

AFRICAN DEVELOPMENT BANK GROUP



GROUPE DE LA BANQUE AFRICAINE DE DÉVELOPPEMENT

Management Response

The African Development Bank (AfDB) welcomes the MOPAN Assessment of 2015/2016. The AfDB appreciates the conclusion that one of the Bank's key areas of strength is its clear, long-term vision that is aligned to the needs and priorities of its regional member countries and increasingly to the wider global challenges. We are also pleased to acknowledge the observation that the Bank has a dynamic and efficient financial framework, demonstrated through strong financial performance, including the leveraging of private sector lending. The assessment also acknowledges the Bank's comprehensive, well-regarded safeguards system that facilitates the effective implementation of social and environmental safeguards. To further improve its operations, the Bank is already undertaking key reforms, under the overarching framework of the Development and Business Delivery Model (DBDM) including the establishment of results-based budgeting and a performance-based HR system. Delivery of stronger results in regional integration remains a key priority for the Bank. The assessment provides the Bank with a wealth of information for reflection and learning. Our detailed response to the MOPAN assessment is elaborated further below.

INTRODUCTION

Management welcomes with satisfaction this assessment, which underscores that the AfDB meets the requirements to be an effective multilateral organisation and is fit for purpose. MOPAN concludes, "The Bank is a robust and resilient organisation that, while operating in a particularly difficult environment, is able to continually adjust and improve to meet the changing conditions." The Bank takes note of the areas needing improvement and has put in place a series of actions that will address these issues.

This MOPAN assessment covers the period 2014 to mid-2016. It addresses organisational systems, practices and behaviours, as well as results achieved during the relevant period of the Bank's 2013-2022 strategy.

The MOPAN report assesses the Bank's performance against five dimensions:

- *Strategic management:* Clear strategic direction geared to key functions, intended results and integration of relevant cross-cutting priorities.
- *Operational management:* Assets and capacities organised behind strategic direction and intended results to ensure relevance, agility and accountability.
- *Relationship management:* Engaging in inclusive partnerships to support relevance, leverage effective solutions and maximise results in line with Busan Partnership commitments.
- *Performance management:* Systems geared to managing and accounting for development and humanitarian results, and to using performance information, including evaluation and lesson learning.
- *Results:* Efficient achievement of relevant, inclusive and sustainable contributions to humanitarian and development results.

Table 1: MOPAN Summary of AfDB 's Performance

STRATEGIC MANAGEMENT							
●	KPI 1: Organisational architecture & financial framework enable achievement of expected results						
●	KPI 2: Structures & mechanisms in place and applied to support the implementation of global frameworks						
OPERATIONAL MANAGEMENT							
●	KPI 3: Operating model and human/financial resources support relevance and agility						
●	KPI 4: Organisational systems are cost- and value-conscious and enable financial transparency/accountability						
RELATIONSHIP MANAGEMENT							
●	KPI 5: Operational planning and intervention design tools support relevance and agility (within partnerships)						
●	KPI 6: Works in coherent partnerships directed at leveraging and/or ensuring relevance and catalytic use of resources						
PERFORMANCE MANAGEMENT							
●	KPI 7: Strong and transparent results focus, explicitly geared to function						
●	KPI 8: Evidence-based planning and programming applied						
RESULTS							
●	KPI 9: Achievement of development and humanitarian objectives and results						
●	KPI 10: Relevance of interventions to the needs and priorities of partner countries and beneficiaries						
●	KPI 11: Results delivered efficiently						
●	KPI 12: Sustainability of results						
<i>Mopan performance scoring</i>							
●	Highly satisfactory 31% of MOPAN KPIs	●	Satisfactory 66% of MOPAN KPIs	●	Unsatisfactory 3% of MOPAN KPIs	●	Highly unsatisfactory 0% of MOPAN KPIs

METHODOLOGY

The 2015-16 cycle of assessments uses a new methodology, MOPAN 3.0, which is very much improved from the previous one. The assessment of the Bank was based on a review of documents, a survey of clients and partners in-country, and interviews and consultations held at the AfDB headquarters in May 2016. We are pleased that some of the suggestions we made in the management response to the 2012 survey have been taken into account.

However, we are concerned about the survey that was conducted to gather perception data from partners of the AfDB. The survey generated a total of only 39 responses from five countries (Burkina Faso, Liberia, Mozambique, Nigeria, and Somalia) and from donor and national government representatives, UN agencies and non-governmental organisations. The survey could have been strengthened by sampling a more representative set of countries. In Somalia, for example, we have no country office, a fact that may have affected the responsiveness of development partners there. The MOPAN could also have used their networks in the field to conduct the surveys there, rather than online, potentially increasing the number of responses.

