

African Development Fund Series

# Achieving Development Results

The contribution of the African Development Fund



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This publication is an edited version of a paper prepared for the mid-term review of the Eleventh General Replenishment of the African Development Fund in October 2009. The paper was written and directed by Ellen GOLDSTEIN, Director, and Gaston GOHOU, Principal Economist, both from the African Development Bank (ADB) and edited by Jennifer Petrela. Valuable contributions were also provided by several colleagues from the ADB.

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African Development Bank

Temporary Relocation Agency

Angle des trois rues: Avenue du Ghana,

Rue Pierre de Coubertin, Rue Hédi Nouria

BP 323 - 1002 TUNIS belvédère (Tunisia)

Tel: (+216) 71 10 34 50

Fax: (+216) 71 35 19 33

E-mail: [afdb@afdb.org](mailto:afdb@afdb.org)

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## **Crisis and Commitment: the African Development Fund in a Changing Africa**

The context of African development has changed dramatically over the past 2 years. The global economic and financial crisis has dimmed Africa's prospects for short-term growth by reducing investments, export earnings and government revenues. The demand for aid is at a peak as African countries seek to institute counter-cyclical fiscal stimuli, alleviate declining social welfare and maintain investment spending in support of a medium-term recovery. With donors struggling to maintain aid volumes, the imperative to improve aid effectiveness has never been greater.

Established in 1964, the African Development Bank (ADB) is a regional multilateral development bank whose mission is to help reduce poverty, improve living conditions for Africans and mobilize resources for Africa's economic and social development. Its shareholders comprise 53 African regional member countries (RMCs) and 24 non-African member countries. The ADB's primary objective is to promote sustainable economic growth to reduce poverty in Africa.

In 1973, the ADB and donors created the African Development Fund (ADF), the ADB Group's concessional window. The ADF's main objective is to reduce poverty by providing low-income RMCs (ADF countries<sup>1</sup>) with concessional loans and grants for projects and programs and with technical assistance for studies and capacity-building activities.

The ADB Group has assumed a leadership role in defining Africa's response to the global crisis, mobilizing resources and providing fast-disbursing relief. The ADB has also reaffirmed its commitment to making aid more effective and to improving its operational results. As summarized by President Donald Kaberuka:

“Not in many years have the hard-fought results of the development process been more in jeopardy. As we face this crisis, our leadership on the continent will be tested. We at the African Development Bank must rise to the challenge and act with the urgency this crisis requires. We will adapt our instruments to

cushion the most severe shocks while maintaining our financing for sustainable growth and development. Never has the need to use our resources wisely been greater. More than ever, we must improve the quality of our products and services, and stay focused on delivering results on the ground.”<sup>2</sup>

The President’s remarks reflect the ADB’s recent decision to implement a series of institutional reforms in order to increase its effectiveness and ultimately expand its capacity-building role among RMCs and partner agencies. To structure these reforms, the ADB has put two tools into operation: the enhanced Results Measurement Framework and the Action Plan on Quality and Results. Both the framework and the Action Plan are central to the ADB’s Medium-Term Strategy for 2008–2012 and both manifest the institution’s commitment to strengthening its contribution to development results and reporting more systematically in this regard. Although the two measures were only implemented recently, their impacts are already making a difference to ADB operations, ADB outputs, and the lives of those whom the ADB aims to serve.

### The ADF Results Measurement Framework

The ADF first introduced its Results Measurement Framework in 2003. In 2005–07, the framework was refined so as to better focus on ADF-specific priorities and converge toward a common methodology for multilateral development banks. This methodology involves a two-tiered approach: it measures development effectiveness at an aggregated, country level and it measures aid effectiveness at the institutional level, both in terms of the ADF’s contribution to country results and in terms of its institutional performance (graph 1).

### Progress on Country Outcomes

During the 2008–2010 period,<sup>3</sup> the ADF used 19 country outcome indicators to assess ADF countries’ progress towards high-level development results (table 1). These results do not reflect the efforts of a single development

