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The Results Measurement Framework For the ADF-12 Period (2011-13)

Discussion Paper

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Executive Summary

During ADF-11, the African Development Bank committed to strengthening its contribution to development results on the continent and to reporting more systematically on this contribution. As part of this commitment, it adopted a results measurement framework and a set of institutional reforms later codified as the Action Plan on Quality and Results. Both the measurement framework and the action plan were included in the Bank's Medium-Term Strategy for 2008-2012.

This report describes actions the Bank is taking under ADF-12 to enhance the Results Measurement Framework and step up implementation of the action plan. In doing so, it provides an update on progress made in implementing the ADF-11 framework since the Mid-Term Review in Helsinki in October 2009.

Progress in implementing the ADF-11 Results Measurement Framework. In Helsinki, the Bank presented a comprehensive review of progress at all levels of the ADF-11 Results Measurement Framework. This paper, prepared 6 months after the Mid-Term Review, provides the latest data available at each level and confirms the main findings presented at Helsinki: there has been progress at all levels.

Progress on country outcomes. In 2007-2008, the performance of ADF countries was positive, with strong economic growth and a commodity boom contributing to rising per capita income, declining poverty and improving social welfare. The most recent evidence suggests, however, that the situation at the end of ADF-11 will be bleaker. As the global economic and financial crisis has taken its toll on African economies, ADF countries have seen a downturn in trade, investment and economic growth.

ADF's contributions to results on the ground. The Bank has reviewed outputs and outcomes of all exiting ADF operations between January 2006 and December 2009. The analysis confirms the main conclusions reached at Helsinki: there is strong evidence of the ADF's contribution to development results, with nearly three-quarters of all output indicators achieving or surpassing expectations.

Progress on reforms. With regard to its implementation of the Action Plan on Quality and Results, the Bank has made achievements in all areas, meeting or exceeding its targets for 10 out of 16 indicators. Notable progress was recorded in quality at entry, with two-thirds of all Country Strategy Papers and 71 percent of operations now including satisfactory baselines (the figures for 2008 were 38 and 50 percent respectively). The quality of the ADF portfolio has improved likewise, with 61 percent of operations supervised at least twice a year and the proportion of problem projects dropping to 6 percent.

The Results Measurement Framework for ADF-12. The Results Measurement Framework for ADF-12 consolidates and refines the ADF-11 framework by introducing two important features:

A 'one Bank' Results Measurement Framework. First, under ADF-12, the Results Measurement Framework will be increasingly geared toward supporting all Bank Group operations and strategies. As a part of these efforts, responsibility for monitoring the implementation of the RMF has been assigned to the Chief Operating Officer. The Bank is also putting in place systems and initiatives that better capture the contributions to development of a range of Bank Group activities, including private sector operations.

A four-level Results Measurement Framework. The second feature of the ADF-12 Results Measurement Framework is that it refines the ADF-11 framework by reviewing progress at four, rather than three, levels: development outcomes in Africa (Level 1); the Bank's contributions to development outcomes (Level 2); the Bank's operational effectiveness (Level 3); and the Bank's organizational efficiency (Level 4).

This approach, which is entirely consistent with the ADF-11 framework, has three advantages. First, it is simpler and more effective at communicating the links between the Bank's activities and development results. Second, it creates scope to focus on a broader set of institutional reforms (decentralization, business processes, etc.) that are integral parts of the Bank's agenda on quality and results. Third, it reflects good practices adopted by other multilateral development banks.

Key reforms under ADF-12. Assessments of progress on quality and results at the end of 2009 produce a simple conclusion: the Bank should stay the course. The ADB's framework for improving quality and results has proven useful in driving reforms across the institution. Consistent and sustained implementation of this vision in ADF-12 will be critical in making the Bank a more effective development partner in Africa. In this context, the Bank will be undertaking the following initiatives under ADF-12:

Sustaining efforts to strengthen the quality at entry of strategies and operations. In recent years, the Bank has placed high priority on improving quality at entry as a foundation for achieving better results. These efforts will be pursued and strengthened under ADF-12 by mainstreaming Readiness Reviews in all Bank operations and country strategies; adopting a set of quality-at-entry standards that provide technical guidance to Country Teams; adopting a simplified and results-focused logical framework for operations; developing training modules and conducting extensive staff training on the use of logical frameworks for project design and results monitoring; and training Bank staff in quality at entry.

Revising supervision reporting to focus on progress toward results and facilitate field-based supervision. While encouraging progress has been made toward more effective supervision, additional efforts are still required. The Bank will review its approach to the way it supervises its ongoing portfolio of operations with the following objectives: (i) to simplify its supervision template to make it more effective at identifying risks and addressing them proactively; (ii) to improve the way it measures risks for ongoing operations; and (iii) to integrate the supervision process within the new Results Reporting System to support more continuous supervision. This will enable and encourage more regular attention to the quality of ongoing operations.

Improving the Bank's ability to track its contributions toward development results. Building on the work already undertaken in the context of the Action Plan on Quality and Results, the Bank will strengthen the way it delivers and measures its contributions to development results by (i) adopting Core Sector Indicators for all operations; (ii) rolling out a results reporting system that systematically track results from the logical framework to project completion; (iii) improving outcome reporting for regional operations, policy-based operations and operations in fragile states; and (iv) better integrating private sector operations within the Results Measurement Framework.

Meeting the commitments made in the Paris Declaration and the Accra Agenda for Action. The Bank is fully committed to implementing international agreements on aid effectiveness. However, like most development agencies, it has been struggling to achieve the Paris Declaration targets. To address fundamental challenges, the Bank Group is preparing a roadmap to re-energize and sustain the high-level political momentum necessary to implement aid effectiveness reforms.

Stepping up decentralization and improving business processes. Management is taking decisive action to step up the decentralization agenda by elaborating a Decentralization Roadmap for 2010-2015. Implementing the roadmap is expected to increase the Bank's presence in the field, delegate more decision-making, improve the skills mix of field staff, and improve the Bank's ability to meet its Paris Declaration commitments. Initiatives in the area of fiduciary management, budget planning and human resources will similarly improve the Bank's ability to deliver tangible results to its stakeholders.

Deputies are invited to provide their reflections on the Results Measurement Framework going into ADF-12.

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Abbreviations

ADB	African Development Bank
ADF	African Development Fund
ADF-10	Tenth General Replenishment of the African Development Fund
ADF-11	Eleventh General Replenishment of the African Development Fund
ADF-12	Twelfth General Replenishment of the African Development Fund
ADOA	Additionality and Development Outcome Assessment
CPI	Consumer Price Index
CPIA	Country Policy and Institutional Assessment
CSI	Core Sector Indicator
CSPs	Country Strategy Papers
DAC	Development Assistance Committee
DHS	Demographic and Health Surveys
DO	Development Objectives
DOTS	Direction of Trade Statistics
EITI	Extractive Industries Transparency Initiative
EPGI	Employment to Population Gender Indicator
FAO	Food and Agriculture Organization
GCI	Global Competitiveness Index
GCR	Global Competitiveness Report
GDP	Gross Domestic Product
GNI	Gross National Income
ha	hectares
ICT	Information and Communication Technology
IDA	International Development Association
IMF	International Monetary Fund
IP	Implementation Progress
ITU	International Telecommunication Union
JMP	Joint Monitoring Programme
km	Kilometer
kW	Kilowatt
LSMS	Living Standard Measurement Study
m	meters
M&E	Monitoring and Evaluation
MDGs	Millennium Development Goals
mW	megawatts
NA	Not Available
NERICA	New Rice for Africa
NGO	Nongovernmental Organization
NR	Not Recorded
OECD	Organisation for Economic Co-operation and Development
PCR	Project Completion Report
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PIUs	Project Implementation Units
PPP	Purchasing Power Parity
RMC	Regional Member Country
RMF	Results Measurement Framework
RR	Readiness Review
UA	Units of Account
UN	United Nations
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNICEF	United Nations Children's Fund
US$	United States Dollars
WGI	Worldwide Governance Indicator
WHO	World Health Organization

THE RESULTS MEASUREMENT FRAMEWORK FOR THE ADF-12 PERIOD (2011-13)

1. Introduction

1.1 The African Development Bank (ADB or Bank) Group's mission is to help reduce poverty, improve living conditions and mobilize resources for the continent's economic and social development. In delivering its mandate, it uses a results measurement framework (RMF) to report on progress in achieving these goals. The Bank first adopted a RMF for the African Development Fund (ADF or Fund) during the Mid-Term Review of the ninth ADF replenishment in 2003. It enhanced the framework for the ADF-10 and the ADF-11 periods to better address emerging priorities and concerns.

1.2 This paper describes actions the Bank is taking under ADF-12 to enhance the RMF and step up implementation of its Action Plan on Quality and Results. In doing so, it provides an update on progress made in implementing the ADF-11 framework since the Helsinki Mid-Term Review in October 2009.[1]

2. Progress in Implementing the ADF-11 Results Measurement Framework

2.1 For the ADF-11 Mid-Term Review in Helsinki, which took place in October 2009, the Bank prepared a comprehensive review of progress on (i) country development outcomes; (ii) the ADF's contribution to results on the ground; and (iii) institutional reforms. Drawing on the latest data available (April 2010), this paper confirms the main findings presented at Helsinki: namely, that progress has been achieved at all levels.

Progress on Country Outcomes

2.2 As the continent's premier financial institution, the ADB supports regional member countries in achieving their development goals. The RMF monitors progress toward these goals by tracking indicators in six strategic areas where the Bank has a comparative advantage (and hence, the greatest impact): growth and poverty reduction, governance, regional integration and trade, private sector development, economic infrastructure, and human development.

2.3 Referring to a set of 19 indicators, this section of the paper reports on ADF countries' progress in achieving key development goals in these six areas since ADF-11 began in 2006 (Table 1). To properly assess progress over time, it is important to compare the situation before and after the global financial and economic crisis, which hit ADF countries with delay, but hit them hard.

2.4 At an average annual rate of about 7 percent during 2001-2008, ADF countries experienced the highest real gross domestic product growth in decades, with steadily rising per capita income and declining poverty. While the commodity boom undoubtedly played a role, growth was also driven by improved macroeconomic policies and structural reforms. Even though oil and mineral-exporting economies grew the fastest, growth was broad-based, with about half of ADF countries growing at or above 5 percent a year. Despite the rising price of food and fertilizers, most ADF countries coped well with inflationary pressures during 2007 and 2008, with 40 percent of countries keeping annual inflation below 10 percent even in 2008.

2.5 To a lesser extent, regional integration and trade also expanded prior to the crisis. Africa's share in global trade increased from 2.8 percent in 2006 to 3.4 percent in 2008, while ADF countries' trade within Africa increased by US$ 5 billion over the same period. Notwithstanding, additional measures are needed on the part of both advanced economies and African countries to further integrate Africa into the global economy on beneficial and sustainable terms for all. African policymakers are well aware—and the recent experience of

[1] African Development Bank. October 2009. *Progress in Implementing the ADF-11 Results Measurement Framework*. Discussion paper, Helsinki.

East Africa confirms—that Africa's interregional trade and other economic ties also need to be strengthened to improve the continent's economic growth. Developing and improving regional and Pan-African corridors and networks for transport, electricity and other services is crucial in this regard.

2.6 Aggregate data show increased undertaking of Public Expenditure and Financial Accountability assessments and more adherence to the Extractive Industries Transparency Initiative on the part of many African countries. Despite the limited administrative capacity of national governments, more political and social stability and better economic governance have improved economic performance.

2.7 The massive shocks caused by the global financial and economic crisis caused Africa's growth to brake sharply from 5.6 percent in 2008 to 2.5 percent in 2009. Similarly, real gross domestic product growth in ADF countries declined from 6.7 percent in 2008 to 3.5 percent in 2009. While limited financial integration into global markets cushioned ADF countries from the immediate impact of the crisis, the continent was later hit through real channels such as collapsing trade, declining private capital flows (mostly foreign direct investment), decreased tourism and remittances, and in some cases, delayed official aid. Even though Africa as a whole and most ADF countries in particular avoided recession, the slowdown in growth has been extremely damaging, given Africa's widespread poverty. In addition, the slowdown threatens longer-term drivers of growth. The crisis also derailed hard-won but still fragile social gains and dealt a blow to Africans' overall standard of living. Decisive policy responses, including adequate and timely financial aid from development partners, must be taken and sustained to prevent a development crisis and quickly bring ADF countries back to the path of high, sustainable growth and development.

2.8 In 2010, the economies of ADF countries are projected to grow at 5.3 percent. This growth rate masks marked differences across countries. Since the crisis was an external shock, it especially affected the continent's oil and mineral exporters in 2009. The rebound of commodity prices is projected to stimulate exporters' recovery in 2010. Frontier market countries in East Africa (Kenya, Tanzania and Uganda) that continued to record solid growth in 2009 are also well positioned to recover in 2010, in part because of regional integration and stimulus packages they have introduced. However, for low-income and fragile countries that lacked the policy space for stimulus measures, adequate and timely foreign financial support will be essential to recovery.

2.9 Continued institutional and regulatory reforms to create business environments conducive to domestic and foreign investment made significant progress during 2006-2009. Business start-up costs have been halved and the time required to start a business has fallen by about 30 percent. Still, the projected contraction of foreign direct investment in the post-crisis years is expected to have adverse impacts in 2010 and beyond. This underscores the need for African countries to make their business climate even more attractive to investors.

