AFRICAN DEVELOPMENT BANK GROUP

GROUPE DE LA BANQUE AFRICAINE DE DEVELOPPEMENT

Mark Bowman
Director-General,
Humanitarian, Security & Conflict, & International Finance
1 Palace Street, London
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Dear Mr. Bowman,

2013 MULTILATERAL AID REVIEW (MAR) UPDATE

The African Development Bank Group welcomes the Multilateral Aid Review progress report. It provides the Bank with a great opportunity to receive valuable feedback and strengthen its organisational effectiveness for better delivery of development results.

I note with satisfaction that our Bank continues to present "good value for money" for UK Aid. In addition, the MAR update acknowledges progress in many areas, such as mainstreaming climate change, improved performance at country level and especially in fragile states, improved systems and frameworks to better measure AfDF's contribution to results, improved cost-effectiveness and swifter project delivery, and maintenance of strong partnership with clients.

The Bank considers that its efforts particularly in the area of delivering development results have yielded substantial and tangible outcomes and looks forward to seeing this reflected in the MAR update scores. At the same time the Bank recognises the scope for further deepening its implementation of institutional reforms in order to continue to provide sustainable improvement in the lives of people in Africa. This response focuses on providing further information on what we are doing in the specific areas of reform addressed by the DFID Multilateral Aid Review update.

We have enclosed, for further information, areas of progress and reform within the Bank on the issues raised in the MAR update.

Regards,

Emmanuel Ebot Mbi
First Vice-President and Chief Operating Officer

Response to DFID Multilateral Aid Review (MAR) Update 2013

The following note provides a factual update of the key issues raised in the MAR update:

GENDER

MAR finding—While acknowledging that efforts are on-going to mainstream gender in programme planning and results reporting through disaggregation, the MAR update points at delays in implementing the action plan around gender.

A first draft of the Gender Strategy for 2013-2017 will be presented by September 2013. Extensive consultations with a variety of stakeholders have taken place at country level. The strategy also is informed by two background papers delivered recently - "The State of Gender Equality in Africa" and the "Gender Equality Results of Public Sector Projects and Programs of the AfDB, 2009-2011".These efforts have been complemented by the AfDB Gender Forum to strengthen the Bank's advocacy on this subject with Regional Members Countries.

In addition to the strategy, a Special Envoy on Gender is being appointed to accelerate implementation of the Bank's commitments on Gender. She will guide overall strategic thinking on the Bank's gender-related activities, lead and coordinate advocacy work in RMCs. She will provide input into the formulation of the 2013-2017 Gender Strategy, and eventually advise on suitable institutional arrangements for its implementation.

It is worth noting that the Bank has made significant progress in mainstreaming gender into its operations by adopting the Supplementary Guidance Note on the gender dimension at quality at-entry which sets up clear criteria to help increase the percentage of projects with satisfactory rating in this regard in the Readiness Review, moving from 40% in 2011 to 60% in 2012.

Following the recommendations of the review of the Updated Gender Plan of Action (2009-2011) adopted in 2011 to maximise opportunities in core operational areas, specific studies have been approved and actions be taken to start mainstreaming gender in policy-based-operations and, updating the checklist for mainstreaming gender in infrastructure operations.

FRAGILE STATES

MAR finding—The update recognises that decentralisation is bearing fruit with greater delegated authority to the field, but notes a slow progress in responding to some recommendations of fragile states evaluation.

On the basis of recommendations of an independent evaluation, the Bank will prepare an updated strategy for engaging in fragile situations with the assistance of a High Level Panel led by President Ellen Johnson Sirleaf of Liberia. In the meantime, the Bank has already stepped up its efforts to further improve institutional performance and overall operational effectiveness of its support to fragile states.

Priority areas of action currently under implementation include:

- Deepening strategic partnerships, in particular in the context of the New Deal, given the need for a comprehensive approach and the complementarity of the Bank's mandate, expertise, and comparative advantages with those of other partners;
- Strengthening analytical underpinning and quality-at-entry of country programing, project design, and implementation to ensure that they adequately identify the causes and dynamics of state fragility and opportunities for building resilience, as part of country-owned and country-led assistance framework;
- Enhancing performance monitoring, results reporting and development impact of Bank's support and countries' capacity to implement the New Deal's Peace building and State building Goals;
- Strengthening country systems and adapting the Bank's procurement and financial management

framework to better suit the conditions in fragile states and manage risks appropriately; and

- Strengthening internal coordination, staffing capacity and presence at country level so that the Bank has the requisite capacity to effectively implement its strategy.

Against this background, the Bank is making a number of adjustments to its operational and resource allocation framework for fragile states, in particular those related to the Fragile States Facility. The changes, which are being discussed in the context of the ADF-13 replenishment and are expected to take effect with the next ADF cycle (2014-2016), are geared to improve the effectiveness, flexibility and responsiveness of the Bank's support to changing conditions by:

- Improving the approach for assessing fragility and eligibility for enhanced support;
- Enhancing responsiveness of the resource allocation methodology for fragile states;
- Lengthening the period of the FSF Pillar I supplementary support to eligible countries from six years (two ADF cycles) to at least nine years (three ADF cycles or more) and thereafter to be determined case by case based on an assessment of the country's fragility;
- Ensuring a robust FSF resource envelope under ADF-13.

