

2017 PARTNERSHIPS CONFERENCE

CONFERENCE DES PARTENARIATS 2017

Effectiveness and efficiency in Trust Fund management at the AfDB



April 6-7 avril 2017

Abidjan, Côte d'Ivoire

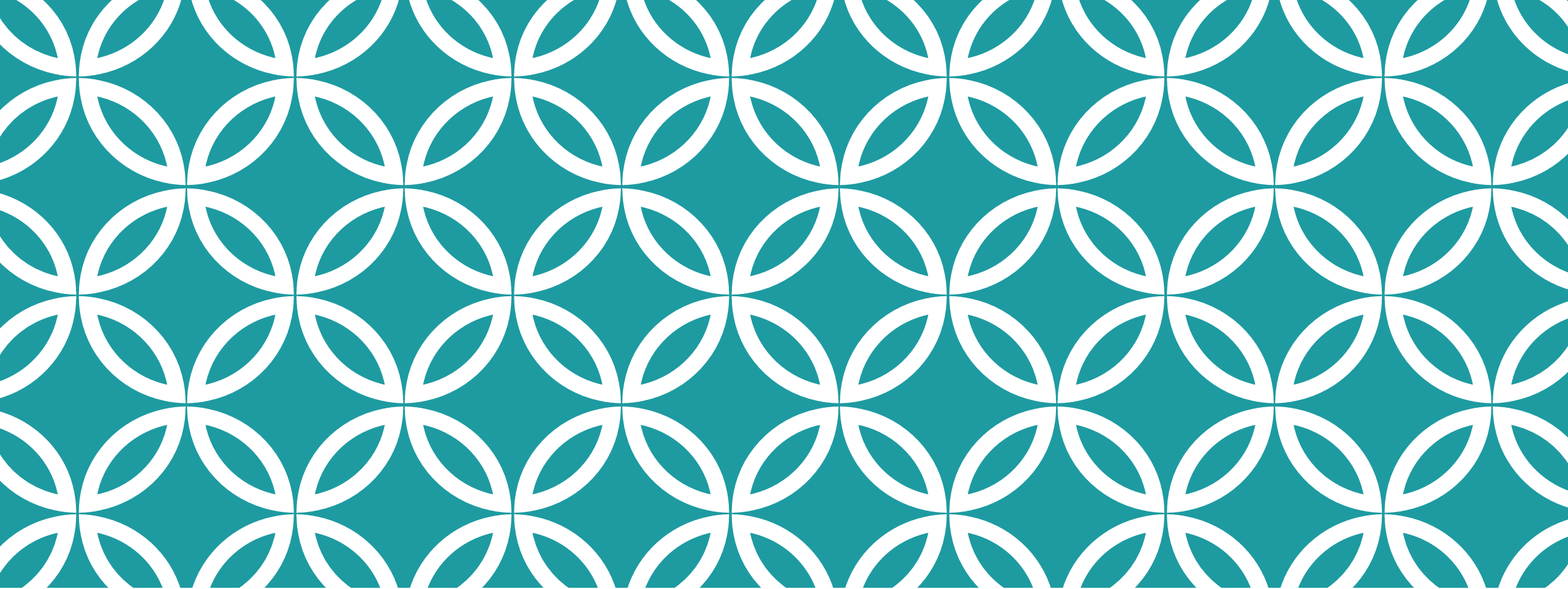
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AFRICAN DEVELOPMENT BANK GROUP
GROUPE DE LA BANQUE AFRICAINE
DE DÉVELOPPEMENT

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

Operational priorities	Annual (UA)	2025 (UA)	Assumptions
Light up and power Africa	2.6	23.4	50% Public 50% Private
Feed Africa	2.4	21.6	70% Public 30% Private
Industrialize Africa	4	36	100% Private
Integrate Africa	3.5	31.5	50% Public 50% Private
Improve the quality of life for the people of Africa	0.41	3.69	90% Public 10% Private

AFDB – MAIN SOURCE OF FINANCING

African Development Bank – Established in 1964.

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.

African Development Fund – Established in 1972.

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.

Nigeria Trust Fund – Established in 1976.