Table 1: Progress on ADF Country Outcome Indicators as of April 2010

Indicator	Baseline Year	Baseline Value	Latest Year	Latest Value	Countries Making Progress
Growth and Poverty Reduction					
GDP Per Capita (2000 constant US$)	2006	375	2009	405	32 of 39
Population Living Below $1.25/day (PPP) (%)	2002	56.5	2005	53.6	30 of 34
Governance and Transparency					
Public Expenditure and Financial Assessment Score (1 to 7)*	2007	3.12	2008	3.15	n. a.
Worldwide Governance Indicators Avg. Score (-2.5 to 2.5)	2006	-0.80	2008	-0.95	22 of 40
Extractive Industries Transparency Index (% compliance)	2007	20.5	2009	40.0	n. a.
Regional Integration and Trade					
Africa's Share of Global Trade (%)	2006	2.8	2008	3.4	n. a.
ADF Countries' Trade with Africa (US$ billions)	2006	38	2008	43	24 of 40
Private Sector Development and Investment Climate					
Cost Required for Business Start-Up (% of GNI per capita)	2006	212	2009	108	36 of 38
Time Required for Business Start-Up (days)	2006	57	2009	41	25 of 39
Global Competitiveness Index Ranking (1 to 7)	2007	3.3	2009	3.4	13 of 19
Staple Crops Yield Index (2002 value = 100)	2005	108	2008	108	14 of 28
Economic Infrastructure					
Access to Improved Water Source (% of population)	2004	53.8	2006	55.8	17 of 39
Access to All-Season Road (% of rural population)	2003	35	n. a.	n. a.	n. a.
Household Electrification Rate (% of households)	2001	22	n. a.	n. a.	n. a.
Fixed Lines and Mobile Phone Subscribers (per 1,000 population)	2005	85	2008	283	39 of 40
Internet Users (per 1,000 population)	2005	17	2008	42	40 of 40
Human Development					
Under-5 Child Mortality (per 1,000 live births)	2006	160	2009	146	40 of 40
Ratio of Girls to Boys in Primary and Secondary School (%)	2004	83	2007	86	24 of 24
Primary School Completion Rate (%)	2004	56.8	2007	54	20 of 31

Note: **Year 1 and Year 2 values are not comparable. Rather, they represent a cumulative average. ADF = African Development Fund; GDP = gross domestic product; GNI = gross national income; n.a. = not available; PPP = purchasing power parity.*

Source: *African Development Bank staff estimates*

The ADF's Contributions to Results

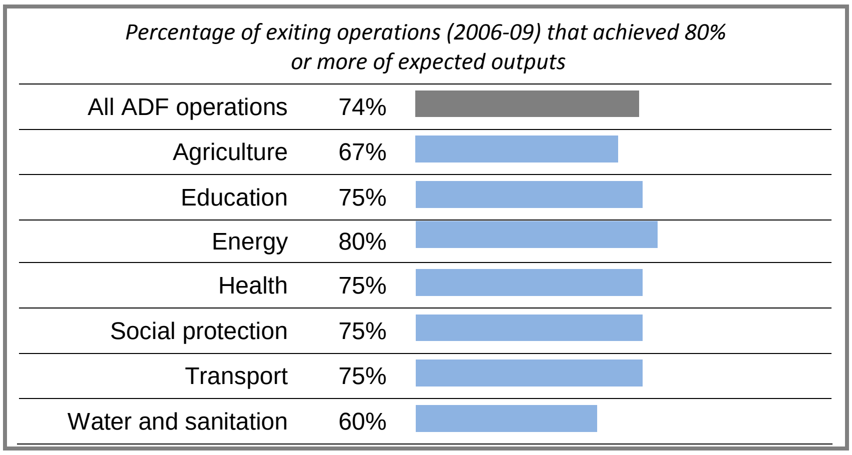
2.10 Many actors contribute to development outcomes at the country level. These results cannot be meaningfully attributed to the activities of a single development agency. The contributions of the Bank are best captured through the outputs and outcomes of its operations in priority areas, which contribute to higher-level outcomes in turn. The ADF-11 RMF tracks outputs and outcomes in infrastructure (energy, transport, water supply), agriculture, education and health. The next section reviews progress in these areas and confirms the findings presented at the Mid-Term Review: there is clear evidence of the ADF's contribution to development results.

Comparison of actual to expected results, 2006-2009

2.11 For the purposes of this paper, the Bank has examined the outputs and outcomes of all exiting ADF operations between January 2006 and December 2009 for which Project Completion Reports (PCRs) were available.[2]

2.12 The analysis—which included 132 operations representing Units of Account (UA) 1.5 billion in ADF disbursements—compared actual outputs against the outputs that had been planned in the project design. The findings demonstrate a high degree of delivery of planned outputs, *with 74 percent of all operations achieving or surpassing expectations*. Figure 1 shows the percentage of exiting operations that *achieved more than 80 percent of expected outputs* for selected sectors. Factors underpinning this positive performance include a greater focus on results in supervision and better day-to-day management of operations through direct interactions between country authorities and Field Offices.

Figure 1: Operations That Achieved Expected Outputs, 2006-2009



Source: *African Development Bank*

2.13 Overall, the review of outputs and outcomes of ADF operations under ADF-11 indicates

- a high degree of delivery of planned outputs, with nearly three-quarters of all operations achieving or surpassing expectations;
- a better ability to track outputs and outcomes through more comprehensive completion reporting;[3]
- scope for continued improvement in the share of operations with satisfactory outcomes through better quality at entry and more effective implementation; and
- despite imperfect outcome specifications, significant evidence that outputs have contributed to measurable improvements in development outcomes for a range of ADF priorities.

2.14 The next paragraphs review outputs and outcomes in three sectors: (i) infrastructure and regional integration, (ii) education and entrepreneurship, and (iii) agriculture. The review also indicates areas where the Bank must address weaknesses, in particular the need to better understand, through more detailed analysis, how to improve capacity to deliver and measure results for regional operations, for certain financial instruments (e.g., policy-based loans), in certain areas of enhanced engagement (fragile states), and in key sectors (economic and financial governance). The Bank will undertake a range of initiatives under ADF-12 to address challenges while improving its contributions to development results more generally. The initiatives are discussed in Section 4.

[2] The analysis excludes 35 studies and 52 policy-based operations for which data could not be readily aggregated.
[3] PCR coverage was 96 percent in 2008 and 92 percent in 2009.

Results in Infrastructure and Regional Integration, 2006-2009

2.15 The ADF has made supporting infrastructure a priority, especially with respect to developing regional infrastructure networks to integrate development across the continent. Table 2 summarizes the outputs and outcomes of the 38 infrastructure operations totaling UA 553 million in disbursements that exited the ADF portfolio between 2006 and 2009.

2.16 *Boosting trade through regional road corridors*. Twenty transport projects totaling UA 261 million improved access to transportation for about 42 million people in 2006-2009. One of these projects, the Kankan-Kouremale-Bamako Road Project (UA 21 million), established a permanent link between Guinea and Mali. The corridor joins economies with high economic potential and communities with close cultural affinities. The road also helped improve socioeconomic conditions by easing Mali's access to the Conakry port and increasing the volume of trade nearly tenfold between 2000 and 2008. On the Guinean side, the construction of two bridges reduced the border crossing time from 6 hours to 15 minutes.

2.17 *Fighting rural poverty with electricity.* Recent studies estimate that 80 percent of the world's 1.5 billion people without electricity live in mostly rural areas of Sub-Saharan Africa. Access to energy is closely linked to poverty reduction because insufficient energy is a central aspect of practically all core conditions of poverty, such as poor health, insufficient access to water, poor sanitation and inadequate education. Coping with the increasing demand for electricity—demand is expected to grow 5 percent annually over the next 20 years—is one of the ADF's operational priorities. The Rural Electrification Project for Ethiopia (UA 29 million) helped increase Ethiopia's rate of access to electricity from 13 percent in 2001 to 22 percent in 2009.

2.18 *Improving health with clean water*. Over the past 4 years, ten water and sanitation projects totaling UA 180 million exited the ADF portfolio. The Ouagadougou Drinking Water Supply Project in Burkina Faso (UA 4.5 million) helped overcome the chronic deficit in the city's drinking water supply by building a secondary and a tertiary water distribution network. As a result, an additional 1.5 million low-income inhabitants of the city's poorest districts can now access safe drinking water.

Table 2: Selected Outcomes and Outputs in Infrastructure and Regional Integration, 2006-2009

Power	
Length of transmission and distribution lines rehabilitated or installed (km)	5,811
Distribution substations and transformers constructed or rehabilitated	685
Power capacity installed (MW)	200
Service lines and energy meters installed	42,500
Street lights installed	861
People with a new electricity connection	16,624,086
Transport	
Roads constructed, rehabilitated or maintained (km)	4,233
Feeder roads constructed or rehabilitated (km)	3,804
People with improved access to transport	41,559,700
Water and Sanitation	
Wells drilled/rehabilitated and equipped	6,551
Drinking water transmission and distribution pipes constructed (km)	516
Drinking water capacity created (service reservoirs m3/day)	478,411
Pumping stations and intake structures	38
Latrines constructed or rehabilitated	16,454
People with new or improved access to water and sanitation	4,995,460

Notes: *m=meters; MW=megawatts; km=kilometers*

Source: *African Development Bank staff estimates*

Results in Education and Entrepreneurship, 2006-2009

2.19 In the past 4 years, 23 education projects totaling UA 309 million in disbursements exited the ADF portfolio. These projects aimed, *inter alia*, at expanding access to basic education, promoting girls' education, enhancing academic quality by building classrooms, and recruiting and training teachers. The ADF also supported a number of microfinance schemes that allowed young people and adults alike to engage in economic activities that boosted income and improved their position in society. Within a multidonor framework for support to the education sector, in ADF-11 the Bank began to target its interventions at vocational and higher education in order to strengthen the link between education, entrepreneurship and labor market demand in a globalized and private sector-led economy. Table 3 summarizes some outcomes and outputs in human development between 2006 and 2009.

2.20 *Building skills for a demanding job market*. The Alternative Learning and Skills Development Project in Tanzania has helped match skills to labor market needs by training young people for self-employment through business incubating activities. The project created an Alternative Learning Centre in Zanzibar where school drop-outs can enhance their entrepreneurial skills. To date, close to 2000 young people, 51 percent of whom are women, have benefited from evening classes in vocational training, information technology and accounting. In addition, the project has provided more than 7,000 young people with micro-loans with which to start small businesses.

Table 3: Selected Outcomes and Outputs in Education, Entrepreneurship and Health, 2006-2009

Education	
Classrooms constructed	12,509
Textbooks and teaching materials supplied	6,349,150
Water and latrine facilities constructed	3,923
Educational support facilities constructed or rehabilitated	437
Teachers trained	41,193
Students newly enrolled	11,227,573
Entrepreneurship	
Micro-finance institutions established or reinforced	398
Micro-credits granted	433,073
Microenterprises created	25,036
Socioeconomic infrastructure subprojects executed (through social funds)	2,110
Jobs created	213,000
Government/NGO staff trained	1,848
Health	
Primary, secondary and tertiary health centers constructed or rehabilitated	468
Health facilities equipped	98
Health workers trained	7,989
People with access to better health services	13,031,297

Notes: *NGO = nongovernmental organization*

Source: *African Development Bank staff estimates*

Results in Agriculture, 2006-2009

2.21 Agriculture plays a critical role in the evolution of poverty, especially in low-income countries. A World Bank study found that dismal performance in agriculture over the last decades explains more than half of the increase in poverty in Sub-Saharan Africa. Increasing local farmers' capacity and their access to credit to modernize infrastructure and stimulate economic growth was an ADF-11 priority. By improving infrastructure, the Fund has promoted better agricultural practices and increased access to markets. Between 2006 and 2009, 35 agricultural projects totaling UA 327 million in disbursements exited the ADF portfolio, including operations to increase crop production, increase livestock, establish fisheries, and promote forestry and natural resource protection (Table 4).

2.22 *Modernizing agriculture to boost economic growth.* The Smallholder Agricultural Development Project in Uganda (UA 17 million) allowed more than 11,000 farmers to access new agricultural technologies and upgrade their skills. As a result, yields have improved up to 160 percent in some poor areas of North-West Uganda. Through micro-credit, 3,000 farmers have secured access to seed funding for economic activities both on and off the farm: this has helped to raise the household incomes of smallholders in one of Uganda's most deprived regions. In Malawi, the Out-Grower Sugarcane Production Project (UA 9 million) modernized sugar cane production and helped increase yields from 80 metric tons/hectare (ha) to 130 metric tons/ha: farmers' incomes increased from US$ 700/ha to US$ 1,600/ha and farmers now enjoy regular access to loans from commercial banks, using their sugar cane crops as collateral.

Table 4: Selected Outputs in Agriculture and Natural Resource Management, 2006-2009

Rural marketing and production facilities constructed or rehabilitated	5,103
Land with improved water management developed or rehabilitated (ha)	164,015
Boreholes, wells and sanitation infrastructures constructed or rehabilitated	434
Land whose use has been improved: replanted, reforested, landscaped, etc. (ha)	522,090
Heads of livestock provided or vaccinated	59,373
Social facilities established or rehabilitated (rural schools, health centers, etc.)	9,219
Agricultural inputs provided: fertilizer, seeds, etc. (tons)	12,873
Farmers using improved technology	4,120
Farmers trained	436,816
Other agricultural personnel trained	331,087
Agricultural personnel recruited	3,013
Total population benefited	11,161,829

Notes: *ha = hectares*

Source: *African Development Bank staff estimates*

Progress on Reforms: The Action Plan on Quality and Results

2.23 At the time of the ADF-11 replenishment discussions, the Bank outlined a set of reforms aimed at directly improving the quality of its interventions and sharpening its institutional focus on development results. This commitment translated into an Action Plan on Quality and Results that was subsequently adopted in the Bank's Medium-Term Strategy for 2008-2012. The action plan outlines five areas of reform: (i) enhancing the quality at entry of strategies and operations; (ii) instilling a results-based supervision culture; (iii) enhancing learning and accountability through evaluation; (iv) improving data and information systems; and (v) accelerating decentralization and harmonization for better results. The paragraphs below review the Bank's progress in implementing these reforms.

2.24 Analysis shows that the Bank has made good progress in implementing the Action Plan on Quality and Results, having achieved improvements in all areas and meeting or exceeding its targets for 10 out of 16 indicators (Table 5).

2.25 *Ensuring the quality at entry of strategies and operations*. Initial design quality is one of the strongest predictors of results. In recent years, the Bank has placed highest priority on improving quality at entry as a foundation for achieving better development outcomes. Several quality-at-entry support initiatives have been carried out:

- In 2008, the Bank strengthened its review process for the preparation of strategies, operations and analytical work, transferring responsibility for reviews at the concept and appraisal stages to multisectoral Country Teams.
- In early 2009, the Quality Assurance and Results Department piloted a new quality-at-entry tool, the Readiness Review (Box 1), which has now been rolled out to all operations. The Readiness Review responds to an independent evaluation of the quality at entry of ADF operations and strategies[4] that highlighted the need to enhance certain areas of

[4] The Operations Evaluations Department's recent independent assessment of the quality of entry of ADF operations and strategies shows the proportion of operations rated moderately satisfactory or better to have increased from 68 percent in 2005 to 80 percent in 2008.

project design (including social and environmental aspects, results orientation, and poverty reduction analyses) and develop quality standards for operations.

