Effectiveness and efficiency in Trust Fund management at the AfDB
OUTLINE

I. Context
II. Trust Funds
III. Legal Instruments
IV. Financial Control
V. What has worked and what has not worked
VI. Conclusion
VII. Discussion; Q. & A.
I. CONTEXT

Resource mobilization as part of larger story
BIG AMBITIONS AMID RESOURCE CONSTRAINTS

The New Sustainable Development Agenda requires significant increases in resources mobilization to finance:

- Global community’s Agenda 2030 which entails moving ‘from billions to trillions’;

- A.U.’s elaborate Agenda 2063 where the Bank is the lead party for resource mobilization; and

- Bank Group’s High 5 operational priorities in its Ten-Year Strategy.

Yet, Bank Group facing constraints to support these ambitions: ADB capital adequacy constraints and a lower-than-anticipated ADF envelope.
## SUBSTANTIAL HIGH 5 RESOURCE REQUIREMENTS

<table>
<thead>
<tr>
<th>Operational priorities</th>
<th>Annual (UA)</th>
<th>2025 (UA)</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Light up and power Africa</td>
<td>2.6</td>
<td>23.4</td>
<td>50% Public 50% Private</td>
</tr>
<tr>
<td>Feed Africa</td>
<td>2.4</td>
<td>21.6</td>
<td>70% Public 30% Private</td>
</tr>
<tr>
<td>Industrialize Africa</td>
<td>4</td>
<td>36</td>
<td>100% Private</td>
</tr>
<tr>
<td>Integrate Africa</td>
<td>3.5</td>
<td>31.5</td>
<td>50% Public 50% Private</td>
</tr>
<tr>
<td>Improve the quality of life for the people of Africa</td>
<td>0.41</td>
<td>3.69</td>
<td>90% Public 10% Private</td>
</tr>
</tbody>
</table>
AFDB — MAIN SOURCE OF FINANCING

Leverages its triple A rating to issue bonds on the market — Borrowing program of about UA 6 billion per year to finance non-sovereign and sovereign transactions.

Replenished every 3 years by 30 donor countries and benefits 38 countries. Currently ending the 14th ADF cycle where Deputies had agreed to a replenishment amount of UA 4.2 billion.

A self-sustaining revolving fund established for an initial 30-year period to provide concessional financing to the poorest amongst the Bank’s RMCs. Its initial capital of US$ 80 million was replenished in 1981 with US$ 71 million and the period was extended in 2008 for another 10 years – up to 2018. A cumulative amount of UA 388 million (approx. USD 582 million)

Trust Funds
40 trusts worth close to UA 926.5 million (25 thematic/15 bilateral) - UA 137 mn available

Cofinancing Agreements
Africa Growing Together Fund (USD 2 billion over 10 years with China); EPSA with Japan (USD 1.5 billion), EC (negotiations ongoing)
III. TRUST FUNDS

Piloting new initiatives and supporting project activities
ADDITIONAL AFDB RESOURCES MOBILIZED VIA:

**Special Funds**
- Funds entrusted to or established by the Bank for specific purposes under Article 8 of the Agreement establishing the Bank, and approved exclusively by the Board of Governors.

**Technical Cooperation Trust Funds (TF)**
- Bilateral or multi-donor/thematic grant financing arrangements established with contributions entrusted to the Bank for a specific purpose or theme.

**Other**
- In-kind support (TA, Long term experts).
### Type of Fund

<table>
<thead>
<tr>
<th>Type of Fund</th>
<th>Thresholds for Approval outlined in the 2006 Policy</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Single Donor TF</strong></td>
<td><strong>Bank Pre-Approval Authority:</strong> up to US$ 100,000&lt;br&gt;<strong>Donor Approval Authority:</strong> All requests over US$100,000 up to US$ 1 million&lt;br&gt;<strong>Board of Directors:</strong> &gt;US$ 1 million</td>
</tr>
<tr>
<td><strong>Multi-Donor TF</strong></td>
<td><strong>Bank Pre-Approval Authority:</strong> up to US$ 500,000&lt;br&gt;<strong>Oversight Committees (representatives of contributors to the Fund and representatives of the Bank):</strong> From US$500,000 to US$ 1 million&lt;br&gt;<strong>Board of Directors:</strong> &gt;US$ 1 million</td>
</tr>
</tbody>
</table>
AFDB GUIDELINES FOR PARTNERSHIPS WITH NON-SOVEREIGN ENTITIES (NSES) - ADOPTED IN 2015

- Provides the framework for mobilizing resources from, or developing non-financial partnerships with, Non Sovereign Entities.

Sets out some guiding principles and identifies potential risks e.g (perceived) conflict of interest and unfair advantage

Sets out the necessary due diligence required for all potential NSE partners, to mitigate ex-ante, potential risks and avoid damage to the Bank’s reputation.

