



African Development Bank

Africa and Results of Multilateral Aid: Myths and Realities

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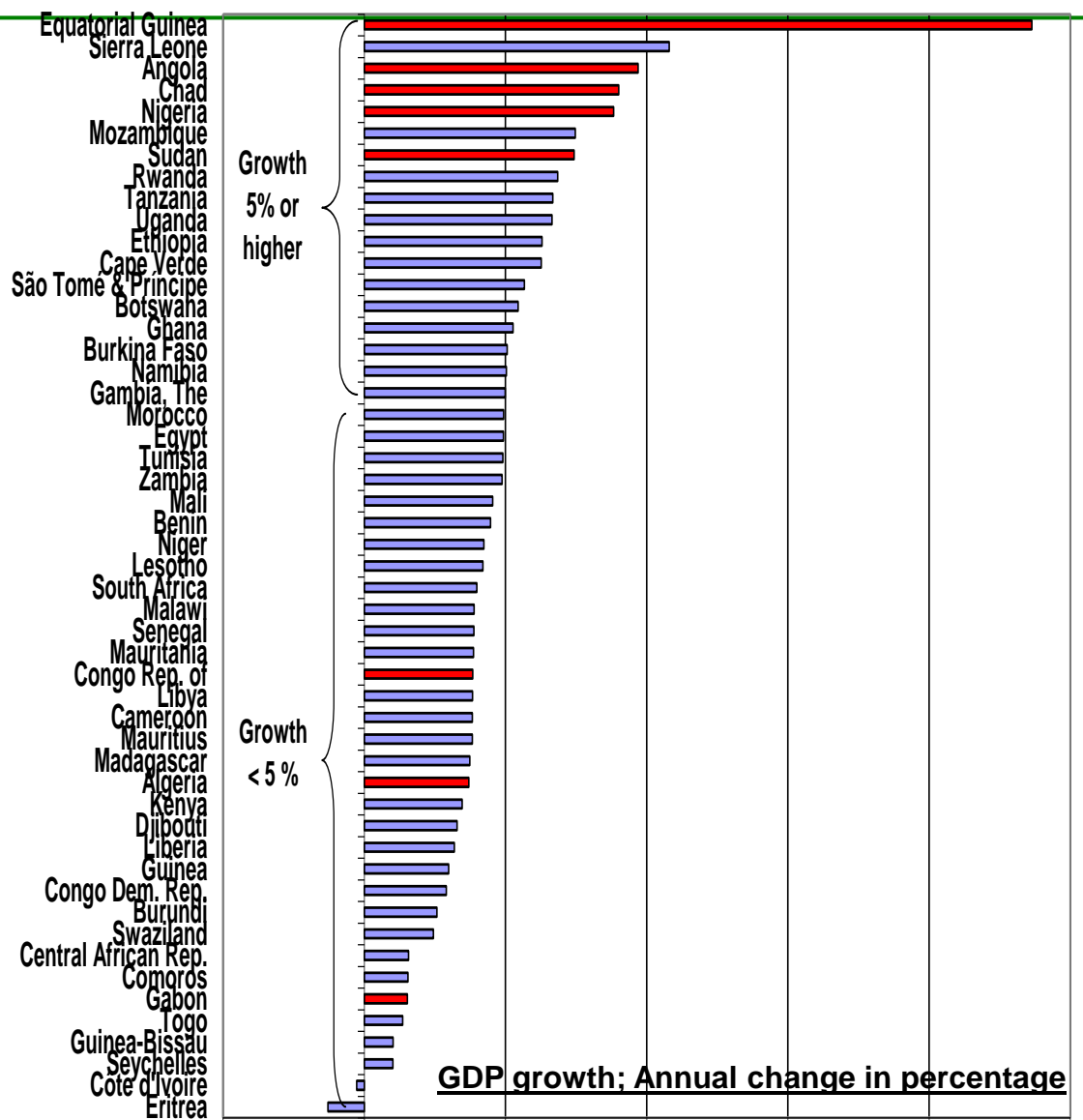
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Recent Growth & Development in Africa

- ❑ Africa recorded strong pre-crisis growth
 - The growth was impressively higher than other regions
- ❑ The growth was largely driven by:
 - Favorable external conditions: commodities demand, prices;
 - Prudent macroeconomic policies;
 - Increased capital flows;
 - Debt relief.