Box 1: The Readiness Review

The Readiness Review is emerging as the Bank's key instrument for improving the quality at entry of its operations and country strategies. During the pilot phase in 2009, 95 project documents (46 Project Concept Notes and 49 Project Appraisal Reports) were subjected to Readiness Reviews. Working from the pilot's results, the Readiness Review was refined and rolled out to all operations in January 2010. In a similarly phased approach, a Readiness Review is currently being developed for Country Strategy Papers for deployment in early 2011. The purpose of the Readiness Review is twofold. At the corporate level, the Readiness Review aims to report and monitor quality at entry over time, making recommendations for further enhancement. At the level of individual operations and Country Strategy Papers, the Readiness Review aims to enhance the results focus and quality at entry of projects/programs by providing Country Teams with a structured set of comments and ratings on each quality dimension. Readiness Reviews are undertaken for both concept and appraisal stages and focus on generic quality and design issues, thereby complementing the technical Peer Review.

2.26 Increased emphasis has been placed on including baseline data in project documents, including logical frameworks, so as to clarify expected results and monitor progress during implementation. As shown in Table 5, the percentage of Country Strategy Papers and operations with baseline data roughly doubled between 2006 and 2009. Also indicative of enhanced project design and readiness is the considerable reduction in the time lapse between approval and first disbursement between 2006 and 2009 (Table 5). For private sector operations, the Bank introduced its Additionality and Development Outcome Assessment (ADOA), designed to take place during the review of private sector operations. ADOA aims to complement assessments of commercial viability and enhance the focus on development outcomes, as per the Bank's broader mandate.

2.27 *Instilling a continuous supervision culture.* In an increasingly decentralized institution, portfolio supervision is becoming a more continuous activity aimed at supporting implementation and steering operations toward their intended results. Good progress in the rate of supervisions has been made in recent years. The share of operations supervised twice a year increased from 36 percent in 2006 to 61 percent at the end of 2009, well exceeding the 50 percent target (Table 5). Two factors have contributed to more frequent supervisions: (i) sectors have adequately budgeted for supervisions; and (ii) the share of operations supervised at least twice a year has risen through the use of field-led missions often aimed at addressing or preventing problem projects.

Table 5: Progress in Implementing Institutional Reforms (as of December 2009)

	Indicator	2006+	2009 Target	2009 Value	Progress
Ensuring the quality at entry of strategies and operations					
1	New CSPs with satisfactory baseline data	33%	70%	67%[5]	★★★
2	Operations with satisfactory baseline data	37%	70%	71%	★★★
3	Budget support disbursed on schedule	55%	75%	60%	★★
4	Time between approval and first disbursement (months)	24	12	13	★★★
Instilling a continuous supervision culture					
5	Operations supervised twice a year	36%	50%	61%	★★★
6	Problem projects in the portfolio	14%	10%	6%	★★★
7	Annual disbursement rate of the ongoing portfolio	18%	22%	21%	★★★
8	Elapsed procurement time (weeks)	70	40	63	★
9	Projects eligible for cancellation	27%	15%	20%	★★
Enhancing learning and accountability through evaluation					
10	Timely Project Completion Reports (PCRs)	9%	45%	92%	★★★
11	PCRs rated satisfactory	45%	75%	72%	★★
12	PCRs with gender-disaggregated data	45%	none	56%	★★★
Improving results through decentralization and harmonization					
13	Professional staff based in Field Offices	5%	15%	17%	★★★
14	Portfolio (operations) managed from Field Offices	0%	15%	16%	★★★
15	Aid delivered through common arrangements	47%	49%	32%*	★
16	Missions conducted jointly	16%	25%	13%*	★

Source: *African Development Bank staff estimates.* **: Value for 2007*

2.28 The Bank has, however, made less progress than expected on the time needed to procure goods and services (Table 5, indicator 8). This is due to two factors. First, most contracts reported in 2009 were initiated in 2008, before the reform of the procurement process was fully effective. Second, delegating procurement authority to Field Offices has taken longer than expected. Increased decentralization and the greater use of countries' national competitive bidding structures should result in better performance by the end of ADF-11.

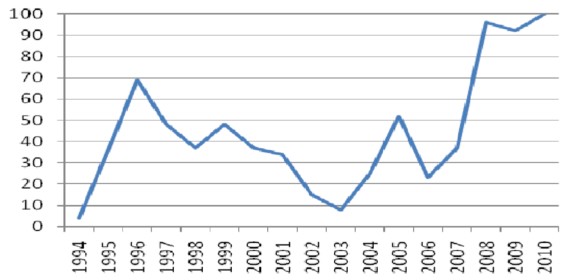
2.29 With respect to disbursements, however, this review shows that the Bank is steadily improving its ability to disburse swiftly and effectively. The annual disbursement rate of the on-going portfolio increased from 18% to 21% at the end of 2009, well within reach of the 22% target.

[5] This target was achieved with a statistical margin of error of ±3 percent.

Box 2: Full Submissions of Project Completion Reports in 2010

Comprehensive completion reporting is the ADB's basic system for reporting on the outputs and outcomes of its operations. It is also the best way for the Bank to learn from experience and strengthen the design and quality of new operations. Bank policy has long required that completion reports be prepared for all operations within 6 months of closing. However, it was only after introducing new guidelines and a results-oriented format in 2008 that the Bank improved its performance to an unprecedented degree, achieving 100 percent reporting in the first quarter of 2010.

PCR Coverage (1994-2010)



Valuing reporting as a source of knowledge. Over the years, a persistent backlog of projects with outstanding Project Completion Reports (PCRs) contributed to the widespread view that PCRs were resource-intensive and did not add value to the quality of operations. With the introduction of the new PCR guidelines, the average time required for staff to complete PCRs—from closing to posting—fell from 24 to 6 months. Reductions in processing times have been accompanied by reductions in costs.

Deploying field staff regionally to gain efficiency. Field Offices have assumed a leading role in PCR preparation. The Bank has encouraged transferring the leadership for PCRs to the field and now expects Field Offices to complete 40 percent of PCRs in any given year. Field staff is in the unique position of sharing a balanced perspective on results while recognizing the challenges of implementation. During ADF-11, field staff has been deployed regionally to lead PCR preparation, bridging technical gaps and encouraging inter-country learning.

Focusing on the outputs and outcomes of Bank operations. Along with the new guidelines, an innovative 10-page PCR format that focuses primarily on project outputs and outcomes was introduced. This format has been instrumental in changing descriptive, process-centered completion reports into analytical assessments of the Bank's effectiveness at contributing to country results. The change has allowed the African Development Fund to quantify and aggregate the outputs and outcomes of its operations across countries and sectors.

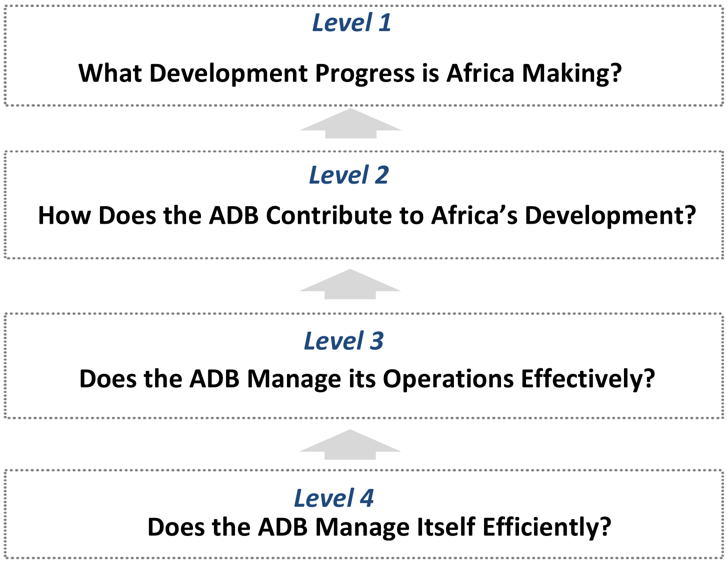
2.30 *Enhancing learning and accountability through evaluation*. A crucial determinant of the quality of the Bank's operations and portfolio is the Bank's ability to learn, record and share lessons. Past failures to enforce timely completion reporting contributed to failure in applying the lessons of recent projects to new operations, and slowed the organization's transition from an approval culture to a results culture. Institution-wide efforts in 2008 and early 2009 have caused the Bank to make exceptional progress in increasing timely completion reporting: 96 percent of PCRs for public sector operations were completed on time in 2008 and 100 percent were completed on time in the first quarter of 2010. Going forward, the challenge will be to sustain this breakthrough performance, enhance the quality of PCRs, and mainstream lessons learned into the preparation of new operations (Box 2).

2.31 *Improved results through decentralization and harmonization*. The Bank is increasingly empowering Field Offices and delegating more decision-making to the field. As a result, the Bank has already achieved both of its targets for decentralization. The share of professional staff based in Field Offices has increased from 5 to 17 percent, exceeding the 15 percent target set for ADF-12. Likewise, the proportion of operations managed from Field Offices increased from 0 to 16 percent, one percentage point above the target. As reported at the Mid-Term Review, results for harmonization are less positive (no new evidence is available at this time).

3. The Results Measurement Framework for ADF-12

3.1 The RMF for ADF-12 refines and consolidates the ADF-11 framework. The new framework has two notable features: it is an increasingly geared towards supporting all Bank Group operations and it adopts a four-level, rather than a three-level, approach.

Figure 2: The Results Measurement Framework for ADF-12



A 'One Bank' Results Measurement Framework

3.2 The first notable feature of the ADF-12 RMF is that it will be an increasingly integral part of the Bank Group's operations and strategies. Much has already been achieved in this area. In 2008, the Bank Group adopted the RMF as part of its Medium-Term Strategy for 2008-2012. It also embarked on reforms to enhance the quality and strengthen the focus on development results of the Bank Group's strategies, operations and information systems. Recognizing that this is a Bank-wide effort, with staff and managers from all levels fully engaged and accountable, the Bank charged the new Quality Assurance and Results Department with coordinating implementation of the Action Plan on Quality and Results across the institution and reporting on progress to the Bank's shareholders, clients and ADF Deputies.

3.3 Efforts to apply the RMF across the Bank Group will be further pursued under ADF-12 through two important initiatives. First, responsibilities for monitoring implementation of the RMF have been assigned to the Chief Operating Officer, whose mandate is to improve coherence and coordination across all Bank Complexes. Second, the Bank is implanting systems and initiatives that better capture the contributions to development of a full range of Bank Group activities, including private sector operations (See Section 4 below).

A Four-Level Results Measurement Framework

3.4 The second feature of the ADF-12 RMF is that it refines the ADF-11 framework by reviewing progress at four, rather than three, levels (Figure 1). This approach has three advantages. First, it is simpler and more effective at communicating the links between the Bank's activities and development results. Second, it provides scope for a broader set of institutional reforms (decentralization, business processes, etc.) that are integral parts of the Bank's agenda on quality and results. Finally, it reflects the good practice pioneered by the Asian Development Bank and since adopted by other multilateral development banks. This includes disaggregating ADB and ADF-relevant data for the purpose of reporting on progress in implementing the RMF. In practice, the two-tiered and four-level approaches are entirely consistent.[6]

Level 1—Development outcomes in Africa

3.5 Level 1 of the ADF-12 RMF is equivalent to ADF-11 Tier 1. It monitors the regional progress of ADF countries toward high-level development results by tracking indicators in six areas where the Bank has the greatest impact: economic growth, poverty reduction, governance and transparency, regional integration, private sector development and human development (Table 6). The RMF for ADF-12 has been strengthened to better reflect the Bank's increased focus on fragile states, gender and sanitation. After careful consideration, an indicator for climate change was not adopted for Level 1 because the only data readily available (for the forest area change rate) is only available every 5 years or more. In future, data will be disaggregated to distinguish progress in ADB countries from progress in ADF countries, as well as progress made in fragile states. (Box 3)

Table 6: Level-1 Indicators for Development Outcomes in Africa During ADF-12

Indicator		Baseline	
		Year	Value
Growth and Poverty Reduction			
GDP per capita	(2000 constant US$)	2009	405
Population living below $1.25/day (PPP)	(%)	2005	53.6
Governance and Transparency			
Public Expenditure and Financial Accountability score	(1 to 7)	2008	3.15
Worldwide governance indicators avg. score	(-2.5 to 2.5)	2008	-0.95
Extractive Industries Transparency Initiative	(% compliance)	2009	40.0
Regional Integration and Trade			
Africa's share of global trade	(%)	2008	0.2
Inter-African trade	(US$ billions)	2008	43
Fragile and Conflict-Affected Countries			
Average CPIA of fragile countries†	(Avg. CPIA)	2008	2.71
Number of fragile countries (CPIA<3.2) †	(countries)	2008	20
Private Sector Development and Investment Climate			
Cost required for business start-up	(% GNI per capita)	2009	107.8
Time required for business start-up	(days)	2009	40.8
Global competitiveness index ranking	(1 to 7)	2009	3.4
Staple crops yield index	(2002 value = 100)	2008	108
Infrastructure Development			
Access to an improved water source	(% population)	2006	55.8
Access to improved sanitation facilities†	(% population)	2006	28.8
Access to all-season roads	(% rural population)	2003	35
Electricity consumption per capita	(watts per capita)	2005	127
Fixed lines and mobile phone subscribers	(per 1,000 population)	2008	283
Internet users	(per 1,000 population)	2008	42
Gender and Human Development			
Under-5 child mortality	(per 1,000 live births)	2009	146
Ratio of girls to boys in primary and secondary school	(%)	2007	86
Primary school completion rate	(%)	2005	60
Employment to population gender indicator†	(index)	2007	0.74

Source: *Various sources.*

Notes: *For a detailed discussion of indicators, see Annex I. CPIA = Country Policy and Institutional Assessment; GNI = gross national income; GDP = gross domestic product; PPP = purchasing power parity; † = new indicator*

[6] Level 3 and Level 4 merely disaggregate Tier 2b of the ADF-11 Results Measurement Framework.

Box 3: The African Development Bank Enhances its Response to Emerging Priorities

CLIMATE CHANGE—Increasingly, the effects of climate change are seriously threatening sustained economic growth, poverty reduction initiatives, and political stability worldwide. Of all the continents, Africa is the most vulnerable to the effects of climate change and climate variability as it faces the prospect of a rapid rise in temperature, lower annual rainfall, and more aridity and droughts. In order to help African countries deal with these risks, the ADB Group adopted a Climate Risk Management and Adaptation Strategy and a Clean Energy Investment Framework. The strategy and the framework cover both adaptation to and mitigation of climate change.

The Bank's approach to climate change in ADF-12 will be based on mainstreaming climate change considerations into all operations and screening all projects for climate risks. African Development Fund (ADF) activities will work to strengthen policy and regulatory reforms to encourage investments in renewable energy, energy efficiency, sustainable transport and national capacity for adaptation planning.

