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FOR CONSIDERATION

MEMORANDUM

TO : THE BOARDS OF DIRECTORS

**FROM : Vincent O. NMEHIELLE
Secretary General**

**SUBJECT : COMPREHENSIVE EVALUATION OF THE DEVELOPMENT
RESULTS OF THE AFRICAN DEVELOPMENT BANK GROUP 2004-2013
MANAGEMENT RESPONSE ***

Please find attached the **Management Response** related to the above-mentioned document.

Attach:

Cc: The President

*** Questions on this document should be referred to:**

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AFRICAN DEVELOPMENT BANK GROUP



COMPREHENSIVE EVALUATION OF THE DEVELOPMENT RESULTS OF THE AFRICAN DEVELOPMENT BANK GROUP 2004-2013

MANAGEMENT RESPONSE



Management Response

This note provides Management's perspective on IDEV's Comprehensive Evaluation on Development Results. The evaluation assesses AfDB's development results by examining the performance of Bank interventions and the quality of its country strategies in a sample of 14 countries. It also looks at the Bank's ability to engage in productive partnerships at country level. The evaluation provides a sober assessment of the Bank's performance between 2004 and 2013. And while Management does not always share IDEV's conclusions, it broadly subscribes to the recommendations it makes. In effect, since 2009 Management has launched a range of initiatives aimed at addressing the challenges raised by the evaluation. These initiatives received additional impetus in April 2016 when the Board adopted the new Development and Business Delivery Model (DBDM) with the objective of further improving the effectiveness and efficiency of AfDB's actions. IDEV's evaluation is particularly valuable as the Bank rolls out these new reforms.

INTRODUCTION

The evaluation provides a sober assessment of the Bank's performance between 2004 and 2013. It singles out critical areas where the Bank can and needs to do much better. These include, amongst other areas, the economic sustainability of its operations, the selectivity of its country strategies and the quality of its knowledge products.

Many of these challenges are not new to Management. They have been discussed at the Board, flagged by the Bank's self-evaluation reports published annually since 2011, reported in the Bank's 2012 Client Assessment Survey and singled out in a number of IDEV's previous evaluations.¹

They are also challenging issues for which, more often than not, there are no simple solutions. Addressing them requires focused and sustained attention over a period of time. This is why Management launched a broad spectrum of reforms that seek to address these issues at different levels.

At the organisational level, the Bank embarked on an ambitious programme to strengthen its presence in its Regional Member Countries (RMCs) with a view to better responding to its clients' needs. Between 2004 and 2015 the number of operational Bank offices

at the country and regional levels increased from 4 to 38.² At the operational level, between 2009 and 2014, Management adopted international standards and best practice for project design and country strategies. Table 1 below provides more information on the dates and sequence of these reforms.

Additional impetus was given to these initiatives when the Bank launched the High-5s in 2015 and adopted its new Development and Business Delivery Model (DBDM) in April 2016. The DBDM was designed to increase the Bank's development impact by introducing a more effective and efficient delivery model. In implementing this model, the DBDM seeks to achieve five mutually reinforcing objectives:

1. Moving the Bank much closer to clients at country level, to enhance delivery and drive business growth, by increasing the number of senior managerial and technical staff in field offices and devolving more authority to the local level.
2. Strengthening the Bank's performance culture, to attract and maintain talent, by establishing performance contracts, working to retain staff, and strengthening its results culture.
3. Taking steps to increase financial performance and development impact, such as

¹ These include the following evaluations: **IDEV 2015**, *An Independent Evaluation of the Quality at Entry of Country and Regional Integration Strategies*. **IDEV 2013**, *Review of the African Development Bank's Economic and Sector Work (2005–2010)*.

IDEV 2014, *Operational Procurement Policies and Practices of the African Development Bank*.

² The 38 Bank offices do not include offices in Tunisia (TRA) and Côte d'Ivoire (HQ).

increasing the speed and effectiveness of disbursements, so that loan capital is not immobilised in operations.

4. Streamlining business processes in order to promote greater operational efficiency and effectiveness.

5. Reconfiguring HQ to support regions to deliver better outcomes by aligning complexes with strategic priorities, including by streamlining Vice-Presidencies to increase the focus on country operations and deliver on the High-5s.

Some of the reforms launched since 2015 are already making a big difference. Presidential Directive 2/15, for example, has increased the Bank's efficiency by curtailing the time from project approval to first disbursement. Since the directive was adopted, the average time has decreased by 44%: down from 390 days to 218 days. Other key reforms will, of course, require more time before they produce their effect.

While the Bank has made good progress in recent years in addressing some of the key

challenges, Management fully agrees that the Bank should and can do much more to improve its performance in key areas. This note discusses some of the critical areas where this is needed, presents the challenges Management faces in addressing them, and sets out further actions Management is taking in light of the evaluation's findings (see **Management Action Record**).

IDEV'S APPROACH

The task of measuring development results is challenging. It is fraught with conceptual, methodological and practical difficulties. This is not only because development is in itself complex and multi-layered but also because its outcomes are difficult to measure.