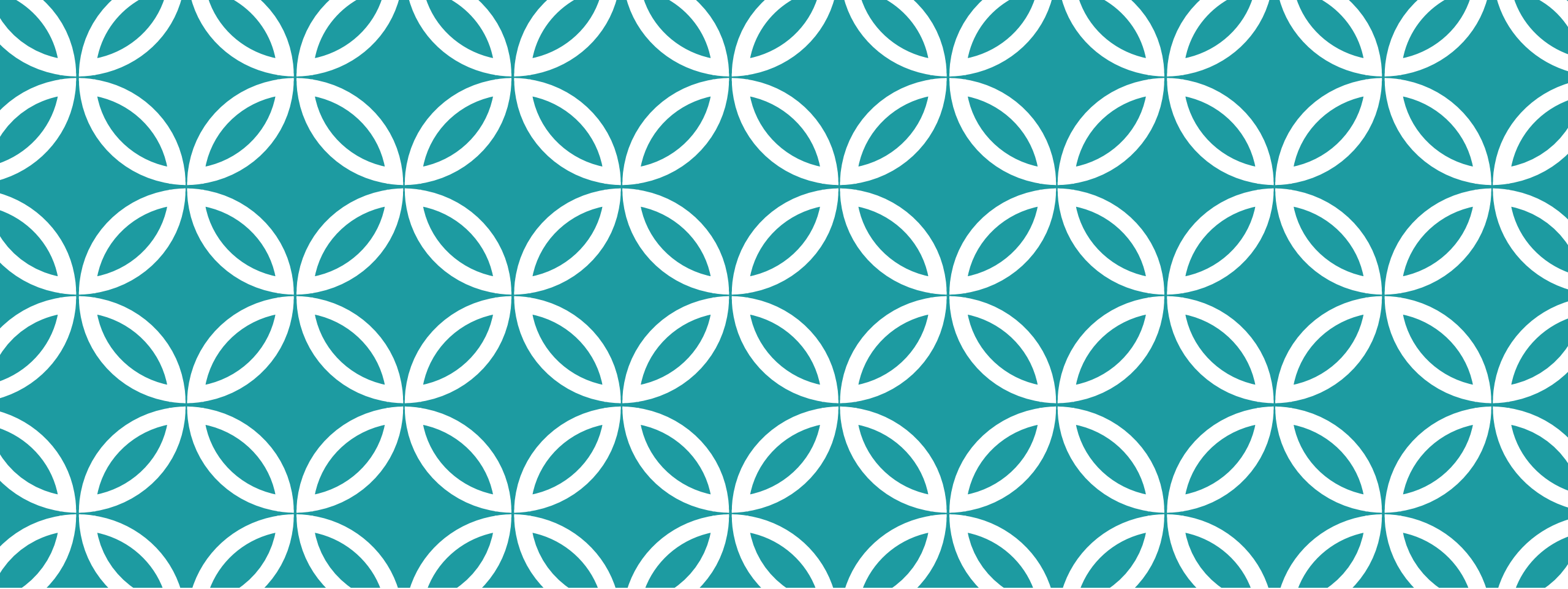
A self-sustaining revolving fund established for an initial 30-year period to provide concessional financing to the poorest amongst the Bank's RMCs. Its initial capital of US\$ 80 million was replenished in 1981 with US\$ 71 million and the period was extended in 2008 for another 10 years – up to 2018.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

AFDB TRUST FUND REFORM POLICY — ADOPTED IN 2006

Type of Fund	Thresholds for Approval outlined in the 2006 Policy
Single Donor TF	<p>Bank Pre-Approval Authority: up to US\$ 100,000</p> <p>Donor Approval Authority: All requests over US\$100,000 up to US\$ 1 million</p> <p>Board of Directors: >US\$ 1 million</p>
Multi-Donor TF	<p>Bank Pre-Approval Authority: up to US\$ 500,000</p> <p>Oversight Committees (representatives of contributors to the Fund and representatives of the Bank): From US\$500,000 to US\$ 1 million</p> <p>Board of Directors: >US\$ 1 million</p>

