

AFRICAN DEVELOPMENT BANK GROUP



THE MOPAN ASSESSMENT OF THE AFRICAN DEVELOPMENT BANK'S PERFORMANCE (2017-2021)

MANAGEMENT RESPONSE

SNDR

June 2023

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Management Response

The recently conducted assessment by the Multilateral Organisation Performance Assessment Network (MOPAN) reaffirms the African Development Bank's tangible progress in enhancing institutional effectiveness and efficiency. The assessment acknowledges that “overall, the Bank meets the requirements of an effective multilateral organisation that can adjust while operating in a particularly difficult environment. It is fit for the purpose of continuing to be a significant source of funding for Africa’s development, and an important provider of policy advice and intellectual leadership on a number of issues.” The Bank's significant progress can be attributed to an ambitious reform program launched in 2016 and enhanced in the context of the 7th General Capital Increase (GCI-VII) in 2019. Through these reforms, the Bank is strengthening its capacity as a development provider, policy adviser and trusted knowledge leader, contributing to better development results. The Bank also seeks to continuously improve, and the MOPAN assessment is useful in identifying priority areas requiring further attention. Management broadly agrees with MOPAN’s findings which will be useful in informing the design of the Bank’s Ten-Year Strategy (TYS) 2.0. This note presents to the Board Management’s responses to the assessment.

MOPAN CONFIRMS KEY STRENGTHS AND AREAS FOR IMPROVEMENT

Since 2015, the Bank has undergone a series of robust reforms to enhance its organisational structure and operational effectiveness. Management is pleased to note that MOPAN found the Bank to be “a robust organisation with a set of norms, standards, and procedures that by and large mirror those of peer organisations and support a highly relevant delivery programme in line with the organisation’s mandate”.

The first of these reforms was the Bank’s 2016 reorganisation under a *Development and Business Delivery Model* (DBDM) that has since enhanced the Bank’s developmental impact and organisational efficiency. The MOPAN assessment recognised that the DBDM has brought the Bank’s operations closer to clients and enabled the Bank to be more responsive to their needs while increasing operational effectiveness.

Furthermore, the assessment highlights the following strengths in the Bank’s policy dialogue, its agility during the Covid-19 pandemic, and its strong financial framework.

Policy dialogue—The MOPAN report highlights the strength of the Bank’s engagement with its Regional Member Countries (RMCs) noting that it is broadly recognised among RMCs, as the partner of choice and a trusted advisor. This translates into the Bank’s deeper understanding of country-level and partner needs and leadership opportunities, as reflected in the relevance of the Bank’s portfolio.

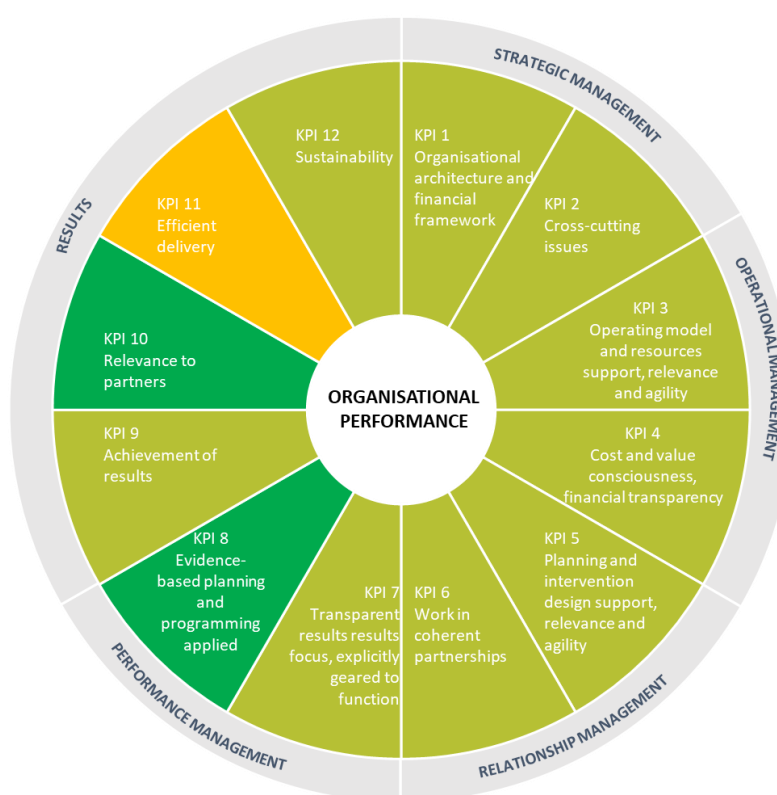
Agility during Covid 19—The Bank recognises that effective policy dialogue is the key to retaining its reputation as a trusted partner, especially during times of crisis. Policy dialogue played a vital role in the Bank’s COVID-19 response, particularly in managing macroeconomic and public finance risks. The MOPAN assessment praised the Bank’s agility during difficult times and stated that the Bank “met the requirements of an effective multilateral organisation that can adjust while operating in a particularly difficult environment”.

