

**AFRICAN DEVELOPMENT BANK GROUP**



**Managing for Development Results**

**Progress Report for the African Development Bank**

January 2004

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## **Managing for Development Results Progress Report for the African Development Bank**

### **1. Introduction and Background – Overview of Bank Results Initiatives**

1.1 Since the mid-1990s, almost all of the MDBs had commissioned studies to review their operations and to determine the steps they could take to measure the development impact of their assistance resources.

1.2 As a result of its own study, the African Development Bank adopted measures leading to notable improvements in the quality of its development operations. These measures have led to:

- Greater Emphasis placed on Borrower Ownership of and responsibility for intervention;
- Making use of participatory approaches that foster ownership close cooperation;
- Increased collaboration among with other development partners;
- Enhanced coordination and harmonization of policies and procedures (procurement, environment, finance, and evaluation) among donors;
- Improve the programming of CSPs by increasing selectivity and aligning CSPs with PRSPs;
- Channelling the bulk of concessional resources to countries with a sound policy and institutional frameworks, to ensure their effective use;
- Instituting a rigorous project screening process to improve quality-at-entry;
- Improving the design of project, including the use of logical frameworks, and increasing supervision and monitoring of on-going projects and evaluation of completed operations to ensure progress towards meeting expected development outcomes;
- Reducing the number of aging and problem projects;
- Strengthening its field presence, being closer to clients in order to improve the quality of the service provided to them;
- Adoption of a Vision that aims to reduce poverty; and
- Re-organization of the Bank in line with a recently designed 2003-2007 Strategic Plan.

#### ***Genesis of the recent results initiatives***

1.3 The more recent orientation towards results at the African Development Bank (AfDB) began in 2000 when the Board's Committee for Development Effectiveness (CODE) strongly endorsed the work program of the Bank's Evaluation Department, OPEV, which included a move away from project level evaluations to higher-level interventions, e.g. country assistance evaluation, sector strategies, and assessment of

development effectiveness at the institutional/corporate level. CODE subsequently asked OPEV to initiate a separate study on results based management.

1.4 OPEV's work subsequently led to a workshop on Results-Based Management, held in June 2001, that had the purpose of informing and soliciting viewpoints from Managers and staff on the possibility of moving towards a results-based framework. Through finances provided by Canadian bilateral trust funds, the AfDB then engaged a consulting firm to make a study tour of 7 development agencies at various levels of implementing RBM processes in order to identify the best practices for eventual adoption by the AfDB<sup>1</sup> and the move on to developing a blueprint and implementation strategy for becoming a RBM institution.

1.5 At the Bank's Annual meetings in May 2002, the President made direct reference to the Monterrey Declaration and the renewed commitment of the AfDB towards achieving the MDGs and enhancing the institution's development effectiveness. In June, the institution fully participated in the first Global Roundtable. In particular, as a result of the Roundtable, the Bank moved forward on setting up and implementing a Balanced Scorecard to monitor the implementation of its Strategic Plan. The Scorecard is scheduled to go live in the first quarter of 2004.

1.6 The Bank experienced some delays in its RBM plans, however, when its host country, Cote d'Ivoire, experienced internal strife beginning September 2002 that eventually resulted in the Bank Group's temporary relocation to Tunis, Tunisia. Currently, Management is working closely with the consultant to complete the conceptual model, define additional software needs, and design a strategy for implementing a results-based management system. The model will be fine-tuned over the next few months before proceeding with the first steps of implementation. In addition, the ADF Results Measurement Framework<sup>2</sup> (RMF), which has been prepared in collaboration with the World Bank's IDA Measurement System, was recently presented to its Board. Along with the Balanced Scorecard, the RMF will be integrated into the overall RBM process. (See para 2.9 below).