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Table 1: Key reforms introduced since 2010 to improve the Bank's operational performance

KEY REFORMS	'10	'11	'12	'13	'14	'15	'16
DECENTRALISATION							
Implementation of the Decentralisation Roadmap		●					
Increased Bank presence in countries in fragile situations		●					
Regional Resource Centers (RRCs) piloted			●				
Delegation of Authority Matrix promulgated			●				
Decentralisation Action Plan to increase RRCs adopted						●	
OPERATIONAL							
Standard results-based logical frameworks adopted	●						
Quality at entry standards for public sector operations adopted	●						
Readiness Review rolled out to improve quality of operational design		●					
Quality at entry standards adopted for country strategies		●					
Readiness Review rolled out for CSPs		●					
Presidential Directive 03/2013 on the Bank's Review Process				●			
Implementation Progress and Results report rolled out				●			
New Project Completion Reporting and rating method adopted				●			
Delivery and Performance Management Unit established					●		
Presidential Directive 02/2015 on design and cancelation of operations						●	
INSTITUTIONAL							
High-5s are launched						●	
New business delivery model adopted by the Board (DBDM)							●

For each of these dimensions, IDEV's evaluators provided a rating on a scale of 1 to 6. The rating reflects their best professional judgement on the basis of the evidence that was available to them. This approach has the advantage of providing a simple benchmark to assess complex and sometimes disparate

dimensions. It also facilitates the comparability of findings.

This approach also has its limitations, which IDEV clearly articulates in the report. Three methodological issues are worth mentioning here.

First, the evaluation provides a relatively dated snapshot based on a limited sample of operations.³ On average, Bank operations take five to six years to be completed. This means that the evaluation examines projects designed between 1999 and 2008—i.e., long before the operational reforms adopted in 2010-2013 kicked in.⁴

Second, the evaluation uses exacting standards for assessing performance. For instance, “effectiveness” is rated moderately unsatisfactory when, according to the evaluation findings, 82% of operations are rated moderately satisfactory or above. And because this is the first time an MDB is assessed in this way, the evaluation does not offer any point of reference against which the Bank could compare its performance.

Third, the findings express evaluators’ best professional opinion rather than hard evidence. These opinions are guided by assessment criteria that are open to different interpretations. For example, one criterion used to assess sustainability was “the *likelihood* of project design *adversely* affecting project *results*”.

The point of singling out these methodological issues is not to disqualify the findings but rather to call for some caution in their interpretation. In the light of these comments, this paper looks at the three key dimensions examined by the evaluation: i) achieving the Bank’s objectives, ii) the quality of the Bank’s strategies and programmes and iii) the Bank’s ability to engage in productive partnerships at country level.

ACHIEVING THE BANK’S OBJECTIVES

The evaluation’s first purpose was to determine the extent to which Bank operations achieved their intended objectives. To answer this question IDEV examined operational performance against four dimensions: relevance, effectiveness, sustainability and efficiency.

Relevance of Bank operations

The evaluation defines relevance in terms of i) alignment of Bank operations with country needs and ii) the quality of the design of Bank

operations. It concludes that the Bank’s interventions were moderately satisfactory.

Alignment of country strategies. According to the evaluation, 57% of CSPs were aligned with client country priorities. This figure, however, reaches 93% when including CSPs that have ratings that are moderately satisfactory and above; and it is consistent with the Bank’s self-evaluation of CSPs (as measured by its Readiness Reviews).

Management agrees that there is room and indeed need to further increase the quality of CSP alignment. This will be achieved, for example, by strengthening the analysis provided in the CSP in support of alignment. This is why the new CSP results tools under development include a “strategic alignment matrix” to more explicitly demonstrate the alignment of the Bank’s strategy and programme with country priorities.

Relevance of project design. The evaluation found that 94% of project objectives were closely aligned with client-countries’ development priorities. However, the relevance of project design stands at only 37%—or 76% if one includes operations rated moderately satisfactory. The evaluation suggests two reasons for this: weak integration of risk elements and the poor quality of project results framework.

This is not surprising, because standardised results-based logical frameworks were only introduced in 2010. Since then Management has taken steps to enhance the assessment of risks and results at project design. This has been achieved through a combination of actions: introducing clear standards for quality at entry and providing staff coaching and training initiatives.

Effectiveness

The evaluation defines effectiveness as the extent to which operations achieved their intended development outputs or outcomes. Overall, the evaluation found that the Bank’s effectiveness was moderately unsatisfactory on the basis of two criteria.

- *Achievement of outputs and outcomes.* According to the synthesis report 82% of the operations in the sample are rated moderately satisfactory and above. However, since only 36%

³ Only 169 projects were examined out of a total of 1 319. The selection criteria only included projects with disbursement ratios of 80% and above. This leaves out most of the projects approved during the second half of the review period (2009-2013) —i.e., most of the projects that

would be applying the lessons of the first half of the review period.

⁴ Another time-related issue has to do with the fact that prior to 2010 most operations did not include a standard logical framework. This makes the task of assessing operational results much more difficult.

of operations are rated fully satisfactory and above, the aggregate effectiveness rating is considered unsatisfactory.