In May this year, the G7 Finance Ministers issued

a statement encouraging greater coordination between Multilateral Development Banks (MDBs), the 'G7 Principles on IFI coordination'. The G7 called on MDBs to undertake a range of actions organised around these key principles. Central to these was the notion of Value for Money (VfM). To this end, MOPAN donors many of whom are also members of the G7, could explore options to strengthen MOPAN's assessment of multilateral's value for money including by further refining the MOPAN 3.0 methodology and KPI4 on 'Organisational systems that are cost- and value-conscious and enable financial transparency/accountability'.

STRATEGIC MANAGEMENT

The Bank is pleased to note the assessment's finding that the Bank has a clear long-term vision, reflecting careful consideration of comparative advantage and anchored in a progressive, transformative perspective for Africa. The Bank's introduction of the High 5s—*Light up and Power Africa, Feed Africa, Industrialise Africa, Integrate Africa, and Improve the Quality of Life for the People of Africa*—which is aimed at accelerating the implementation of the ten-year strategy (2013-2022), has provided further clarity of purpose. These focus areas are essential to transforming the continent.

To help achieve this ambitious agenda, the Bank is implementing its new, more effective and efficient Development and Business Delivery Model (DBDM), approved in April 2016. The DBDM seeks to achieve five mutually reinforcing objectives:

- Enhancing delivery and driving business growth by moving the Bank much closer to its clients at country level through increasing the number of senior managerial and technical staff in country offices and devolving more authority to the local level.
- Attracting and retaining talent by strengthening the Bank's performance culture through establishing performance contracts, working to retain staff, and strengthening its results culture.
- Increasing financial performance and development impact through such steps as increasing the speed and effectiveness of disbursements, so that loan capital is not immobilised in operations.
- Streamlining business processes to promote greater operational efficiency and effectiveness.
- Reconfiguring the Bank's headquarters to support regions in delivering better outcomes by aligning complexes with strategic priorities, including by streamlining Vice-Presidencies to increase the focus on country operations and delivery of the High 5s.

OPERATIONAL MANAGEMENT

The Bank welcomes the assessment, which clearly shows that it is correctly aligning its assets and capacity to its strategic direction. It also notes the finding of the Bank's good performance in transparency and resource mobilisation, which is well aligned to contribute to its priority areas.

However, the assessment indicates that the low level of portfolio disbursement remains an area for improvement. The Bank agrees that this is clearly an area where efforts could be reinforced, and in the context of the DBDM rollout the Bank has been implementing measures to address this area. In fact, in 2016 the Bank achieved the highest disbursement in its history. For the AfDB, as for other multilateral development banks, project start-up delays largely reflect a

persistent "approval culture". The Bank is working in two directions to address this issue.

First, it is reviewing staff incentive structures and key performance indicators (KPIs) to promote a culture of operational performance and excellence. As part of this review, it is exploring the use of cross-departmental KPIs to promote problem-solving and shared responsibilities. The Bank has also established Executive Performance Agreements for all Vice Presidents across the Complexes, with specific KPIs associated with the business, client, operations and people deliverables. VPs cascade their KPIs to directors and through to division managers and teams in each unit. This approach helps ensure strategic alignment to the corporate strategy with relevant KPIs, results and outputs. This process is also reinforced by the Bank's Results Measurement Framework, which measures specific results achieved at four levels, demonstrating institutional results that drive development impact. All work programmes across the Complexes are aligned to the required institutional outcomes.

Second, providing better value for money is central to the Bank's mandate. This means adopting a business model that delivers the best development value for its clients and stakeholders. To this end, the Bank works to ensure that it is both effective—it achieves its development objectives—and efficient—it makes good use of its resources in doing so. This is closely monitored through a set of indicators in our results measurement framework (RMF). Further, and in order to draw from best practice, the Bank led an initiative to establish a shared MDB perspective on VfM and is contributing to the development of a set of metrics to track performance on VfM in the context of the G7.

The Bank is streamlining its business processes. Under the new DBDM, a Delivery Accountability and Process Efficiency Committee has been established to improve the Bank's efficiency and performance by streamlining business processes, policies, procedures and systems.

We are already seeing the results of these reforms in business processes. For example, since Presidential Directive 2/15 was adopted in 2015, the time from approval to first disbursement has declined by 44%, from 390 days to 218 days.

