The workshop at the African Development Bank’s (AfDB’s) East Africa Regional Office (RDGE) in Nairobi was the second in a series of PBO learning events organized by Independent Development Evaluation (IDEV) and the Governance and Public Financial Management Coordination Office (ECGF) for Bank staff. The first was held at the Bank’s Southern Africa Regional Office in Pretoria.

The goal of the workshop was to improve the knowledge of PBOs and of how they could be used, in synergy with other instruments, to advance the effectiveness of the Bank in the region. Marcelin Ndong Ntah opened the workshop on behalf of the Director General of RDGE. He pointed out that PBOs were critical for the Bank and had accounted for 17-21% of the Bank’s approvals in recent years. “When it is well designed”, he added, “a PBO gives the Bank a unique entry point for policy dialogue with the country in support of key sectoral reforms.”

In her opening remarks, Karen Rot-Münstermann said that the workshop had stemmed from a recent IDEV Evaluation of the Bank’s PBOs (2012–2017). One of the reasons for the evaluation, she said, was the strong interest in PBOs, as well as their particular risks and benefits, which should be assessed so as to maximize their use in delivering the Bank’s High 5s. The evaluation sought evidence of how Bank-funded PBOs have performed and drew lessons and recommendations for how the Bank could optimize its use of PBOs going forward.
Francois Nkulikiyimfura first made a presentation on the Bank’s PBO policy and guidelines, entitled “What are PBOs - how and when does the Bank use them”. It introduced the concept of PBOs and how their use has evolved in the Bank, to build understanding on what the policy and guidelines say. In brief, the Bank issues four types of PBOs, namely: (i) General Budget Support, (ii) Sector Budget Support, (iii) Crisis Response Budget Support, and (iv) Import Support. For a country to receive a PBO, it must meet several eligibility criteria, which include macroeconomic stability, satisfactory fiduciary risk assessment and political stability among others.

The presentation of the results of the PBO evaluation was made by Clement Banse. It was entitled “How well is the Bank walking the talk with its PBOs”. The evaluation looked at how well PBOs have been programmed, designed, implemented and managed, and sought to determine how the Bank could optimize its use of PBOs to achieve the High 5s. The evaluation gave an overall satisfactory assessment of the programming, design, and management of PBOs. Areas that it found to be in need of attention were risk assessment and mitigation, the logic of the results frameworks, and how the policy dialogue that is related to PBOs is addressed. Key advice from the evaluation was that the Bank should design PBOs with multi-year support to a few reform areas and that it needs to better reflect the role of policy dialogue in PBOs.

In the Q&A session that followed, participants debated at length about the value added of General Budget Support. Unlike Sector Budget Support, General Budget Support goes to the national budget and the government chooses the priorities that it will fund. Usually the Bank’s contribution is too small (less than 10%) to dictate the pace of reforms in a country. Ultimately, the onus is on the Bank to focus on the reform areas where it can make a difference - this goes back to the issues of design, selectivity and focus on the results of a PBO. The relevance to the country of the selected reforms has to be made very clear so as to justify their urgency. For Sector Budget Support, the agenda for the reforms is drawn from the sector strategy. In Rwanda, for example, the Bank co-chaired the Development Partner working groups in key sectors, which gave it leverage to push for critical policy issues.

An area of concern raised by participants was the weak internal coordination around PBOs across the sectors within the Bank - right from the country office to the regional and Headquarters levels. One reason given for this was that staff KPIs did not set incentives for coordination. It was felt that with good teamwork, the Bank can pool its resources to prudently identify and dialogue on key reforms in a country; reforms that can boost the Bank’s performance in specific sectors, and help it to deliver on its development objectives. Other discussion points of the Q&A were about the complementarity of PBOs with other instruments of the Bank; the eligibility criteria for PBOs; and the roles and responsibilities for policy dialogue. To assign roles and responsibilities for policy dialogue, the Bank was advised to view policy dialogue at four levels: (1) Strategic level dialogue, when the Bank consults with the country to agree on its strategic vision (Country Manager). (2) Dialogue at the level that defines the Bank’s priorities and entry points, i.e. in the Bank’s Country Strategy (country economist under the guidance of the country manager). (3) Development Partner coordination dialogue, and (4) Program design dialogue (sector and task managers).

