Management Response

The African Development Bank welcomes the MOPAN assessment on organisational performance. As a development institution we are committed to continuously improving our performance and have launched a range of ambitious reforms to increase our effectiveness as an organisation. Chief among these is the Bank's decentralisation programme. It aims at turning a centralised institution into a nimbler organisation closer and more responsive to its regional member clients. The Bank is a large and complex structure and many of these reforms will take some time before they fully yield their results. Against this background, the MOPAN assessment provides the Bank with a useful 'reality check' on our progress in implementing these reforms and helps us better understand where progress has been made and where we need to step up our efforts.

The Bank highly values its clients and development partners' candid feedback. Many of the observations presented in the MOPAN review resonate with the findings of the Bank's own Client Assessment Survey.[1] The MOPAN review provides valuable insights and a useful external perspective into the Bank's overall agenda for improving its corporate performance. While Management agrees with the main findings of the report, there are, however, important aspects of the review that deserve further consideration. These are briefly discussed below.

The MOPAN framework assesses Multilaterals' organisational performance against four dimensions:

1. *Strategic Management*—Developing strategies and plans that reflect good practices in managing for development results.

2. *Operational Management*—Managing operations by results to support accountability for results and the use of information on performance.

3. *Relationship Management*—Engaging in relationships with direct partners and donors at the country level in ways that contribute to aid effectiveness and that are aligned with the principles set out in the Paris Declaration.

4. *Knowledge Management*—Developing reporting mechanisms and learning strategies that facilitate the sharing of information inside the organisation and with the development community.

A fifth dimension on Development Results has been piloted, assessing the Bank's contributions to development results. Following a short comment on the methodology, each of these five dimensions is discussed in turn in the sections below. (Table 1 overleaf provides a summary of the Bank's progress in implementing organisational reforms that fall within the remit of the MOPAN assessment).

MOPAN METHODOLOGY

The African Development Bank (AfDB) welcomes the improvements made to the MOPAN methodology. In particular, the expansion of the survey base to include a broader range of the Bank's clients and stakeholders. It also welcomes the introduction of the document review as a useful counterpoint to stakeholders' perspectives.

One of MOPAN's goals is to encourage positive change across multilateral organisations. We find, however, that the methodology adopted is not as effective at achieving this as it could be. In part, this is because the approach is informed by a conceptual blueprint rather than guided by an agenda for managing change. In effect, the assessment is driven by a technical and highly detailed set of 19 KPIs and 72 micro-indicators. This raises two methodological difficulties.

[1] AfDB, *Preferred Partner? A Client Assessment Survey of the African Development Bank*, 2012.