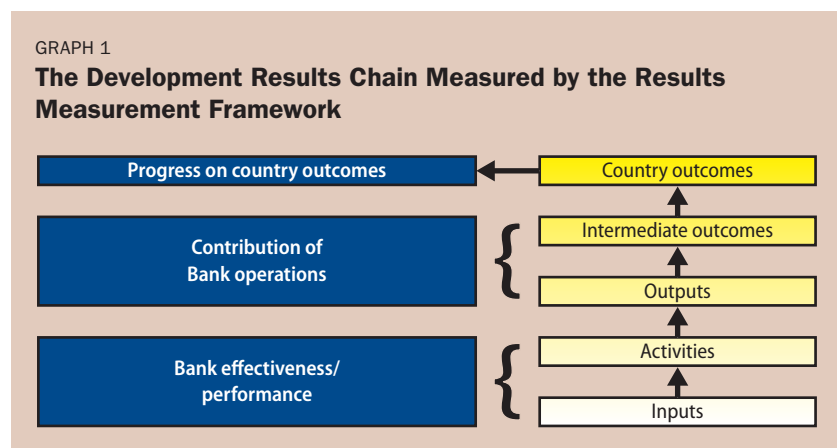


TABLE 1

**Progress on Country Outcome Indicators**

Indicator	Year1	Year2	Value1	Value2	Number of countries showing improvement
<b>Growth and poverty reduction</b>					
Gross domestic product per capita (2000 constant US\$)	2006	2008	371	401	32 of 39
Population living below \$1/day (PPP) (%)	2002	2005	56.5	51.4	30 of 34
<b>Governance and transparency</b>					
Public Expenditure & Financial Accountability score (1 to 7)	na	2008	3.12	3.15	na
Worldwide Governance Indicators average score (-2.5 to 2.5)	2006	2007	-0.79	-0.79	22 of 40
Extractive Industries Transparency Index (% compliance)	2007	2008	20.5	32.7	na
<b>Regional integration and trade</b>					
Africa's share of global trade (%)	2006	2008	2.82	3.33	na
ADF countries' trade with Africa (US\$ millions)	2006	2007	38,216	40,679	24 of 40
<b>Private sector development and investment climate</b>					
Cost required for business start-up (% of gross national income per capita)	2006	2008	190	132	24 of 38
Time required for business start-up (days)	2006	2008	58	46	19 of 38
Global Competitiveness Index ranking (1 to 7)	2007	2008	3.3	3.4	15 of 19
Staple crops yield index (2002 value = 100)	2005	2007	109	121	14 of 28
<b>Infrastructure development</b>					
Access to improved water source (% of population)	2004	2006	53	55	19 of 38
Access to all-season roads (% of rural population)	2003	na	35	na	na
Household electrification rate (% of households)	2001	na	22	na	na
Fixed lines and mobile phone subscribers (per 1,000)	2005	2007	85	193	39 of 40
Internet users (per 1,000)	2005	2007	17	34	37 of 40
<b>Human development</b>					
Under-5 child mortality (per 1,000 live births)	2006	2008	160	154	40 of 40
Ratio of girls to boys in primary and secondary school (%)	2004	2007	83	86	24 of 24
Primary school completion rate (%)	2004	2005	56.8	60.0	20 of 31

Note: Year 1 and Year 2 values are not comparable. Rather, they represent a cumulative average score that incorporates the data from additional countries as available.

na = not available.

Source: African Development Bank.



agency; rather, they are the culmination of collective action by multiple actors over sustained periods of time.

These figures demonstrate significant progress in recent years:

- Real economic growth has been strong (around 4 percent per annum) and has contributed to rising per capita income, declining poverty, and improved social welfare and human development indicators. Growth in ADF countries has exceeded growth in middle-income African countries.
- The commodity boom and food and fuel price increases have helped raise Africa's share of global trade to more than 3 percent. ADF countries' trade within Africa rose more modestly.
- ADF countries' governance records remain weak, but engagement in both Public Expenditure & Financial Accountability assessments and the Extractive Industries Transparency Initiative has risen.
- Private sector development indicators have improved steadily (e.g., 20–30 percent declines in the time and cost of business start-ups), and may begin to raise Africa's global standing if reforms are deepened and accelerated.
- Long-standing data constraints in the infrastructure sector inhibit assessment, but figures suggest slow improvements in access to safe water and the continued explosive growth of telecommunications and information technology in low-income African countries.

The ADF is planning to monitor additional country outcome indicators in four priority areas: sanitation, climate change, fragile states and gender. The sanitation sector has long been plagued by weak data, while the other topics represent newer, cross-cutting challenges already being addressed by ADF operations.

*Gender.* Gender equality remains a challenge on the continent, especially within the context of the recent food, fuel and financial crises. The ADB's Medium-Term Strategy for 2008–2012 makes gender opportunity and equity a guiding principle for all ADB operations. Projects approved in 2009 show good progress. For instance, the Rehabilitation of the Koupela-Biton-Cinkanse-Togo Border Road project and the Mogande Access Road Project in Burkina Faso address women's transportation needs and human rights concerns and use indicators that are largely gender-sensitive.

*Fragile states.* In 2008, the ADF set up a Fragile States Unit with a resource allocation of US\$ 978.5 million. The unit assists fragile states to transition from fragile status, prevents countries at risk from slipping into a state of fragility, and helps countries in post-conflict move rapidly toward political and economic stability. In 2008, the ADF classified 17 RMCs as fragile. As at end-June 2009, US\$ 492.3 million (50.3% of resources) had been disbursed and US\$ 141.9 million (14.5% of resources) had been committed to these countries.

By supplying fast-disbursing support, the funds mitigated the impacts of the food crisis; helped countries coming out of conflict to clear their arrears and re-engage with the international financial community; provided technical assistance; helped build capacity; and supported the delivery of essential services.

*Climate change.* The effects of climate change are becoming a serious threat to economic growth and poverty reduction. Of all the continents, Africa is the most vulnerable. In May 2009, the ADB adopted a Climate Risk Management and Adaptation Strategy that helps African countries mitigate the risks of climate change. In addition, as one of the executing agencies of the Global Environmental Fund, the ADB appraises and implements the fund's projects. The ADB's recently adopted Clean Energy Investment Framework helps RMCs with low carbon development to access emerging carbon markets, and the ADB is the financial custodian of the multidonor Congo Basin Forest Fund, an entity established in June 2008 to limit greenhouse gas emissions by reducing deforestation in the world's second largest rainforest.

### **The ADF's Contributions**

Many actors contribute to development outcomes at the country level. The contribution of a single agency such as the ADB can only be measured by the outputs and outcomes of its particular operations, which contribute, in turn, to higher-level outcomes.

The ADF's enhanced Results Measurement Framework tracks the outputs and outcomes of ADF operations in its priority areas: infrastructure (energy, transport, and water supply), agriculture (crop production, livestock, and natural resource management), private sector development (microfinance and entrepreneurship), education, and health.