Formed the basis for the establishment of the Bill and Melinda Gates Foundation Trust Funds (the first with an NSE); and all the Memoranda of Understanding signed by the Bank and its partners since 2015
STANDING COMMITTEE ON PARTNERSHIPS — SET UP ON 29 JUNE, 2012 IN LINE WITH ADMINISTRATIVE INSTRUCTION 01/2012

Set up on 29 June 2012 in line with an Administrative Instruction 01/2012

Purpose: Review all proposals to establish new external partnerships including trust funds & special initiatives

Membership: Resource Mobilization and Partnerships Department (FIRM) (Chair/Secretariat), and six (6) other Departments including the Vice-President, Regional Operations (representative), Legal Services, Planning and Budgeting, Quality Assurance and Results, Strategy and Policies

Responsibilities:

• Review/clear concept notes & scorecards for SMCC approval
• Communicate SMCC decision to initiating organizational units
• Ensures that feedback from SMCC is incorporated in partnership documentations
• Identify/review proposals to reforms on the administration of partnerships
• Re-evaluate assessment tools taking into account lessons learnt from ongoing partnerships

Total proposals cleared to date: 25
OVERVIEW OF TRUST FUNDS AT THE AFDB

- The Bank currently manages 40 Funds with a total amount of approx. UA 926.5 million as of end September 2016.

- There has been a shift from Bilateral Trust Funds (BTFs) to Thematic Trust Funds (TTFs): 77% of resources mobilized are channeled to TTFs and 14% to BTFs.

- Other types of funds, e.g., special funds, account for 9% of resources.

- As at September 2016, UA 789 million or 85% had been committed and UA 137 million was available for commitment.

- TF resources have been key in improving the Bank’s upstream analytical work and helping prepare bankable projects.
## MULTI-DONOR THEMATIC FUNDS

<table>
<thead>
<tr>
<th>Multi-donor and Thematic Funds</th>
<th>Nominally available (UA million)</th>
<th>Linked to Bank’s Priorities</th>
</tr>
</thead>
<tbody>
<tr>
<td>SEFA, ACCF, Zim-Fund, CDSF</td>
<td>18.56</td>
<td>Light up &amp; Power Africa</td>
</tr>
<tr>
<td>AFTT, SSCTF, GARS</td>
<td>11.2</td>
<td>Feed Africa</td>
</tr>
<tr>
<td>FAPA, MFW4A</td>
<td>16.8</td>
<td>Industrialise Africa</td>
</tr>
<tr>
<td>AfTRA, NEPAD-IPPF, SFRD, TFCT, MENA TF, ICA</td>
<td>13.37</td>
<td>Integrate Africa</td>
</tr>
<tr>
<td>AWF, CBFF, RWSSI, GTF, IMD, MCBTF, MDWPP, VfM, ALSF, AfCOP</td>
<td>54.12</td>
<td>Improve the quality of life for the people of Africa</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>114.05</strong></td>
<td></td>
</tr>
</tbody>
</table>

AFDB 2017 PARTNERSHIP FORUM, 06 — 07 APRIL, 2017
# Bilateral (Mostly Sovereign) Trust Funds

<table>
<thead>
<tr>
<th>Bilateral Funds</th>
<th>Available in UA million</th>
<th>Sectors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canada</td>
<td>0.05</td>
<td>Development effectiveness, Gender, Good Governance, Natural resource management and PSD</td>
</tr>
<tr>
<td>China</td>
<td>0.27</td>
<td>All sectors</td>
</tr>
<tr>
<td>Korea</td>
<td>10.46</td>
<td>Infrastructure and Natural Resources, ICT, Human Resources Development</td>
</tr>
<tr>
<td>Nigeria</td>
<td>3.65</td>
<td>Science &amp; Technology, Health &amp; Education, Agriculture, Public Administration, Business &amp; Finance</td>
</tr>
<tr>
<td>Finland</td>
<td>0.4</td>
<td>Environment, Climate change, Clean Energy, Forestry Management, Water and Irrigation, Education</td>
</tr>
<tr>
<td>France</td>
<td>0.54</td>
<td>All sectors</td>
</tr>
<tr>
<td>Italy</td>
<td>0.03</td>
<td>Resources Earmarked for the final audit</td>
</tr>
<tr>
<td>Portugal</td>
<td>0.3</td>
<td>PSD, Infrastructure, Renewable Energy, Good governance, Agriculture, Water</td>
</tr>
<tr>
<td>India</td>
<td>1.54</td>
<td>Infrastructure, Private sector, ICT, Trade, Science and Technology</td>
</tr>
<tr>
<td>Japan</td>
<td>5.97</td>
<td>Trade and Customs, Social Business, Higher Education</td>
</tr>
<tr>
<td>Norway</td>
<td>0.26</td>
<td>Gender</td>
</tr>
<tr>
<td>Sweden</td>
<td>0</td>
<td>All sectors</td>
</tr>
<tr>
<td>Switzerland</td>
<td>0</td>
<td>Identification and addressing situations of fragility and conflict</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>0</td>
<td>Gender, Fragile States, Climate Change, Results Management</td>
</tr>
<tr>
<td>Bill &amp; Melinda Gates Foundation</td>
<td>0</td>
<td>Multi-sectors</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>23.47</strong></td>
<td></td>
</tr>
</tbody>
</table>
## REQUEST MANAGEMENT AND APPROVAL PROCESS UNDER TRUST FUNDS

