Proceedings of “Optimizing the Bank’s PBOs as a Package of Support” Workshop
Abidjan, 26 June 2019
On 26 June 2019, around 30 staff members of the African Development Bank (AfDB or the Bank) discussed “Optimizing the Bank’s Program Based Operations (PBOs) Support as a Package” in a workshop at the Bank’s headquarters in Abidjan, Côte d’Ivoire. The event was the third in a series of workshops organized jointly by Independent Development Evaluation (IDEV) and the Bank’s Governance & Public Financial Management Coordination Office (ECGF), which aimed to sensitize staff on PBOs and the application of the Bank’s PBO policy as well as best practices. It follows from a recent independent evaluation of the AfDB’s PBOs.

PBOs, also known as budget support, are instruments that the AfDB uses to provide funds directly to a country’s treasury in support of the national budget. Additionally, PBOs are expected to support general economic and financial or sector-specific reforms in the country.

Welcoming the participants on behalf of IDEV and ECGF, Foday Turay explained that they had hosted the workshop to provide a platform to reflect as a Bank, on what the evaluation had found vis-à-vis the design and implementation of PBOs. It was envisaged that the workshop would improve understanding of PBOs in order to enhance their effectiveness in delivering on the AfDB’s High 5s.

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Opening the workshop, Herves Lohoues, the Lead Economist at the Bank’s Central African Regional Office spoke of the popularity of PBOs among the regional member countries. In 2018 alone, the Bank provided PBOs worth about USD 336 million to countries in Central Africa. “PBOs”, he said, “are an important and powerful instrument for the Bank. They are a strategic instrument for the Bank in pushing development in the region, especially for policy dialogue with the countries.”

As a prelude to the workshop discourse, two presentations were given - one by ECGF on the Bank’s PBO policy and guidelines, and the other by IDEV on the findings and recommendations from the PBO Evaluation.

In the ECGF presentation, Carina Sudgen gave insights into the Bank’s PBO Policy and guidelines. She explained the differences between PBOs and other financial instruments of the Bank. PBOs provide funds directly to a country’s budget to be executed through the country’s financial management systems. Furthermore, the Bank does not allocate these funds to specific actions. The Bank delivers through PBOs in three ways:

- Strengthening country systems and support to country-led reforms of public financial management systems.
- Policy dialogue to reinforce policy reforms in the regional member country.
- Financing government expenditure on its priorities, thus contributing to the overall development results of the country.

She outlined the eligibility criteria for PBOs, the types of PBOs, and the different modalities for PBO design among other issues. Participants learned that PBOs were strategic in supporting the development agenda of the Bank in the recipient countries. As well as the budget support through PBOs, the Bank compels governments to carry out specific reforms. These may be reforms that strengthen a country’s public financial management systems or reforms in sectors that are of interest to both the Bank and the country. The Bank’s PBOs have registered successful reforms. These include, among others, strengthening of the tax administration system in Niger, electricity tariff reforms in Egypt and Angola, and the establishment of the Revenue Authority in Namibia.

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Clement Banse made a presentation on the findings of the IDEV PBO evaluation. The evaluation looked at how well PBOs were 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 picture of the programming, design, and management of PBOs; funds disbursement and implementation were found to be positive. Areas that were found to be in need of attention were risk assessment and mitigation, the logic of the results frameworks, and how policy dialogue was addressed. While noting that PBOs are a vital tool for the AfDB in the High 5s context, the evaluation remarked the Bank’s failure to invest in its own institutional infrastructure, one of the key issues that prevented the Bank from getting value for money from PBOs. Key advice to the Bank was that it should design PBOs with multi-year support to a few areas of reform, and to better reflect the role of policy dialogue in PBOs.
Following the presentations, a key subject of debate was about the Bank’s role as a strategic advisor to governments. The Bank does not normally carry out in-depth economic sector work regarding PBOs. It also has a real problem in mobilizing the needed expertise and technical assistance to support discussions with government officials. Not having resources that could be leveraged for strategic advice to governments was a challenge in the Bank. One advice was for the Bank to select reforms that are contingent on the Bank’s capacity to support them. General budget support, participants reflected, is difficult to manage. Given that it is a joint venture among development partners, it is difficult for a single partner to influence budget support nor claim results. The AfDB is a ‘partner of choice’ for many African countries, and it should be able to use this advantage to influence reforms in those countries.
Panel Discussion:
Tuning into cases from the field - voices from the frontline