That said, progress does not depend entirely on the efficiency of Bank processes. Project start-up and timely implementation also depend on client

countries' processes and procedures, over which the Bank has little control. However, the Bank is attempting to influence these processes and procedures through continuous dialogue with the authorities, provision of technical assistance, regular supervision of projects and training of project staff in country.

RELATIONSHIP MANAGEMENT

AfDB welcomes MOPAN's positive assessment in this area, as the Bank participates very actively in national processes to ensure alignment and coherence between Bank strategies and country and regional priorities and processes. The assessment also notes that contextual analysis generally informs intervention design so that interventions are tailored to context.

In particular, MOPAN notes the good alignment of the Bank's policies and of its country and regional integration strategy papers with the priorities and objectives of partner countries and regions. It also highlights the AfDB's role in chairing many thematic coordination groups on the ground and its good coordination with other development partners. The quality of the dialogue with partners and governments and the close relationship with regional member countries will be further strengthened as the Bank continues to deploy staff to the regions.

As the assessment indicates, the Bank is investing in knowledge to support its engagement and positioning as an important knowledge broker at the continent level. The Bank has been implementing a Knowledge Management Strategy, resulting in major improvements in the quality and accessibility of its flagship publications—the Africa Economic Outlook, Africa Competitiveness Report and African Development Report—online Policy Briefs, Development Research Briefs and Working Papers. It is providing much more accessible statistics through the Open Data Platform and the Information Highway. Nevertheless, AfDB recognises that more investment will be required to cement its position as a knowledge broker.

Although 80% of the Bank's transactions are done through country systems, the assessment underlines that procurement processes remain a serious constraint, in particular because of the lack of capacity in many countries. To respond to this issue, the Bank is increasingly adapting its systems to countries' strengths and weaknesses through its new procurement policy. In this connection, the procurement department is

carrying out assessments to identify the procurement and financial management risks in using country systems. It is likely that borrowers will award a higher number of contracts (initially, of relatively low value) using their own systems. As these systems grow stronger and the confidence of stakeholders grows, the number and value of such contracts will likely rise. This process will increase ownership as well as efficiency in project delivery.

PERFORMANCE MANAGEMENT

On performance management, MOPAN acknowledges the AfDB's efforts to strengthen its results culture, ranging from establishing a stronger results orientation to monitoring and evaluation practice and improvements in the use of results-based targets. Nevertheless, the report indicates that while results frameworks are in place and results-based tools complement performance-based decision-making processes across the programme cycle, there is still progress to be made. Country strategies do not all have a portfolio orientation, and results are not always firmly embedded in all aspects of the Bank's operations. MOPAN also stresses that there is no monitoring system that produces high-quality or useful performance data.

The Bank has already put in place reforms and new tools to address this issue. In particular, since 2016, all of the Bank's corporate and sector strategies are based on a clear theory of change and specific metrics that define outcomes and describe the logic of intervention that guides them. This approach has been strengthened with the recent approval of the Bank's new Results Measurement Framework (2016-2025), which includes a detailed logic of intervention for each of the Bank's High 5 strategies and the DBDM.

The Bank is also working to strengthen country programming by revising its results-based Country Strategy Papers (CSPs), which define the Bank's intervention. Results-based CSPs will provide the logic of the Bank's interventions, emphasising the results to be achieved and providing a monitoring framework for measuring those results. Two distinct results tools are thus proposed to reflect the twin purposes of the results framework: a strategic alignment matrix, and a strategic engagement and performance matrix.

The Bank has developed new tools to produce results data. The Results Reporting System is a unified platform that will provide real-time

information on outputs and intermediate outcomes achieved through Bank operations so that it can periodically assess progress toward programmed results. MapAfrica, a geo-located tool, provides information on projects and results through a very simple and user-friendly interface. Finally, the Bank has launched its Management Action Record System to track progress on the recommendations of all the evaluations from the Independent Evaluation Department. The system is readily accessible to internal Bank staff and the Board.

RESULTS

The Bank is pleased that the MOPAN assessment finds that it has been effective in delivering development results. Its ability to contribute to results of strategic value within partner-led development is of particular note, with AfDB interventions contributing to the realisation of national development goals and objectives. However, improvements are needed in some areas: gender, regional integration and sustainability of development programmes.

Gender. Recognising that advancing gender equality is central to achieving inclusive growth, the Bank is placing a renewed emphasis on reducing the gaps between men and women, in line with its 2014 Gender Strategy. Tracking gender results in the new Results Measurement Framework is a first step to achieving a better understanding of the key constraints that must be lifted for gender gaps to narrow. The Bank has introduced a Gender Marker System to systematically rate projects on the extent of their gender focus. This complements the Bank's work in conducting a gender analysis at the outset of a project, to help identify inequalities and formulate actions to address them.

