in the Sahel region, with a strong focus on Mali, Niger and Chad. Resources to deliver the strategy include increasing staff resources, with eight departments contributing to the plans and with most new roles put forward by DFID, the FCO, the Department for International Trade (DIT) and the Ministry of Defence.

121 It should be noted that the Secretary of State was to attend in 2017, but she was asked not to travel by her party due to the snap election. In 2019, attendance was considered again but the location, Malabo, was considered too politically sensitive.

This would increase the current Africa network by 456 staff by the end of 2019-20 and 521 government staff by 2020-21. We heard that one or two departments would include engagement with the Bank in their objectives.

4.89 There may also be opportunities to take forward the UK's cross-department investment and trade policy goals (including for the City of London). On 3 April 2020, for example, the Bank issued a social bond, Fight COVID-19, on the London Stock Exchange. This was the largest dollar-denominated social bond launched in international capital markets to date, raising $3 billion, and a good demonstration of the government's mutual prosperity objectives in action. DIT is also looking to engage more with the Bank to identify development outcomes that will justify the use of ODA resources. Our discussions with the DFID country manager in Uganda also suggested that there is scope for closer working between the Bank and the UK government in-country. For example, in Uganda, the Bank's investment in market access through community access road upgrades could be better coordinated with UK Export Finance support for grain silos.

4.90 Another possible opportunity is a strategic effort to improve engagement between the Bank and the CDC Group. There has been engagement, but it is piecemeal and lacks integration with other UK policy goals. The relationship between the Bank and PIDG (and its subsidiary GuarantCo) could be considered as a model. This is seen by the Bank as relatively strong, as reflected in a number of transactions executed, with PIDG and staff reporting an active and constructive dialogue.

4.91 This NSC initiative to strengthen cross-government working in Africa with the increased resources provided could enable a more joined-up approach to the Bank. We heard evidence from others, which was backed up by senior management in DFID, that coordination across the UK government in relation to the Bank could be improved. In the past, FCO and later DIT (which has had a primarily commercial interest in engaging with the Bank) have not seen it as relevant to their objectives to engage with the Bank in-country. However, the UK's recent strategic approach to Africa has involved the FCO examining how to work with new partners, including the Bank, on different priorities. The Bank's on-the-ground presence in countries in the Sahel, an important region for the UK for security as well as developmental reasons, is likely to be particularly relevant.

DFID's contributions to the Bank are based on evidence, although this is limited by minimal engagement between DFID and Bank offices on the ground.

4.92 DFID's sources of evidence include material collected as part of their own annual reporting, external reviews of MDBs, their engagement with the Bank at corporate-level through annual meetings, general capital increase (GCI) discussions and replenishment discussions, the Bank's IDEV reports, as well as some engagement between DFID and Bank country offices.

4.93 The existence of external reviews of the multilaterals by MOPAN, as well as DFID's own multilateral development review, provide valuable benchmarking of the Bank's performance, and help inform DFID's business case for GCI 7. Examples include the 2016 MOPAN assessment and DFID's own 2016 Multilateral Development Review.

4.94 However, as noted above, there is limited engagement between DFID and AfDB staff in-country. This limits the bottom-up flow of information to decision-makers in DFID when engaging with the AfDB at the board. In practice, this limits the information available to DFID staff in London when providing briefing for the UK executive director (or their alternate), as well as input into the negotiations between DFID and the Bank in the context of replenishments. We observed this directly in some of our interviews with headquarters staff on, for example, the Bank's performance in fragile contexts.

Conclusion on efficiency

4.95 The Bank is highly cost effective, relative to other comparable multilateral banks. Indeed, the challenge at the Bank now is less about reducing unit costs and more about the need to resource an uplift of staff in key areas, such as safeguards and FCAS. Business processes have improved, and the Bank is continuing to improve efficiency, notably through its ongoing decentralisation of staff and resources to regional and country offices.

4.96 The MDBs in general allow DFID and other bilateral donors to benefit from the economies of scale associated with their project preparation and supervision infrastructure, their presence on the ground (often in countries where the UK has no presence itself), and their knowledge base.