#### ***Other Concrete steps that have been undertaken***

1.7 In December 2002, Management saw the need to better coordinate its various RBM-related initiatives, and consequently established a Task Force (TF) to work on the various initiatives that can be grouped around the themes of "Development Effectiveness and Results-Based Management" (DE/RBM). The DERBM TF now exercises oversight for:

- Consultancy for the design of a RBM conceptual model, blueprint, software and implementation strategy

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<sup>1</sup> The tour resulted in the document, entitled "DESIGN AND IMPLEMENTATION OF A RESULTS-BASED MANAGEMENT AND EVALUATION SYSTEM OF DEVELOPMENT EFFECTIVENESS: STUDY TOUR REPORT (circulated to the Board in November 2002)

<sup>2</sup> "ADF RESULTS MEASUREMENT FRAMEWORK" (ADF/BD//IF/2003/121/rev.1)

- Joint MDB Policy Harmonization activities, including Results Management
- The AfDB's TF on MDGs (which has brought Operations closer to adopting MDGs and using them as indicators in CSPs and Project operations)
- Balanced Scorecard development
- The ADF Results Measurement Framework (developing the framework and implementing the action plan)
- Development of results-related incentives by the Bank's Human Resource Dept.

1.8 The DERBM TF team is composed mostly of Directors and Managers from key bank units. The committee meets monthly and more frequently, as necessary, to provide guidance on the above subject areas. The TF has taken note of the dual message regarding "Management for Results" (or, RM). The AfDB perceives from both donors and sister institutions that RM is emerging to mean a focus both on institutional as well as country structures. Initially, the message to the AfDB through its replenishment exercise focused more on improving institutional performance. More recently, the message has been balanced out to include both institutional and country level concerns.

## **2. Achievements and Assessment of Progress**

2.1 In line with the Monterrey declaration, the AfDB has progressed in aligning its operating principles to the Monterrey declaration and the outcomes of the first Global Roundtable on Managing for Results. Some of the details are presented below.

### ***Country Development Context - Agency Country Strategies***

2.2 One of the first achievements in results-orientation has been to align the focus of its CSPs more closely with PRSPs. This generation of CSPs (2003-2005) are based on tighter linkages between the proposed Bank assistance strategy and programme, and staff assessment of the country's poverty reduction strategy as encapsulated in the I-PRSP, the PRSP or other related documents. A complementary achievement has been to deepen the analysis underlying the Country Strategy Papers (CSPs). In particular, the 2003-2005 CSPs draw on the poverty diagnostics, sectoral priorities and outcome indicators articulated in country-owned PRSPs. Second, Bank interventions are being harmonized with those of its development partners for supporting the implementation of PRSPs so that lending instruments are designed and executed on the basis of the circumstances of the respective countries and oriented towards capacity building.

2.3 Third, the CSPs explain how the lending and non-lending activities contribute to poverty reduction. The CSPs include a frank discussion of the track record of Bank involvement, a portfolio analysis, and lessons learned based on work by OPEV as well as other relevant Economic and Sector Work.

2.4 Fourth, the Bank continues to support several Regional Member Countries in the preparation and implementation of PRSPs. (It helped over 20 RMCs in 2002 alone). Its support focuses on capacity building for poverty diagnostics, economic and sector work, the promotion of the participatory approach and collaboration with its development partners.

2.5 In this regard, the Bank has increased its **training** programs for experts from its regional member countries in **poverty diagnosis**. (In December 2003, the Bank provided training to 35 RMC officials in the monitoring and evaluation of PRSPs). At present, the Bank has embarked on more **Economic and Sector work** in a number of countries and sectors such as agriculture, infrastructure, education and health. Further, in order to enhance **participation**, the Bank released (in 2001) a “Handbook on Stakeholder Consultation and Participation in AFDB Operations” in order to which outlines the different tools and techniques for civil society participation in Bank operations including policy formulation. Drafts of CSPs are posted on the Bank’s website for review and comment by civil society and other stakeholders in line with the Information Disclosure Policy.