The Bank agrees that more needs to be done to mainstream gender in its programmes. The main findings of the MOPAN assessment are similar to those of our midterm review of the Gender Strategy, and we already have work under way to improve the Bank's ability to achieve gender equality results. This includes establishing a more coordinated approach to policy dialogue and programming processes to really contribute to and advance the realisation of gender equality and women's empowerment in partner countries.

The Bank is also developing operations with a focus on gender. For example, in Sudan the *Improving Health Access and Systems Strengthening Project* will improve the supply of health services

to reduce the high rates of mortality and morbidity among women and children. The *Access to Finance in Climate Smart Agriculture Women-led MSME Project* aims to unlock the potential of women entrepreneurs operating in climate-smart agriculture. And the *Affirmative Finance Action for Women in Africa Programme* will provide finance through lines of credit to sustainably increase the productivity and incomes of women in agriculture and agribusiness.

By decentralising gender specialists into the regions (two gender officers in each of the five regions), the Bank will increase the focus on operational work, leading to better design and implementation of operations. This will also increase gender impact.

Sustainability. For the sustainability of benefits after programme completion, the assessment finds mixed results. In particular, sustainability is hindered by unfinished infrastructure and poor maintenance capacity. AfDB has already taken note of similar comments from the recent Comprehensive Evaluation on Development Results, which indicated that more needs to be done to improve project outcomes. In this regard, we know that sustainability requires solid partnerships with implementing agencies, local authorities, and communities to secure the viability of measures to sustain the project benefits beyond the financial support provided by the Bank. For example, financial sustainability depends to a large extent on national authorities' taking ownership, including providing budgets for maintenance. Thus sustainability is particularly challenging in lower-income countries in Africa that have to contend with severe fiscal, institutional and governance constraints.

Regional integration. The assessment indicates that because the AfDB initially struggled to execute clear thinking and coherent steps in implementing its regional integration strategy, limited results were achieved. However, clarity of purpose is demonstrated in the last two integration strategies that have been implemented. Nonetheless, the Bank acknowledges that while the hard infrastructure component of integration is well funded (largely out of the regional operations window, which targets only ADF-eligible countries), the Bank will need to provide additional resources to implement the soft components of these projects. Coordination of activities and projects between countries requires dedicated resources, which are not always

available. Regional Economic Communities (RECs) do not have the capacity to coordinate regional projects; therefore, this is where the Bank can provide technical assistance. The Bank will work to synchronise interdepartmental activities and will assign dedicated task managers to support the implementation of soft components. The ongoing decentralisation process provides an opportunity for the Bank to assign to the regional hubs sufficient staff working specifically on upstream trade and coordination activities, instead of the current practice of having one coordinator for all regional operations.

The Bank is working on a new Regional Integration Strategy that seeks to align with the High 5s and position the Bank as the premier partner for regional integration, working closely with RECs. In this context, the Bank intends to strengthen the RECs' capacity and closely coordinate other activities to strengthen dialogue in support of regional integration. The Bank sees integration not as a stand-alone undertaking, but as a vehicle to (a) realise improved economic competitiveness and human development in Africa's regional member countries, and (b) help to accelerate delivery of the High 5s.

Private sector operations. The Bank acknowledges that there have been some challenges to fully meeting all initial expectations related to its support of private sector development, especially in low-income countries. In fact, the need to balance risk management imperatives and the objectives of private sector operations has constrained the Bank's ambition to implement sizable impactful non-sovereign operations in high-risk environments. In recent years, as the Bank has approached the ceiling for high risk exposures, private sector operations in most low-

income countries have been curtailed. Under the new DBDM, the Bank has embraced a paradigm shift that takes it from a passive co-financing approach to an active mobilisation approach, with a strong emphasis on intensive use of risk-sharing and credit enhancement instruments and of alternative equity-like instruments. With this approach, the Bank will be better able to support entrepreneurs that are perceived to be riskier than counterparts in middle-income countries.

Moreover, the Bank has embarked on internal reforms that aim, among other things, to move the Bank closer to its clients to enhance delivery, and to support the regions in delivering better outcomes. An appropriate mix of skills for private sector operations will be deployed in regions, and efficient processes will be put in place to increase the effectiveness of our support to private sector development in our regional member countries.

CONCLUSION

The MOPAN assessment reflects some of our own observations, which have prompted extensive institutional reforms to provide regional member countries with the support they need to deliver development results. These observations are particularly valuable as the Bank begins to roll out the reforms laid out in its DBDM and the Updated Decentralisation Action Plan.