<table>
<thead>
<tr>
<th>Eligibility</th>
<th>Geographic (RMCs) and Sector eligibility usually in accordance with the terms and conditions of agreements</th>
</tr>
</thead>
<tbody>
<tr>
<td>When to submit proposals</td>
<td>Based on resource availability FIRM or the organizational unit administering the funds issues Call for Proposals usually annually by e-mail or on the website. Ad hoc submissions are also possible</td>
</tr>
<tr>
<td>Content of proposal</td>
<td>Proposals shall describe the nature of the activity and how they align to the Bank's Strategic priorities, the objectives to be achieved and budget including the detailed cost breakdown. Standard format for proposals for bilateral funds and each thematic fund</td>
</tr>
<tr>
<td>Review Process</td>
<td>Proposals are pre-screened against eligibility criteria and (for BTFs targeted activities) submitted to a Bank Technical Committee for review/approval</td>
</tr>
<tr>
<td>Approval Process</td>
<td>Approval by Bank Management, according to the delegation of authority matrix, donor(s), the Oversight Committee or the Board of Directors in line with the instrument establishing the fund</td>
</tr>
</tbody>
</table>
IV. LEGAL CONSIDERATIONS

Principles and Policies
KEY PRINCIPLES FOR ESTABLISHING TRUST FUNDS - SOVEREIGNS

- Thresholds – Size of Fund
- Clear and Specific Scope of Activities
- Standardized Legal Agreements
- Thresholds – Approval Process
- Standardized Donor Reporting
- Audits/ Post Evaluation Reports
- Administrative Fee
KEY PRINCIPLES FOR ESTABLISHING TRUST FUNDS — NON-SOVEREIGNS

In addition to the aforementioned principles, the Bank’s main guiding principles are that collaboration with NSEs will be based on:

- Legitimacy, credibility and reputation
- Alignment and compliance
- Selectivity and value addition
- Transparency and accountability
- Cost recovery
IV. FINANCIAL CONTROL...
FINANCIAL CONTROL AND AUDIT PROCEDURES FOR TRUST FUNDS

- **FINANCIAL REPORTING**
  - Internal Control applied in the preparation of financial statements are the same as for AfDB
  - Segregation of Duties in the treatment of financial transactions are applied
  - Delegation of authority matrix applied as for AfDB using SAP work-flow process
  - Exercise of Due Care as for AfDB

- **AUDIT PROCEDURES**
  - Internal Audit – conducted periodically
  - External Audit – conducted annually if required by the donors.
FINANCIAL CONTROL AND AUDIT PROCEDURES FOR TRUST FUNDS

FINANCIAL REPORTING

• Six pillar assessment on the Bank as a recipient of EC fund have already been undertaken.

• The objective of the assessment was to provide reasonable assurance to the EC as to whether the Bank fulfils the following pillars:
  • Internal Control
  • Accounting
  • External Audit
  • Grants
  • Procurement
  • Financial Instruments

• The results of the assessment were positive and based on this the Bank is able to continue to access EC funds.
IV. THE ROAD TRAVELED...
CHALLENGES AND OPPORTUNITIES

What’s worked well

- 40 Trust and Special funds have mobilized UA 926.5m
- TFs have allowed the Bank to pilot emerging development themes and innovative activities (e.g. gender, governance, climate change, renewable energy, etc)
- Co-financing has significantly leveraged the Bank’s resources

What’s not worked so well

- Multi-Donor Trust Fund: Specific donor requirements e.g. earmarking, different reporting requirements by contributing donors etc.
- Bilateral (single-donor) Trust Funds: Delays in the approval of proposals etc.
VI. IN CONCLUSION...
KEY MESSAGES

Ongoing paradigm shifts in development finance landscape

- Historic needs to deliver on ambitious agendas
- Fiscal constraints in donor capitals
- Addis Agenda of doing more with less (leveraging, especially with private sector)

Need to step up resource mobilization to deliver on the High 5s in the TYS

- Co-financing resources provide leveraging opportunities
- Resource mobilization as a shared responsibility

Delivery on commitments is the cornerstone for successful resource mobilization

- Firm pipeline is key
- Timely delivery on outputs matters
- Outcomes, results and impacts matter even more to donors

Resource mobilization is more successful and at scale when anchored in a global agenda.
VII. DISCUSSION; Q. & A.