Strong financial framework—Despite global financial headwinds following COVID-19 and the impact of Russia’s invasion of Ukraine,¹ the Bank continues to be on solid financial footing. As underscored in MOPAN assessment, the Bank maintained its triple-A credit rating and retains an excellent position in global debt markets as an issuer, despite rating pressures imposed by downgrades from major shareholders. This reflects the Bank’s solid capital adequacy, robust risk management, prudent financial management, high liquidity coverage, strong funding record, preferred creditor status, and strong shareholder support as evidenced by the ongoing commitment of shareholders to the GCI-VII.

Despite the progress achieved these past years, there is still unfinished business and areas that require improvement, as highlighted in the MOPAN assessment.

In assessing the Bank, MOPAN uses 12 Key Performance Indicators (KPIs), 57 Micro-indicators (MIs) and related elements against which evidence-based judgments are made using a scoring and rating system. MOPAN rated 11 out of the 12 key performance indicators as satisfactory or better (Table 1).

Table 1. MOPAN Summary of Bank’s Performance



MOPAN rating: ● Highly satisfactory ● Satisfactory ● Unsatisfactory ● Highly unsatisfactory

¹ The language agreed in the Communiqué of the 2022 Annual Meetings of the Bank Group in Accra, Ghana was “Russia’s invasion of Ukraine.” Algeria, China, Egypt, Eswatini, Namibia, Nigeria and South Africa entered a reservation and proposed “Russia-Ukraine Conflict”.

However, looking at the micro-indicator level, the Bank acknowledges the following three main areas where it could further improve:

1. Delays in Project Implementation and Disbursements (MIs 4.2 and 11.2);
2. Protection Against Sexual Exploitation and Abuse and Sexual Harassment (MIs 4.7 and 4.8);
3. Enhancing sustainability in Bank operations (MI 5.6).

DELAYS IN PROJECT IMPLEMENTATION AND DISBURSEMENTS

The MOPAN assessment states that despite the availability of mechanisms and procedures to track the speed of implementation, projects continue to experience significant implementation delays. This finding confirms the Bank's self-assessment of operational performance. Indeed, as reported in the Bank's 2023 Annual Development Effectiveness Review (ADER), the proportion of Bank projects experiencing delays and challenges remained at 30% in 2022, the same level recorded in 2021. The 2023 ADER builds on other internal assessments, including the Annual Portfolio Performance Review, to examine the underlying drivers of implementation delays.

The MOPAN assessment notes the operational challenges faced by not only the Bank but also other Multilateral Development Banks (MDBs) in the wake of disruptions caused by the COVID-19 pandemic. Disbursement delays are common among MDBs as evidenced by the Bank's own 2018 benchmarking study. The analysis revealed that the timeframe between Board approval to the first disbursement is, on average, 11 to 16 months. However, this is particularly visible at the Bank since stretch targets, introduced in 2015, require the disbursement of public sector loans and grants within six months of approval. This requirement has inflated the proportion of operations flagged for performance challenges and eligible for cancellation.

The Bank is, however, taking measures to improve its operational performance and introduce more realistic targets.

With the easing of COVID-19 restrictions and constraints, disbursement targets are re-introduced at the project team level and tracked monthly to incentivise proactive portfolio implementation support. The Bank is also ensuring improved quality-at-entry, with more realistic timelines for projects at inception. In this context, the implementation of the project management component of WAKANDA—the Bank's digitalisation and business reengineering program—is expected to track and enforce realistic timelines and strengthen process checks and controls. The goal is to restore project implementation to pre-COVID levels through a renewed focus on disbursement performance. As such, the disbursement performance of the ADB financing window during the first five months of 2023 is the highest achieved since 2018 and reflects renewed emphasis and accountability of operations teams for disbursement performance.

The Bank has also set systems and standards to track implementation speed and benchmarks against peer institutions. These mechanisms provide a robust and reliable basis for understanding the underlying causes contributing to implementation delays. For example, the Portfolio Flashlight (a component of the Delivery Dashboard) serves as an effective system for tracking and flagging the pace of project implementation in real-time. Management acknowledges some gaps in filing of monitoring reports in 2020 and 2021, though this has significantly improved since 2022. Moreover, these reports are just one of a number of inputs into the overall tracking system provided by the Delivery Dashboard.