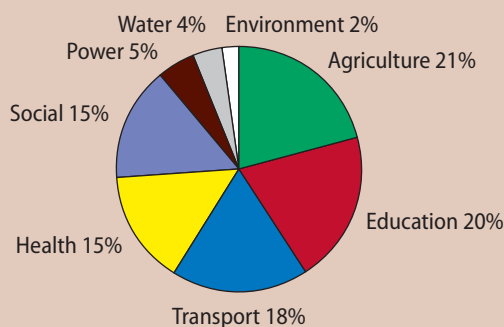
A total of 199 ADF operations exited the portfolio in fiscal years 2006–2008 (graph 2). Leaving aside 35 studies and 52 policy-based operations, the ADF has validated the outputs and assessed the outcomes of 112 operations representing US\$ 1.7 billion in disbursements.

More than half of exiting operations were in human development (principally health, basic education, and community development): this reflects prior ADF priorities. Future results will be more heavily weighted toward infrastructure and regional integration, which account for two-thirds of the commitments made during the 2007–2011 operating period so far.

### ***Comparing Actual to Expected Results***

For the first time, ADF was able to compare planned to actual results by contrasting expected outputs as defined in initial Project Completion Reports (PCRs) to achievements validated in PCRs and in interviews with task managers and project coordinators in the field. This work was greatly facilitated by better PCR coverage: in a testament to the ADF's growing focus on results

GRAPH 2

**Sector Distribution of Exiting ADF Operations, 2006–2008**

reporting, 72 percent of exiting operations produced PCRs, compared to less than half of exiting operations in the prior evaluation period.

These comparisons reveal a high degree of physical delivery, with 71 percent of planned outputs realized as expected (table 2). This accomplishment can be mainly attributed to sound project implementation, particularly project restructuring that took place during the supervision phase. It is also the result of reductions in unit costs realized during implementation. On occasion, these reductions produced greater outputs than originally planned. For instance, in the Tanzania Education Project II, the ADF delivered 1,054,000 textbooks rather than the 496,000 initially projected. Also, in a rural income enhancement project in Malawi, the ADB had expected to irrigate 275 hectares of land but actually irrigated 493 hectares.

TABLE 2

**Comparing Actual Outputs to Planned Outputs by Sector: Exiting ADF Operations, 2006–2008 (percent)**

Share of projects whose planned outputs . . .	Infra-structure sector projects	Agriculture sector projects	Human development sector projects	All projects
Were realized as expected (95% or more of expectations were realized)	89	57	75	71
Were substantially realized (75–94% of expectations were realized)	11	0	8	6
Were moderately realized (55–74% of expectations were realized)	0	22	17	14
Were negligibly realized (< 55% of expectations were realized)	0	21	0	9
Total	100	100	100	100

Source: African Development Bank.

At the lower end of the scale, 23 percent of planned outputs were only moderately or negligibly realized. This figure should not necessarily be interpreted as indicative of poor implementation or inferior performance. In some cases, it results from weaknesses in the initial analysis, the consultations and the needs assessment made during the design phase. In other cases, it reflects modifications to the initial project design made to ensure that the project continued to be relevant despite changed circumstances. For example, a rural electrification project that took place during this period shifted from household connections to municipal lighting, and an agriculture project left feeder roads aside in order to irrigate more acreage. The current information systems do not adequately track these modifications.

It is clear that any assessment of outputs made today reflects yesterday's priorities, since the outputs assessed now are the product of operations designed in the past. Insofar as outcomes are concerned (e.g., populations reached and employment generated), the ADF cannot compare expected and actual data for projects exiting between 2006 and 2008 because expected outcomes were not routinely quantified in PCRs or reported at project completion during that period. In addition, common indicators for similar operations were lacking. These issues are being addressed by the Action Plan on Quality and Results.

The following sections highlight physical and institutional outputs in priority areas and estimate the number of people reached (a proxy outcome measure).

### ***Results in Infrastructure, 2006–2008***

The benefits of developing Africa's infrastructure cannot be overstated. A recent econometric study shows that in Sub-Saharan Africa, the growth pay-off of reaching a level of infrastructure development equivalent to the level of Africa's leader, Mauritius, would be 2.3 percent of gross domestic product per year.<sup>4</sup> This is why the ADF has made the infrastructure sector one of its highest priorities, seeking in particular to promote regional infrastructure networks that help to integrate development across the continent. Over the past 3 years, 31 infrastructure operations have exited the ADF portfolio, representing US\$ 610.0 million in disbursements (table 3).

*Getting goods to market on better roads.* Nineteen transport projects totaling US\$ 379.0 million exited the ADF portfolio in 2006–2008 after having constructed or rehabilitated more than 12,000 kilometers of paved and feeder roads. One project took place in Ethiopia, where in the mid-1990s, 80 percent of the road network was in poor condition. The country itself had one of the lowest road densities in the continent. An ADF loan of US\$ 27.2 million upgraded a 120-kilometer priority segment under the Ethiopia Alemgena-Butajira Road Project. Following the upgrade, transportation costs and tariffs on the segment fell by nearly half and travel time was significantly reduced. By the time the project closed in 2006, bus transport had increased

TABLE 3

**Selected Outputs and Outcomes in Infrastructure, 2006–2008**

Output/outcome	Quantity
<b>Transport</b>	
Roads constructed, rehabilitated or maintained (km)	4,211
Feeder roads constructed or rehabilitated (km)	8,594
Additional facilities (schools, health centers, houses) constructed	214
People with improved access to transport	41,559,700
<b>Power</b>	
Length of transmission and distribution lines rehabilitated or installed (km)	3,154
Distribution substations and transformers constructed or rehabilitated	506
Power capacity installed (MW)	200
Service lines and energy meters installed	42,500
Street lights installed	823
Households with new or improved access to electricity	180,427
People with a new electricity connection	16,581,993
<b>Water and sanitation</b>	
Wells drilled or rehabilitated and equipped	3,641
Transmission and distribution pipes (drinking water supply) constructed (km)	230
Capacity for drinking water provided (service reservoirs m <sup>3</sup> /day)	332,411
Pumping stations and intake structures constructed	38
Latrines constructed or rehabilitated	15,892
People with new or improved access to water and sanitation	1,679,460

Source: African Development Bank.

by 160 percent and the upgrade had stimulated broader economic development in the area, especially along the road corridor.