4.97 The UK is well regarded at the Bank, particularly for its inputs at the technical level. However, there has been less engagement by ministers and senior management at DFID with the Bank's top staff in recent years, which has impeded dialogue at the strategic level. DFID's approach in deciding in 2018 to hold back some of its contribution to the ADF under ADF-14 in a unilateral intervention now appears to run counter to the multilateral governance arrangements of which the UK is part. Increasingly DFID staff and senior managers recognise the problems of their approach and this is being reviewed. Beyond DFID, the government's engagement with the Bank has been limited and the approach not always completely coherent. The planned uplift of resources for government engagement in Africa under the UK's recent strategic approach to Africa offers some opportunities. For example, there are opportunities to engage more proactively in the Sahel region, which poses significant security and humanitarian challenges. DFID's management of its contribution to the Bank is generally evidence-based. However, the lack of interaction between DFID and Bank offices at country level means that the bottom-up flow of information to DFID centrally is limited.

5. Conclusions and recommendations

Conclusions

5.1 At the time of finalising the review, it has been announced that DFID will be merged with the FCO, so while DFID, as the lead department during the period under review, is the department referred to throughout most of this review, recommendations are addressed to the new Foreign, Commonwealth and Development Office.

5.2 The Bank's overarching objectives are well aligned with UK development goals, including key cross-cutting priorities, such as fragile states and women and girls. The UK's position on the board of the Bank, the premier African development institution, amplifies the UK's development impact in Africa. The Bank also complements the Department for International Development (DFID) well – notably through its financing of infrastructure (including large, complex cross-regional projects). Although the Bank is caught between its ambition as Africa's development bank to provide comprehensive services and pressure to focus on its core strengths, it remains highly relevant to the UK's development objectives for Africa.

5.3 The Bank is one of the most effective multilateral banks and is making good progress towards achieving its High 5 priorities in the context of its 2016-2025 Results Measurement Framework. However, the Bank is also still some way short of achieving its potential. Despite some improvements, it has struggled to instil a culture of performance across the organisation and to recruit sufficient staff in key areas, such as environmental and social safeguards, and fragile and conflict-affected states (FCAS). Its approach to 'leave no one behind' and gender is focused on creating employment through its investments, but could improve further with more engagement with civil society organisations. Project preparation and implementation is broadly on a par with comparator institutions but could be improved. The Bank has increased its engagement with the private sector, although additionality is not always clear and its track record in leveraging private finance into development, as with most of its peers, is not impressive. It has also been less successful than most peers in attracting significant third-party donor funds into trust funds under its management.

5.4 The Bank is highly cost-efficient relative to other comparable multilateral banks. Indeed, the challenge at the Bank now is less about reducing unit costs and more about the need to resource an uplift of staff in key areas, such as safeguards and FCAS. The Bank is continuing to improve effectiveness, notably through its ongoing decentralisation of staff and resources to regional and country offices.

5.5 The UK is well regarded at the Bank, particularly for its inputs at the technical level. However, there has been a reduction in engagement by ministers and senior management at DFID with their counterparts at the Bank, which has reduced the opportunity for dialogue at the strategic level. DFID's unilateral approach using a Performance Improvement Plan appears at odds with the multilateral governance arrangements at the Bank of which the UK is part. Some DFID staff and senior managers recognise the problems and the approach is being reviewed. The government's engagement with the Bank beyond DFID has been limited and there is room for improvement in coherence. It remains to be seen whether this will happen as a result of changes underway, such as an uplift of resources for government engagement in Africa and now the planned merger of the Foreign Office and DFID. DFID's management of its contribution to the Bank is generally evidence based. However, the lack of interaction between DFID and Bank offices at country level means that the bottom-up flow of information to DFID centrally has been limited.

Recommendations

We offer a number of recommendations to the FCDO:

Recommendation 1: FCDO should minimise unilateral reform interventions – such as the 2017 Performance Improvement Plan (PIP) – that could undermine the multilateral nature of the Bank's governance structure as well as the UK's reputation as an honest broker.

Problem statements:

- The PIP was perceived as a unilateral intervention by the UK that ran counter to the multilateral nature of the Bank.
- Senior management at the Bank were concerned that if other countries started to promote their own reform conditionality, this would raise the transaction costs of reform to unsustainably high levels.
- The PIP was perceived as risking damage to the relationship between senior management at the Bank and the UK.