2.6 Further diagnostic work involved independently conducted reviews of a number of Project Implementation Units in Cameroon, Malawi, Madagascar and Zambia. The Bank also conducted in collaboration with the World Bank and other bilateral donors, some Country Financial Accountability Assessments (CFAAs) for the Gambia, Madagascar, Senegal and Zanzibar. The diagnostic work resulted in the formulation of action plans and strategies and programs to improve the fiduciary environment for Bank funded projects and use of public funds in general. In addition, a number of capacity building projects were identified for joint financing with other donors.

***Scaling up Work on Measuring, Monitoring, and Managing for Results – upgrading evaluation; systems to focus on results; results oriented instruments***

2.7 In 2001, the AfDB adopted the evaluation standards developed by the Consortium of Evaluation Groups (CEG), which includes a results-oriented, development effectiveness framework for all participating agencies. This new standard for evaluation, in fact, served as the impetus for the AfDB to organize the above-cited workshop in June 2002. At the same time, the AfDB also shifted its evaluation program and scaled it up to begin measuring impact at the sectoral, thematic, or country level. In particular, over the 2001-2003 period, OPEV undertook 6 Country Assistance 5 country sector, and 8 thematic reviews or evaluations.

2.8 In 2003, to permit a more efficient scaling up of results measurement and to better align its instruments with those of sister institutions, the AFDB prepared a holistic and strategic approach to providing assistance to qualifying RMCs, the Sector-wide approaches (SWAPS). Approval of the SWAPS policy is expected to be before the end of 2003. Similarly, to strengthen its role and usefulness in PRSP process, Management has developed, for Board consideration, its Development Budget Support Lending (DBSL)

instrument for budgetary support operations. This document will be examined for approval before the end of 2003 as well. Furthermore, Management has embarked on the preparation of regional assistance strategies to reinforce and complement the country focused CSPs. The strategies will

2.9 In November 2002, in line with ADF-IX directives, Management presented to its Board its Results Measurement Framework (RMF) that measures results at the intermediate and “bottom-line” levels of ADF operations. Based on the work undertaken to develop the IDA Results Measurement system of the World Bank, three levels of measures were identified to capture country progress and institutional contributions to country progress. At the **first level**, all **project, program, and grant** documents will set clear and measurable indicators of expected performance outcomes, which will be used to monitor and evaluate operations both at the sector and the country and global levels. At the **second, or institutional level**, the Fund will measure the assistance provided to governments, as expressed in CSPs, including key economic growth and poverty reduction objectives and targets in their PRSPs. At the **third, or country outcomes level**, Management will report on progress being made toward the MDGs and related indicators in close cooperation with other development partners. Below, the Framework is presented in detail.

2.10 Also in November 2002, the Bank’s Board also received its first presentation of the Balanced Scorecard. This Management monitoring tool will seek to provide the linkages between improving the Bank’s internal processes and procedures such as for PRSP & CSP preparation, project and program preparation, appraisal and implementation, procurement, disbursement, resource mobilization, and budgetary and resource allocation with its overall contribution to the achievement of RMC level MDGs.

***Support to Strengthen Country Capacity for Measuring, Monitoring, and Managing for Results***

2.11 Since 1996, OPEV, with the collaboration of the World Bank and donor partners, initiated a series of activities aimed at building monitoring-evaluation capacities and the professional development of African evaluators through a series of conferences, seminars and the organization of workshops (Abidjan 1998, Johannesburg 2000), and assisted in the organization of the African Evaluation Association Conferences (Nairobi 1999 and 2002). With the initiation of national poverty reduction and good governance programs, this activity has become particularly important, in so far as the member countries will develop and strengthen their own monitoring-evaluation systems. The setting up and strengthening of monitoring and evaluation units in RMCs for efficient, effective, and sustainable management of the development process are considered as a key and strategic priority. In view of its catalytic role, OPEV provided direct support to Operations on monitoring and evaluation capacity building and M&E diagnostic studies in order to create a common ground for evaluation of development results and supporting country-led efforts, and will promote under the Strategic Partnership Agreement with the World Bank, the networking by the organization of training seminars and networking workshops intended for public service officials, members of civil society and academics and to the

development of an African monitoring and evaluation network at a rate of one workshop per year. The countries to be targeted under this activity will be identified in collaboration with the country operations departments on the basis of specific good governance and poverty reduction programs.