Table 1: Summary of Bank reforms in areas that fall within the MOPAN remit

	OBJECTIVES	PROGRESS TO DATE	
1	**FOCUS ON THEMATIC PRIORITIES—**Mainstream thematic priorities	✓Private Sector Development Policy and Strategy finalised ✓Human Capital Development Strategy 2012-2017 in progress ✓A high-level panel on Fragile States has been established ✓Gender action plan updated in 2011 ✓Gender indicators integrated into the RMF ✓ Thematic development Effectiveness Reviews on Governance, Fragile States and Regional Integration in 2012	★★☆
2	**MAKE USE OF PERFORMANCE INFORMATION**—Include performance information in decision making on budget, portfolio, and programming	✓ Activity Time Recording System (ATRS) in 2010✓UA-based budgeting implemented in 2011✓ Three year rolling Programme and Budget Document 2013-2015 aligned on the Long term Strategy and Results Measurement Framework.	★★☆
3	**HUMAN RESOURCES**—Move towards a performance oriented organisation	✓Compensation framework approved 2008 implementing a transparent and results-oriented performance-based reward system ✓Online Performance Evaluation System started in 2009 ✓Action Plan approved in 2011 to strengthen the performance management system over a 24-month period ✓Performance management system fine-tuned in 2012 for emphasis on managerial skills ✓Restructuring of HR services	★★☆
4	**DELEGATION OF AUTHORITY**—Empower field offices	✓Field Presence in 34 countries: 2 Regional Resource Centres in Pretoria and Nairobi, 1 Regional Office in Dakar, 28 Regular Field Offices, 3 Customised presence in Guinea Bissau, Sao Tome & Principe and Mauritius ✓ Fiduciary Safeguards assessment concluded in May 2012 ✓ New delegation of Authority Matrix disseminated in October 2012.	★★☆
6	**COUNTRY SYSTEMS**—Maximise the use of country systems	✓National procurement procedures assessed in all 54 Regional Member Countries ✓With the new Delegation of Authority Matrix, 90% of procurement decisions will be managed by Field Offices ✓400 sector specialists were trained in procurement in 2011	★★☆
7	**EVALUATION AND FEEDBACK LOOP**—Evaluate performance and use lessons learned in design	✓Evaluation week organised yearly to raise awareness ✓Independent evaluation work programme approved by the Board ✓Pilot database of lessons learned created in 2012 ✓Country DERs introduced as tools for identifying good practice at country level	★★☆
8	**FOCUS ON RESULTS**—Strengthen processes and tools for improved development effectiveness	✓One Bank Results Measurement Framework 2008-2012 ✓Annual Development Effectiveness Review launched in 2011✓ Launch of thematic and country Development Effectiveness in 2012 ✓Readiness review of operations and Country Strategy Papers ✓Results focused reporting tools: new Implementation Progress and Results report, new Project Completion Report ✓Incentives through presidential awards started 2012	★★★

The first difficulty has to do with the fact that all Multilaterals are assessed against the same yardstick. Organisations such as the World Bank, Unicef, GAVI or AfDB have very different mandates and operational challenges. The approach leaves little flexibility in assessing each organisation against its own objectives and mandate. For example, we note that MOPAN gives the Bank a low rating on health—an area that is not part of the Bank's strategic focus.

The second concern has to do with the level of technical detail of the questions put to external respondents. Micro-indicator 19.2, for example, asks whether "learning opportunities are organised to share lessons at all levels of the organisation." Providing a meaningful answer to these questions requires a level of knowledge that many respondents do not have. Almost half of the respondents surveyed (47%) claimed they had little or only some familiarity with the Bank.[2]

To address these methodological concerns, the African Development Bank believes MOPAN should introduce a degree of flexibility to better reflect Multilaterals' mandates, challenges and reform agendas. The OECD-DAC Peer Review for assessing bilateral agencies provides a useful point of reference. It is more flexible and provides greater emphasis on joint learning and constructive dialogue between development officials rather than reliance on a methodological blueprint.

STRATEGIC MANAGEMENT

The first of the four dimensions reviewed by the MOPAN assessment is strategic management. This is defined by MOPAN as good practice in managing for development results.

AfDB welcomes the conclusion that one of the Bank's key areas of strength is the clarity of its mandate, strategic focus and commitment to results. We expect the Bank's new long-term strategy (2013-2022) will increase the Bank's strategic focus while addressing Africa's emerging development challenges such as inclusive and green growth. To help us track progress against the LTS, we are updating our corporate results measurement framework. This will also provide the Bank with an opportunity to review and improve its metrics for organisational performance in important areas such as human resources, portfolio performance and gender mainstreaming.

■ *Closing the attribution gap*. Like other bilateral and multilateral development agencies, the African Development Bank is under increasing pressure to demonstrate its contribution to development results and close the attribution gap.

To better demonstrate the linkages between the Bank's activities and field-level results, the Bank is pursuing a range of initiatives—strengthening its results measurement framework, launching a mapping for results initiative, developing a dedicated IT system to track results from project inception to project closure (The Results Reporting System) etc. In 2012 the Bank has also piloted country and thematic Development Effectiveness Reviews, covering important segments of the Bank's portfolio such as Fragile States, Governance and Regional Integration. These dedicated and more focused approaches reports provide room for elaborating more detailed and compelling cases that better link the Bank's activities and outcomes.

While we recognise the need to narrow the attribution gap, we find MOPAN's conclusion that "the Bank does not present a theory of change that could contribute to minimising the gap between [aggregate outcomes and project outputs]" misleading. It is arguable whether such a theory exists and, if it does, where it has been implemented. Such a theory of change is most appropriate at country level where the Bank is indeed placing its focus.