At the country level, the Bank is actively reviewing the Country Portfolio Performance Reports (CPPR) methodology to assess its operational effectiveness and relevance. The aim is to place greater emphasis on improving the quality and availability of data and adopting a proactive approach to problem-solving. By enhancing data availability, the Bank can gain a more comprehensive understanding of project performance and identify potential challenges more effectively. Furthermore, the Bank provided

dedicated support to RMCs in crucial areas such as procurement, financial management, and disbursement (Box 1).

Box 1. Enhancing country capacity in operations

In 2022, the Bank supported portfolio performance by delivering a record number of 25 institutional capacity building and fiduciary clinics, reaching in total, 1,490 project cycle management stakeholders in 25 RMCs. Through the African Development Institute, the Bank also established the virtual Public Finance Management Academy and a Policy Lab, both of which have succeeded in engaging partner institutions such as the IMF, among others to deliver PFM capacity building. The trainings delivered through this initiative in 2022 covered topics such as managing public finance in times of crisis, public budgeting, and domestic resource mobilisation.

The Bank has also taken other measures to address operational challenges: in 2022, the Bank Group Policy on Sovereign Operations Restructuring was approved. This Policy was developed to provide clear guidance on how Bank Group projects and portfolios could be restructured during implementation to address performance challenges or to align with the strategic reorientation of countries' needs. This is in line with IDEV evaluation recommendation that the Bank should revise restrictive rules to become a more agile partner.

In the context of the Ten- Year Strategy 2.0, the Bank is drawing lessons from recent evaluations to strengthen its institutional model and revisit its approach to implementation support, to become more proactive, agile and responsive to emerging global risks and challenges. Going forward, the Bank will place greater emphasis on the effective use of project preparation facilities to invest in pipeline development, upstream design, and procurement readiness with a view to addressing persistent start-up delays. Improved project preparation and more realistic planning will help build a robust pipeline of operations and facilitate timely implementation. Accountability for timely delivery will be cascaded from managers down to delivery teams.

ENHANCING SUSTAINABILITY IN THE BANK'S OPERATIONS

MOPAN highlights financial sustainability in the Bank's projects as an area that requires improvement. Given limited government resources allocated for operation and maintenance, sustainability is a persistent challenge in development projects across Africa. Learning from its rich experience in this area, Management has taken proactive steps to better address sustainability during the project design phase, and will further increase focus on this challenge.

Emerging data reveals a positive trend related to sustainability, indicating progress in the right direction. IDEV's recent independent validation of Project Completion Reports (PCRs) for 2022 was more positive, with 92% of projects independently rated as satisfactory on the sustainability criteria. This criterion comprises four dimensions of sustainability: financial, institutional, ownership, environmental, and social. The most recent IDEV data² indicates that institutional sustainability is much more positive (83% of projects rated satisfactory or better), while financial sustainability is still underperforming (65% of projects rated satisfactory or better). Management will examine carefully the lessons emerging from these projects with high risks to financial sustainability, to inform future operations.

Management acknowledges the importance of prioritising the financial sustainability of project benefits in the medium and long term. Financial sustainability must, therefore, be incorporated into project design while ensuring coherence with broader development goals, which allows for increased government revenue collection and management. The importance of financial sustainability in

² 2021

investments, particularly in areas like infrastructure, underscores the significance of the Bank's role as a long-term development partner. It also highlights the need for the Bank to remain engaged in priority areas, and to persevere through challenging times, wherever possible.

PROTECTION AGAINST SEXUAL EXPLOITATION, ABUSE, AND HARASSMENT (SEAH)

The MOPAN assessment acknowledges the Bank's efforts to enforce zero-tolerance vis-à-vis all forms of sexual harassment (SH) and sexual exploitation and abuse (SEA) through a Presidential Directive and a Code of Conduct for the Bank, service providers, suppliers and contractors. However, it notes that the Bank doesn't have a formal policy and action plan which make a clearer distinction between sexual harassment (SH) and sexual exploitation and abuse (SEA).

The assessment indicates that more systematic action should be taken to identify and monitor the risk of SEAH and to ensure that intervention designs examine potential measures to prevent and take action against sexual abuse. Management is committed to ensuring the implementation of SEAH rules and procedures. Under Presidential Directive, 02/2021 establishing rules and procedures for addressing harassment at the Bank, including SEAH, the concepts of SEA and SH are clearly defined, and Management is committed to ensuring both a victim/survivor-centred approach along with the effective implementation of relevant rules and procedures. In line with MOPAN recommendations, further enhancements will be made to the Presidential Directive and the Code of Conduct. Furthermore, the updated Presidential Directive will be published on the Bank's website to ensure it is easily accessible to all internal and external stakeholders and communities.

Within the Bank, it should be noted that Bank employees are able to report SEAH through third-party reporting tools such as Spot and EthicsPoint, since December 2022. Both tools allow for anonymous reporting that is also supported by the Bank's recently revised Whistleblowing Policy, outlined in Box 2, as well as an awareness campaign launched in 2023.