*Employing infrastructure to promote regional integration.* The ADF has emphasized the use of road networks to strengthen regional integration. For example, an ADF loan of US\$ 45 million cofinanced the Kicukiro-Kirundo Road Project and established a permanent link between Rwanda and Burundi to promote trade and mobility. A joint border post at Nemba has helped to halve the transit time for commercial vehicles between the two countries, while 120 kilometers of feeder roads on both sides of the border are connecting an estimated 600,000 rural dwellers to a major marketing corridor in an area with considerable agropastoral potential.

*Powering development in rural villages.* Access to electricity is critical for agricultural and industrial growth and the provision of high-quality social services. In 2006–2008, seven energy projects totaling US\$ 113.3 million

exited the ADF portfolio. These projects installed 200 megawatts of generation capacity constructed over 500 distribution substations and transformers and 3,154 km of transmission lines.

One of the ADF's highest priorities has been to support multi-country power pools that optimize access to affordable energy on a regional basis. An example is the Nigeria-Benin Interconnection Project, which linked Nigeria's electricity grid to the common grid supplying Benin and Togo. Benin and Togo are now importing 40 percent of their annual electricity consumption from Nigeria, an option that is more environmentally friendly and more affordable than alternatives: the cost of importing electricity from Nigeria is 5 cents/kWh, whereas previous imports were 14 cents/kWh and locally generated thermal power is 32 cents/kWh.

The ADF then went a step further and brought electrification to the public with the Electrification of Seventeen Rural Centers Project. This project was extended from 17 to 28 centers due to strong demand and reflects the fact that villages in this area place more emphasis on community services and municipal lighting than on individual household connections.

Today, electricity is improving the lives of Benin's rural population in several ways: health facilities can conserve vaccines properly, new lighting in schools has boosted attendance, rural libraries are offering Internet access, and municipal lighting has made the streets safer and proven popular for evening studying, thus reinforcing educational outcomes.

*Improving health through hygiene and clean water.* In the past 3 years, five water supply and sanitation operations totaling US\$ 117.8 million have exited the ADF portfolio. Supported by an ADF loan of US\$ 16.5 million, the Zambia Central Province Rural Water Supply and Sanitation Project took place in an area with one of the country's lowest rates of access to clean water and sanitation. Thanks to the project, nearly 3,500 community water points were constructed or rehabilitated, 13,400 latrines were created and 279 schools and clinics were connected to clean water in five districts within the Central Province. Households were trained in basic hygiene, safe water storage and malaria prevention, and insecticide-treated bed nets were socially marketed. These interventions contributed to a dramatic reduction in the incidence of water-borne diseases and malaria in the project zone. In the district of Chibombo, the incidence of diarrheal disease among children fell from 70 to 30 percent between 2004 and 2008. In the district of Mumbwa, malaria cases decreased from 408 per thousand in 2004 to 200 per thousand in 2008.

### ***Results in Agriculture, 2006–2008***

Agriculture is Africa's predominant private sector activity, and modernizing agriculture is key to diversifying and stimulating economic growth. Evidence shows that economic growth originating in agriculture is about four times

more effective at raising the incomes of extremely poor people than is economic growth in other sectors.

In the past 3 years, 21 agriculture projects totaling US\$ 276.3 million in disbursements have exited the ADF portfolio (table 4). These projects include operations to increase crop production, build livestock, establish fisheries, and protect forests and other natural resources. Although the systematic assessment of results is not yet feasible, the evidence indicates that private agriculture in ADF countries is increasingly benefiting from the ADB's non-concessional, private sector window.

*Improving water management for higher agricultural yields.* In many rural areas, ADF investments in agricultural infrastructure have transformed the lives of several generations. For example, smallholder agricultural households in Malawi's Shire and Blantyre Valleys have long known great hardship. Despite the area's potential to produce enough food for consumption and income generation, erratic rainfall patterns have led to frequent food shortages. In 2000, the Government of Malawi called upon the ADF to support the Smallholder Irrigation Project as part of its National Irrigation Policy and Development Strategy. The project implemented a farmer-managed scheme

TABLE 4

#### **Selected Outputs in Agriculture and Natural Resource Management, 2006–2008**

Output	Quantity
Rural marketing and production facilities constructed or rehabilitated	5,064
Land with improved water management developed or rehabilitated (hectares)	159,845
Boreholes, wells and sanitation infrastructures constructed or rehabilitated	326
Land whose use has been improved through replanting, reforestation, landscaping, etc. (hectares)	484,560
Heads of livestock provided/vaccinated	59,373
Social facilities established or rehabilitated (rural schools, health centers, etc.)	2,280
Agricultural inputs (fertilizer, seeds, etc.) provided (tons)	12,873
Farmers using improved technology	4,120
<b>Institutional and capacity building</b>	
Farmers trained	416,815
Other agricultural personnel trained	326,029
Agricultural personnel recruited	2,944
Studies, training sessions and inventories conducted	1,222
<b>Population reached</b>	
Farmers	647,042
Total population	11,161,829

Source: African Development Bank.

to upgrade water management on 2,500 hectares and teach 11,000 farmers how to improve the way they manage water collectively. As a result, between 2000 and 2008, maize yields tripled from 1.0 to 3.5 tons per hectare. With increased food security and higher incomes, valley farmers went on to establish credit cooperatives that allow them to diversify their livelihood into areas like agro-processing. This initiative takes advantage of the small-scale electricity generators also funded through the project. The Government recently awarded the project a National Achiever Award for “life-changing activities in food security through irrigation schemes.”