- *Benefits to beneficiaries.* The evaluation finds that nearly two-thirds of all operations were rated as having positive effects on targeted beneficiaries, with women beneficiaries singled out in 20% of operations and youth in 3%.

The absence of standardised logical frameworks makes it very difficult to assess operations on a rigorous basis, since outputs and outcomes were not systematically stated. In order to address this gap, the evaluation assesses the “likelihood” of operations achieving their objectives. It would have been interesting to analyse separately operations approved before and after 2010.

On effectiveness Management agrees on the need to better capture operational results at the outcome level (not just outputs) and believes that the actions initiated since 2010 will contribute to this process. To a large extent, though, the reliability of outcome-level data rests on two main strategies:

- Strengthening national statistical systems and M&E capacities, which is a long-term effort to which the Bank contributes together with other partners; and

- Identifying proxy indicators and designing project-based information systems, which are costly and often partial.

One of the innovations the Bank will be introducing to better capture the economic impact of its operations is the Development Impact Approach. It will allow the Bank to measure the number of direct and indirect jobs supported by its investments and the extent to which they contribute to economic growth.

Sustainability

Overall, the sustainability of project outcomes was rated moderately unsatisfactory, with 74% of operations rated at least moderately satisfactory and 33% fully satisfactory.

Financial and economic viability was seen to be the main factor undermining the achievement of outputs and outcomes after project closure. Unsurprisingly, small “social” projects in transition states were least likely to sustain their benefits over time. *Institutional sustainability* and *environmental and social sustainability* were also rated moderately unsatisfactory, with respectively 68% and 80% of operations meeting the moderately satisfactory and above threshold.

These findings need, however, to be qualified. The evaluation does not, strictly speaking, measure project sustainability. Rather it assesses the quality of the *mechanisms* put in place to secure project sustainability. This approach is similar to the one adopted in the self-evaluation system through project completion reporting. The assessment is typically undertaken immediately after completion and examines different aspects of sustainability, including institutional, financial/economic and environmental/social.

Sustainability typically requires solid partnerships—i.e., with implementing agencies, local authorities, communities, etc.—to secure the viability of measures aimed at sustaining the project benefits beyond the Bank’s financial support period. As the evaluation rightly points out, financial sustainability depends to a large extent on national authorities taking ownership of and responsibility for the measures and including budgets for maintenance. This is why sustainability is typically more challenging in fragile settings that contend with severe fiscal, institutional and governance constraints. Management recognises these challenges and will better address them through an improved “fragility lens” at the operational design stage and through its increased field presence, both critical to the quality of dialogue with partners.

Efficiency

The evaluation examined the Bank’s efficiency in terms of project delays and cost-efficiency. More than two-thirds of operations were rated moderately satisfactory and above.

Profitability (private sector) and cost-benefit analysis (public sector). Management is encouraged by the fact that 90 percent of operations were rated moderately satisfactory.

Project delays and timeliness. On the other hand, timeliness of project execution was rated less positively on two counts. First, nearly a third of all projects (28%) took significantly longer to implement than planned. And second, the evaluation flagged serious delays between project approval and first disbursement. Nearly half of all projects took more than 12 months to disburse after approval.

Management shares IDEV’s view that efficiency is probably the most serious operational issue identified. As in other MDBs, project start-up delays largely reflect a persistent “approval culture”. To address this issue, the Bank is working in two directions. First, Management is currently reviewing staff incentive

structures and key performance indicators (KPIs) to promote a culture of operational performance and excellence. As part of this review, it is exploring the establishment of cross-departmental KPIs that promote problem-solving and shared responsibilities. And second, it is streamlining its business processes. Under the new DBDM, Management established the Delivery Accountability and Process Efficiency Committee (DAPEC) with a view to improving the Bank's efficiency and performance by streamlining its business processes, policies, procedures and systems.

In this connection, and as noted above, since Presidential Directive 2/15 was adopted last year, the time from approval to first disbursement came down by 44%, from 390 days to 218 days.

That being said, progress does not entirely depend on the efficiency of Bank processes. Project start-up and timely implementation largely depend on client countries' processes and procedures over which the Bank has little control. The Bank attempts to influence these processes and procedures through continuous dialogue with the authorities, provision of technical assistance, regular supervision and training of project staff.

Cross-cutting themes

Two broad sets of cross-cutting themes—inclusiveness and green growth—were examined in the design of CSPs and projects. Special focus was given to three themes—green growth, gender and age. Overall projects were rated as moderately satisfactory on cross-cutting themes:

- Inclusiveness was loosely defined as attention given to three themes: gender, regional disparities and age. The evaluation found that more than half of the projects were assessed as likely by design to lead to positive effects for targeted groups—men, women, youth and girls.

- Green growth as a theme was found to be routinely addressed in some sectors (energy) but not in all (transport).

It is worth noting that neither inclusiveness nor green growth was part of the Bank's strategy during the period evaluated. The Ten-Year Strategy was only adopted in 2013.