2.12 Starting in late 2002, the Bank Group has taken the lead in Africa in coordinating the implementation of the International Comparison Programme (ICP) in the Africa Region. ICP is a global program established to produce purchasing power parity (PPP) estimates, with the objective of facilitating cross-country comparisons of GDP. The specific objectives are to provide a reliable information base for national, regional and global policy making and for monitoring of progress. The Bank Group is working in concert with the World Bank and UNECA on the ICP-AFRICA initiative.

2.13 ICP-Africa, whose implementation started in late 2002, would assist countries in organizing the collection of economic statistics, with a view to meeting the urgent demand for reliable and timely data to support the Millennium Development Goals (MDGs), Poverty Reduction Strategy Papers (PRSPs) and the New Partnership for Africa's Development (NEPAD) initiative. In line with the global strategy, the African regional ICP framework has aligned itself with the MDGs and as such would integrate poverty-specific PPPs into the mainstream of the ICP work. ICP-Africa is now in its preparatory phase and it is expected that price data collection would begin in April 2004 for all the participating 50 African countries.

2.14 In addition, the Bank Group is working through the ICP to build national statistical capacity building and improving price and national accounts statistics in member countries. The Technical Assistance for Statistics collection (TAS) operation has the primary objective to build sustainable statistical capacity to produce and disseminate economic, social, and environmental statistics in the countries. These statistics would be the basis for well-informed decision-making, policy formulation and project and program monitoring.

### *Partnership on Managing for Results*

2.15 The AfDB has participated in developing the partnership for results on a number of fronts, namely, by participating in the PRSP process in over 25 countries in one role or another; Rome high level forum on the harmonization of results; selective participation in regional studies aimed at enhancing results; and as a full member in the two Global Roundtables on Managing for results.

2.16 The AfDB is collaborating closely with its sister institution, the World Bank and other development agencies in providing support for the preparation of PRSPs in Congo, Guinea, Senegal, Madagascar, Ethiopia and more than another dozen countries on the continent. In particular, the Bank helped facilitate the development of Senegal's PRSP, including the financing of its preparation and in providing a UA 1.55 million grant to cover the costs of the **PRSP Implementation and Monitoring** unit. Using PRSP trust funds, the Bank also financed one of the poverty profile **baseline studies** for vulnerable

/socially marginal people in Guinea. The Bank further financed the entire PRSP process (UA 300,000) for Madagascar, using some of the PBL resources and has also commissioned a study on the reform of institutional and financial governance. This latter exercise was undertaken with collaboration from the World Bank, IMF, European Union, and UNDP. Similarly, in Ghana, the Bank partnered with other agencies in the development of the **results-based** Multi-Donor Budget Support (MDBS) programme.

2.17 In addition, in partnership with the World Bank, the ADB financed a study to reform and harmonize public sector procurement processes throughout the West African Monetary Union (UMOA) as well as also lent its support to the harmonization of the business law for the same region. Elsewhere, the Bank has also participated in the various SPA meeting discussing PRSP Issues.

2.18 As a participating member in the two joint MDB Global Roundtables on Managing for Results, the AfDB has attended and contributed to related OECD/DAC, Policy Harmonization and regional meetings relating to the subject. In particular, in August 2003, the Bank hosted the Tenth Roundtable of the MDBs on Policy Harmonization that was held in Tunis. Over 60 participants and observers were presented. The Roundtable was immediately followed by a regional workshop of the same issue where, in addition to harmonization subjects, the issue of results management was also presented.

### 3. Going Forward: Challenges and Actions

#### *External and Internal challenges in managing for development results*

3.1 Through its various activities, the RMF, the RBM blueprint, implementation of the Balanced Scorecard, governance strengthening exercises such as CFAA and CPAA assessments; PRSP-related ESW studies; adoption of new evaluation standards, joint evaluations; performance based resource allocations, preparation of Regional Assistance Strategies; promotion of regional integration and good governance; ICP and Technical Assistance programs for statistics and Ministry of Planning, the AfDB has taken several solid steps forward towards enhancing its own performance as well as strengthening or encouraging the results performance of its regional member countries. In this context, however, a few concerns have emerged.