As an executing agency of the Global Environmental Facility, The Bank Group appraises and implements projects on the facility's behalf. The Bank is also implementing Climate Investment Funds along with the other multilateral development banks. Furthermore, the Bank Group is the financial custodian of the multi-country Congo Basin Forest Fund, an entity established in June 2008 to limit greenhouse gas emissions by reducing the rate of deforestation in the second largest rainforest in the world.

GENDER—Measures to promote gender equality are included in all of the Bank's investments and knowledge work. The Updated Gender Plan of Action has outlined a clear results and accountability framework for articulating objectives for the Bank's key priority sectors. For example, the Rural Water Supply and Sanitation Project for the regions of Gao, Koulikoro and Segou in Mali; the Uganda Community Agricultural Infrastructure Improvement Programme; and the Support to Vulnerable Groups and Community Development Project in the Central African Republic, all define clear gender equity mainstreaming strategies accompanied by well-defined targets and monitorable outcomes.

The Bank further supports mainstreaming gender needs at the country level and ensures client-country ownership. This is demonstrated in Country Strategy Papers as well as in the Third Poverty Reduction Support Loan for Ghana, which promotes gender equality in resources, opportunities and services by enabling a decentralized, gender-responsive budget. At the continental level, the Bank is working with the Economic Commission for Africa and the African Union to establish a common gender development index supported by a strong mechanism for the collection, analysis and dissemination of sex-disaggregated and gender-relevant data.

Within this focus, knowledge products such as the Bank's Gender Profile for Kenya have informed the Government of Kenya's National Gender Mainstreaming Strategy, as well as the country-specific assistance strategies of other partners. Areas currently being strengthened relate to establishing clear management accountability incentives for gender mainstreaming.

FRAGILE STATES—The Bank adopted its Strategy for Enhanced Engagement in Fragile States and Operational Guidelines of the Fragile States Facility in 2008. The two documents codify the Bank's approach to supporting fragile regional member states and benefit from the guidance provided by ADF Deputies and the Boards of Directors. The Bank also established the Fragile States Facility as an operational financing entity within the Bank Group, with a resource envelope of UA 648 million in ADF and ADB allocations.

The Fragile States Unit was established in the same year to make the Fragile States Facility operational and coordinate a Bank-wide approach to supporting fragile states. Since then, the Fragile States Facility and the Fragile States Unit have proven effective in supporting 17 fragile and conflict-affected regional member states. As of March 2010, UA 462 million, or 71 percent, of the total resources of the Fragile States Facility had been disbursed or committed to supporting fragile states with arrears clearances, the rehabilitation and reconstruction of basic infrastructure, and reforms.

Level 2— The Bank's contributions to development outcomes

3.6 Level 2 of the ADF-12 RMF is equivalent to ADF-11's Tier 2a. It measures the Bank's contributions to development outcomes through the outputs and outcomes of Bank operations. For reporting purposes, operations in support of ADF countries will, in future, be distinguished from operations in support of ADB countries.

3.7 In order to further strengthen the RMF at this level, the Bank has developed Core Sector Indicators for systematic application under ADF-12. In late 2008, the Bank began to define a set of core output and outcome indicators for all main sectors of ADF interventions. Core indicators reflect each sector's strategic priorities and make standardized measurements of the most common outputs and outcomes of Bank operations. Under ADF-12, these outputs and outcomes will be tracked from project design through supervision and completion as part of a comprehensive results reporting system and can be complemented where desired by other country and project-specific indicators. Each of the Bank's sector departments engaged in a participatory process to define core indicators that represented the department's best technical judgment as to how to monitor its operations' achievement of development objectives. Table 7 presents a selection of Core Sector Indicators in ADF priority areas.

Table 7: Selected Level-2 Core Sector Indicators for All Sectors During ADF-12

Transport[7] Roads constructed or rehabilitated (km) People with improved access to transport (number) **Power and Clean Energy**[8] Households, business, or community facilities with access to improved energy (number) Transmission and distribution lines installed (km) Clean renewable energy (kW) **Water Supply and Sanitation** On-site sanitation measures constructed or re-habilitated (number) Piped household water connections (number) **Regional Integration** Cross-border roads constructed or rehabilitated (km) Cross-border transmission lines constructed or rehabilitated (km)	**Private Sector Development** Permanent employment (number) Government revenues (UA) Share of female permanent employment (%) Financial return **Education and Entrepreneurship** People employed in small-scale and artisan enterprises (number) People enrolled in tertiary education (number) Classrooms and laboratories constructed, renovated, and/or equipped (number) **Economic and Financial Governance** Number of contracts awarded on the basis of open competition (number and percentage) Time for submission of annual audit report to Parliament (months) **Agriculture** Land irrigated (hectares) Crop yield (tons)

Notes: *km = kilometers; kW = kilowatts; UA = Units of Account*

Source: *African Development Bank staff estimates*

Level 3—The Bank's operational effectiveness

3.8 Level 3 of the ADF-12 RMF is equivalent to ADF-11's Tier 2b. It measures the Bank's operational effectiveness by tracking indicators for quality at entry, portfolio performance, progress against the Paris Declaration indicators and the mainstreaming of operational knowledge (Table 8). Other indicators previously measured in Tier 2b (decentralization, etc.) are now part of ADF-12's Level 4 (Table 9).

3.9 Reflecting the Bank's increased attention to the aid effectiveness agenda, the ADB will internally track four rather than two indicators under ADF-11. These four indicators differ from the indicators tracked under ADF-11 and reflect the Bank's shift of focus from aid effectiveness to development effectiveness. These indicators are

- *Development resources recorded on budget (Paris Indicator 3).* The objective of this indicator is to improve transparency and accountability by encouraging regional member countries and the Bank to accurately record development finance in countries as a way of strengthening transparency, accountability and budget realism.

- *Use of country systems (Paris Indicator 5).* The purpose is to encourage the Bank to increasingly use regional member countries' systems for public financial management and procurement.

[7] This list of Core Sector Indicators may evolve in light of experience.
[8] Clean energy is also measured by indicators that capture the use of public transport.

- *Predictable disbursement of resources (Paris Indicator 7).* The objective is twofold: to promote predictable disbursements that take place within the fiscal year for which they were scheduled; and to encourage regional member countries to record disbursements accurately in their accounting systems.
- *Number of parallel project implementation units (Paris Indicator 6).* The objective is to increasingly use country systems while avoiding parallel project implementation units, which tend to undermine country capacity development efforts.

Table 8: Level-3 Indicators of Operational Effectiveness During ADF-12

Indicator		Baseline Year	Baseline Value	Target Value
Improving Quality At Entry				
Country Strategy Papers rated satisfactory	(%)	2009	*	90
Operations rated satisfactory	(%)	2009	44	90
Budget support disbursed on schedule	(%)	2009	60	75
Elapsed time from approval to first disbursement	(months)	2009	13	12
Portfolio Performance				
Operations formally supervised twice a year	(%)	2009	61	65
Problem projects in the ongoing portfolio	(%)	2009	6	5
Disbursement rate of the ongoing portfolio (invest. only)	(%)	2009	18	20
Operations eligible for cancellation	(%)	2009	20	10
Paris Declaration Indicators of Effective Aid				
Development resources recorded on budgets	(%)	2007	56	85
Use of country public financial management systems	(%)	2007	44	70
Predictable disbursements	(%)	2007	48	80
Number of parallel project implementation units	(units)	2007	121	40
Mainstreaming Operational Knowledge				
Exiting projects with a timely Project Completion Report	(%)	2009	92	95
Project Completion Reports rated satisfactory	(%)	2009	72	80
Project Completion Reports with gender-disaggregated data	(%)	2009	56	75

Source: *African Development Bank staff estimates*

Notes: *For a detailed discussion of indicators, see Annex II. *Readiness Reviews for Country Strategy Papers are being rolled out in 2011: data will be available later this year.*

<u>Level 4—The Bank's Organizational Efficiency</u>

3.10 The RMF for ADF-12 increases focus on indicators that measure the Bank's organizational efficiency. These include indicators and targets for decentralization (the same indicators as for ADF-11), businesses processes (the same indicator as for ADF-11), and a new indicator for human resources that measures the share of women among professional staff (Table 9). The target is that by 2013, women make up 33 percent of professional staff.

Table 9: Level-4 Indicators of Organizational Efficiency During ADF-12

Indicator		Baseline Year	Baseline Value	Target Value
Lapse of time for bidding completion	(weeks)	2009	63	40
Operations professional staff based in Field Offices	(%)	2009	26	35
Operations managed from Field Offices	(%)	2009	16	25
Share of women among professional staff	(%)	2009	26	33

Source: *African Development Bank staff estimates*

Note: *For a detailed discussion of indicators, see Annex II.*

4. Sharpening the Focus on Quality and Results

4.1 The Quality Assurance and Results Department's assessment of progress on quality and results at the end of 2009 has led the Bank to a simple conclusion: the ADB should stay the course. The framework for improving quality and results has proven successful at driving reforms, and consistent implementation of this vision during the rest of ADF-11 and in ADF-12 will be critical to making the Bank a more effective development partner. The next paragraphs describe actions the Bank will take during ADF-12 to step up implementation of the Action Plan on Quality and Results. It also sets out actions the Bank will take to meet its Paris Declaration commitments and describes new initiatives to improve the Bank's business processes.

Sustaining Momentum on the Action Plan on Quality and Results

4.2 To accelerate progress and address persistent challenges in implementing the Action Plan on Quality and Results, the Bank will undertake the following initiatives (Table 10).

<u>Strengthening the quality at entry of strategies and operations</u>

4.3 In recent years, the Bank has prioritized better quality at entry as a foundation for better results. The ADB will pursue and strengthen these efforts during ADF-12 by:

- mainstreaming Readiness Reviews into all Bank operations and country strategies. While all operations have been subject to Readiness Reviews since early 2010, the Bank plans to pilot Readiness Reviews for Country Strategy Papers in 2010 and roll them out in 2011;
- adopting a set of quality-at-entry standards aimed at giving Country Teams technical guidance in the preparation of project documentation. These standards will be developed and disseminated for both operations and Country Strategy Papers;
- enhancing procedures for determining the environmental and social categorization of projects and ensuring compliance with safeguards;
- adopting and disseminating a simplified, results-focused logical framework for operations. Related training modules will be developed and staff will be trained in the use of logical frameworks for project design and results monitoring; and
- training Task Managers, Field Office staff, new recruits and others in operations quality.

<u>Revising supervision reporting to focus on progress toward results</u>

4.4 While progress toward more effective supervision has been made, more efforts are needed. The Bank will review its approach to the way it supervises its ongoing portfolio of operations with the following objectives:

- simplifying its supervision template to make it more effective at identifying risks and addressing them proactively;
- improving the way it measures risks for ongoing operations—both risks in achieving development objectives and risks in implementing operations. This will be achieved by moving toward a rating system that is more evidence-based, and by establishing mechanisms and staff incentives for greater candor in rating; and
- integrating the supervision process within the Results Reporting System. This new system will support more continuous supervision by enabling and encouraging staff to pay more regular attention to the quality of ongoing operations.

Table 10: Selected Actions to Strengthen the ADB's Focus on Results and Improve Quality

Action	Objectives	Completed By
Readiness Reviews are rolled out to all public sector operations and country strategies, and related quality-at-entry standards are developed.	To improve the readiness and quality of ADB Group operations in order to achieve better results	**2011**
A better approach to the supervision of ongoing operations is implemented.	To assess and manage risk more effectively	**2011**

Notes: *ADB = African Development Bank*

Source: *African Development Bank*

Better Equipping the Bank to Report on its Contributions to Development

4.5 Strengthening the Bank's capacity to contribute to development results is a top priority under ADF-12. This undertaking is neither easy nor straightforward and will require concerted actions across the continuum of the Bank's operational activities, from improved economic and sector work to better project completion. Building on its work with the Action Plan on Quality and Results, the Bank is taking the following initiatives under ADF-12 to strengthen the way it delivers and measures its contributions to development results (Table 11):

- better metrics: the adoption of Core Sector Indicators;
- new information systems: the Results Reporting System;
- enhanced monitoring and evaluation (M&E) components in Bank operations; and
- improved reporting for regional operations, governance and fragile states.

4.6 *Improved metrics: Core Sector Indicators*. As part of its overall efforts to improve metrics for the Bank's contribution to development, the Bank will roll out Core Sector Indicators in its priority areas of interventions (selected indicators are presented in Table 7). These Core Sector Indicators capture the Bank's key output and outcomes in transport, power and clean energy, water supply and sanitation, regional integration, private sector development, human development, and economic and financial governance. The final Core Sector Indicators were finalized in April 2010 and guidelines for their use will be submitted to the Bank's Operations Committee for approval in the second quarter of 2010. It is expected that approximately 75 percent of all Bank operations will include Core Sector Indicators by 2011.

4.7 *A new information system: the Results Reporting System*. The Bank's information systems do not currently track operational progress toward expected results. This is true for most development agencies, which have collaborated to identify information system solutions with increasing frequency in recent years. The Bank intends to implement an automated results reporting system that will link expected results (as per the logical frameworks in Project Appraisal Reports) to progress toward results (as documented in supervision reports) and results achieved (as reported in PCRs). The system will also improve the Bank's capacity to report on different segments of its portfolio (sector, subsector, financial instrument, country, etc.) and key areas of intervention, including economic and financial governance, fragile states and regional operations. An early prototype of the Results Reporting System was presented to ADF Deputies in October 2009; a fully functional data-base will be up and running by 2011.

4.8 *Strengthening countries M&E capacity through Bank operations.* The Bank will increasingly use its portfolio to strengthen regional member countries M&E capacity. Designing stronger M&E components in all Bank operations is vital to identifying bottlenecks, strengthening learning and taking timely remedial action when necessary, for example by restructuring projects. Beginning in 2011, the Bank will pay systematic attention to designing solid M&E components in all operations. International best practice shows that designing M&E components that can produce trustworthy, timely and relevant information on the performance of projects and programs requires investing at least 2 percent of project costs in building M&E

systems.

4.9 *Improved reporting for regional operations, governance and fragile states*. In 2011, the Bank Group will launch a series of periodic Results Papers focusing on the Bank Group's contributions in key areas of strategic focus, including regional integration, budget support and fragile states. One objective is to mainstream lessons learned into the design of new operations. In addition, dedicated sections for all three types of operations will be included in the Annual Review of Portfolio Performance. The resulting information will be used for two purposes: to conduct in-depth dialogue with countries about improving the implementation of operations, and to design technical assistance programs where appropriate.