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

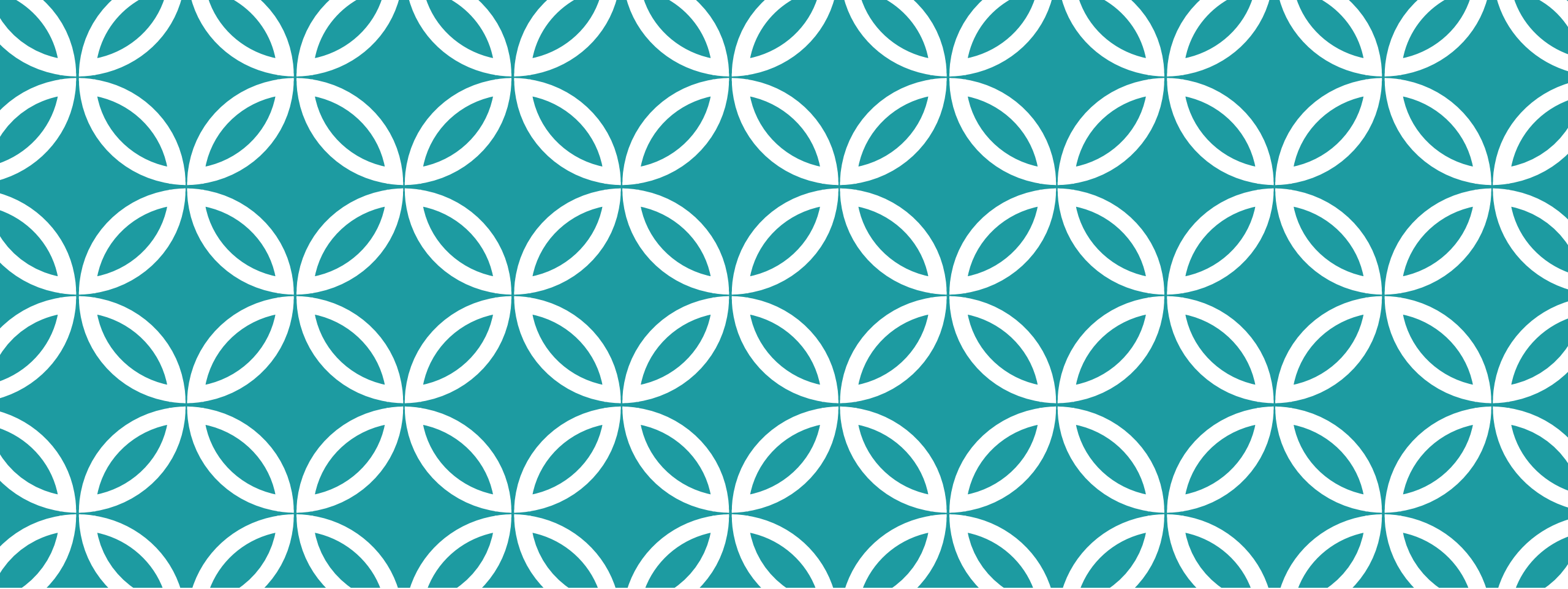
Multi-donor and Thematic Funds	Nominally available (UA million)	Linked to Bank's Priorities
SEFA, ACCF, Zim-Fund, CDSF	18.56	Light up & Power Africa
AFTT, SSCTF, GARS	11.2	Feed Africa
FAPA, MFW4A	16.8	Industrialise Africa
AfTRA, NEPAD-IPPF, SFRD, TFCT, MENA TF, ICA	13.37	Integrate Africa
AWF, CBFF, RWSSI,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

BILATERAL (MOSTLY SOVEREIGN) TRUST FUNDS

Bilateral Funds	Available in UA million	Sectors
Canada	0.05	Development effectiveness, Gender, Good Governance, Natural resource management and PSD
China	0.27	All sectors
Korea	10.46	Infrastructure and Natural Resources, ICT, Human Resources Development
Nigeria	3.65	Science & Technology, Health & Education, Agriculture, Public Administration, Business & Finance
Finland	0.4	Environment, Climate change, Clean Energy, Forestry Management, Water and Irrigation, Education
France	0.54	All sectors
Italy	0.03	Resources Earmarked for the final audit
Portugal	0.3	PSD, Infrastructure, Renewable Energy, Good governance, Agriculture, Water
India	1.54	Infrastructure, Private sector, ICT, Trade, Science and Technology
Japan	5.97	Trade and Customs, Social Business, Higher Education
Norway	0.26	Gender
Sweden	0	All sectors
Switzerland	0	Identification and addressing situations of fragility and conflict
United Kingdom	0	Gender, Fragile States, Climate Change, Results Management
Bill & Melinda Gates Foundation	0	Multi-sectors
Total	23,47	