ARE STRATEGIES AND PROGRAMMES RESULTS-FOCUSED?

The evaluation also assessed the Bank's capacity to achieve development results by designing selective country strategies, promoting innovative solutions and designing and supervising projects that yielded results.

Strategic selectivity

The evaluation found that CSPs did not systematically focus on the sectors in which the Bank had a comparative advantage. This was assessed by determining the extent to which CSPs provided clear analysis in support of the choice of priority areas suggested in the CSP (Annex H p. 82). The evaluation also found that the Bank's CSPs were excessively broad and did not translate into operational selectivity. The evaluation, however, acknowledges the major improvements that followed the adoption of quality-at-entry standards for country strategies, which explicitly consider the criteria of strategic alignment, Bank positioning and selectivity mechanisms.

Management believes that strategic selectivity has to be considered in the light of specific country situations, rather than pre-determined areas of comparative advantage, thereby allowing the Bank to remain relevant, flexible and responsive to the evolving needs of its clients while continuously strengthening its expertise. The evaluation, however, rightly raises the question of the "challenge of selectivity" at a time when multiple and ever-expanding priorities have to be reflected into the mandate of the Bank (and other MDBs). This applies to sector as well as thematic and cross-cutting areas. The conventional approach of identifying one or two CSP "pillars", originally aimed at ensuring a strategic focus at the sector level, has produced mixed results. The institutional requirements to mainstream high-level priority agendas—gender equality, climate change, good governance, private sector development, fragility—have also contributed to "blurring" the strategic selectivity of the Bank's CSPs.

Management agrees with IDEV that strategic selectivity has not always translated into operational (programmatic) selectivity. While the strategy-programme articulation is one of the quality-at-entry dimensions of CSPs, the Bank's pipeline often requires further justification. Management acknowledges these issues and is in the process of revamping its approach to country strategies and streamlining its CSP preparation process through DAPEC. Furthermore, quality-at-entry standards have been updated to take stock of recent strategic developments with MDBs and also to better reflect the Bank's enlarged mandate as a broad-based development finance institution.

Adaptation and innovation

According to the evaluation, operations and CSPs were not always designed in ways that fostered innovative approaches. This conclusion was

reached by examining the logic of intervention of each programme and assessing the extent to which it proposed solutions that were adapted to the country's context (Annex H p. 82).

To a large extent, this assessment results from the need to better articulate the programme with the strategy in the Bank's CSPs. It also expresses RMCs' aspirations for the Bank to become a major development partner beyond its traditional project finance role. Management recognises that the current practice is to use the CSP essentially as a programmatic tool and that this approach does not lend itself to the multiple strategic functions that the Bank is playing in the vast majority of its RMCs. The new approach to CSPs, embedded in the quality-at-entry standards and revised results tools, will help better articulate the Bank's strategic roles in the specific country setting—as a provider of knowledge solutions and policy advice, as an agent of change in support of institutional reforms, and as a catalyst of finance.

Managing for development results

Analysis of the Bank's logic of intervention and quality of project supervision allowed the evaluation to assess the Bank's capacity to manage for development results.

Logic of interventions. The evaluation took stock of improvements in the quality of the logic of intervention, but found that a culture of managing for development results is not sufficiently anchored in the Bank's practices. In particular, the evaluation found that the results-orientation of the Bank's strategies—corporate as well as country—was rather weak and usually lacked explicit theories of change.

Management agrees that the Bank's corporate and sector strategies need to have clearly defined objectives, well-articulated approaches for achieving them and clear metrics for tracking progress. This is how Management understands the notion of “theory of change”.

Since 2013, all of the Bank's corporate and sector strategies are based on a clear theory of change and specific metrics that define outcomes and clearly describe the logic of intervention that guides them. Furthermore, the four High-5 strategies adopted in 2016 all include, for example, a results measurement framework.

This approach will be further strengthened with the Bank's new Bank Group Results Measurement Framework (2016-2025), which will include detailed logic of interventions for the Bank's High-5 strategies and DBDM.

Project supervision. Supervision was another area identified by the evaluation as requiring particular attention. Its frequency and quality were found to be wanting, especially for private sector operations. The evaluation notes, however, the positive influence of the opening of country offices on supervision processes.

While Management agrees that the conclusions are “directionally” accurate, it also believes that they would need to be revisited in the light of the operational reforms undertaken in the period 2010-2014 (see Table 1). For instance, the 2013 updated quality-at-entry standards—among some 40 criteria—explicitly incorporate (and rate) the integration of past lessons, the quality of logical frameworks and the operational risks aspects. The supervision tool—The Implementation and Progress Report—rolled out in 2013 was designed precisely in response to some of the concerns raised in the evaluation, and more specifically the need to put in place a more candid operational rating system, based on evidence and focused on results.