Table 11: Selected Actions to Step Up the ADB's Reporting on Contributions to Development

Actions	Objectives	Completed By
Core Sector Indicators are adopted and used across operations.	The Bank Group uses standardized indicators for similar outputs and outcomes and is able to aggregate results across countries.	**2010**
A web-based results reporting system is implemented for all operations.	The Bank Group tracks and reports more effectively on all segments of its portfolio: by window, by sector and by financing instrument.	**2011**
Starting in 2011, a new series of publications is launched in key areas of strategic focus (regional integration, governance, etc.)	The Bank Group better demonstrates its contributions to development in key areas and mainstreams lessons in future operations.	**Ongoing**

Notes: *ADB = African Development Bank*

Source: *African Development Bank*

Better Integrating Private Sector Operations

4.10 In the past, the Bank's private sector arm focused predominantly on middle-income countries. In recent years, the Bank is increasingly supporting commercially viable operations with a strong development impact in ADF countries, including fragile states. In 2009, 42 percent of new private sector operations representing UA 480 million in investments were located in ADF countries.

4.11 These operations are designed to contribute to country results in development areas that range from infrastructure to energy and employment. The operations must follow the Bank's standard operational review process and are subject to the Bank's safeguard and lending policies. The Additionality and Development Outcome Assessment (ADOA) has had a sizeable impact on private sector operations' ability to deliver and measure development results (Box 4).

Box 4: Ex-Ante Additionality and Development Outcome Assessment (ADOA)

At the request of the Board of Directors, the office of the Chief Economist developed a framework for the Additionality and Development Outcome Assessment (ADOA) of the Bank's private sector operations. The Board approved the framework in September 2008 and in October 2008, implementation began with a 1-year pilot phase. ADOA was fully institutionalized in September 2009.

ADOA has succeeded in building institutional capacity to mainstream results-based decision making and accountability for private sector operations. A set of baseline development outcome indicators has been established and the quantification of expected development outcomes is now a requirement. These indicators can be tracked, monitored, and evaluated ex-post. ADOA has also helped enhance the design of a number of operations with the objective of improving development outcomes. As more private sector operations undergo ADOA, the feedback loop for selecting operations will improve.

4.12 ADOA is an independent technical assessment of each proposed private sector operation. It rates (i) the extent to which the Bank's contribution differs from the contribution of private lenders, and (ii) expected development outcomes. Each new private sector operation is assigned to an ADOA officer upon notification for inclusion in the pipeline. The officer becomes a member of the Project Appraisal Team, collects information for the assessment and drafts a preliminary ADOA note. Each note is reviewed internally by the ADOA team before being transmitted to Country Teams, the Operations Committee, or the Vice President for Operations III. This systematic process is repeated at the concept and appraisal stages and before circulation to the Board.

4.13 The RMF for ADF-12 will build on the progress made by ADOA by incorporating a set of Core Sector Indicators for private sector operations that will help the Bank aggregate and report on a sizeable set of development outcomes that were often overlooked in the past.

- The RMF will track Core Sector Indicators related to operations' economic and financial success.
- The RMF will track the development outcomes of private sector operations through sector-specific Core Sector Indicators (relative to roads, water, power, etc.). These indicators will (i) allow the Bank to aggregate results for public and private sector operations; (ii) help develop a fuller picture of the Bank's contribution to country outcomes; and (iii) track performance of private sector operations separately from other Bank activities.

Meeting the Commitments of the Paris Declaration and the Accra Agenda for Action

4.14 The Bank is fully committed to implementing international agreements on aid effectiveness, including the most recent Accra Agenda for Action (September 2008). Like most development agencies, however, it has been struggling to achieve the Paris Declaration targets.[9] To address fundamental challenges, the Bank Group is preparing a roadmap to re-energize and sustain the high-level political momentum necessary to implement aid effectiveness reforms. These actions are guided by three practical tenets:

- The Bank's responsibility to advance the principles of the Paris Declaration needs to be communicated regularly and sustained over time to ensure that those principles are embedded in the organization.
- The principles should be translated into clear actions that show staff what they must do differently to achieve better development outcomes.
- Shifting authority to Field Offices is the single most effective means of reacting quickly and flexibly to local needs, and developing and nurturing relationships that increase the effectiveness of aid (see the section on decentralization, further).

4.15 Moving forward, the Bank will undertake actions in the following areas (Table 12):

- *Raising awareness through top-level communication.* The principles of the Paris Declaration are not new; Bank staff has been discussing and applying them for several years. A good knowledge base on aid effectiveness exists across all Complexes. What is needed is to develop a common understanding of what each principle means in practice. This will be achieved by
  - raising awareness on aid effectiveness through formal and informal communication channels; and
  - holding Field Office workshops on aid effectiveness topics of high operational impact and creating a helpdesk. At the same time, practical steps to change unhelpful behaviors at the front line have been identified for every phase of the project cycle. Implementation will be closely monitored and effectiveness rewarded.
- *Building incentives that support commitments on aid effectiveness*. The Bank will implement a self-assessment tool prepared by the Global Partnership on Managing for Development Results. The tool consists of a staff survey and an organizational diagnosis

[9] African Development Fund. 2009. *Implementation of the Paris Declaration Commitments and Building on the Accra Agenda for Action.*

designed to help donor agencies self-assess their strengths and weaknesses and fill gaps in incentives for promoting aid effectiveness. The exercise concludes with recommendations for how Senior Management can address the main bottlenecks.

- *Internal monitoring of the Paris indicators*. The Bank will enhance internal monitoring of aid effectiveness through coordinated actions such as:
    - operating an online monitoring system managed by Field Offices that captures live information on progress; and
    - assessing the application of aid effectiveness principles through Readiness Reviews, supervision and completion reporting, and Country Portfolio Performance Reviews.
- *Extending the Bank's outreach on development effectiveness.* Through the following concerted actions, the Bank will seek to strengthen countries' capacity to dialogue actively about development policy and the contribution of aid to their development objectives:
    - The Bank will organize a regional consultative meeting on development effectiveness in September 2010 and will support the Africa Community of Practice on Managing for Development Results.
    - The Bank will lead aid effectiveness dialogue at the country level and increase Field Officers' support for national coordinators.

Table 12: Selected Actions to Improve the ADB's Performance on Aid Effectiveness

Action	Objectives	Completed By
The ADB adopts a roadmap on development effectiveness.	To develop a clear, operational understanding of what is needed to improve the ADB's performance with respect to the Paris Declaration and the Accra Agenda for Action	**2010**
The ADB reviews its rules, regulations, and practices with a view to removing bottlenecks.	To identify key procedural impediments and recommend policy to Senior Management	**2011**
The ADB regularly monitors the implementation of its aid effectiveness commitments.	To raise awareness and improve the ADB's score on its Paris and Accra commitments	**Ongoing**
The ADB organizes a regional event to consult African partners and support implementation of the Paris Declaration.	To re-energize the aid effectiveness agenda by shifting focus from aid effectiveness to development effectiveness; through broad consultations, to identify challenges that African partners would like to see addressed at the Seoul High-Level Forum	**2010**

Notes: *ADB=African Development Bank*

Source: *African Development Bank*

Strengthening the Bank's Business Processes

4.16 Improving the Bank Group's business processes is one of the objectives tracked by the RMF. By better servicing client needs and delivering operations faster, more cost-effectively, and in line with its corporate objectives, the Bank will be better placed to contribute to client countries' development objectives. In moving toward a more nimble service delivery model, the Bank Group has prioritized actions in the following areas:[10]

[10] See African Development Bank. April 2010. *Update on Institutional Capacity and Business Process Reforms*. ADF-12 background paper, Abidjan.

4.17 *Stepping up a decentralized business model.* The overarching objective of decentralization is to promote a more efficient business model that brings the Bank Group's resources—financing, knowledge and people—closer to its regional member clients. This is not a new agenda: the first Decentralization Strategy was adopted by the Board in 2004 and has led to the establishment of 24 Field Offices by 2010. Management has taken action to step up the agenda by elaborating a Decentralization Roadmap for 2010-2015. Its implementation is expected to increase the Bank's presence in the field, delegate decision making, refine the skills mix of field staff, and improve the Bank's ability to meet its Paris Declaration commitments. The roadmap will be discussed by the Board in May 2010.

4.18 *Improving fiduciary service delivery and oversight.* Improving the quality of the Bank's procurement services and fiduciary oversight is a key driver of improved business processes that reduces procurement processing times and costs (for both the Bank and clients), increases disbursement ratios, and provides assurance that Bank Group resources are used for their intended purpose. Improving fiduciary service delivery and oversight is also central to Bank's Paris Declaration commitment to make greater use of regional member countries' fiduciary systems. Against this background, the Bank Group is taking the following initiatives: (i) building the Bank's procurement capacity by improving staff procurement skills through a combination of training, certification and accreditation; (ii) streamlining fiduciary processes by delegating more authority to the field and developing information technology systems that improve procurement-related decision making; and (iii) reviewing regional member countries' national competitive bidding processes with a view to increasing their use in Bank-financed operations. The review of bidding processes will also help the Bank identify interventions to support national procurement systems in regional member countries.

4.19 *Modernizing strategy, planning and budget management*. Sound strategic planning, programming, budgeting and performance management is fundamental to aligning the Bank Group's resources with its corporate objectives and strategic priorities. Significant progress has been made in this area. Departments and Complexes have been made accountable for meeting targets for Key Performance Indicators and a multiyear budget management framework has been introduced. To further consolidate results-based budgeting, the Bank introduced UA budgeting in 2010. This initiative will both give managers more authority and flexibility in managing resources and will increase efficiency, transparency and accountability.

4.20 *Human resources*. Building a workforce that can better contribute to the ADB's corporate objectives and improve operational effectiveness is a fundamental objective of the Bank's human resources reforms. These reforms are oriented around three themes: improving the Bank's capacity to attract and retain talent; improving skills and better managing staff performance; and leveraging staff diversity. The Bank aims to increase staff diversity (gender, geographical origin, age, etc.) as a means of delivering better results. In doing so, one of the Bank's objectives is to raise its gender balance index for professional staff from 26 percent in 2009 to 33 percent by 2013.

5. Conclusions

5.1 In addition to the above, the Bank's ADF-12 RMF builds on the work of sister multilateral development banks and is designed to better harmonize the measurement of development outputs and outcomes among donors. Ultimately, however, the main function of the ADF-12 RMF is to guide Management and staff to better deliver results.

5.2 Deputies are invited to provide their reflections on the RMF going into ADF-12.

Annex I: Glossary of Level 1 Indicators for Development Outcomes in Africa

1. Gross Domestic Product Per Capita (in 2000 constant US dollars)

***Definition*:** GDP per capita is gross domestic product divided by mid-year population. GDP is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products. It is calculated without making deductions for the depreciation of fabricated assets or for the depletion and degradation of natural resources. Data are in 2000 constant US dollars.

***Change in baseline*:** The change from the baseline value of $358 to $368 is due to revisions in GDP figures and population figures between 2007 and 2009.

***Source*:** GDP data are estimated by the Statistics Department of the African Development Bank (ADB) based on the national accounts data collected from national statistical organizations, the World Bank and the International Monetary Fund. Population estimates are from the World Population Prospects (United Nations Population Division, various years 2000-2008).

***Relevance to poverty reduction and Millennium Development Goals (MDGs)*:** Sustained economic growth increases average incomes and is strongly linked to poverty reduction. Economic growth can also reduce poverty by increasing public revenues and using the proceeds for public programs that provide essential services to the poor. GDP per capita provides a basic measure of the value of output per person, and growth in GDP and GDP per capita are considered broad measures of economic growth.

***Sensitivity to policy change*:** Key elements of an environment that promotes GDP growth include macroeconomic policies that help maintain economic and financial stability; openness to trade that promotes access to world markets for goods, services, and knowledge; a regulatory and institutional environment for private sector activity that facilitates entrepreneurship and competition; and a financial sector that efficiently and sustainably mobilizes resources and channels them to their most productive areas. However, growth can be affected by other endogenous and exogenous variables not influenced by government policies. Therefore, sensitivity to policy change in this indicator is only partial.

***Measurability and reporting*:** GDP measures production in an economy and is a core economic aggregate. While GDP is a broad measure of economic activity, it does not, by itself, constitute or measure welfare or successful development. However, it remains the best single indicator of economic activity and progress. GDP in constant prices can be estimated by measuring the total quantity of goods and services produced in a period, valuing them at an agreed set of base-year prices, subtracting the cost of intermediate inputs, and adding net taxes on products, also in constant prices.

2. Proportion of the Population Below the US$1.25 Per Day Poverty Line

***Definition*:** Population below US$1.25 per day is the percentage of the population living on less than $1.25 per day at 2005 international prices.

Change in baseline: The aggregate figures for this indicator have changed due to the resetting of the poverty line from $1.08 per day at 1993 prices to $1.25 per day at 2005 prices, based on new estimates of purchasing power parity (PPP) generated from the International Comparison Program surveys conducted by the ADB in 48 regional member countries (RMCs) and coordinated at the global level by the World Bank. The poverty line is also based on the average national poverty lines of the 15 poorest countries in the world. These changes have resulted in the recalculation of aggregate figures, producing figures that differ from figures reported previously.

Source: Estimates of this indicator are based on per capita incomes or expenditures derived from household surveys by the World Bank's Development Economic Research Group. Whenever possible, expenditures are used. For details on data sources and methods used in deriving the latest estimates, see Chen and Ravallion, "The Developing World Is Poorer Than We Thought, But No Less Successful in the Fight against Poverty"[11], and PovcalNet, an interactive web-based computational tool to estimate international poverty.

[11] Chen, Shaohua and Martin Ravallion. 2008. *The Developing World Is Poorer Than We Thought, But No Less Successful in the Fight against Poverty.* Policy Research Working Paper Series 4703, the World Bank.

Relevance to poverty reduction and MDGs: The ultimate goal of most development agencies and institutions is to eradicate extreme poverty and hunger. The first goal in the Millennium Development Declaration is to eradicate extreme poverty and hunger, and the first target is to halve, between 1990 and 2015, the proportion of people whose income is less than US$1 per day in PPP terms. The international poverty line was recently revised to $1.25 per day in 2005 PPP terms. In effect, this indicator measures progress toward the reduction of extreme poverty, which is also a goal of most Poverty Reduction Strategy Papers.

Sensitivity to policy change**:** Poverty reduction programs designed and implemented by governments are instrumental in reducing the number of people living on less than $1.25 per day. This indicator is therefore very sensitive to government policies.