REQUEST MANAGEMENT AND APPROVAL PROCESS UNDER TRUST FUNDS

Eligibility	Geographic (RMCs) and Sector eligibility usually in accordance with the terms and conditions of agreements
When to submit proposals	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
Content of proposal	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
Review Process	Proposals are pre-screened against eligibility criteria and (for BTFs targeted activities) submitted to a Bank Technical Committee for review/approval
Approval Process	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



IV. LEGAL CONSIDERATIONS

Principles and Policies

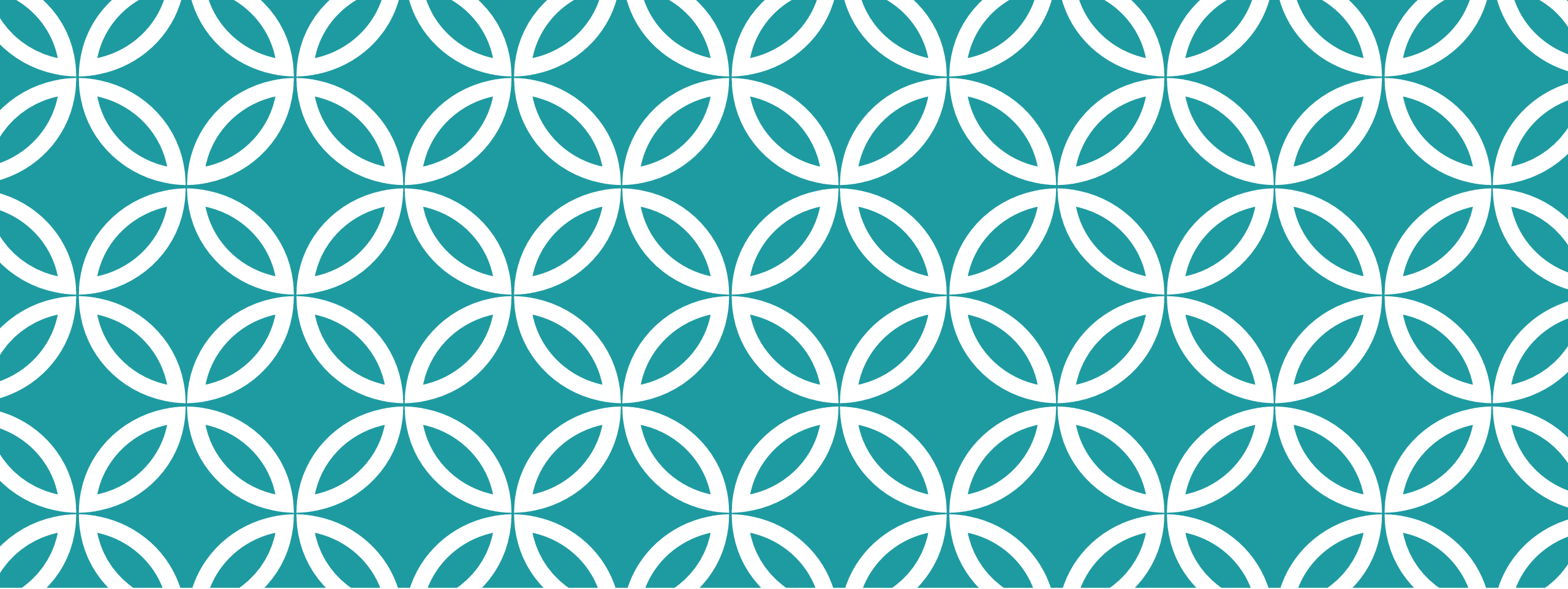
KEY PRINCIPLES FOR ESTABLISHING TRUST FUNDS - SOVEREIGNS

- 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 Reporting and Audit
procedures