IDEV acknowledges this timeframe issue, quoting the recent evaluation of the ADF/GCI commitments: “measures to enhance operational quality at each main stage of the public sector project lifecycle are solid, but have not had sufficient time to take hold systematically”. Management gives due consideration to the evaluation's view that “deeper behavioural issues may be hindering full implementation”. It acknowledges that technical solutions (new tools, standards, processes) and related support facilities (training programmes, coaching) are necessary but not sufficient means to foster a culture of results and performance in an institution. As highlighted in the evaluation, the envisaged cultural change also requires a different set of incentive structures (more geared towards accountability, pro-activity, candour, risk-taking, eagerness to learn), well-functioning feedback loops, improved transparency mechanisms and committed leadership. A number of initiatives are envisaged to this end, as further elaborated in the Management Action Record.

IS THE BANK A VALUED PARTNER?

Finally, the evaluation also aimed to assess the quality of the Bank's relationships with its clients and partners at country level. In doing so, it focused on three dimensions of the interaction: knowledge and advisory services, cooperation and coordination, and leverage.

Knowledge and advisory services

According to the evaluation the Bank's knowledge work—especially economic and sector work—were not sufficiently used to inform decision-making at country level, and were not well disseminated. As a result, clients and stakeholders perceive the Bank to be a lending institution rather than an adviser.

The Bank aspires to become the acknowledged leader in statistics on African development and a first choice on knowledge on African economic and social development. It has been implementing a Knowledge Management Strategy, resulting in major improvements in the quality and accessibility of its flagship publications—Africa Economic Outlook, Africa Competitiveness Report and African Development Report—online Policy Briefs, Development Research Briefs and Working Papers. It is providing much more accessible statistics through the Open Data Platform. It has also introduced the annual Africa Economic Conference and expanded seminar programmes at its Annual Meetings. Nevertheless, Management recognises that progress has been somewhat hamstrung by low levels of resources.

Against this background, Management agrees on the need to clarify and streamline the suite of ESWs along the lines it set out in response to IDEV's 2013 Evaluation on ESWs.

Cooperation and coordination

The evaluation provides a mixed assessment of the quality of country-level cooperation and coordination. While, for example, CSP consultations were well planned, they did not always translate into coordinated action at country level. For instance, budget support operations did not always adequately involve other relevant donors, even though significant improvement has been achieved in recent years, following the adoption of a revised Policy-Based Loans policy in March 2012. On a more positive note, the evaluation found that in countries where the Bank has country offices, there was (unsurprisingly) better coordination.

Leverage

The evaluation found that the Bank missed opportunities to mobilise additional resources, especially at project level. To address in part this issue, the Bank is establishing a new Syndications and Co-Financing department and is also introducing KPIs to incentivise substantially increased levels of syndication and co-financing. Management has also in recent years promoted and introduced new vehicles (e.g., Africa50 and Africa Growing Together Fund) to crowd in additional resources.

CONCLUSION

IDEV's evaluation assesses the Bank's development effectiveness from three different angles. The first is the extent to which the Bank's operations achieved their development objectives. The second examines the quality of the Bank's country strategies and programmes. And the third looks at the Bank's ability to engage in productive partnerships at country level.

The findings presented in the evaluation are often a sobering reminder of the challenges of promoting development in Africa. The feedback is particularly valuable as the Bank embarks on rolling out the reforms laid out in the DBDM.

MANAGEMENT ACTION RECORD

RECOMMENDATION

MANAGEMENT'S RESPONSE

RECOMMENDATION 1: Expand the analysis of comparative advantage in country strategies beyond sector considerations.

Comment—This would mean analysing the type of role the Bank should/could play to add value, depending on the country context and priorities—e.g., knowledge broker, advisor, and/or project financier. This should include an understanding of how government and key partners perceive the Bank in relation to the strategic directions it wishes to take.

AGREED—Management agrees on the need to continuously improve the Bank's strategic positioning at country level beyond project finance. In effect, the High-5 strategies identify opportunities for strengthening the Bank's advisory role in many different areas, including:

- *Light-Up & Power Africa* —The Bank will play a central convening role among energy-related institutions and will support regulatory reforms through the design of a harmonised Independent Power Producers Procurement Framework (Flagship 1).
- *Feed Africa* — The Bank will provide advisory services in support of agriculture development in key policy areas including land tenure, input subsidies and processing.
- *Industrialise Africa* — The Bank will support the design and implementation of industrial policy conducive to private sector investments through technical assistance, advisory services and trainings.

Furthermore, analyses of the Bank's comparative advantages are already part of the quality-at-entry standards for CSPs. However, the focus of this analysis has typically been operational—i.e., on sector or thematic aspects—rather than strategic—i.e., on functions and roles. To address this issue, the new updated CSP standards will specifically include criteria on the "identification of leverage opportunities" and the "identification of knowledge and advisory services" to better reflect the diversity of the Bank's engagement modalities, beyond project finance.

In addition, Management is developing a new approach to CSPs that aims at better reflecting the full-breadth of the Bank's strategic functions in RMCs. The approach will be country-focused, based on the specific needs expressed by the client as well as the areas of the Bank's comparative advantage. Its performance in achieving these goals will be monitored in the "Strategic Tool and Performance Engagement Matrix".

FURTHER ACTION

- New business processes for CSPs will be introduced by 2017. They will be supported by new quality assurance standards and results tools (see above).