3.2 The **internal** challenges facing this institution include how to best move forward which involves increasing institution-wide ownership, including an in-depth examination of appropriate staff incentives; moving the Bank to a more Results-oriented culture, accompanied by an appropriate training program; designing and implementing new operational procedures, including enhancing project level monitoring and evaluation, feedback mechanisms, and making necessary adjustments to the IT system. A second challenge will be to identify the MDGs that the AfDB should most focus on, while continuing to meet the broad spectrum of development intervention demands placed on it by its stakeholders. Another challenge will be to fully integrate RBM with the Strategic

Planning process, and the Balanced Scorecard that will be rolled out in 2004 while simultaneously implement the RMF. Fourth, it will be necessary to undertake an assessment of the various result-supporting interventions by the Bank on behalf of its member countries in order to identify emerging patterns and identify our institutional strengths and weaknesses in this area. Finally, along a similar line, AfDB needs to take stock of all its capacity building initiatives (Institutional Support grants; training programs; and project related activities) in order to assess the degree to which they are now focusing on results.

3.3 **Externally**, the weak institutional capacity and governance issues of the AfDB's borrowing member countries, the financial resources and time-commitment required to build up the requisite ability for a country to manage its own programs under rule of law and transparency are among the biggest challenges facing this region. The performance based resource allocation system will have an impact on reducing some of the aid needed by the countries that are socio-economically the worst off. NEPAD's peer review process, supported by the AfDB and programmed to begin implementation in early 2004 will, however, contribute positively towards good governance and a results-oriented environment.

3.4 Several other challenges affecting the results agenda include the HIV/AIDS pandemic, the current state of regional integration, and the post-conflict status of several member countries. With some 70% (25 million) of the world's HIV-positive population located in Africa, the impact that this disease (and conflicts as well) has and will have on African leadership (institutional capacity), productivity, health systems, care of orphans, and economic growth will be felt for another two decades. The magnitude of the pandemic will act negatively on poverty reduction indicators<sup>3</sup>.

3.5 Second, regional economic integration, trade, and cooperation needs further development in order to build economics of scale and positively contribute to regional and sub-regional growth. The level of inefficiency associated with the small size of many borrowing member countries, and governance issues must be addressed in order to increase and render sustainable results. Third, the number of post-conflict countries in Africa now numbers over a dozen. These countries have severe economic, institutional capacity, and other immediate issues that do not favor conditions for initiating results management.

3.6 Fourth, at the country level enhanced donor coordination is needed for capacity building initiatives, including country level statistics, and policy harmonization. The reduction of administrative transaction burdens, brought about through harmonization, is necessary for improved performance. The PRSP process, which brings donors, civil society and governments together, can serve as a useful vehicle for introducing

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<sup>3</sup> "In those countries facing an HIV/AIDS epidemic on the same scale of South Africa, for example, if nothing is done quickly to fight the epidemic, they could face economic collapse within several generations, with family incomes being cut in half...Not only does AIDS destroy existing human capital, but by killing mostly young adults, it also weakens the mechanism through which knowledge and abilities are transmitted from one generation to the next." Quoted from *The Long-Run Economic Costs of AIDS: Theory and an Application to South Africa*, July 2003

harmonization and coordinated capacity building. The process of harmonization, which is now being approached on a country pilot basis, is slow and appropriate incentives / mechanisms are needed to allow for widespread adoption of the principle. However, and fifthly, it is the Bank's view that enhancing the quality of PRSPs and their rationalization or alignment with the national budgeting process are also issues that must be addressed. Sixth, lacking the PRSP approach, an appropriate common framework for development is needed for middle-income countries in order for them, in collaboration with their partners, to address the results agenda.