Recommendation 2: FCDO should take a broader view of value for money than cost-to-income ratios, and focus on ensuring that key areas of understaffing, such as such as fragile and conflict affected states (FCAS) and safeguards, are addressed.

Problem statements:

- The cost-to-income ratio is so low compared to peers that it risks damaging effectiveness.
- As its own evaluation work demonstrates, the Bank now requires additional resources in project supervision to deliver improved quality and value.
- Other UK priorities, such as staffing in FCAS and greater capacity in leveraging private finance, are hard to promote at the same time as driving costs down.

Recommendation 3: FCDO should pay particular attention to ensuring that the Bank's environmental and social safeguards are implemented on the ground.

Problem statements:

- Although the Bank's environmental and social (E&S) safeguard policies are broadly fit for purpose, there is a severe shortage of specialist staff in the headquarters and in country offices available to implement these policies.
- The culture of ensuring respect for E&S safeguards is not sufficiently embedded in the organisation to withstand pressure to cut corners in high-profile projects.
- Ensuring that E&S safeguards have achieved their objectives can take several years to establish (for example, in the case we observed of project-affected people relocated due to land requisition), and requires a deeper institutional commitment to follow up than currently exists in the Bank.

Recommendation 4: If FCDO is to channel more resources to the Bank via Bank-managed trust funds, it should help to build the Bank's capacity to manage such funds, including technical assistance to strengthen fiduciary and results management.

Problem statements:

- The AfDB currently has less trust fund activity than other MDBs, which may reflect a lack of confidence on the part of partners in Bank management capabilities.
- This creates a vicious circle where the Bank is unable to strengthen its skills through lack of opportunities. This, in turn, impacts negatively on its ability to manage funds, which could enable it to respond to priorities not easily resourced corporately.
- Some previous trust funds commissioned by DFID have not always been in sectors that played to the Bank's strengths.

Recommendation 5: Government country teams could do more to identify synergies with Bank investments, thus encouraging closer working, better information flows and better-informed oversight.

Problem statements:

- There is scope to bring the UK's approach at the AfDB to the Sahel region, which poses significant security and humanitarian challenges, further in line with the UK's strategic approach to Africa.
- Country teams have tight administrative budgets, which poses challenges for monitoring the AfDB on behalf of the headquarters.
- Information flows between the Bank and the UK are minimal at country level, which impedes effective decision-making by the UK.
- Current UK programmes are missing opportunities, such as combining DFID's investments in rural market access with the Bank's investments in community road building.

Annex 1: List of sampled projects

Country case study	Sampled projects
Nigeria	• Agricultural Transformation Agenda Support Programme – Phase I • Dangote Industries Limited • Field Visit Review to the Lekki Toll Road Project • Urban Water Sector Reform and Port-Harcourt Water Supply and Sanitation Project • Field visit review to the Lapo Microfinance Bank • Field visit review to the Africa Finance Corporation • Field visit review to the Development Bank of Nigeria • Field visit review to the Nigeria Sovereign Investment Authority • Field visit review to the African University of Science and Technology
Uganda	• Field visit review of Road Sector Support Project V • Rural Electricity Access Project, Community Agriculture Infrastructure Improvement Programme III • Water Supply and Sanitation Programme II • Field visit review of Agriculture Value Chain Development Programme • Field visit review of Bujagali Hydropower
Kenya	• Emergency Humanitarian Relief Assistance to the Population affected by Drought and Famine • Mombasa–Mariakani Highway Project • Last Mile Connectivity Project • Small Towns and Rural Water Supply and Sanitation Project
Tunisia	• Don MIC Projet de Développement Agricole Intégré (PDAI) de Gabés et Gafsa • Integrated Agriculture Development Project (PDAI) - Gabés II • Road Infrastructure Modernisation Project • Rural Drinking Water Supply Programme – Phase II • Southern Tunisian Gas Pipeline Project
Mali	• Projet de Développement Intégré et de Résilience Climatique dans les Plaines du Delta 2 (PDIR-PD2) • Développement de minicentrales hydroélectriques – PDM-HYDRO • Projet de Renforcement de la Sécurité Alimentaire et Nutritionnelle dans la Région de Koulikoro (PReSAN-KL) • Economic Governance Reform Support Programme – Phase I • Woyowayanko Bridge

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