■ *Linkages with national development plans.* We are encouraged that the MOPAN assessment notes a strong alignment between the Bank's country strategy papers (CSPs) and national development plans and priorities as set out by our regional member clients. A new Readiness Review for CSPs was introduced in 2011 to further strengthen the quality and standards of CSPs. Thirteen country strategy concept notes and sixteen strategy papers were evaluated under these criteria in 2011. We also note that the Bank performance is satisfactory in addressing MOPAN's six cross-cutting priorities: gender equality, environment, climate change, private sector development, fragile states and regional economic integration.

OPERATIONAL MANAGEMENT

The second of the dimensions assessed by MOPAN is operational management. This is defined by MOPAN as Multilaterals' ability to manage their operations in ways that support accountability for results. By and large, the MOPAN assessment finds the Bank's performance satisfactory with room for improvement in management of

[2] *MOPAN, Organisational Effectiveness Assessment, African Development Bank (AfDB)* 2012, Volume II, pp. 53

human resources and decentralisation.

■ *Human resource management*. Effective management of the Bank's human resources remains one of the Bank's highest priorities. This is because as a development bank, our effectiveness depends as much on our people and their knowledge and skills as it does on our finance. We aim to attract and retain the highest calibre of development professionals across a wide range of specialist fields. We must offer staff rewarding career paths with incentives for continuous improvement so that they continuously develop their skills and expertise.

The Bank holds itself accountable against very high standards of performance and recognises that it needs to do better. This is why, in recent years the Bank has engaged on a range of reforms aimed at improving performance of human resource management.

At the core of the HR reform process is the development of a People Strategy. This will set out the type of workforce needed to deliver the Long Term Strategy; the skills required; the culture and values; and the nature of leadership. At the centre of the People Strategy will be an employee engagement approach that seeks to create an environment where staff feel challenged, well managed, able to express and contribute and strongly aligned to the Bank's objectives. This People Strategy will be underpinned by an HR strategy.

The goal of building the Bank into an accountable, high performance and results-oriented organisation is anchored in its ability to operate a credible system of managing performance from the top to the bottom of the organisation structure. The Bank has upgraded to a new and improved electronic Performance Evaluation System, paying increasing attention to improving management practices and teamwork. Under a new management and leadership development programme, the performance of managers will be increasingly assessed against their people-management skills. We are offering better career development opportunities through an improved performance assessment and promotion framework, and we are expanding learning opportunities.

In 2011, we carried out a review of our compensations policies, benchmarking them against other development institutions to ensure our international competitiveness.

Finally, and in addition to on-going reforms, the Human Resources department is being revamped in line with international good practices to ensure effective implementation of new procedures and policies.

■ *Decentralisation*. Decentralisation is one of the Bank's most important reforms. It aims at turning a centralised institution into a nimbler organisation closer and more responsive to its clients.

The Bank's decentralisation Roadmap (2011-2015) sets time-bound targets for the proportion of staff and functions to be located in field offices by 2015. To improve our field presence we have increased the number of field offices to 34 out of 54 regional member countries and in 2011 we expanded our field presence to Burundi, Liberia, Togo and the Central African Republic. In 2012 we opened a new field office in South Sudan. This is a major increase in our capacity to engage in fragile states, where decentralisation is necessary to achieve the necessary flexibility of engagement.

To track progress in decentralisation we continuously monitor our progress. The level of staffing in field offices, for example, increased by 24% in 2011 to 539 persons. Likewise, the percentage of field-based operational staff continues to increase and now stands at 29% of the total staff, representing solid progress towards our Roadmap target of 40%. The proportion of projects task-managed from the field increased from 16% in 2009 to 25% in 2011.

In October 2012, we approved a new delegation of authority matrix to devolve greater authority to field offices. This will lead to 90 percent of procurement decisions being processed and approved by field offices.

