

AFRICAN
DEVELOPMENT
BANK

Can we create a 'market' for development results?

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Agenda

What does the traditional model look like?

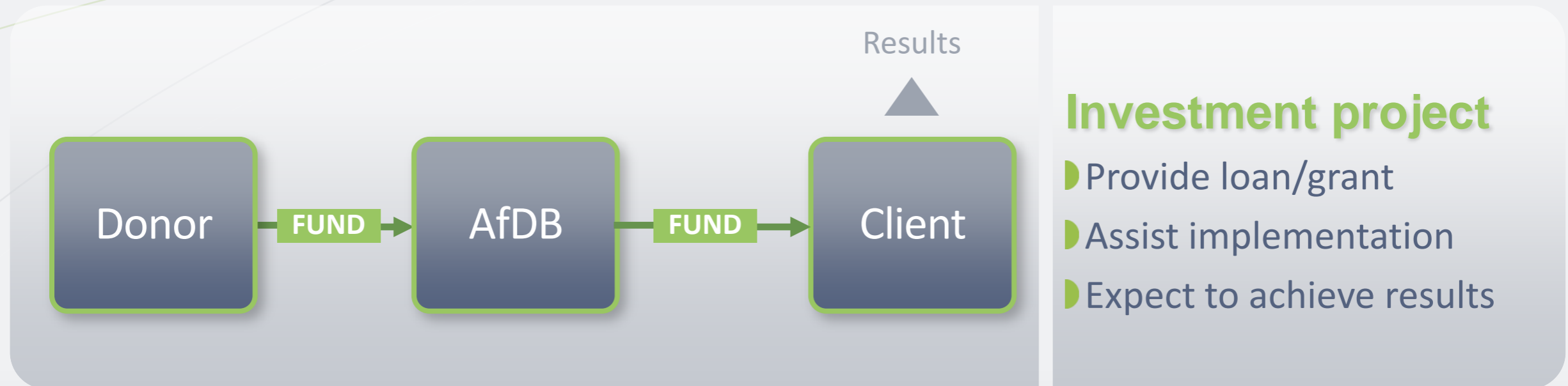
What do results-based approaches have to offer?

Key features of an alternative results-model?

What are the main challenges?

What does the traditional model look like?

Money first, result later



- ▶ AfDB is entrusted with funds from donors to deliver value for money by achieving effective efficient and economical results.
- ▶ AfDB realizes operations together with its clients . We apply our expertise where there is a comparative advantage and help our clients finance, design, and implement operations.
- ▶ AfDB measures results against targets previously set.

What do results-based models have to offer?

A fundamental shift in focus

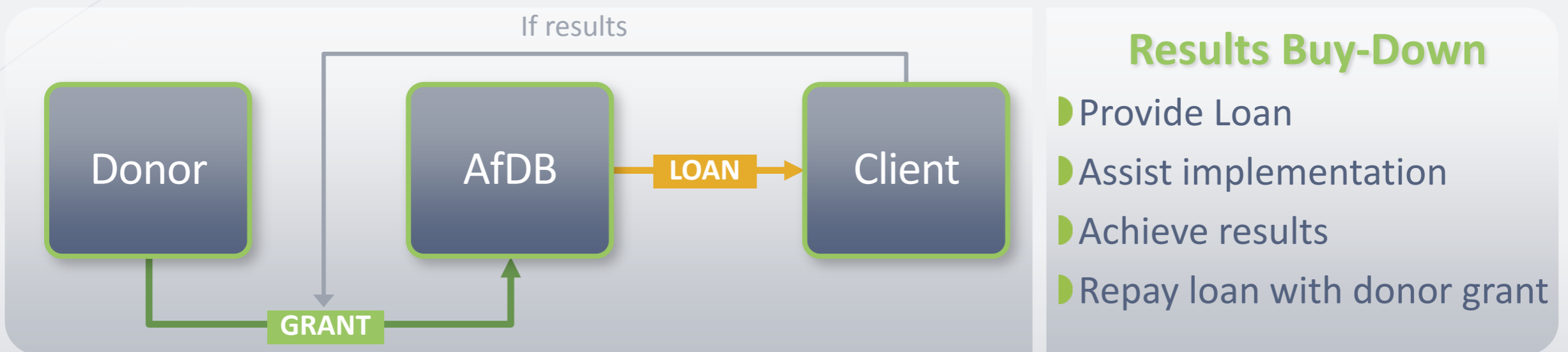
- ▶ **Strengthening development effectiveness:** shifting the focus to outcomes in the context of a partnership arrangement
- ▶ **Incentives are better aligned.**
- ▶ **Strengthening capacity for development**
- ▶ **Change management.**

Key features of an alternative results-based model?

- ▶ **Donors** can notionally ‘buy’ development results from clients.
- ▶ **Clients** can ‘sell’ their results to donors
- ▶ **AfDB** is the ‘honest broker’ (financial intermediary).
- ▶ **Risk of failure is shared** by all three parties: client, donor & Bank.
- ▶ It uses **existing instruments**: no need to create new ones, safeguards.
- ▶ Provides upfront financing.

What do the mechanics look like?

- ▶ The main innovation would be the introduction of **new contractual arrangements between partners** that defines incentives to produce measurable results.



- ▶ Together with the client AfDB develops a project, provides a loan, and implements it to deliver results.
- ▶ If the project delivers the expected outcome, the loan would be paid down by a donor.

How does it work?

▶ **Contractual arrangements:**

- ▶ Involves three parties: AfDB, Donor & Client.
- ▶ Defines how success is measured flexibly: outcomes, outputs.
- ▶ Defines the terms of the financial arrangements & risks

▶ **At project inception:**

- ▶ Terms of the contract are agreed upfront: clarity on results
- ▶ AfDB provides upfront investment to client as a loan

▶ **At project completion:**

- ▶ **Success:** Loan is entirely converted into grant.
- ▶ **Partial success:** Loan is partially converted into grant

What are the main challenges?

- ▶ **Design & Execution:** The devil is in the details! Target setting, quality of targets, structuring incentives, financial arrangements.
- ▶ **Implications for resource mobilisation?** Avoiding competing interests and zero sum games.

Thank you.



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