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

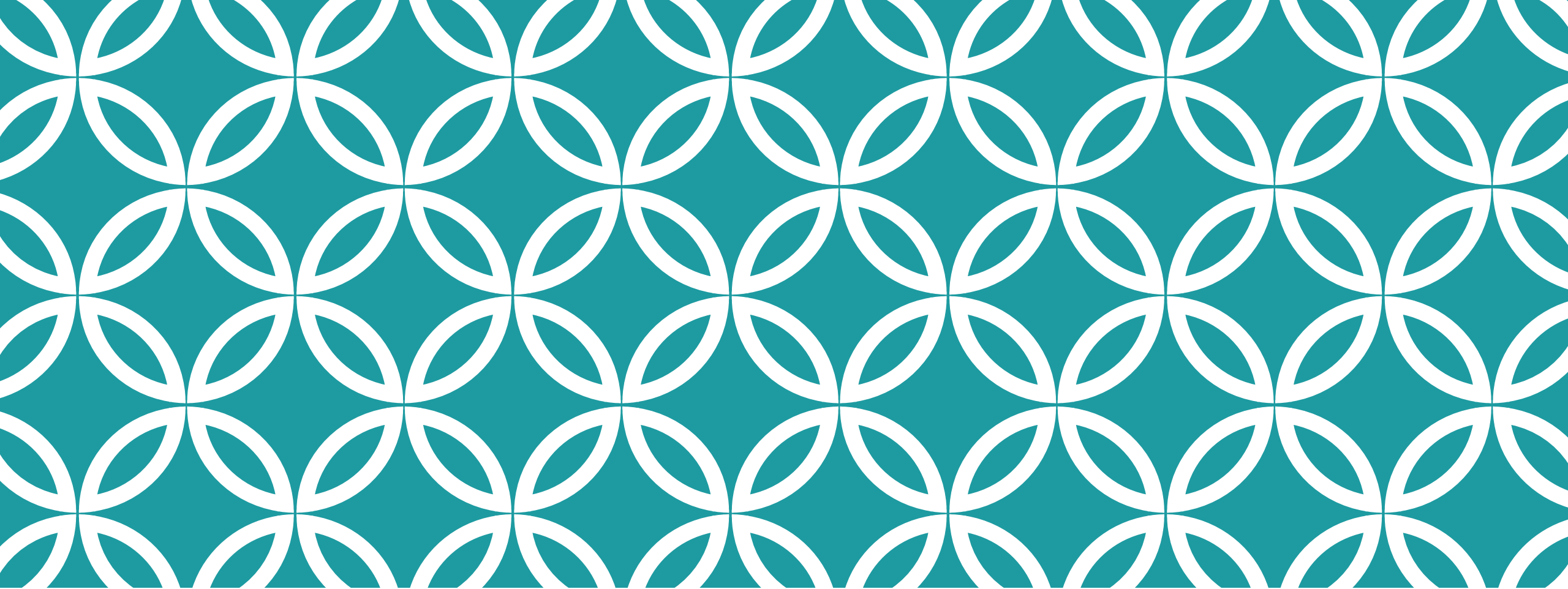
□ AUDIT PROCEDURES

- 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...