Measurability and reporting**:** The data on per capita expenditure or income from each country's household surveys were converted into 2005 prices using that country's Consumer Price Index (CPI). Urban and rural CPIs were used separately when available. The results were then converted to PPP dollars using the World Bank's 2005 PPP exchange rate for consumption. Hence the $1.25 per day poverty line is applied to the PPP-based data to allow comparisons across countries and to estimate aggregate poverty at regional and global levels. Note also that most countries also set their own poverty lines, which they use for country-level analysis and policy making. The availability of this indicator depends on the availability of household survey data that include income or expenditure data; the availability of PPP exchange rates; and data on inflation. National household income and expenditure surveys are typically conducted every 3 to 5 years in many developing countries, but in some countries are conducted less frequently. The most recent PPP exchange rates were calculated for 2005. Country-level, regional and global estimates of poverty based on the US$1.25 per day poverty line are updated annually by the World Bank and are published in World Development Indicators. Regional and global estimates are available every 3 years. Efforts are being made to compile an improved repository of national household survey data whose data are better harmonized across countries.

3. Public Expenditure And Financial Accountability Indicator

Definition: The Public Financial Management (PFM) Performance Measurement Framework is an integrated monitoring framework that allows for the measurement of country performance in public financial management over time. It was developed by the Public Expenditure and Financial Accountability (PEFA) initiative in collaboration with the Organisation for Economic Co-operation and Development (OECD)/Development Assistance Committee (DAC) Joint Venture on Public Financial Management as a tool to produce reliable information on the performance of PFM systems, processes and institutions over time. It is one of the elements of a strengthened approach to supporting PFM reforms.

Against the six core dimensions of PFM performance, PEFA's Performance Measurement Framework identifies a set of 28 high-level indicators that measure the operational performance of the key elements of the PFM systems, processes and institutions of a country's central government, legislature and external audit. The 28 indicators for the country's PFM system are structured into three main categories (budget out-turns, cross-cutting features, and budget cycle) and capture the performance of the key systems, processes and institutions within the budget cycle of the central government. In addition to the indicators of a country's PFM performance, the framework includes three indicators that assess donor practices that impact the performance of the country's PFM system.

The proposed Public Expenditure and Financial Accountability (PEFA) Indicator is a proxy for measuring the quality of PFM systems. More precisely, this indicator seeks to measure overall trends and progress in PFM in Sub-Saharan Africa. The PEFA indicator is the unweighted average of the average value for each of the 31 PEFA PMF indicators. Each PFM indicator measures performance of a key PFM element against an ordinal scale that assigns one of eight values: A, B+, B, C+, C, D+, D, and Not Available (NA) or Not Recorded (NR). To calculate the average, the value for each indicator is transposed into a numerical value that ranges from 0 to 7.

The PEFA framework does not provide an aggregate country performance indicator. Also, rather than setting a standard based on the latest PRM innovations, the set of high-level indicators focuses on the basic qualities of PFM systems based on good international practices. PEFA's PFM Performance Report uses the indicator-based analysis to develop an integrated assessment of the PFM system against the six critical dimensions of PFM performance and evaluate the likely impact of PFM weaknesses on three levels of budgetary outcomes.

***Source*:** The basic data for the indicator are collected from countries by the PEFA secretariat, which is hosted by the World Bank (www.pefa.org).

***Relevance to poverty reduction and MDGs*:** Successful implementation of poverty reduction programs requires that governments maintain good PFM practices. The PEFA indicator is therefore a proxy of how well a government can implement poverty reduction programs.

***Sensitivity to policy change*:** Public expenditures and public finance management are affected by public sector reforms designed to improve these aspects of national finances. Thus, this indicator will improve when a government implements reforms to strengthen its management of its public finances.

***Measurability and reporting*:** The proposed PEFA Indicator is based on existing, publicly available information collected through PEFA PFM Performance Reports available for 11 African Development Fund (ADF) countries as of from mid-October 2007 to end-2010. The PEFA Secretariat provides general guidance and oversight and routinely takes stock of progress made with PEFA assessments, ranking them as completed, substantially completed, commenced or planned. This information is publicly available from the PEFA Secretariat’s website (www.pefa.org).

It is expected that repeated application of the indicator tool will provide information on the extent to which a given country’s PFM performance is or is not improving. In addition, PFM Performance Reports recognizes the efforts made by governments to reform their PFM systems by describing recent and ongoing reform measures that may not yet have impacted PFM performance. The reports do not, however, include recommendations for reforms or assumptions as to the potential impact of ongoing reforms on PFM performance. Rather, the framework focuses on assessing the extent to which the PFM system is an enabling factor for achieving desired outcomes. The assessment is expected to be updated every 3 years but in a number of cases, reassessments are taking place within a shorter time frame. First-generation PEFA assessments have been undertaken mostly in 2006-2007 and second-generation PEFA assessments can thus be expected in 2009-2010. It has been proposed to compute PEFA indicators every 3 years.

It is expected that coverage will improve significantly in the short term, as PEFA assessments have been commenced or substantially completed in many countries, including ADF countries. Some countries have already revised their original assessments. Considering the fact that because of the general inertia of PFM systems, PEFA indicators are unlikely to change dramatically from one year to the next, progress is best measured every 3 years (2006/07 – 2009/10). PEFA PMF Performance Reports are generally publicly available, although disclosure should be made more timely.

4. Worldwide Governance Indicators Average Score

***Definition and rationale*:** The indicator chosen to measure the quality of progress in the governance area is an average of Worldwide Governance Indicator (WGI) scores. WGIs gauge six dimensions of governance: (i) voice and accountability; (ii) political stability and absence of violence; (iii) government effectiveness; (iv) regulatory quality; (v) rule of law; and (vi) control of corruption. WGI scores are based on a model that aggregates responses from various sources in these six dimensions. The model constructs a weighted average of the responses for each country as the best estimate of governance for that country. The weights are proportional to the reliability of each source. The resulting estimates of governance have an expected value across countries of 0, and a standard deviation across countries of 1. This implies that virtually all scores lie between -2.5 and +2.5, with higher scores corresponding to better outcomes.

***Source*:** WGIs are developed and maintained by an independent group of researchers at the World Bank Institute. Data sources are surveys of individuals or domestic firms with firsthand knowledge of the governance situation in various countries. The indicators are based on the perceptions of country analysts at the major development agencies, reflecting these individuals’ in-depth experience working with the countries they assess. Other data sources from nongovernmental organizations, as well as commercial risk rating agencies, base their assessments on a global network of correspondents who typically live in the country rated. All relevant information (including data, methodological papers, interactive charts, and world maps) for the last round of updates (2007) is posted on the WGI website. (http://info.worldbank.org/governance/wgi/index.asp).

Relevance to poverty reduction and MDGs**:** Governance in Africa is vital to stability and sustainable development and growth. Without good governance, reforms and poverty reduction programs have limited impact.

Sensitivity to policy change**:** The six dimension of this indicator can be greatly affected by government reforms in these areas. Strong commitment and action on the part of a government to fight corruption will improve the country's corruption indicator, as will achievement of the expected results.

Measurability and reporting**:** WGIs were updated every 2 years between 1996 and 2002. Since 2002, they have been updated yearly. The next round of WGIs will be posted in late 2010. The substantial increase in data collection for the 2009 update has both expanded country coverage and improved the precision of the aggregate indicators. Still, margins of error remain. In future, the availability of additional data will enable more precision.

5. Extractive Industries Transparency Initiative Indicator

Definition and rationale**:** This indicator is a proxy for measuring good governance in the area of extractive industries' revenue management. More precisely, the indicator measures a country's compliance with the Extractive Industries Transparency Initiative (EITI) and can have a value of 0, 1, or 2. A value of 0 indicates that the country is rich in resources but has not endorsed the EITI. A value of 1 indicates that the country is an EITI candidate country, i.e., is in the early stages of implementation of the EITI. A value of 2 indicates that the country is fully compliant with EITI standards and discloses its revenues from its extractive industries in a transparent and accountable manner.

The EITI works to build multi-stakeholder partnerships in developing countries in order to increase government accountability. Responsibility for implementing EITI standards rests with the countries themselves through a tripartite partnership between government, civil society, and the extractive industry sector. A four-stage implementation process covers initial sign-up, preparation, disclosure, and the dissemination of results. A new validation mechanism adopted by the EITI's Board of Directors in 2006 clearly indicates which countries are firmly committed to the EITI process by categorizing them as either "candidate" or "compliant" countries.

The Bank's endorsement of the EITI was announced by President Kaberuka in October 2006. In making his endorsement, the President outlined a two-pronged approach to the Bank's engagement: advocacy to create political will among resource-rich RMCs that had not endorsed the initiative, and the provision of technical and financial assistance to RMCs that had demonstrated political will by endorsing the EITI but lacked human, financial, and institutional implementation capacity. As of 2007, the Bank has provided EITI implementation support to selected RMCs in coordination with other partners, ensuring their cooperation and complementarity. This work includes assisting countries through the different stages of EITI implementation. Moreover, EITI implementation has been used as a building block for identifying technical assistance needs for broader extractive industry sector governance reforms.

Source: Data on resource-rich countries are provided by the IMF. Data on EITI implementation are provided by the EITI Secretariat and is published on the EITI website (www.eitransparency.org), which is updated continuously.

Relevance to poverty reduction and MDGs: The EITI was launched by United Kingdom Prime Minister Tony Blair in September 2002 with the objective of improving governance and transparency in resource-rich countries through the verification and full disclosure of company payments and government revenues from oil, gas, and mining. Revenues from these sectors should be an important engine for economic growth and social development in developing countries. However, a lack of transparency regarding these revenues has often led to conflict, corruption, and poverty, a phenomenon known as the "resource curse" or the "paradox of plenty."

Sensitivity to policy change: A country's decision to comply or not to comply with EITI requirements will impact its score significantly.

***Measurability and reporting*:** According to the IMF's Guide on Resource Revenue Transparency (2010), 21 African countries are currently considered to be resource rich in oil, gas, or minerals. This list of countries is publicly available and is updated annually. To date, 9 of 21 extractive resource-rich African countries have not yet endorsed the EITI, 12 are candidate countries, and only Liberia is fully compliant (since October 2009). In addition, five African countries that do not qualify as resource-rich by IMF standards but still have considerable natural resources have elected to implement the EITI and are candidate countries. Hence, the total score is currently nine out of a possible 52. As countries move into EITI or move further on implementation, this score will rise.

The EITI Board of Directors determines whether a country qualifies as an EITI candidate or as EITI-compliant. Every 2 years, the Board reviews the list of qualifying countries. To qualify as a candidate country, the country must pass four stages of pre-validation which are judged by the Board during its biannual meetings. To qualify as compliant, a country must complete EITI validation within 2 years of becoming a candidate country. Once a country is compliant, the country must undergo validation at least once every 5 years, or upon the request from the EITI Board.

EITI recently initiated a requirement for EITI countries to undergo a pre-validation and validation process. The first pre-validation evaluation was done by the EITI Board in September 2009. To date, Azerbaijan and Liberia are the only countries that have completed EITI Validation and become EITI compliant.

6. Fragile and Conflict-Affected Country indicators (Two Indicators)

Definition*:* The CPIA is a composite index of sixteen indicators grouped into four categories. It is designed to assess the quality[12] of a country's present policy and institutional framework in terms of how conducive the framework is to ensuring the efficient utilization of scarce development resources in the pursuit of sustainable and poverty-reducing development.

Countries are fragile under the CPIA if they have a average composite CPIA score (World Bank and the ADB, in the case of Africa) of 3.2 or below, or if they have low income (are IDA-eligible) and do not have a CPIA score; or if they have had peace-building, peacekeeping or mediation missions in the last 3 years.

Sources of Data: The ADB and the World Bank

***Sensitivity to policy change*:** The CPIA is sensitive to government policies since it assesses reforms implemented by the government.

Measurability and availability of data: This indicator is calculated for each African country by the ADB's country economists working with the participation of the government. The data are available yearly.

Relevance: It should be noted that the CPIA assesses the quality of a country's present economic, policy and institutional framework. If the CPIA increases, the country is likely to lose its fragile status. This indicator is then recommended to monitor a country's fragility.

Average CPIA for fragile countries (1-6): This is the average of all fragile countries CPIA (20 in 2008). For each country, the CPIA considered is the average of the CPIA score calculated by the ADB and the CPIA score calculated by the World Bank. The baseline year is 2008. If this number increases, the fragile state's status improves.

***Number of Fragile Countries*:** Twenty countries were considered fragile in 2008 according to this definition in 2008: Angola, Burundi, the Central African Republic, Chad, Comoros, the Democratic Republic of Congo, the Republic of Congo, Cote d'Ivoire, Djibouti, Eritrea, the Gambia, Guinea, Guinea-Bissau, Liberia, Sao Tome and Principe, Sierra Leone, Somalia, Sudan, Togo and Zimbabwe. These countries constitute the Universal List of Fragile States in Africa as measured by the composite World Bank/ADB CPIA. Those accessing support from the Fragile States Facility are 17: the countries mentioned above, minus Angola, the Gambia and Eritrea.

[12] "Quality" refers to how conducive the framework is to fostering poverty reduction, sustainable growth, and the effective use of development assistance.

7. African Trade Indicators (Two Indicators)

Definition and rationale: This indicator measures African countries' share of global trade. If trade were significant for the poorest African countries and if rich nations traded fairly with poor ones by allowing them a reasonable foothold in Western markets, a giant step towards reducing poverty in Africa would ensue. The increasing integration of world economies, the fear of marginalization and the fact that most African countries are too small to negotiate with powerful trading blocs on their own, has led to greater interest in regional integration. Also, regional inter-African integration and accompanying trade liberalization measures are a means to contribute to African development by fostering economic growth within Africa. Increasing regional integration and trade are at the core of Bank's strategic thrust and the ultimate outcome of Bank operations in this sector will be measured in terms of the increased weight of the African continent in global trade (measured by Africa's share of global trade) and greater inter-African trade flows (measured by the volume of ADF countries' trade within Africa).

Source: African trade indicators draw on the IMF Direction of Trade Statistics (DOTS). DOTS uses data supplied by countries as well as data from the United Nations Statistics Division, the World Trade Organization and other international agencies.

***Relevance to poverty reduction and MDGs*:** The economic poverty of people and countries is rooted in the inability to trade. Trade is a vital route out of poverty.

Sensitivity to policy change: A country's openness to international trade is a decision that only a country's government can make. Thus, even if other factors are at play, the government's decision to open up to trade is a necessary condition for changes to this indicator.

***Measurability and reporting*:** The IMF DOTS methodology makes it possible to estimate trade not only for countries less current in their reporting but also for countries for which data are not available from other sources. IMF DOTS is updated at least yearly so that both indicators can be tracked yearly.

More frequent updates are planned and users will be advised of further enhancements as they become available. The ADB will keep tracking specific trade statistics or other indicators that may relate more closely to ADB operations (e.g., freight prices, transport times, the difference between Free On Board and Cost Insurance Freight prices).