RECOMMENDATION 2: Generalise the analysis of potential partnerships based on the strategic roles the Bank wishes to take at country level.

Comment—This includes possible roles, contributions and constraints, as well as associated threats and opportunities. Partnerships could include not only the traditional knowledge/financing partnerships with development partners, but also new partnerships with civil society, the private sector and emerging donors.

AGREED—Management agrees on the value of building strong partnerships at the country level. This is why Management goes to great lengths to ensure that its CSPs are based on clear and in-depth analysis of partnership frameworks that can be mobilised in support of country objectives.

In effect, building robust partnerships and leveraging resources are critical in achieving the Bank's High-5s. This requirement will be stepped up in the context of the implementation of the new DBDM.

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MANAGEMENT'S RESPONSE

FURTHER ACTIONS

To this end, Management will be taking the following actions:

- Efforts to build and mobilise partnerships at country level will be systematically tracked and encouraged.
- KPIs and performance contracts of Regional Hubs, Directors General, Liaison Offices and Field Offices will be revised to include partnership elements, which will be monitored and accounted for.

RECOMMENDATION 3: Strengthen the analysis of risks related to implementation and sustainability at the strategic country level and in projects.

Comment—Risk analysis should include a detailed, context- and capacity-appropriate mitigation strategy to tackle constraints to implementation. For sustainability, in particular, this would involve determining lending and non-lending contributions based on the capacity of the country to maintain project operations, and developing long-term partnerships. At project level, tools such as the “readiness filter” that mitigates the risk of delayed start-up could be streamlined and generalised.

AGREED—Management agrees that it is important to analyse the risks related to project implementation and project sustainability. This is why Management is taking actions at different levels:

- *Fragility assessments* are periodically conducted in RMCs to identify major risks that can cause a severe deterioration of the social, economic or political fabric of a country and impact Bank interventions.
- *Readiness filters*—Management plans to generalise the use of project readiness filters at the country level to monitor progress in completing the various (country-specific) steps leading to loan effectiveness and effectiveness for first disbursement.
- *Country strategies* have specific sections dealing with risk analysis and mitigation measures. However, Management agrees on the need to further strengthen the monitoring of “results and risks dimensions” of the quality-at-entry standards.

These entry-level measures will be accompanied by a renewed emphasis on pro-active project management. At the project supervision level, the IPR template requires staff to specifically list the main implementation issues and risks and address them with specific actions and mitigation measures.

FURTHER ACTION

- Management will continue to promote pro-active risk monitoring and management through the Quality Assurance dashboard published twice a year.

RECOMMENDATION 4: Enhance learning at both project and strategic levels.

Comment—Lessons learnt should receive fuller, more detailed discussion in country strategies and project documents. They should also better integrate the possible views of other stakeholders on Bank support. Sharing lessons could become a formal part of staff accountability so that lessons become more structured and more usable.

AGREED—In order to achieve its development goals, the Bank has to be a learning organisation committed to improving its operations continuously. Addressing this challenge requires action at different levels.

At the corporate level, we have to create an organisation that values learning and provides the space and tools to enable it. Management agrees that it also needs to make more systematic efforts to engage in dialogue on key policy issues and provide policy advice so that it can provide a leading view in country-level dialogue on key macroeconomic and sector policy issues.

At project level, the reporting system in place provides ample room for capturing learning: i) quality-at-entry specifically

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includes the incorporation of lessons learnt, ii) the concluding section of the IPR deals with “lessons learnt during implementation”, and iii) the PCR requires the identification of lessons for each of the four quality dimensions rated (relevance, effectiveness, efficiency, sustainability).

At the CSP level, it has been the Bank’s practice to prepare the CSP completion report together with the new CSP, as a means of identifying lessons of the past cycle to inform the forthcoming strategy and programme. This practice will be generalised in the new CSP approach, and a single document is being proposed.

Management recognises, however, that these efforts have not fully translated into the expected benefits in terms of quality. This is why it is planning to take the following actions.

FURTHER ACTION

- By 2017 Management will set up a staff Awards and Learning Development platform to reward excellence in project design and management. The platform is expected to provide an effective mechanism for capturing and sharing operational learning across regions in a systematic way.

RECOMMENDATION 5: Improve the design of country strategies based on the foregoing analysis.

Comment—This implies (i) clarifying the strategic roles the Bank wishes to play in the country; (ii) positioning the Bank in broader partnerships, and (iii) clarifying the intervention logic and narrowing the Bank’s contribution to a select set of sectors, and considering fewer and more modest CSP indicators.

AGREED—Management agrees on the need to design country strategies on the basis of the best analysis available. It also agrees to improve the quality of current CSPs. This is discussed in further detail under Recommendations 1 and 2 above.

With regard to the intervention logic of CSPs, Management is piloting a new approach to results in CSPs: a *strategic alignment framework* is proposed for each pillar of the CSPs. It articulates the theory of change that underpins the Bank’s assistance programme in line with the approach adopted by other MDBs in lieu of the traditional results matrix.