### *Results in Human Development, 2006–2008*

The human development sector includes education, entrepreneurship and health. Over the past 3 years, 22 education projects totaling US\$ 436.4 million in disbursements have exited the ADF portfolio (table 5). These projects expanded access to basic education, promoted education for girls, and enhanced the quality of academics by constructing classrooms and facilities, recruiting and training teachers, supplying textbooks and teaching materials, and strengthening educational institutions and policies. Within a multidonor

TABLE 5

### **Selected Outputs and Outcomes in Human Development, 2006–2008**

Output/outcome	Quantity
<b>Education</b>	
Classrooms/facilities rehabilitated or constructed	11,498
Textbooks and teaching materials supplied	6,313,150
Water and latrine facilities constructed	3,923
Teachers trained	41,193
Students newly enrolled	11,227,902
<b>Entrepreneurship and poverty reduction</b>	
Micro-finance institutions established or reinforced	398
Micro-credits granted	433,073
Microenterprises created	25,036
Socioeconomic infrastructure sub-projects executed	2,110
Social housing/community centers constructed	641
Teachers/stakeholders trained	417,419
Jobs created	213,000
Government/NGO staff trained	1,848
<b>Health</b>	
Primary, secondary and tertiary health centers constructed or rehabilitated	410
Health facilities equipped	98
Health workers trained	7,989
People whose access to health services has improved	13,031,297

Source: African Development Bank.



framework for the support for education, the ADF began to target its interventions more specifically at vocational and higher education and at science and technology. Its goal is to reinforce the link between education, entrepreneurship and labor market demand in a globalized and private sector-led economy.

*Expanding science and technology training in secondary education.* The recently closed Tanzania Second Education Project inaugurated ADF's reorientation toward higher levels of education earlier this decade. This project aimed to support Tanzania's goals of increasing the transition rate from primary to secondary education, augmenting the supply of science and mathematics teachers, boosting the stock of facilities, and increasing the availability of adult vocational education. With ADF funding of US\$ 28.9 million, the project built 108 science laboratories and 220 classrooms, trained approximately 3,000 science and mathematics teachers and teacher trainers, and distributed textbooks in some of Tanzania's remote rural areas. As a result, the project helped increase the country's transition to secondary education rate from less than 15 percent in the mid-1990s to more than 50 percent when the project closed in 2007. This increase is beginning to translate into more transitions to advanced education.

*Promoting entrepreneurship among the rural poor.* During 2006–2008, 18 entrepreneurship and poverty reduction operations representing US\$ 188.8 million in disbursements exited the ADF portfolio. These operations tended toward two models of intervention: (i) social funds to support community-driven development, and (ii) microfinance to promote individual and group entrepreneurship for improved livelihoods. The first set of operations contributed to social and economic infrastructure such as community-built and maintained schools, clinics, water points and feeder roads. The second set worked through intermediaries to give access to credit to populations typically shut out of more formal financial markets.

This was the case for the Uganda Rural Microfinance Support Project, which worked through microfinance institutions, village banks, and nongovernmental and community-based organizations to extend US\$ 12.7 million in microcredits to more than 70,000 Ugandans, particularly poor women in rural areas. The program caused the rural poor to participate more widely in Uganda's growth, with per capita income in the target communities rising as fast or faster than per capita income in the country as a whole. Results were so encouraging that the project implementation unit was transformed into an autonomous private company, Microfinance Support Center, Ltd. As the only lending entity targeting the agriculture sector—which sustains 70 percent of the country's population—Microfinance Support Center was selected by the Government of Uganda to lead

its Prosperity For All Program and coordinate the country's microfinance institutions.

*Strengthening basic health services.* The ADF completed 16 health projects during the 2006–08 period for a total disbursement of US\$ 232.5 million. These projects aimed to expand access to essential health services, particularly with respect to maternal and child health. Together, they constructed or rehabilitated 327 primary health centers, 69 secondary health facilities, and 14 hospitals; equipped 98 facilities; and trained 7,989 health workers.

One of the projects, Malawi's Rural Health Care Project III, sought to increase access to healthcare services in rural areas of the country. It accomplished this by providing resources for areas outlined in the National Health Plan (1999–2004) and complementing interventions financed by other development partners. Accordingly, the project rehabilitated 20 health centers, supplied 195 nurses with fellowships, and conducted five capacity-building seminars for health managers. It also trained 60 technicians locally and eight technicians abroad. The project has benefited more than two million people.

### ***Results in Fragile States and the Private Sector***

One of the ADF's innovations during the ADF-11 operating period (2007–2011) was the establishment of the Fragile States Facility, a program that funds arrears clearances and supplies supplemental resources to post-conflict and other fragile states.

The ADF's commitment to supporting fragile states is long-standing and multifaceted. In the past, interventions have ranged from running labor-intensive work programs for demobilized soldiers to constructing regional roads that enhance trade links with more stable neighbors; from enhancing women's access to health services to re-establishing basic public financial management systems. The ADB's private sector arm has also supported the private sector in fragile states by establishing microfinance institutions.