Growth not only high, but broad based



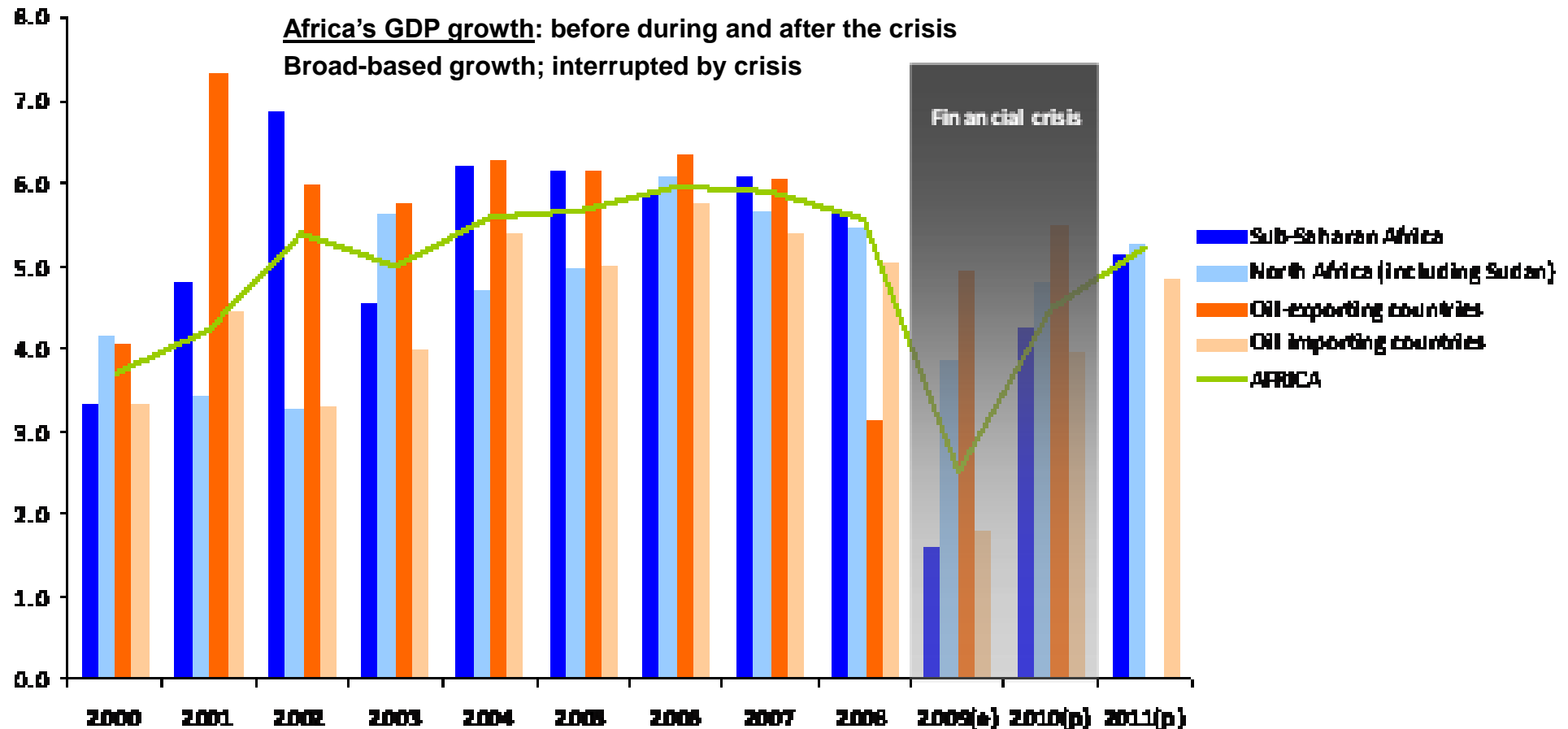
40% of countries grew at >5% (2000 – 2008); representing about 70% of Africa's population;

In terms of GDP per cap., Africa's growth slower than other LICs.