At the operational level, procurement for Bank-funded projects includes SEAH standards and risks. Since 2021, the Bank requires that entities bidding for large procurements have Management Strategies and Implementation Plans (MSIP) in place to manage environmental and social risks including SEAH, as part of their bid documents during tenders for Bank-funded contracts. During the implementation of large contracts, contractors must comply with the approved MSIP. The Standards and definitions related to SEAH are included in the Standard Bidding Document (SBD)³ for Large Works approved in 2021, for all Bank-funded projects. In April 2023, the Bank updated its Integrated Safeguards System (ISS)⁴. One of the main objectives of the enhanced ISS is to prevent Sexual Exploitation, Abuse and Sexual Harassment (SEAH) of members of the community by project workers.

The Bank is also working with other International Financial Institutions (IFIs) to advance SEAH prevention standards. The Bank is among 10 IFIs⁵ that in 2018, agreed to advance SEAH prevention standards through common principles, knowledge exchange and benchmarking safeguarding activities. The Bank also actively participates in the Cross-Sector Safeguarding Group (CSSG) convened and chaired by the UK Foreign, Commonwealth and Development Office (FCDO).

In addition, PIAC widely disseminates the Bank's SEAH standards. PIAC has also developed a sensitisation video for project staff, executing agencies and bidders, disseminated through multiple platforms, including the Bank's fiduciary clinics. The clinics aim to create awareness of the Bank's

³ Standard Bidding Document Available on the Bank's website: [HERE](#)

⁴ The updated Integrated Safeguards System Available on the Bank's website: [HERE](#)

⁵ IFIs include the Asian Development Bank, Asian Infrastructure Investment Bank, European Bank for Reconstruction and Development, European Investment Bank, Inter-American Development Bank, International Finance Corporation, International Fund for Agricultural Development, International Monetary Fund and the World Bank.

SEAH policies and enhance Project Managers' and implementing partners' capacity to comply with Bank rules during implementation of Bank-financed projects. Country and regional office Ethics Champions also receive SEAH training.

Box 2. Bank's Whistleblowing Policy

In January 2023, the Bank approved a Whistleblowing Policy that underscores the Bank Group's commitment to strengthening its support for Protected Activities and eradicating sanctionable practices and misconduct in Bank-financed operations and activities and within the Bank itself. The Policy defines the rights and responsibilities of Bank staff, Board officials, external parties⁶ and witnesses, irrespective of work location or delivery of services, when reporting alleged sanctionable practices or misconduct, including SEAH.

The Policy designates the Office of Integrity and Anti-Corruption (PIAC) as the Policy custodian and provides clear guidance on reporting channels. It also explicitly prohibits retaliation and outlines the procedures for seeking and securing protection measures, including for cases related to SEAH.

Without prejudice to other Bank Group channels, the Policy's reporting channels should only be used when Bank staff, Board officials or external parties reporting sanctionable practices or misconduct, experience or anticipate retaliation as a result of reporting, or when providing information as a witness intending to apply for protection or other remedies.

ADDING VALUE TO MOPAN ASSESSMENT

MOPAN is a network of 21 member states interested in improving the effectiveness of the multilateral system. The majority of these member states are represented on the Board of Directors of the African Development Bank Group and oversee regular assessments of the Bank's operational performance and institutional effectiveness, including those conducted by IDEV, internal and external audit, among others. These reports form the basis of MOPAN's 6th assessment of the Bank since 2004 in addition to surveys and interviews carried out among key partners and stakeholders of the Bank.

Management believes that conducting comparative studies across MDBs to unpack specific challenges and emerging issues would add more value in promoting continuous improvement, compared to the very broad scope of MOPAN exercise which largely relies on work undertaken by independent functions of the Bank under the Board oversight.

CONCLUSION

The MOPAN assessment brings greater clarity on the Bank's comparative advantages and areas of strength, while also highlighting areas where further attention is required. These findings echo the Bank's own assessment of operational performance and institutional effectiveness. The Bank's Management would like to thank MOPAN for the timely and insightful assessment findings that will inform the design of the TYS 2.0. The findings will also contribute to the Bank's efforts to further improve its institutional effectiveness while also supporting efficient delivery of sustainable development results. Management is also committed to ensure adequate resources and monitoring of implementation of the Bank's protection against Sexual Exploitation and Abuse and Sexual Harassment.

⁶ External Party/Parties is any person or entity not covered by the definition of Bank Personnel or Boards Official and includes, but is not limited to vendors, development partners, stakeholders of the Bank Group, former Bank Personnel, contractors, consultants, government officials, officials in executing agencies or implementation units, professional bodies and non-governmental organisations or officials in other international financial institutions, and members of the public.