In 2004, the ADF took up a particularly difficult challenge: combating sexually transmitted infections in a subregion of West Africa plagued by civil war, social unrest and failing states. The Mano River Union HIV/AIDS Control Program was a regional operation that encompassed Côte d'Ivoire, Guinea, Liberia, and Sierra Leone. It was one of 17 health and HIV/AIDS operations that exited the ADF portfolio between 2006 and 2008 and accounted for US\$ 232.5 million in disbursements. In general, these operations sought to expand access to health services by constructing and equipping rural primary and secondary health centers and referral hospitals, training health personnel, and conducting awareness campaigns for preventive health. In the case of the Mano River Union, the ADF partnered with the Global Fund to Fight AIDS, Tuberculosis and Malaria and the United Nations and worked with nongovernmental and community-based organizations to reach

nearly 2 million people, of whom 85 percent were women and children. The program established voluntary counseling and testing centers, trained health personnel and conducted information, education and communication campaigns for target groups.

Results were measurable and impressive. The share of the target population with knowledge of sex-related risks and responsible sexual behaviour rose by 81 percent, condom use rose from 8 to 30 percent and the incidence of sexually-transmitted infections among the target population fell from 9 to 7 percent. This strong decline in such a short period proved that measurable results can be achieved even in the most difficult environments.

*Supporting a vibrant private sector in ADF countries.* In the past, the ADB's private sector arm focused predominantly on middle-income countries. In recent years, the ADB made a strategic shift to supporting commercially viable operations that have demonstrated strong effects in ADF countries, including fragile states. In 2008, 42 percent of new private sector operations representing US\$ 649.3 million in investments were located in ADF countries. Including involvement in regional operations, total private sector operations for these countries rose to around 55 percent in 2008 and to nearly 60 percent in the first half of 2009.

An example of a private sector operation is the Côte d'Ivoire Azito Power Plant, in which ADB financing supported a public-private partnership to construct two 144 megawatt power plants. This operation saves Côte d'Ivoire US\$ 4 million per annum in energy costs and has caused the country to graduate from being a net importer of electricity to a net exporter.

Some of the ADB's private sector initiatives in low-income countries support regional operations. The African Infrastructure Fund is a debt fund that was established in 2002 with ADB participation of US\$ 49 million. The fund provides long-term financing to private entities for the start-up and expansion of infrastructure projects across Sub-Saharan Africa.

The ADB's private sector arm also operates in fragile states after careful assessment of country risks. Under the fragile states initiative, US\$ 26 million has been invested to establish microfinance institutions in the Democratic Republic of Congo and in Liberia, targeted at 60,000 and 27,000 low-income clients respectively.

## The Action Plan on Quality and Results

In 2007, the institution outlined a set of internal reforms designed to improve its interventions and sharpen the focus on development results.<sup>5</sup> In 2008, the reforms were codified as the Action Plan on Quality and Results and were adopted as part of the ADB's Medium-Term Strategy 2008–2012. The Action Plan addresses five areas of reform:

- i. Accelerating decentralization and harmonization for better results;
- ii. Enhancing the quality at entry of strategies and operations;
- iii. Instilling a result-based supervision culture;
- iv. Enhancing learning and accountability through evaluation; and
- v. Improving data and systems for results reporting.

To accelerate the reforms and ensure broad ownership, the ADB reorganized its structure and established a Quality Assurance and Results Department. It created a network of departmental Results Champions, conducted outreach and training at all levels, and is diversifying strategic communications to reach new target groups both internally and among shareholders and client countries. It also established a feedback loop on managerial behavior via regular staff surveys and follow-up; introduced a new, 360-degree staff performance evaluation system that better links individual performance to ADB priorities and the delivery of results; and is transitioning toward greater budget fungibility (culminating in the adoption of “dollar budgeting” in 2010) to eliminate staffing and resource rigidities that have undermined the delivery of results.

### **Accelerating Decentralization and Harmonization for Better Results**

The decentralization strategy is central to better results. The enhanced decentralization program began in mid-2004 and has strengthened the country focus and strategic alignments, making implementation more efficient and harmonizing operations more closely with the operations of its development partners (table 6).

TABLE 6

### Institutional Effectiveness Indicators for Improving Results through Decentralization and Harmonization

Indicator	Baseline value 2006	Latest value 2008	Target value 2009
Percentage of professional staff based in Field Offices	5	15.4	15
Percentage of operational professional staff based in Field Offices	na	25.2	na
Percentage of portfolio (projects) managed from Field Offices	0	7.4	15
Percentage of aid in delivered through common arrangements (Paris Indicator 9)	40*	32**	66***
Percentage of missions conducted jointly (Paris Indicator 10a)	19*	13**	40***

Note: The Paris Indicators are a set of indicators of aid effectiveness to which over 100 ministers, heads of agencies and other senior officials agreed as part of the 2005 Paris Declaration on Aid Effectiveness.

na = not available.

\* Value for 2005.

\*\* Value for 2007.

\*\*\* Value for 2010.

Source: African Development Bank.

Insofar as decentralization is concerned, by end-2008, the ADB counted 25 Field Offices across the continent. The share of professional staff based in Field Offices tripled from 5.0 percent in 2006 to 15.4 percent by end-2008, exceeding the target for 2007–2011. To accelerate decentralization even more, in 2009 Management upgraded technical support for local staff and boosted incentives for professional staff to move to the field.