“Unlike Sector Budget Support, General Budget Support goes to the national budget and the government chooses the priorities that it will fund.”
Panel Discussion:
Tuning into cases from the field - voices from the frontline

Moderator:
Francois Nkulikiyimfura, Chief Governance Officer, ECGF/RDGE

Panelists:
Alex Mubiru, Country Manager, Tanzania;
Abdul Kamara, Country Manager, Ethiopia;
Eline Okudzeto, Governance Expert, ECGF/RDGE;
Flavio Soares da Gama, Senior Country Economist, South Sudan;
Clement Banse, Principal Evaluation Officer, IDEV

The panelists, staff who are “hands-on” with PBOs, were invited to reflect on some of the issues that the evaluation had raised. On the finding that the Bank did not do enough about policy dialogue around PBOs, Alex Mubiru said that one weakness was the shortage of specialized staff on the ground for policy dialogue. The dialogue is sometimes spontaneous, such that drawing on the staff at the regional offices was not always possible. All the panelists agreed with the point raised in the evaluation that for policy dialogue around PBOs to be effective, analytical work is crucial. Abdul Kamara cited the Bank’s experience in Ethiopia as a prime example. In 2015, based on analytical work it had done, the Bank initiated an institutional support project, which developed a framework for Public Private Partnerships (PPPs) for the country. As a result, legislation for PPPs was developed but it was not enforced straight away. “Now Ethiopia is set to become a middle-income country by 2025, with privatization expected to drive this economic transformation”, he stated, “the outputs of the Bank’s 2015 study have gained prominence. Currently, a World Bank PBO of USD 1 billion is hinged on the PPP framework, and the Bank has now been placed in the leadership of the Development Partners”.

“A programmatic approach to a PBO allows the Bank to track a reform as it unfolds....”

Panelists reasoned that while PBOs are a unique entry point for the Bank to engage in policy dialogue with governments, not all policy dialogue can be addressed through a PBO alone. As they prepared the Country Strategy Paper, Country Offices were advised to outline all issues that need to be addressed through policy dialogue. Then a PBO could be designed to supplement other programs of the Bank for effective policy dialogue.
Endorsing the programmatic approach for PBOs, Eline Okudzeto said that they allow the Bank to track a reform as it unfolds. One risk is that of government shifting its priorities during the span of the program. This risk is low if the reforms are based on sound analytical work, and where the government has ownership of the reforms, rather than seeing them as Bank-driven.

Fiduciary risk, participants were told, was among the reasons why most DPs had pulled out of giving budget support to Tanzania. Out of 14 Development Partners who provided budget support in 2012, only five currently remain (AfDB, WB, EU, Sweden, and Denmark). The country Financial Management Officer explained why the AfDB is still giving budget support to Tanzania. Over the years (2010, 2013, and 2017), the Bank has carried out reviews that show that there have been steady improvements in the country’s Public Expenditure and Financial Accountability systems. These include the setting up of a single government treasury account, of budgetary controls, and of regular finance audits, among others. These improvements justified the continued issuing of budget support to the country. In general, if the Bank’s assessment of a country’s systems show that there is high risk, and the government proves that there are robust risk mitigation measures, the country can be eligible for a PBO. The government would have to submit updates on the status of risk before the Bank triggers disbursement.

The workshop ended on a high note with gratitude expressed for the usefulness of the presentations and discussions for the work of the Bank.

**Key takeaways**

**PBO in Country Strategy Paper.** PBOs are a unique entry point for the Bank to engage in dialogue with governments. Since a PBO is planned for in the Country Strategy Paper, it could be designed to supplement other programs of the Bank for effective policy dialogue.

**Weak internal coordination.** Internal coordination within the Bank around PBOs, from the country office to the regional and Headquarters levels, is a weakness that needs to be addressed.

**Programmatic PBOs.** The programmatic approach is useful because reforms can be tracked as they unfold. The risk of government changing focus along the way, due to changed priorities, is low if the reforms are well grounded in analytical work and where the government has ownership of the reforms, rather than seeing them as Bank-driven.

**Roles and responsibilities for Policy Dialogue.** These should be assigned for policy dialogue at four levels: (1) Strategic level, (2) Level that determines the Bank’s entry points, (3) Development Partner coordination, and (4) Program design.