8. Starting A Business Methodology (Two Indicators)

Doing Business records all procedures that are officially required for an entrepreneur to start up and formally operate an industrial or commercial business. These include obtaining all the necessary licenses and permits and completing any required notifications, verifications or inscriptions for the company and employees with relevant authorities.

After a study of laws, regulations and publicly available information on business entry, a detailed list of procedures is developed, along with the time and cost of complying with each procedure under normal circumstances and the paid-in minimum capital requirements. Subsequently, local incorporation lawyers and government officials complete and verify the data.

Information is also collected on the sequence in which procedures are to be completed and whether procedures may be carried out simultaneously. It is assumed that any information required is readily available and that all agencies involved in the start-up process function without corruption. If answers by local experts differ, inquiries continue until the data are reconciled.

To make the data comparable across countries, several assumptions about the business and the procedures are used.

Time to start a business: Time is recorded in calendar days. The measure captures the median duration that incorporation lawyers indicate is necessary to complete a procedure with minimum follow-up with government agencies and no extra payments. It is assumed that the minimum time required for each procedure is 1 day. Although procedures may take place simultaneously, they cannot start on the same day (that is, simultaneous procedures start on consecutive days). A procedure is considered completed once the company has received the final document, such as the company registration certificate or tax number. If a procedure can be accelerated for an additional cost, the fastest procedure is chosen. It is assumed that the entrepreneur does not waste time and commits to completing each remaining procedure without delay. The time that the entrepreneur spends on gathering information is ignored. It is assumed that the entrepreneur is aware of all entry regulations and their sequence from the beginning but has had no prior contact with any of the officials.

***Cost to start a business*:** Cost is recorded as a percentage of the economy's income per capita. It includes all official fees and fees for legal or professional services if such services are required by law. Fees for purchasing and legalizing company books are included if these transactions are required by law. The company law, the commercial code and specific regulations and fee schedules are used as sources for calculating costs. In the absence of fee schedules, a government officer's estimate is taken as an official source. In the absence of a government officer's estimate, the estimates of incorporation lawyers are used. If several incorporation lawyers provide different estimates, the median reported value is applied. In all cases, the cost excludes bribes.

9. Global Competitiveness Index Indicator

***Definition and rationale*:** Competitiveness depends on how productively a country uses its available resources. This relates to countries' ability of countries to provide high levels of prosperity to their citizens in turn. The Global Competitiveness Index (GCI) measures the set of institutions, policies, and factors that set sustainable current and medium-term levels of economic prosperity.

***Source*:** The GCI is made up of over 90 variables organized into nine pillars, each representing an area considered to be an important determinant of competitiveness: institutions, infrastructure, the macroeconomy, health and primary education, higher education and training, market efficiency, technological readiness, business sophistication, and innovation. Two-thirds of the variables are determined from the Executive Opinion Survey and one-third is determined from publicly available sources. Survey respondents assign values from 1 to 7. Hard data from publicly available sources are normalized in a 1 to 7 scale. Since the impact of each pillar on competitiveness varies across countries according to the country's stage of economic development, pillars are given different weights.

***Relevance to poverty reduction and MDGs*:** Competitiveness is vital to sustainable growth and development. A competitive country can sustain a long period of growth and thus reduce the incidence of poverty.

***Sensitivity to policy change*:** Macroeconomic, legal and institutional reforms are instrumental to improved competitiveness.

***Measurability and reporting*:** The Executive Opinion Survey gathers valuable information on a broad range of variables for which hard data sources are scarce or frequently nonexistent. The survey is conducted annually with respondents in 125 countries. Publicly available data used in the Global Competitiveness Report (GCR) come from a number of sources, including the International Monetary Foundation, the World Bank and the United Nations.

The GCI is part of the GCR series, which over the last three decades has evolved into the world's most comprehensive and respected assessment of countries' competitiveness. The GCR offers invaluable insight into the policies, institutions, and factors that drive productivity, thus enabling sustained economic growth and long-term prosperity.

The GCR is already the leading report on competitiveness and coverage is increasing every year, with 134 economies featured in 2008 and respondent numbers growing annually (currently just over 11,000). For many countries, data with which to calculate the GCI are not readily available and funds to cover the costs of administering the Executive Opinion Survey are limited. Given the respectability of the GCR, however, funding is expected to augment, allowing information to be tapped from an increasing number of sources and countries.

10. Cereal Yield Indicator

***Definition and rationale*:** The cereal yield index is an index based on yields per hectare (kg/ha) of four crops: maize, millet, rice paddy and sorghum. The yield refers to harvested production per unit of harvested area for these products. However, in most cases, yield data are not recorded but are rather obtained by dividing production data by data on area harvested. Data on yields of the four crops selected are more reliable than data on the yield of permanent crops, which may correspond to planted area.

Change in baseline**:** The revised 2009 figure of 108 is a result of revisions in the data series and an increase in the number of countries with data from 27 to 28.

Source**:** Data on yields are obtained from the Food and Agriculture Organization's Statistics Division. The data are collected through an annual questionnaire on agricultural production sent to countries.

Relevance to poverty reduction and MDGs**:** The four crops used to compute this indicator were chosen for their significant contribution to households' increased food security in recent times. Maize, which used to be mostly a subsistence crop, has become a cash crop as a result of the availability of subsidies and credit and the existence of public extension and import substitution policies that give farmers price incentives. Gains have also been made in the development of new drought–tolerant maize for southern Africa. The new drought-tolerant and low-nitrogen-responsive varieties produce 25 to 30 percent increase in yields and are now being cultivated on more than one million hectares in southern Africa.

A green revolution has also occurred in rice, which has become Africans' most important staple food crop especially because of urbanization and its ease of preparation compared to other staple food crops. The new rice for Africa (NERICA), developed by crossing Asian rice (Oryza sativa) and traditional African rice (Oryza glaberima), has several unique advantages: it produces 50 percent higher yields than do existing varieties without the application of fertilizers; it produces 200 percent higher yields with the application of fertilizers; it has a much shorter maturity period; and it has good resistance to weeds, drought, pests and diseases. The relevance in including millet and sorghum lies in their being less water-intensive, hence drought-resistant and helpful for increasing food security.

Sensitivity to policy change**:** Pro-agricultural policy from the government will impact the average yield of one country and by extension the aggregate indicator.

Measurability and reporting**:** The required data are made available in the Food and Agriculture Organization (FAO)'s annual Statistical Yearbook and are also available online through the FAO's web-based database. The data used in calculating this index re already of reliable quality. Nonetheless, the ADB's Statistics Department has identified the FAO as a key specialized agency with which it should collaborate to improve the quality and availability of agricultural statistics for African countries. The Bank is also undertaking a number of actions to build statistical capacity in Africa. As a result of revisions in data comparisons with figures previously reported for individual countries, aggregates may not be appropriate.

11. Access To An Improved Water Source (Percentage Of Population)

Definition**:** Access to an improved water source is currently defined as the percentage of the population that can obtain at least 20 liters per person per day from an "improved" source situated within one kilometer of the user's dwelling. Improved water sources include services that are provided through household connections, public standpipes, boreholes, protected wells or springs, and rainwater collection. Unimproved water sources refer to water provided through vendors, tanker trucks, unprotected wells, unprotected springs, and bottled water.

Source: The World Health Organization (WHO) and the United Nations Children's Fund (UNICEF) track progress on global water and sanitation access goals through the Joint Monitoring Programme for Water Supply and Sanitation (JMP). JMP reviews, assesses and compiles nationally representative household surveys and censuses into the JMP database. For details on data sources and methodology, see the JMP website (www.wssinfo.org).

Relevance to poverty reduction and the MDGs: Target 10 of MDG 7 ("Ensure environmental sustainability") aims at halving the proportion of people without sustainable access to safe drinking water and basic sanitation by 2015. Unsafe water and a lack of basic sanitation are the direct cause of many water-related diseases in developing countries. The JMP indicator monitors access to improved water sources based on the assumption that improved sources are likely to provide safer water, which significantly lowers the risk of water-borne disease. This has a positive impact on a population's health status, its productivity and its opportunities for education, especially for girls. As such, access to improved water sources is a good proxy indicator for human development.

***Sensitivity to policy change*:** The proposed indicator is sensitive to change in the context of government and community actions. The indicator captures progress in ADF countries from actions or policies that lead to an increase in access to safe drinking water. Definitions and numbers are also consistent with those adopted by the UN system for tracking the MDGs.

Measurability and reporting: Since the late 1990s, data are routinely collected at national and sub-national levels in more than 100 countries, using censuses and household surveys by national governments, often with the support of international development agencies. Before these population-based data were available, provider-based data were used. Evidence strongly suggests that data from household surveys are more reliable than are administrative records. Many doubts about data quality remain; despite official WHO definitions, the judgment about whether or not water is safe is often very subjective. Administrative data are often available annually, but household surveys are less frequent. The compilation of data from household surveys into country, regional, and global coverage estimates is conducted every 2 to 3 years.

12. Access Improved Sanitation facilities

Definition: The proportion of the population with access to improved sanitation refers to the percentage of the population with access to facilities that hygienically separate human excreta from human, animal and insect contact. Facilities such as sewers or septic tanks, poor-flush latrines and simple pit or ventilated improved pit latrines are assumed to be adequate provided that they are not public, according to the World Health Organization (WHO) and United Nations Children's Fund's (UNICEF) Global Water Supply and Sanitation Assessment 2000 Report. To be effective, facilities must be correctly constructed and properly maintained.

Rationale: Good sanitation is important for urban and rural populations, but the risks are greater in urban areas where it is more difficult to avoid contact with waste.

***Method of computation*:** The indicator is computed as the ratio of the number of people in urban or rural areas with access to improved excreta-disposal facilities to the total urban or rural population, expressed as a percentage.

Data collection and source: Since the late 1990s, data have routinely been collected at national and subnational levels in more than 100 countries using censuses and surveys by national governments, often with support from international development agencies. Two data sources are common: administrative or infrastructure data that report on new and existing facilities, and data from household surveys including Multiple Indicator Cluster Surveys, Demographic and Health Surveys and Living Standard Measurement Surveys. Before these population-based data were available, provider-based data were used.

Periodicity of measurement: Administrative data are often available annually. Household surveys are generally conducted every 3 to 5 years. The WHO and UNICEF compile international data annually and prepare regional and global estimates based on household survey data.

Gender issues: Women and men usually have different roles in water and sanitation activities. These differences are particularly pronounced in rural areas. Women are most often the users, providers and managers of water in rural households and the guardians of household hygiene. If a water system breaks down, women are more likely to be affected than men because they have to travel further for water or use other means to meet the household's water and sanitation needs.

***Disaggregation issues*:** The indicator should be monitored separately for urban and rural areas. Because of national differences in characteristics that distinguish urban from rural areas, the distinction between urban and rural population is not amenable to a single definition applicable to all countries. National definitions are most commonly based on size of locality, with rural population as the residual of population that is not considered urban.

13. Access To An All-Season Road (Percentage Of Rural Population)

Definition: Access to an all-season road measures the number of rural people who live within 2 kilometers (typically equivalent to a 20-minute walk) of an all-season road as a proportion of the total rural population. An "all-season road" is a road that is drivable all year by the prevailing means of rural transport (often a pick-up or a truck that does not have four-wheel drive). Predictable interruptions of short duration during inclement weather (e.g., during a heavy rainfall) are accepted, particularly on low volume roads.

Change in baseline**:** This indicator is based on household survey data and on the fact that few countries undertake household surveys at regular intervals, which makes the availability of data problematic. As a result of the non-availability of time-series data in many ADF countries, it was not practical to calculate aggregates for this indicator.

Source**:** This indicator is estimated by the World Bank based on household survey data.

Relevance to poverty reduction and MDGs**:** Physical isolation is a strong contributor to poverty. Populations without reliable access to social and economic services are poorer than those with reliable access. Problems of access are particularly severe in rural areas that are distant from roads that carry motorized transport services on a regular basis. "Access to an all-season road" is not an MDG indicator but is a key contributor to many of the MDGs, as access underpins pro-poor growth and promotes social inclusion. Surveys have shown that poor people view isolation as a major contributor to their poverty and marginalization. Therefore, improving access to roads for rural dwellers is essential to promoting rural development, improving access to human development services, raising incomes and stimulating growth to reduce poverty.

Sensitivity to policy change: This indicator captures changes in performance over time. Relatively small improvements in access to an all-season road have marked impacts in terms of improving the overall indicator results. An analysis of preliminary measures for two countries with time-series data during 1997-2002 confirms the sensitivity of the indicator to change over time.

Measurability and reporting: There are two main approaches to measuring this indicator: (a) household surveys that include information about access to transport, and (b) mapping data that determines how many people live within the specified catchments of the road network. Surveys of households and individuals are the most cost-effective way of obtaining information on rural access. Updates of the indicator will largely depend on the frequency at which household surveys are conducted: these surveys are usually expected to take place every 3 years. Due to the non-availability of data in many ADF countries, it was not appropriate to calculate aggregates for this indicator.

14. Household Electrification Rate (Percentage Of Households)

Definition**:** Access to electricity (the electrification rate) is defined as the percentage of households with an electricity connection. This information is determined by asking questions such as "Does your household have electricity?" or "What is the main source of lighting in your home?", as employed by Demographic and Health Surveys (DHS), Living Standard Measurement Study (LSMS) surveys, and other household surveys.

Change in baseline: The indicator is estimated from national household surveys such as the Living Standards Measurement Surveys (LSMS) established by the World Bank. Not many ADF countries have time-series data on this indicator such as could be aggregated across countries.

Source**:** The indicator is estimated using national household surveys, in particular LSMS supported by the World Bank's Economic Research Group, DHS, and Core Welfare Indicators Questionnaire surveys.

Relevance to poverty reduction and MDGs**:** Electrically powered energy services such as lighting, heating, cooking and motive power are essential for socioeconomic development because they yield social benefits and support the generation of income and employment. Electricity enables poor households to engage in activities that generate income by providing lighting that extends the workday and by powering machines that increase output. Electric lighting enables adults and children to read and to study and increases the likelihood that women will read and children will attend school regardless of the family income. Women from households with electricity are more likely to have access to information about health and gender issues from radio and television than are women from households without electricity.

Sensitivity to policy change**:** The indicator is most sensitive to policy change in countries with a good regulatory framework for rural electrification that allows private companies, nongovernmental organizations, local authorities, and communities to initiate electrification projects and in countries whose regulatory policies support the sustainable expansion of access to electricity in urban areas.