But Africa severely hit by the crisis

□ Impact was substantial, but varied across Africa



Post-Crisis Prospects are Positive

- ❑ Signs of strong growth recovery;
- ❑ Estimates show that ODA has actually not declined;
- ❑ Even private flows are recovering in some countries:
 - e.g. **Euro 70 million** French sugar investment deal signed last week for **Algeria**;
 - **Bahrain** to invest **\$54 million** in **Libyan** banks;
 - **Japan** to invest **\$8.5 billion** in **Nigeria** natural gas.

But challenges still remain

- ❑ Africa's Achille's heels: commodity dependence – undiversified economies;
- ❑ The continent is heading for lagged income recovery;
- ❑ Human/social cost of the crisis could be devastating:
 - 10% rise in unemployment in Africa in 2009 (ILO);
 - number of working poor to reach unprecedented levels.



Multilateral Aid to Africa: Myths and Realities

- ❑ Aid dependence, yet financing gaps
 - Aid dependence as % of budget may be misleading: high ratio indicates low domestic resources!
 - ⇒ *implications: raise DRM not reduce aid;*
 - There is hard evidence of large financing gaps:
 - i) Infrastructure gap: \$31 billion per year;
 - ii) MDG financing gap: \$50 billion per year.

Aid to Africa: Myths & Realities

- **Why has aid generated unsatisfactory results?**
 - Fallacy of aggregation: success stories, as well as failures (white elephants);
 - Missing accompanying/enabling measures, e.g. i) Technical assistance; ii) Structural reforms – aid can help here;
 - Lack of strategic focus, often shifting targets;
 - Inadequate coordination;
 - Inadequate integration into national development Strategies.



The ADB Enhancing the Impact of Development Financing

- ❑ **Through strategic Focus – 4 pillars**
 - Infrastructure; Private Sector; Governance; Higher Education
- ❑ **Through improvement of quality at entry of development operations;**
 - ADOA – Ex-ante additionality and development outcomes assessment of PS operations ⇒ enhancing results via improved quality of project preparation;

The ADB in Enhancing the Impact of Development Financing

□ Through Focus on Results

➤ **ORQR – quality assurance and results**

- ⇒ setting harmonized standards for projects;
- ⇒ monitoring program implementation;
- ⇒ dialogue to communicate results

➤ **OPEV – independent ex-post evaluation**

- ⇒ tracking of project implementation targets;
- ⇒ evaluation targets and results;
- ⇒ country dialogue to communicate results
- ⇒ lessons for operations & RMCs

IV. The ADOA – Results First: Ex-Ante Assessment of Private Sector Operations (PSOs)

- ❑ For each PSO, the ADOA provides a rating of the:
 - i) Expected Development Outcomes Additionality
 - ii) Additionality of Development Finance Institutions (DFIs) participating in the operation

Areas of Additionality:

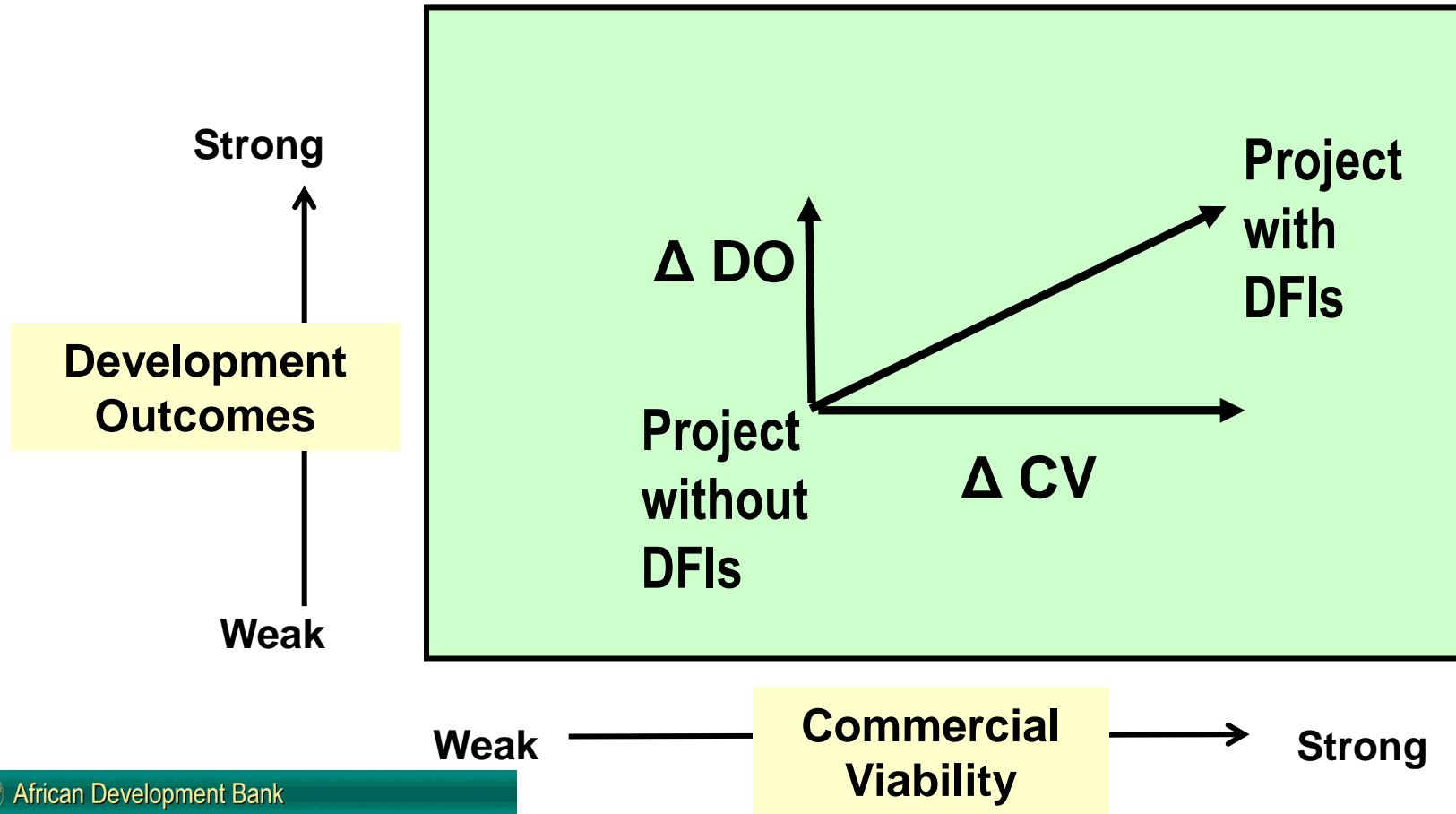
- Political Risk Mitigation
- Financial Additionality
- Improved development outcomes

Results First: ADOA Focus Areas for Development Outcomes

- Household benefits**
- Infrastructure**
- Government**
- Macroeconomic resilience**
- Environmental effects**
- Gender and social effects**
- Private sector development and demonstration**
- Effect Business success**

Results First: What is Additionality?

$$\text{Additionality} = \Delta \text{ DO} + \Delta \text{ CV}$$



ADB More Than a Lending Bank: Knowledge and Policy Advocacy

- ❑ Knowledge as tool for enhancing results of aid/external financing**
 - Evidence-based decision making
 - Technical assistance to policymakers (capacity building)

- ❑ Policy advocacy and guiding debates on the effectiveness of external financing**
 - Crisis response analysis (fuel, food, financial);
 - Policy advocacy – e.g. the C-10, the G-20, etc.

- ❑ Promoting Africa's voice in global arena**

Communicating Knowledge Results to Policy Makers: C-10

- ❑ Bank led Africa's responses to the crisis (with AUC/UNECA). This entailed:**
 - rigorous policy-oriented analysis, and**
 - policy dialogue; coordination;**
- ❑ Facilitated the creation of the C-10;**
- ❑ Analytical support to the C-10, channel for African voice in G-20, and other global framework;**
- ❑ Bank now serves as C-10 Secretariat.**

Thank You