Even as it opened new Field Offices around the region, the ADB empowered the field with greater decision-making authority. Field Offices now negotiate loans and grants, sign agreements, and clear mission programs. They handle much day-to-day country dialogue and many periodic country portfolio reviews, and they are leading supervision and completion reporting missions with increasing frequency. Once the ADB finishes placing accredited procurement specialists in the field, some 90 percent of procurement decisions will be made at the country level, further speeding processing times and improving client service.

Accelerating harmonization around aid effectiveness is also central to the ADB's focus on results. This said, 2008 evaluations of Paris Declaration Indicators 9 and 10 revealed negative trends since 2006. This phenomenon is partly due to the fact that while policy-based operations are generally conducted jointly in most ADF counties, investment projects have rarely been cofinanced because of discrepancies between ADB procurement rules and the procurement rules of other financing institutions. To address this difficulty, the ADF Articles of Agreement related to the rules of origin for procurement

were modified. This will permit the ADF to increase project cofinancing and contribute to the Paris Declaration target of channeling 66 percent of all aid through program-based approaches (i.e., budget support and the sector-wide approach) by 2010. The ADB is also working to improve the comprehensiveness and clarity of data reporting, the lack of which played into the negative trend observed in Indicators 9 and 10. Finally and more generally, the ADB has assumed a leadership role in the Working Party on Aid Effectiveness and in late 2009 will collaborate with the United Nations Development Programme and other partners to sponsor an African regional platform that fosters the implementation of the Accra Agenda for Action.

### Enhancing the Quality at Entry of Strategies and Operations

Initial design quality is one of the strongest predictors of positive outcomes and it is difficult to turn around a poorly designed operation during implementation in order to achieve the desired results. The Action Plan is enhancing quality at entry by making it simpler to design high-quality strategies and operations and monitor quality throughout the project preparation process (table 7).

For example, to make the Results Measurement Framework more user-friendly, draft simplified logframes for Country Strategy Papers and operations are being finalized in consultations within the institution and between the institution and its client countries and partners. The new logframes focus on a small set of measurable output and outcome indicators for which baseline data are available at project launch. They also feature a clearly articulated causal link to country development objectives. The logframes will be integrated into the new automated system for results-oriented supervision and completion reporting.

Also, in the first half of 2009, the ADB piloted a new quality-at-entry tool, the Readiness Review, to provide structured feedback and ratings to task

TABLE 7

#### Institutional Effectiveness Indicators for the Quality at Entry of Strategies and Operations

Indicator	Baseline value 2006	Latest value 2008	Target value 2009
Percentage of Country Strategy Papers with satisfactory baseline data at entry	33	38	70
Percentage of operations with satisfactory baseline data at entry	37	50	70
Percentage of budget support disbursed on schedule	55	69	75
Average elapsed time from approval to first disbursement (months) <sup>a</sup>	24	15.8	12

a. Calculated on the basis of ADF operations whose first disbursement occurred in 2008.

Source: African Development Bank.

teams on nine generic aspects of quality at the project concept and appraisal stages. Readiness Reviews are being rolled out and extended to policy-based operations and country strategy papers in the second half of 2009.

Beginning in 2008, the ADB revised its review process for the preparation of strategies, operations, and analytic work so as to give greater responsibility to multi-sectoral Country Teams. This shift is aligning the ADB's work more closely to country priorities and is allowing more knowledge-sharing and collaboration among staff working in different sectors.

Insofar as the private sector is concerned, the ADB introduced the Additivity and Development Outcomes Assessment tool to complement evaluations of commercial viability and enhance the focus on development outcomes during the review of private sector operations. Revised peer review guidelines will also be adopted.

While the full impacts of these measures will not be felt for another few years, summary indicators of quality at entry so far show that the Action Plan is achieving its goals. Operations' baseline data is better, budget support is more timely, and time lags before projects become effective and start disbursing are shrinking.

### Instilling a Results-Based Supervision Culture

In an increasingly decentralized institution, portfolio supervision buttresses project implementation and channels operations toward desired results. Summary indicators indicate that the Field Offices are fulfilling their potential in this regard. The share of operations supervised at least twice a year has risen through the use of cost-effective, field-led missions often aimed at sorting out or preventing problem projects, and the business processes critical to portfolio implementation are being steadily accelerated (table 8). Clients particularly appreciate measures to expedite the procurement process: in Burkina Faso, Field Office support helped reduce by 62 percent the time the client required to evaluate bids.

TABLE 8

#### Institutional Effectiveness Indicators for Portfolio Supervision

Indicator	Baseline value 2006	Latest value 2008	Target value 2009
Percentage of operations formally supervised twice a year	36	45	50
Percentage of problem projects in ongoing portfolios	14	14	10
Percent annual disbursement rate of ongoing portfolios	18	21	22
Average elapsed procurement time (weeks)	70	58	40
Percentage of projects eligible for cancellation	27	23	15

Source: African Development Bank.

### Enhancing learning and accountability through evaluation

Timely evaluation is essential to learning from experience. Historically, incomplete project completion reports (PCRs) and multi-year reporting delays rendered learning from the outcomes of ADF operations nearly impossible. A persistent backlog of closed projects with outstanding reports contributed to the view that PCRs were resource-intensive and added little value to new operations.

The Action Plan's strategy to enhance performance evaluations has reversed the situation (table 9). In 2008, the ADB revised its completion reporting procedures. Instead of waiting for a separate borrower's report, PCRs are prepared jointly any time after an operation is 85 percent disbursed and become mandatory at 98 percent disbursement. A simplified PCR template replaced an earlier format that was descriptive and process-oriented and often resulted in reports of 40 pages or more. The new template is less than 10 pages, makes rating easier and more consistent, and is fully integrated into the automated results reporting system currently under development.