A key element of the Bank's decentralised structure will be the Regional Resource Centres, established on a pilot basis in 2011 in Nairobi and Pretoria. We will carry out a mid-term review of the Decentralization Roadmap in 2013, and evaluate the two pilot regional resource centres in 2014 and decide on establishing further Regional Resource Centre.

RELATIONSHIP MANAGEMENT

The third of the four dimensions reviewed by MOPAN is relationship management. This assesses good practice in engaging at country level with regional member clients and other key stakeholders.

AfDB welcomes MOPAN's positive assessment. The quality of the relationship with national partners goes hand in hand with the Bank's expanded field presence and increased staffing at country level. The Bank's analysis shows that in countries where there are field offices, portfolio performance has improved significantly.

Management also welcomes the MOPAN finding that the Bank's Roadmap on Aid Effectiveness has been successful in reducing parallel project implementation units, ensuring that aid flows are recorded in partner countries' budgets and disbursing technical cooperation through coordinated programmes. The Bank readily acknowledges that more can be done to strengthen the use of country systems and participation in joint missions. Overall, the use of country systems has increased from 39% to 50%, but still varies considerably by country. While use of country public financial management systems reached 85% in Rwanda or 62% in Niger, in other countries such as DRC or Ghana more efforts have to be made.

KNOWLEDGE MANAGEMENT

The fourth dimension reviewed by MOPAN is knowledge management. This is defined as the mechanisms and learning strategies that facilitate the sharing of information inside the organisation and with the development community.

- *Independent Evaluation*. An important source of knowledge for improved efficiency is evaluations of the Bank's operations and strategies conducted by the Independent Operations Evaluation Department (OPEV). OPEV uses various channels to feed these findings back into operations—reports, outreach activities, and regular briefings and knowledge seminars. This relationship is being strengthened through more constructive collaboration on deriving tangible actions from evaluations. A new Bank-wide consultative mechanism—The Roundtable Review Mechanism—has been piloted to strengthen the quality of follow-up to OPEV's evaluations. Each review brings together representatives from a range of relevant Complexes and Departments to discuss findings in detail and work together to ensure that Management can take appropriate action to translate those findings into actionable improvements.

- *Knowledge and Learning*. To achieve better results and avoid repeating mistakes, the Bank can improve on how it learns from its successes and failures. A key element of the results agenda is to enhance the feedback loop—that is, to feed into the design of new operations the lessons learnt in operations and good practices generated across the continent. The Project Completion Report (PCR) is one of the tools through which the Bank captures lessons from completed operations. The Bank is piloting a new system that makes these lessons directly available to staff to draw on when designing new projects—to avoid reinventing the wheel and design more robust and effective operations.

MANAGING FOR DEVELOPMENT RESULTS

The 2012 MOPAN introduced a new dimension piloted with four multinational organisation, assessing how multilateral organisations report on development results achieved.

While management feels encouraged the Bank is making progress in its capacity to manage for development results, it feels the new assessment does not provide an adequate picture of the Bank's approach to results. The African Development Bank is making considerable efforts to best demonstrate its contribution to development results and close the attribution gap. In this connection, the Bank has made significant progress in establishing the critical processes, systems and tools to capture communicate and manage for development results. Supervision and completion reporting has been strengthened to better capture results and lessons from our operations. A New Results Reporting System is being launched to make results available to task teams and management to better monitor progress and inform decision-making at all levels of the institution. The Bank has geocoded its portfolio and is developing new tools to use mapping for results to demonstrate achievements and use this information for better planning. The Annual Development Effectiveness Review (ADER) and the launch of the thematic and country Development Effectiveness Reviews further strengthen the way we communicate and demonstrate the results achieved.

CONCLUSION

The African Development Bank has engaged in the past years in an ambitious reform agenda that aims at strengthening the Bank's role as Africa's premier development institution. The Bank has achieved much within a short period of time, implementing the necessary reforms and establishing most of the critical processes and systems to strengthen the institution. Many reforms are on-going and will take time to implement.

As it makes progress, and learns from its successes and failures, the nature of the challenges the Bank faces is changing. Management welcomes the findings and elements provided by the MOPAN report as a useful perspective that will further inform and support our efforts in strengthening the institution and delivering development results.