CLIMATE CHANGE

MAR finding—The update commends the Bank for its Climate Change Action Plan that has been finalised and has more clearly defined objectives. It notes however mixed evidence on how much impact this is having at country level, though still early days.

A progress report on implementing the Climate Change Action Plan has been finalised and will be presented to CODE by September 2013. Key evidence from this report are presented below.

- Climate change related activities have been fully integrated into the Bank's operations through the adoption of the Climate Change Action Plan for 2011–2015 supported by newly created units (including a coordination platform).
- The total investment cost for all projects thus far implemented under the Action Plan amounts to about USD 17.75 billion, of which the Bank's contribution, mainly from ADB and ADF sources, equals USD 4.30 billion.
- This shows the Bank's ability to leverage external resources. The Bank's climate-related investment from 2011 to 2012 already equals about 45% of the targeted total budget for the five-year Action Plan, indicating investments would likely surpass targets. A specific results measurement framework has been developed for the Climate Change Action which aligns with the Bank's new Results Measurement Framework.
- The new RMF also maintains the previous climate-proofing methodology, while introducing more emphasis on increasing resilience and adapting to a changing environment.
- The Bank has also developed an innovative climate risk screening tool that will enable climate-resilience to be built into all the Bank's investments.
- In addition, the Integrated Safeguards System will ensure best practice environmental and social safeguards, including on climate change, are applied across all Bank operations. It will be rolled out by the end of 2013.

At country level, a climate finance platform has been established to catalyse climate-smart investments and the Bank is now one of the leading Multilateral Development Banks (MDBs) in effective use of Climate Investment Funds (CIF). Eight CIF projects are underway in Kenya, Morocco, Mozambique, Niger, and South Africa, with USD 420 million of CIF resources and USD 1.08 billion of Bank's own resources. The Bank also implements the largest share of GEF resources in Africa. In addition, the Bank is supporting the Regional Member Countries (RMCs) to move to climate resilient and low-carbon development as well as helping selected RMCs to develop their National Adaptation Plans. At the international level it plays an active role in supporting RMC negotiations under the United Nations Framework Convention on Climate Change). Complementary analytical work includes the seminal report on Africa's Ecological Footprint, the development of a joint MDB methodology to track climate change financing and preparation of a Green

Growth Framework along with upstream analytical assistance to pilot countries in introducing green growth considerations into their economic programming.

CONTRIBUTION TO RESULTS

MAR finding—The updates notes as the "most notable achievement" the publication of the Annual Development Effectiveness Review, accompanied by the complementary series of country and thematic reviews.

In addition the Annual Development Effectiveness Review (ADER), thematic Development Effectiveness Reviews were introduced in 2012 with the aim of deepening the analysis of the Bank's contribution to development results in strategic areas, and improving the results focus at the country level. The four initial reports in this series covered the areas of governance, regional integration, fragile states and operations in Rwanda.

The Bank's Results Measurement Framework (RMF) has been evolving since its introduction in 2003. A new RMF is being finalized to reflect the Bank's new strategic orientation and a more refined approach to managing for results. Key changes include the following:

- Enhanced strategic focus. The RMF is engineered to better track and support Africa's emerging development challenges in the key areas where the Bank has a comparative advantage, as identified in the Strategy. Level 1 reflects the two objectives through which the Bank will improve the quality of Africa's growth: inclusive growth, and the transition to green growth. Level 2 captures the five operational priorities through which the Bank supports Africa's transformation with unmatched advantage, expertise, access and trust.
- Outcome orientation. The new RMF is better geared towards demonstrating the Bank's development impact. This is not an easy task, because development is a complex business involving many different actors. To address this challenge we continue to mainstream core sector indicators that help us capture a broader range of outcomes and emerging areas of focus. In addition, we have introduced a number of methodological innovations to strengthen the focus on outcomes rather than outputs.
- Stronger focus on gender. As indicated earlier, the new RMF has strengthened its gender focus at all four levels: more gender-specific indicators have been introduced, and wherever feasible, indicators are disaggregated by sex.
- Value-for-money. Delivering better value-for-money to the Bank's stakeholders is central to the Bank's development mandate. It means ensuring that every Unit of Account we spend delivers the greatest value for our clients. It also means that we keep our costs under constant scrutiny and make sure that all our resources—human and financial—are used efficiently and economically to deliver effective results.
- Ambitious targets. Our clients expect the Bank to be Africa's premier development institution. To help us meet these expectations, we have set ourselves exacting standards of performance. Our targets for operational performance (Level 3) and organisational efficiency (Level 4) are ambitious and will further stretch our performance.

Moving forward, the Bank will establish a results-oriented management culture, that shifts the Bank's focus from measuring results to managing for results. The Bank has been developing a suite of tools, processes and systems that will equip it to achieve this, as follows

- Project-level tools. At the project level, the suite of tools used to track results from project inception to project completion has been revamped. The Readiness Reviews scrutinise all public sector operations to make sure they are fit for their purpose and designed in ways that are most likely to achieve their development outcomes. A recent independent evaluation of the Bank's operations shows that 81% achieved their development objectives.