FURTHER ACTION

- As part of the new CSP results tools (see Recommendation 1) a Strategic Alignment Framework will clarify the logic of country intervention.

RECOMMENDATION 6: Clarify the terms of references for country offices depending on the country context and the Bank’s strategy.

Comment—This includes defining performance with clear indicators for ensuring accountability for results. It also implies making the appropriate skills and adequate resources available for the office to fulfil its various possible roles in country (e.g. representation and liaison with stakeholders; strategic thinking and policy advice; technical design; risk management; and monitoring and evaluation). Special attention should be given to transition states where the Bank has a comparative advantage with respect to relationships and dialogue.

AGREED—In line with the updated Decentralisation Action Plan endorsed by the Board, Management will strengthen its regional presence and will right-size and optimise its country offices, providing greater delegation of authority and resources to regional hubs and country offices to deliver on their mandates. In considering the role of each country office, Management will take into consideration criteria such as the size and complexity of the portfolio, the number of countries in transition, and the need for further business development.

In transition states and small-island states, for example, the need for the Bank to remain engaged and address countries most pressing development concerns will determine to a large extent the size of the Bank’s “footprint” in that country, even when the on-going portfolio is relatively small. To this end, Management will ensure that there is a relatively high proportion of internationally recruited professional staff to allow

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the Bank to help build country capacity on the ground and deliver on its projects and programmes.

FURTHER ACTION

In this connection, Management will be taking the following actions:

- The level of staffing, the terms of reference and KPIs for country offices, Liaison Offices, Director Generals and Resident Representatives will be revised to better reflect the needs and priorities of each country.

- As part of the reforms agreed in the DBDM, a Transition States Coordination Office will concentrate resources to a strategic location closer to transition clients, and will provide expert support, cross-country experience and knowledge-sharing across multiple countries.

RECOMMENDATION 7: Clarify and streamline the suite of ESW products.

Comment—The anticipated role of ESW alongside the CSP should be revisited and appropriately resourced. Building on existing good practice, appropriate resources should be made available in countries where the Bank can fill knowledge gaps in specific niches related to its strategies and propose a relevant combination of ESW, dialogue and financing instruments to the client.

AGREED—The Bank aspires to become the acknowledged leader in statistics on African development and a first choice on knowledge on African economic and social development. It has been implementing a Knowledge Management Strategy, resulting in major improvements in the quality and the accessibility of its flagship publications—Africa Economic Outlook, Africa Competitiveness Report and African Development Report—online Policy Briefs, Development Research Briefs and Working Papers. It is providing much more accessible statistics through the Open Data Platform. It has also introduced the annual Africa Economic Conference and expanded seminar programmes at its Annual Meetings. Nevertheless, Management recognises that progress has been hamstrung by low levels of resources.

Against this backdrop, Management agrees on the need to clarify and streamline the suite of ESWs along the lines it set out in response to IDEV's 2013 Evaluation on ESWs.

FURTHER ACTIONS

In this connection, Management will:

- Ensure that ESWs are guided by a clear definition and that more attention is given to aligning ESWs with the Bank's new operational priorities and client needs.

- Revisit its knowledge products and organise them into three groups: i) knowledge for external clients, ii) knowledge as a public good, and iii) knowledge for internal use.

- Ensure that the Bank's regional hubs play an important role in coordinating ESWs and disseminating them at the regional level.

RECOMMENDATION 8: Ensure that corporate strategies (e.g., sector strategies) are based on a well-designed theory of change shared with stakeholders as the basis for defining the outcomes guiding Bank interventions and common indicators.

Comment—Mechanisms to have outcomes and indicators trickle down to country strategies and projects should be proposed.

AGREED—Management agrees that the Bank's corporate and sector strategies need to have clearly defined objectives, well-articulated approaches for achieving them, and clear metrics for tracking progress. This is how Management understands the notion of "theory of change".