Measurability and reporting: Household surveys (DHS, LSMS, surveys income and expenditure, and others) are the preferred instruments to measure this indicator since they overcome the weak aspects of data provided by national power utilities. Utility data often fail to include households that, for various reasons, do not have a meter. Households may not possess a meter because they purchase electricity from a neighbor or because they pay a flat fee for electricity that is included in their rent. In addition, utilities employ different definitions of electrification, making it difficult to produce accurate cross-country comparisons of utility-generated electrification data. National household surveys generally avoid the biases of utility data by simply asking, "Does your household have electricity?" or "What is the main source of lighting in your home?" When households respond "yes" to the first formulation or "electricity" to the second, the household is deemed to have access to electricity. All DHS and LSMS include and many income and expenditure surveys are expected to include questions on which the calculation of the indicator can be based. Due to the non-availability of data in many ADF countries, it was not appropriate to calculate aggregates for this indicator.

15. Fixed-Line And Mobile Phone Subscribers Per 1000 People

***Definition*: ** This indicator is a composite of two measurements, namely, the number of telephone fixed lines per 1000 people that connect a customer's equipment to the public switched telephone network and the number of subscribers to a mobile telephone service using cellular technology that provides access to the public switched telephone network per 1000 people. The composite is the addition of the two indicators.

***Source*:** Information on telephone mainlines and mobile service subscribers is provided by the International Telecommunication Union (ITU), which carries out annual surveys of telephone regulators and telephone companies in its member countries. For details, see ITU's World Telecommunication/ICT Indicators Database.

***Relevance to poverty reduction and MDGs*:** The increasing significance of telecommunications for economic development and poverty reduction is well recognized. Telecommunications provide farmers, workers, and entrepreneurs with opportunities to reduce transaction costs, increase productivity, and improve competitiveness across borders. People living in rural and remote areas tend to be poor and socially isolated. They lack information relevant to their particular situation and have difficulty interacting with members of other communities. Telecommunications can help the disenfranchised voice their concerns, demand their rights, take control of their lives, and improve information flows and communication services to make government and organizations serving the poor more efficient, more transparent, and more accountable. Information and communication technology (ICT) such as telephone and email can be of great value in bringing people together, bridging geographic distances, and providing relevant information about and to the poor. The importance of ICT is reflected in the MDGs, particularly MDG 8, which focuses on developing a global partnership for development in which access to new technologies is highlighted (Target 8.F). Three key indicators are used to track this goal: (a) telephone lines per 100 population; (b) cellular subscribers per 100 population; and (c) internet users per 100 population. In addition to MDG 8, telecommunications/ICT can help secure progress toward MDGs in other sectors and accelerate the achievement of development targets.

***Sensitivity to change*:** The two components of the indicator (telephone mainlines and mobile service subscribers) are related to a country's macroeconomic situation and to government decisions/actions, which take place at different speeds. Teledensity stagnates where barriers to the provision of demanded services exist and increases where successful telecommunication sector reform has taken place, particularly in the mobile sector. These factors make the indicator sensitive to changes in policy and valuable for measuring progress in the development of modern communication technologies.

Measurability and reporting: This indicator measures access to telephones by counting the number of tangible phone lines and subscribers; it does not measure the quality of service, the volume of traffic or actual usage. Information on telephone mainline and mobile service subscribers is provided by the ITU, which carries out annual surveys of telephone regulators and telephone companies in its member countries. The ITU cleans and reports its survey data annually.

16. Internet Users Per 1000 Population

Definition: The Internet is a linked global network of computers in which users at one computer may, if authorized, retrieve information from other computers in the network. The indicator is computed by dividing the total number of Internet users by the population and multiplying by 1000.

Source: Internet user statistics are based largely on responses to an annual questionnaire sent by the ITU to government telecommunication agencies. For countries where Internet user surveys are not available, the ITU uses average multipliers to estimate the number of users per subscriber.

Relevance to poverty reduction and MDGs: MDG Indicators 47 and 48 are important tools for monitoring progress towards Goal 8, because effective communication among those involved in the development process is not possible without the necessary infrastructure. Personal computers and telephone lines allow people to exchange experiences and learn from each other, enabling higher returns on investment and the avoidance of problems related to duplicated or missing information. The use of information and communication technologies can make governments more transparent, thereby reducing corruption and leading to better governance. It can also help people in rural areas find out about market prices and sell their products at a better price, and overcome traditional barriers to better education by making books available online and opening the door to e-learning.

***Sensitivity to change*:** The quality of Internet user data varies, and the quality of data for smaller developing countries is uncertain. The data can also be misleading owing to multiple prepaid internet accounts, free Internet access accounts or public Internet access such as in Internet cafes.

Measurability and reporting: Information on Internet usage is provided by ITU, which surveys government telecommunication agencies annually.

17. Under-5 Mortality Rate (Per 1,000)

***Definition*:** The under-5 mortality rate is the probability that a newborn baby will die before reaching age 5 if subject to current age-specific mortality rates. The probability is expressed as a rate per 1,000 live births.

Change in baseline: The revised figure of 160 per 1,000 live births in 2006 from 165 per 1,000 live births reported in the 2007 ADF report on the Result Measurement Framework is due to revisions in the population and demographic data series provided by the United Nations Population Division, the authoritative source for such information.

Source: Through its World Population Prospects revisions, the UN Population Division estimates this indicator every 2 years, using information from vital registration records as well as from estimates from birth histories collected in household surveys and censuses.

Relevance to poverty reduction and MDGs: Because this indicator measures child survival, it relates directly to MDG 4: Reduce child mortality. Child survival is closely linked to the provision of primary healthcare services, but poverty, malnutrition, a decline in breastfeeding, maternal education, the lack of improved water, and inadequacy sanitation and health facilities are all associated with high child mortality.

***Sensitivity to policy change*:** This indicator reflects not only healthcare conditions but also the social, economic, and environmental conditions in which children live. It is sensitive, especially in the medium term, to changes in policies and programs that reduce child illnesses, improve nutrition, and strengthen health systems.

Measurability and reporting: Since data on the incidence and the prevalence of diseases (morbidity data) are frequently unavailable, mortality rates are often used as a measure of health status. Mortality rates are among the indicators most frequently used to compare levels of socio-economic development across countries, and data on child mortality are more complete and more timely than are data on adult mortality. As a result of revisions in data, comparisons with figures reported previously for individual countries and aggregates may not be appropriate.

18. Ratio Of Girls To Boys In Primary And Secondary Education

Definition**:** The indicator is defined as the ratio of the gross enrollment rate of girls to that of boys in primary and secondary education levels in both public and private schools.

Change in baseline*:* The revised figure of 83 percent in 2004 from the 85 percent figure reported in the 2007 ADF report on the Results Measurement Framework stems from revisions in the data series provided by the United Nations Educational, Scientific and Cultural Organization (UNESCO) and new series of population data from the UN Population Division used as weights.

Source**:** The data are from the UNESCO Institute for Statistics.

Relevance to poverty reduction and MDGs**:** Women have an enormous impact on the welfare of families and societies but their potential is sometimes unrealized because of discriminatory social norms, incentives, and legal institutions. Although women's status has improved in recent decades, gender inequalities persist. Education is one of the most important aspects of human development and eliminating gender disparity at all levels of education would help to increase women's status and capabilities. MDG 3 seeks to promote gender equality and the empowerment of women, and this indicator provides a measure of the equitability of educational opportunities.

Sensitivity to policy change: The indicator is an imperfect measure of the relative accessibility of schooling for girls because, first, it does not allow assessment of whether slight improvements in the ratios reflect an increase in girls' school attendance (desirable) or a decrease in boys' attendance (undesirable), and second, it does not show whether those enrolled at school complete the relevant education cycles. The indicator, however, is sensitive to actions that lead toward a sustained increase in the access of schooling for girls, and thus, toward gender equality and the empowerment of women.

Measurability and reporting: The unit of measurement is girls' enrollment ratio as a percentage of boys' enrollment ratio. The usual method of computation is to calculate the number of boys and girls enrolled regardless of age. The number of enrolled girls/boys is then expressed as a percentage of school age female/male population. Private education tends to be under-reported. International coverage has improved in recent years, but is reported with a 2-year time lag. The enrollment data usually come from school records as reported to ministries of education and/or national statistical agencies. The official data are collected by UNESCO from approximately two-thirds of the countries of the world, using an annual questionnaire-based survey. The data collection is based on the International Standard Classification of Education classification which allows for international comparability between countries and over time.

19. Primary School Completion Rate

Definition: The primary completion rate (PCR) is the number of students who have either successfully completed their last year of primary school or are graduating from primary school in any given year, divided by the number of children of official graduation age in the population. Because of difficulties developing data based on this definition, data analysis is generally based on the PCR proxy indicator, namely the number of children who reach the last year of primary school (as defined by the country) net of repeaters.

Change in baseline: The discrepancy between the figure of 57 percent used in 2004 the figure of 58 percent used in the 2007 ADF report on the Result Measurement Framework is due to revisions in the data series provided by UNESCO and to new series of population data from UN Population Division used as weights.

Source: PCR data are compiled by the UNESCO Institute for Statistics and the World Bank.

Relevance to poverty reduction and MDGs**:** Education creates choices and opportunities, helps to reduce poverty and gender bias, lowers birth rates, and stimulates a better understanding of diseases. For countries, it creates a more dynamic workforce and well-informed citizens able to compete and cooperate globally: this opens doors to economic and social prosperity. Universal primary education (measured through the PCR) is MDG 2. Information on actual completion captures one of the most critical issues in the education sector.

Sensitivity to policy change**:** Various factors may lead to poor performance on the PCR indicator, including the low quality of schooling, discouragement resulting from poor performance, direct and indirect schooling costs, and farm work that keeps children out of school for extended periods. Students' progress to higher grades may also be limited by shortfalls in teachers, classrooms, and educational materials. However, this indicator is the most direct measure of national progress toward universal primary education and it captures the final outcome of the primary education system. But these factors take time to change. Improvements or declines in response to policy change will only register slowly.

Measurability and reporting: Although efforts are being made to monitoring the proxy PCR indicator annually, systems for collecting and standardizing the data from all ADF countries are not yet in place. As a result, the database has many gaps, particularly for small countries and earlier years, and there are anomalies and estimates. Efforts to compile more current data reveal several inconsistencies that render the data difficult to interpret. The collection of information for the actual PCR based on students who successfully complete primary education requires focused discussion on the indicator and agreement on the bases for defining school completion.

20. The Employment to Population Gender Indicator (EPGI)

Definition: This is the female employment to female population ratio divided by the male employment to male population ratio. According to the International Labour Organization, the employment to population ratio is defined as the proportion of a country's working-age population that is employed. A high employment to population ratio implies that a large proportion of a country's population is employed; a low ratio implies that a large share of the population is not involved directly in market-related activities, because they are either unemployed or (more likely) out of the labor force altogether.

Source*:* Basic data used to compute this indicator are obtained from the International Labour Organization and the World Bank.

Measurability and Availability of Data**:** An EPGI equal to 1 would imply that the employment share of male and female individuals relative to their respective working age population is equal. An EPGI less than 1 would imply that men have a higher employment share of working age population compared to women while an EPGI greater than 1 would imply that women have a higher employment share. Sufficient data for ADF countries is available on the employment to population ratio and as such the EPGI can be calculated for most ADF countries over time.

Sensitivity**:** The EPGI is expected to be responsive to government policy as it accounts for employed individuals in all sectors of the economy. For example, a government policy to create job equally for women and men would have a rapid impact on this indicator.

Relevance**:** The EPGI accounts for the ratio of women employed compared to the ratio of men employed relative to the respective working age population. Theoretically, being employed is expected to be associated with higher income levels and better access to social services. This indicator shows the gap between women and men in term of job access. It is recommended as a gender indicator for the ADF Results Measurement Framework.

Annex II: Definitions of Level 3 and 4 Indicators of ADB Operational Effectiveness and Institutional Efficiency

All indicators are calculated per calendar year or as at the end of the year

Indicator	Numerator	Denominator
Improving Quality at Entry		
Country Strategies Paper rated satisfactory	Number of CSPs with a Readiness Review score of 4 or above on a six point scale.	Number of all new CSPs rated.
Operations rated satisfactory	Number of operations with a Readiness Review score of 4 or above on a six point scale.	Number of all new operations rated.
Budget support disbursed on schedule	Number of policy-based operations disbursing as scheduled in the appraisal report.	Number of policy-based operations with at least one disbursement.
Elapsed time from approval to first disbursement (months)	Time between the approval date and the date at which the first disbursement is approved. Refers to all projects with first disbursement in the calendar year.	
Portfolio performance		
Operations formally supervised twice a year	All operations with an effectiveness date earlier that 12 months back, and at least two field supervisions during the year.	All operations with effectiveness date earlier than 12 months back.
Problem projects in the ongoing portfolio	All active projects with an implementation or development objective problem (Implementation Progress (IP) or Development Objectives (DO) score of less than 1.5).	All active projects that have been supervised and get their performance rated at least once.
Disbursement rate of the ongoing portfolio (%)	Disbursement since the beginning of the year (excluding disbursements associated to operations signed within the year).	Undisbursed balance of projects at the beginning of the year (excluding operations signed within the year).
Operations eligible for cancellation	Number of projects with loans or grants eligible for cancellation.	Number of all active projects.
Paris Declaration Indicators of Effective Aid		
Development resources recorded on budgets (Paris Indicator 3)	Aid flows to the government sector reported on government's budget(s).	Aid flows to the government sector scheduled for fiscal year.
Use of country public financial management systems (Paris Indicator 5)	Aid flows that use country PFM systems.	Total aid flows.
Predictable disbursements (Paris Indicator 7)	Aid flows disbursed within the fiscal year for which it was scheduled.	Aid flows scheduled for fiscal year.
Number of parallel project implementation units (Paris Indicator 6)	Total number of parallel PIUs.	
Mainstreaming Operational Knowledge		
Exiting projects with a timely Project Completion Report	Number of operations with completion reports finalized on time (6 months).	Number of all operations qualified for completion reporting.
Project Completion Reports rated satisfactory*	Share of PCRs rated satisfactory by the Operations Evaluations Department on a four point scale.	
Project Completion Reports with gender-disaggregated data	Share of PCRs reporting gender-disaggregated data.	

Indicator	Numerator	Denominator
Organizational Efficiency Indicators		
Lapse of time for bidding completion (weeks)	Time between the starting date of a procurement process (works, goods and services) and the contract signature date.	
Operations professional staff based in Field Offices	All international and local professional-level staff at post in Field Offices.	All international and local professional-level staff at post.
Operations managed from Field Offices	Operations tasks managed by staff based in Field Offices.	Number of all active operations.
Share of women among professional staff	Number of women in professional staff.	Number of professional staff.