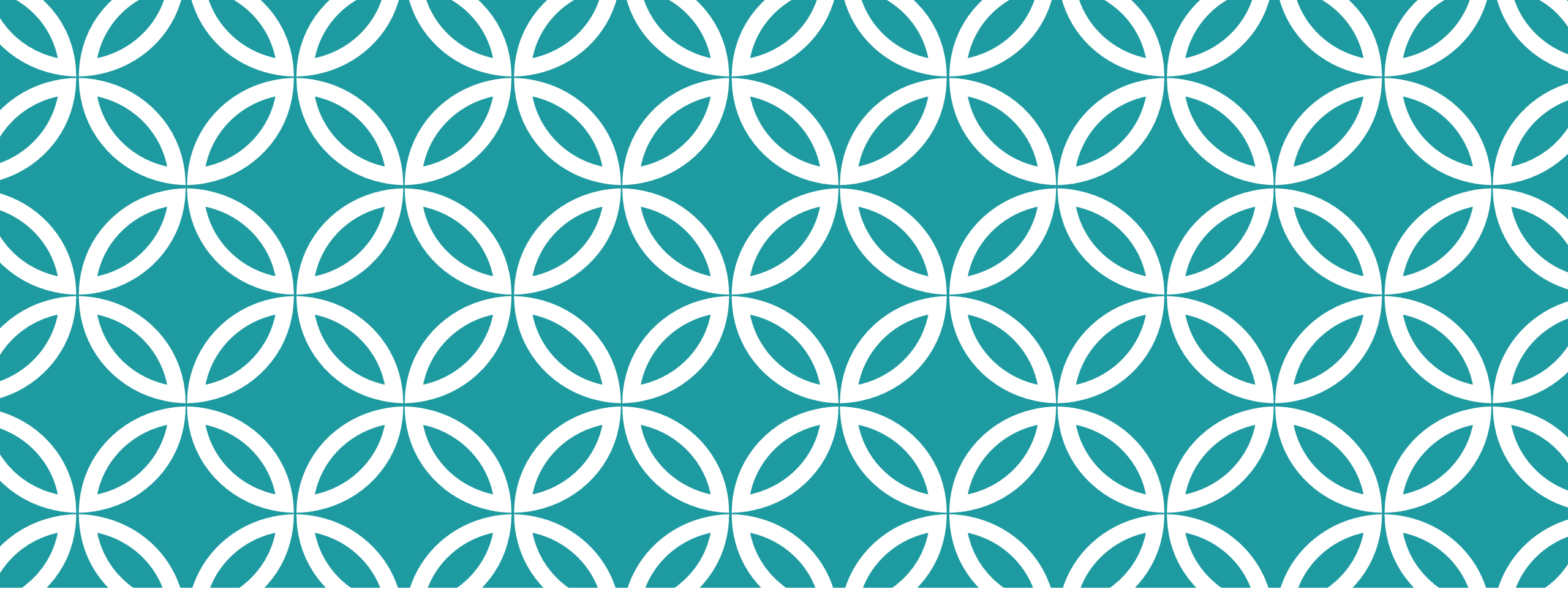
CHALLENGES AND OPPORTUNITIES

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)

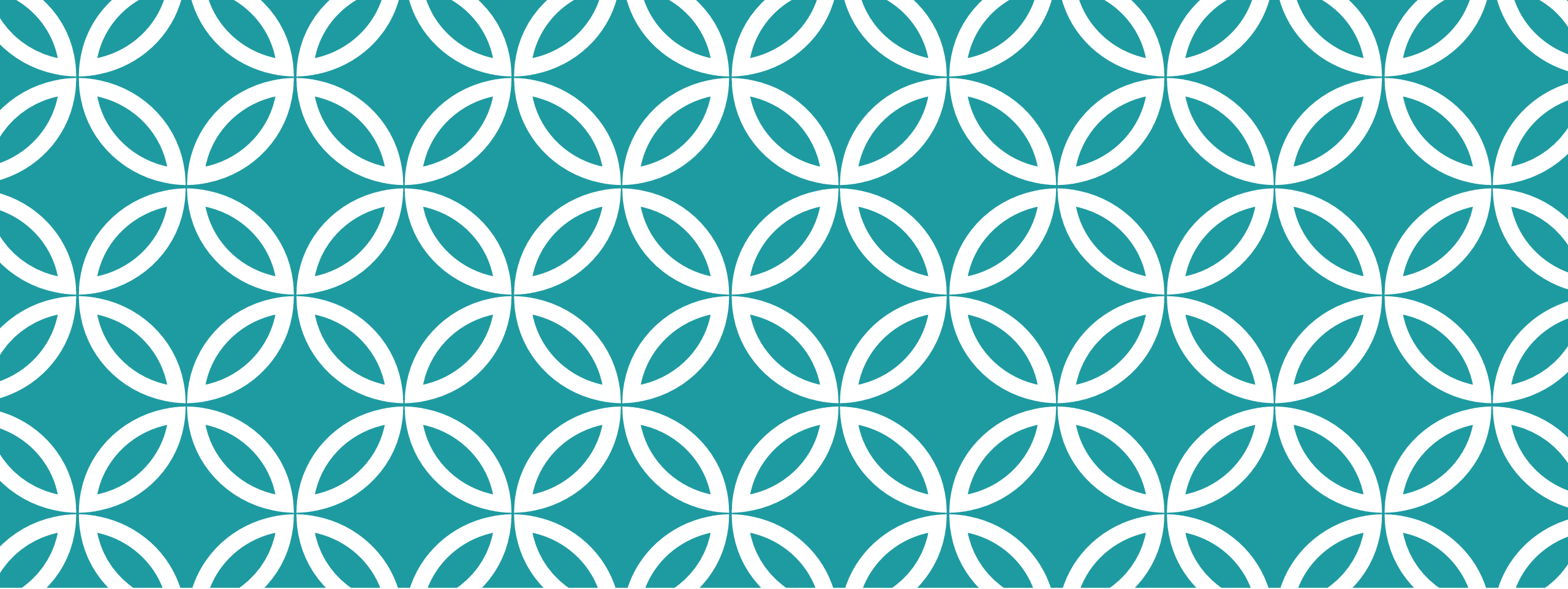
Need to step up resource mobilization to deliver on the High 5s in the TYS

- 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.