### *Planned actions in key areas*

3.7 In 2004-2005, the Bank intends to move forward in implementing its work program for the Results-based management system once it is fully articulated and defined. This includes factors related to the institution, and those oriented towards its borrowing member countries.

3.8 Elements of the plan include: developing Management and staff ownership, awareness, and incentives; training in the RBM approach to re-orient Bank culture; training in logframe and the logic chain; implementation of an M&E enhancement program; reformatting of CSP, appraisal, and supervision report format to be more results oriented; and adding some software to the SAP system to enhance its usefulness in analysis, user-friendliness, and serve as a conduit for lessons learned.

3.9 **Externally**, the AfDB will remain fully involved in the PRSP processes with its Regional member countries, in collaboration with its development partners. Through the PRSP process, which includes building up statistics capacity, budgetary accountability of public funds, and program / project management, the Bank Group will be providing integrated support to countries on managing for results. The ICP program will also be used to support institutional activities where appropriate, and harmonizing reporting requirements, particularly with operations (budgetary support, SWAPs, projects) that are co-financed with sister institutions and other partners. The Bank will move forward in implementing its HIV/AIDS strategy, as well as continue to promote economic integration and good governance.

3.10 Further, the Bank Group is expected to continue to provide support to the NEPAD structures (the Secretariat, the Steering Committee, the African Peer Review Panel, and the Heads of State and Government Implementation Committee (HSGIC)) to facilitate implementation of the NEPAD programs particularly in the two areas of responsibility assumed by the Bank: Infrastructure and banking and financial standards. In the latter, it will make use of the NEPAD Peer Review for countries to assess their adherence to financial standards, an important element of good governance. Note: in 2004, the AfDB will continue to provide support to NEPAD, as it had throughout 2003, with a view to advancing its work in peer review as well as the areas of the Bank's involvement in NEPAD, namely, infrastructure, banking and finance, economic and corporate governance, and agriculture.

3.11 There will also be a continuation of the other activities mentioned previously in the document. This includes participation in the harmonization of policies and procedures (procurement, finance, environmental and evaluation processes), including the development of a common methodology to measure the outcomes from harmonization; implementation and improvement on the ADF measurement system; and implementing the Bank Group's Balanced Scorecard. Internally, the Bank will also assess its incentives/staff performance assessment mechanism to assist in the re-orientation towards results.

3.12 The Bank Group will also fully participate in all joint MDB Results activities, as well as contribute, as needed, to the OECD Joint Venture on enhancing development effectiveness.

3.13 Finally, joint evaluations are scheduled to take place with Danida in 2004 for an operation in Ghana. Other joint evaluations are under consideration and will be scheduled throughout 2004 in due course.

#### **4.0 Conclusion: Assessment of Progress**

4.1 Through changes made to the internal processes and support provided externally to the RMCs, the AfDB has taken important steps forward in implementing the principles of the Monterrey Declaration. The Bank, having begun aligning its own processes towards results as early as 2001, will continue with its program to become a full-fledge results-based institution once the consultants blueprint and implementation strategy are finalized. The reformatting of the country strategy papers to become results-based, implementation of the Balanced Scorecard, and quality enhancement programs will provide some of the basic building blocks upon which the Bank can become more internally efficient and results-focused.

4.2 Externally, the activities undertaken in collaboration with its partners, namely in the several areas involving PRSPs, M&E seminars, Roundtables or conferences on Results and Policy Harmonization, present support to the NEPAD secretariat and anticipated support to future NEPAD peer reviews, and other activities also give evidence to the ADB's participation in the Results agenda.

4.3 However, the future still holds its challenges. The implementation challenges to the results agenda presented by institutional capacity (including statistics/measurement), governance, HIV/AIDS, regional integration, post-conflict, harmonization, PRSP and other poverty-related issues are very real to the Africa region and will require time and persistence in order to surmount these challenges. Continued close collaboration with the Bank's member countries, who are the owners of their development processes, and the partner agencies is necessary to ensure that the results agenda moves forward, externally, as well as internally.