- Information systems. The Bank is developing information systems that will improve its portfolio performance. The Results Reporting System, which will be rolled out early 2014, will provide the Bank's management and staff with real-time information on key measures of portfolio performance by sector, region and country.

- Mapping for results. The Bank's new geocoding tool—MapAfrica—has already mapped the entire on-going portfolio (732 operations). It allows the Bank to improve the geographic allocations of its resources, and it will provide its stakeholders with a better understanding of the Bank's activities and their impact on local development. A web-based interface of Map-Africa will go live in 2013.

CONTINUED EFFORTS TO REINFORCE ORGANISATIONAL STRENGTHS

The Bank will continue to implement reforms and initiatives aimed at delivering greater value for money and development impact by increasing client responsiveness, making service delivery more efficient and effective, and creating working conditions that maximise staff productivity.

Achieving greater client responsiveness

The Bank will customize it present on the ground to ensure it meets the needs of individual country conditions, while at the same time expanding the financial, advisory and knowledge solutions it offers. It will leverage its extensive field presence to develop operations that align with country priorities and the Strategy for 2013-2022, and will work closely with all stakeholders to find ways of leveraging its scarce resources for the benefit of the Regional Member Countries.

- Effective proximity to clients through field presence, optimal field skills mix and delegation of powers to the field;
- Building a strong and diversified pipeline;
- Enhancing portfolio quality through portfolio improvement plans and risk-based supervision and monitoring;
- Generating and managing knowledge so as to be the continent's trusted advisor;
- Increasing Responsiveness in fragile situation;
- Mainstreaming gender and climate change throughout all operations.

Making service delivery more efficient and effective

Business processes are the corner stone of efficient and cost-effective service delivery. The time taken from approval to first disbursement and the overall disbursement ratio are still below desired targets and the Bank will streamline the core processes to eliminate redundancies and unnecessary checks, with the ultimate objective of becoming faster and more cost-effective. In addition, coordination will be strengthened and performance monitoring systems aligned with the Strategy 2013-2022. Key initiatives in this area include:

- Strengthening the existing corporate planning process to support the operationalization of the Strategy for 2012-2033.
- Further streamlining the operation cycle processes to make them more efficient and effective, encourage team work and increase accountability
- Enhancing institutional coordination and performance monitoring, including the refinement of institutional key performance indicators and the development of performance monitoring dashboards
- Strengthening risk management:

Creating Working Conditions that Maximise Staff Productivity

A number of activities are currently being pursued as part of the Bank's agenda for becoming the employer of choice. Following the finalization of a People Strategy in 2013, the following activities will be undertaken during the next three years:

- Preparation of Human Resources Strategy which will be prepared to prioritize interventions to deliver on the People Strategy;
- Improvement of the performance and talent management systems and processes
- Reforming the Compensation Framework;
- Developing core competencies in line with the Strategy for 2013-2022;

- Developing tools and processes for monitoring staff engagement;
- Initiatives aimed at supporting a mobile workforce.

In addition to these initiatives the Bank will continue in its efforts to become fully transparent through implementation of the revised Disclosure and Access to Information Policy, the International Aid Transparency Initiative and other related activities.

Cost and Value Consciousness

Delivering better value-for-money to the Bank's stakeholders is central to the Bank's development mandate. It means ensuring that every Unit of Account we spend delivers the greatest value for our clients. It also means that we keep our costs under constant scrutiny and make sure that all our resources—human and financial—are used efficiently and economically. The results chain and the four-level results framework reflect a clear focus on value for money .This is based on three principles:

- Effectiveness: Successfully achieving the intended outcomes from an activity;
- Efficiency: maximising output for a given input while ensuring the same standards of quality;
- Economy: Reducing the cost of resources used for an activity while maintaining the same standards of quality.

PARTNERSHIP BEHAVIOUR

The Bank continues to pursue the country-led approach, engaging widely with authorities and other stakeholders on development of country strategies, design of operations and undertaking of analytical work. The Bank has strengthened its capacity for policy dialogue with governments and development partners. It adapts its programme of support to the changing needs of its clients. It engages with both public and private sector actors to mobilize and catalyse additional resources (financial, human, technical and knowledge) to leverage its own scarce resources and maximize development impact. The Bank is engaged in donor coordination and aid effectiveness activities with regional member countries and monitors the implementation of aid effectiveness commitments at country level, the results of which are included in the Annual Development Effectiveness Review.

The Bank Group promotes partnerships with a wide range of organization, both traditional and emerging bilateral donors, multilateral partners, UN agencies and knowledge institutions, among others. These partnership and cooperation arrangements provide the avenue for the Bank to mobilise additional resources to support its operations in Africa. In this regard, the Bank has entered into co-financing arrangements with several strategic partners such as India, the Islamic Development Bank, Japan and Korea. These arrangements have proven particularly effective at leveraging the Bank's resources to achieve maximum coverage and development impact.