The result is that 45 percent of completion reports for 2008 exits were conducted from the field and the rate of timely completion reporting rose from only 2 percent for 2007 exits to 96 percent for 2008 exits.

### Improving Data and Systems for Results Reporting

Recent international fora on aid effectiveness have underlined the need for development agencies to strengthen countries' capacity to manage for, monitor and report on development results. To do this, development partners must harmonize their efforts to build countries' statistical capacities and help them to update their monitoring and evaluation systems.

*Building capacity.* The ADB is presently implementing Phase 2 of its statistical capacity-building initiative, which supports the development of statistical

TABLE 9

#### Institutional Effectiveness Indicators for Portfolio Supervision Evaluation

Indicator	Baseline value 2006	Latest value 2008	Target value 2009
Percentage of exiting projects with a timely PCR	2	96	45
Percentage of PCRs rated satisfactory <sup>a</sup>	45	90	75
Percentage of PCRs with gender-disaggregated data <sup>b</sup>	45	47	na

na = not available. PCR = Project Completion Report.

a. Baseline year = 2003–05. Latest value = 2005–07.

b. Baseline years = 2006–07 combined. Latest value = 2008.

Source: African Development Bank.



master plans in African countries. Expected outcomes include more reliable regional poverty indicators, more accurate and timely statistics, and better country data systems. These improvements will lead to more effective policy and decision-making and better Millennium Development Goal monitoring and results measurement. The new Readiness Reviews are also encouraging task teams to take a more systematic approach to integrating capacity building for country systems into new operations.

*Adopting standard core sector indicators.* Development agencies can reduce reporting demands on client countries by standardizing and harmonizing the main output and outcome indicators used in key sectors, relying on agreed international statistical norms where possible. In doing this, they facilitate aggregated reporting on their own contribution to results.

In late 2008, all of the sector departments began to participate in defining a set of core output and outcome indicators for the main sectors of ADF interventions. The indicators reflect each sector's strategic priorities and standardize the measurement of the most common outputs and outcomes of ADF operations. Once finalized, the outputs and outcomes will be tracked from project design through completion as part of the ADF's comprehensive results reporting system.

*Developing a web-based results reporting system.* The information systems do not currently track operational progress toward expected results. This is true for most development agencies, which have collaborated to identify information system solutions with increasing frequency in recent years. The ADB is working to implement an automated results reporting system that creates a link from expected results (as stated in the logframe in PCRs) through progress toward results (as documented in supervision reports) to results achieved (as reported in PCRs). System development is expected by end-2009, with testing and populating of the system in 2010.

## Looking ahead: Rising to the Challenge

This evaluation of the recent reforms undertaken under ADF-11 confirms that the strategy for improving quality and strengthening results is sound. Although it is still too early for the reforms to have produced their full effect, they have already spurred internal change, made the institution more effective, and enhanced development results.

This early success has encouraged the ADB to step up its part in facilitating the global partnership for harmonized action at the country level. Already, the ADB is stepping into a leadership role within the Working Party on Aid Effectiveness of the OECD. As co-chair of the Global Partnership on Managing for Development Results, the ADB will oversee assessments of the results reporting practices of donor agencies. And in ramping up its support for the African Community of Practice on Managing for Development Results, it will promote a regional platform for the implementation of the Accra Agenda for Action.

Harmonization of core sector indicators is an important element of the World Bank/European Commission/ADB tripartite collaboration on results. The success in identifying core indicators; developing new indicators for gender, climate change, and fragile states; and creating an automated results reporting system that tracks progress toward results, will simplify measurements for client countries and help streamline its operations as well as the operations of its development partners.

Looking forward, the ADB will continue to reap the benefits of its commitment to change. As new Field Offices hit their stride, the quantity and the quality of portfolio supervision will continue to grow. As new completion reporting procedures take firmer root, business processes will improve further and more knowledge sharing will take place. And ever better outputs and outcomes will result from ongoing improvements to quality at entry and capacity building efforts that are being pursued by all levels of the institution.

However strong the gains, though, next year's country-level indicators are expected to be somber. The global crisis has led to a downturn in trade, investment and economic growth, and the negative effects on poverty, social welfare and infrastructure development will manifest this year and next.

These circumstances should not alter the ADB's strategy. Rather, they make it more important than ever that the ADB pursue its reform agenda. Whether in the form of irrigation systems that boost crop yields, micro-finance loans that increase household incomes, or regional integration that makes affordable energy more accessible, the commitment of the Fund to results will render it an ever more effective development partner that does even more to improve the quality of life of Africans around the continent.

## Notes

1. ADF countries are RMCs that qualify to receive assistance from the ADF. To qualify, per capita gross national income could not exceed US\$ 1135 in 2008.
2. African Development Bank Quality Assurance and Results Department. February 2009. *Simply Results*. Volume 1 (001).
3. 2008–2010 corresponds to the period covered by the Eleventh General Replenishment of the African Development Fund (ADF-11).
4. Calderon, Cesar A. April 2009. *Infrastructure and Growth in Africa*. Washington DC: World Bank (WP4914).
5. African Development Fund. February 2008. *Results Reporting for ADF-10 and Results Measurement Framework for ADF-11. Background Paper*.



A photograph of a power substation. In the foreground, a yellow rectangular sign is mounted on a metal lattice structure. The sign contains the text 'L200', 'COTONOU 1', and '161kV'. The background shows other metal structures, insulators, and a ground covered in orange-brown mulch. The top of the image has a solid brown horizontal bar.

L200  
COTONOU 1  
161kV