Moderator:
Carina Sugden, Principal Governance Officer, ECGF

Panelists:
• Serge Nguessan, Deputy Director General, RDGW
• Wilfrid Abiola, Division Manager, ECGF;
• Hamacire Dicko, Senior Country Economist
• Fabrice Sergent, Chief Health Analyst, AHHD
• Clement Banse, IDEV

Closing Remarks: Abdoulaye Coulibaly, Director ECGF

This discourse with staff who work directly with PBOs helped to shed more light on the issues raised by the PBO evaluation. Wilfred Abiola agreed with evaluation’s finding that “the Bank is punching below its weight when it comes to policy dialogue around PBOs”, stating that the Bank does not have adequate resources for policy dialogue. Ideally, the policy dialogue to address priority reforms in the country is identified in the Bank’s Strategy. However, often the Bank has neither the resources nor the flexibility to carry out the necessary studies to inform policy dialogue.

Fabrice Sergent added that policy dialogue depends on the caliber of people on the ground, arguing that it is futile to run policy dialogue in a country where the Bank does not have an office. He observed that most countries like to have a diversity of advisors. Through the right people on the ground and strategic studies, the Bank can credibly advise a government.

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Participants heard that general budget support has limited scope to influence governments, compared to sector budget support. However, the Bank mostly uses general budget support because it focuses on fiscal issues, on which country economists have the ability to advise governments, whereas few country offices have sector expertise. Nevertheless, if a country has a National Development Plan then the Bank is able to build on it through general budget support. Through dialogue, the Bank can push for reforms earmarked in the National Development Plan. The onus is on the Bank (through the country manager or the country economist) to work on securing the trust of governments to be able to influence them.
Bank was advised that it should select reforms in a country depending on the capacity of the Bank (both on the ground and in the rest of the Bank) to support those reforms. Furthermore, the Bank was advised to document the policy dialogue in order to foster the institutional memory of the Bank.

A criticism from the evaluation was that the Bank is not assuring adequate attention to “Reputational Risk”. To better mitigate this risk, participants were told, coordination with other development partners is crucial. The Bank cannot push for a strategic reform alone. On issues such as corruption, for example, the proportion of the Bank’s budget support to governments is usually too insignificant to use as a basis for dialogue. However, by working in harmony with other development partners, the Bank has been able to convince governments to commit to related reforms. The Bank cannot push a strategic reform alone so coordination among development partners is vital.

Participants called on the Bank to enhance its PBOs through prudent economic and sector work. In addition, they advised the Bank to be ingenious in how it mobilizes the technical assistance needed for a country to carry out the reforms that a PBO compels. An important matter that was raised was the need for the Bank to step up coordination and teamwork both internally (among Bank teams) and externally - with the regional member countries and the other Development Partners.

In his closing remarks, Abdoulaye Coulibaly reiterated the importance of budget support in helping the Bank to influence public policy in African countries. In his view, Bank staff need to be acquainted with what is achievable with the instrument, through a number of exercises, such as this workshop. He indicated that ECGF has developed a plan on how they would build the recommendations from the PBO evaluation going forward (Refer to Management Response).

**Key takeaways**

- The PBO as an instrument is strategic for supporting the AfDB’s agenda in the regional member countries and helping it to achieve its goal of reducing poverty.
- The Bank has to be prudent in its choice of reforms - needs to take into account the resources at the disposal of the Bank, especially in-country capacity.
- To guard against reputational risk, coordination with other development partners is crucial.
- To optimize PBOs the Bank has to take the package of support approach, as recommended by the PBO evaluation. It needs to address policy dialogue systematically, drawing on a team of knowledge and expertise across the Bank.
- The Bank should engage in and sustain policy dialogue by:
  - Having strategic studies and technical assistance to support discussions with government officials.
  - Undertaking the role of advisor to Governments and officials by ensuring that the dialogue is maintained.
  - Making resources available to country managers that can be used to fund research or contract short-term technical assistance.