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<p>.....</p>	<p>Since 2013, all of the Bank's corporate and sector strategies are based on a theory of change and specific metrics that define outcomes and clearly describe the logic of intervention that guides them. Furthermore, the four High-5 strategies adopted in 2016 all include, for example, a results measurement framework.</p> <p>This approach will be further strengthened with the Bank's new Bank Group Results Measurement Framework (2016-2025). It will include detailed logic of interventions for the Bank's High-5 strategies and the DBDM.</p> <p>FURTHER ACTIONS</p> <ul style="list-style-type: none"> ■ As noted above, the Bank Group's forthcoming Results Measurement Framework (2016-2025) will be guided by an explicit theory of change. It will define the outcomes and the logic of intervention for 14 of the Bank's objectives, including the High-s and the DBDM. ■ Progress towards these objectives will be charted in "trajectories", monitored regularly, and presented in Executive Dashboards.
<p>RECOMMENDATION 9: Enhance flexibility and customisation to country context in Bank procedures.</p>	
<p>Comment—A good example is the new procurement policy, which takes a flexible, risk-based approach. Special attention should be given to transition states to support the comparative advantage of the Bank in terms of relationship. In these countries, the Bank might consider consolidating multiple financing sources and streamlining trust funds to avoid delays and disruptions. In higher-income countries, greater flexibility in Bank lending procedures could be considered (e.g., the need for sovereign guarantees).</p>	<p>AGREED—Management fully agrees on the need to reform its current procedures with a view to promoting greater efficiency and effectiveness. This is in fact one of Management's five corporate priorities as set out in the DBDM.</p> <p>To this end, in 2016 Management established the Delivery Accountability and Process Efficiency Committee (DAPEC) to streamline the Bank's business processes, policies, procedures and systems.</p> <p>Furthermore, and as noted by the evaluation, the Bank is increasingly adapting its systems to the strengths and weaknesses of RMCs. In this connection, ORPF is currently undertaking assessments to determine risks (both for procurement and financial management) in using country systems. It is likely that a number of contracts (initially, of relatively low value) will be awarded by borrowers using their own systems. As these systems strengthen, and the confidence of stakeholders grows, the number and value of such contracts will likely rise. This will increase ownership as well as efficiency in project delivery.</p> <p>FURTHER ACTIONS</p> <ul style="list-style-type: none"> ■ DAPEC will review the Bank's business processes, organisational culture, policies and procedures and, as necessary, redesign them to achieve the objectives of the Bank's transformation agenda as approved by the Board of Directors. ■ Country-level procurement assessments will be completed for 25 partner countries by December 2016. The remaining countries will be assessed by December 2017. ■ Fiduciary Risk Assessments will be completed for 25 countries by December 2016. ■ A monitoring mechanism will be put in place by December 2016 to evaluate the effectiveness of the

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implementation of procurement and financial management policies.

RECOMMENDATION 10: Strengthen accountability frameworks and align incentives to influence changes in behaviour, moving towards a performance culture.

Comment—This should include the revision and alignment of key performance indicators (KPIs) at all levels to ensure their coherence in driving results-oriented action (e.g., lending targets could be accompanied by quality and results targets).

AGREED—The institutional transformation process initiated this year is being underpinned by culture change focused on empowering staff, accompanied by greater accountability for client results, innovation and creativity, and a results-based culture. New performance contracts have been signed with Vice Presidents and are cascaded to Directors, Managers and staff, with clear responsibilities and identified KPIs. Management uses KPIs to track the performance drivers of its operational and non-operational departments. This will ensure that each department will focus on a set of objectives that it needs to achieve within a year and link it to the budget planning process. The Bank is reviewing and rationalising its KPIs to make sure they are fully aligned with the Bank's High-5 priorities and the DBDM.

FURTHER ACTIONS

The DBDM sets out a comprehensive list of actions aimed at changing behaviour and promoting a new culture of results and performance. As part of the DBDM, Management will:

- Develop and roll out a new People Strategy and Strategic Staffing Framework to realign and enhance institutional HR processes on talent and performance management, learning and development, rewards, career growth and leadership.
- Update and streamline KPIs by 2017.
- By 2017, integrate the updated KPIs in the Executive Dashboard designed to monitor performance of departments, regional and country offices.

RECOMMENDATION 11: Enhance the depth and quality of supervision for private sector operations.

Comment—Options for enhancement include i) framing supervision on the basis of a project's risk profile, ii) improving the results focus in particular with respect to development outcomes, and iii) clarifying the frequency requirements for supervision of private sector operations.

AGREED—Management agrees on the need to enhance the quality of the supervision of private sector operations. An interdepartmental team was set up to work towards an integrated quality assurance system that can systematically plan, track and report the results (outputs and outcomes) of non-sovereign operations. The process of developing, testing and rolling out the new tools along the project lifecycle will extend over roughly three years. Operational ratings will be based on evidence and will capture project performance and quality at entry, during implementation and at exit. In developing the new supervision format and rating method, elements of risk profile and profitability will be highlighted.

Management is of the view that frequency requirements for supervision should be determined on a case by case basis depending on the level of implementation risks. Further, through the decentralised model and thanks to the greater proximity to clients, supervision is a field-based continuous process rather than an HQ-initiated discrete event.

FURTHER ACTION

- Management will introduce a transparent rating cycle in the project cycle of non-sovereign operations by 2019.

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RECOMMENDATION 12: Strengthen the implementation of supervision for public sector operations.

Comment—This could be done by i) strengthening accountability and aligning incentives around supervision, ii) improving existing tools as needed (e.g., tracking disbursement performance against a benchmark disbursement profile by sector), and iii) strengthening capacity at country level on the side of the Bank and of its national counterparts. This should be done when possible by using national monitoring and evaluation systems and/or advancing their institutionalisation

AGREED—Management agrees on the need to revisit the staff incentive system to reward pro-active performance and strengthen accountability. Task managers are at the centre of a number of efforts in this direction, including the envisaged online in-house training facility through the AfDB academy and the proposed platform for rewarding excellence in project design and management.

FURTHER ACTION

In addition to the actions described under previous recommendations, in 2017 Management will:

- Roll out the Task Manager Academy that will strengthen the capacity of staff to supervise projects.