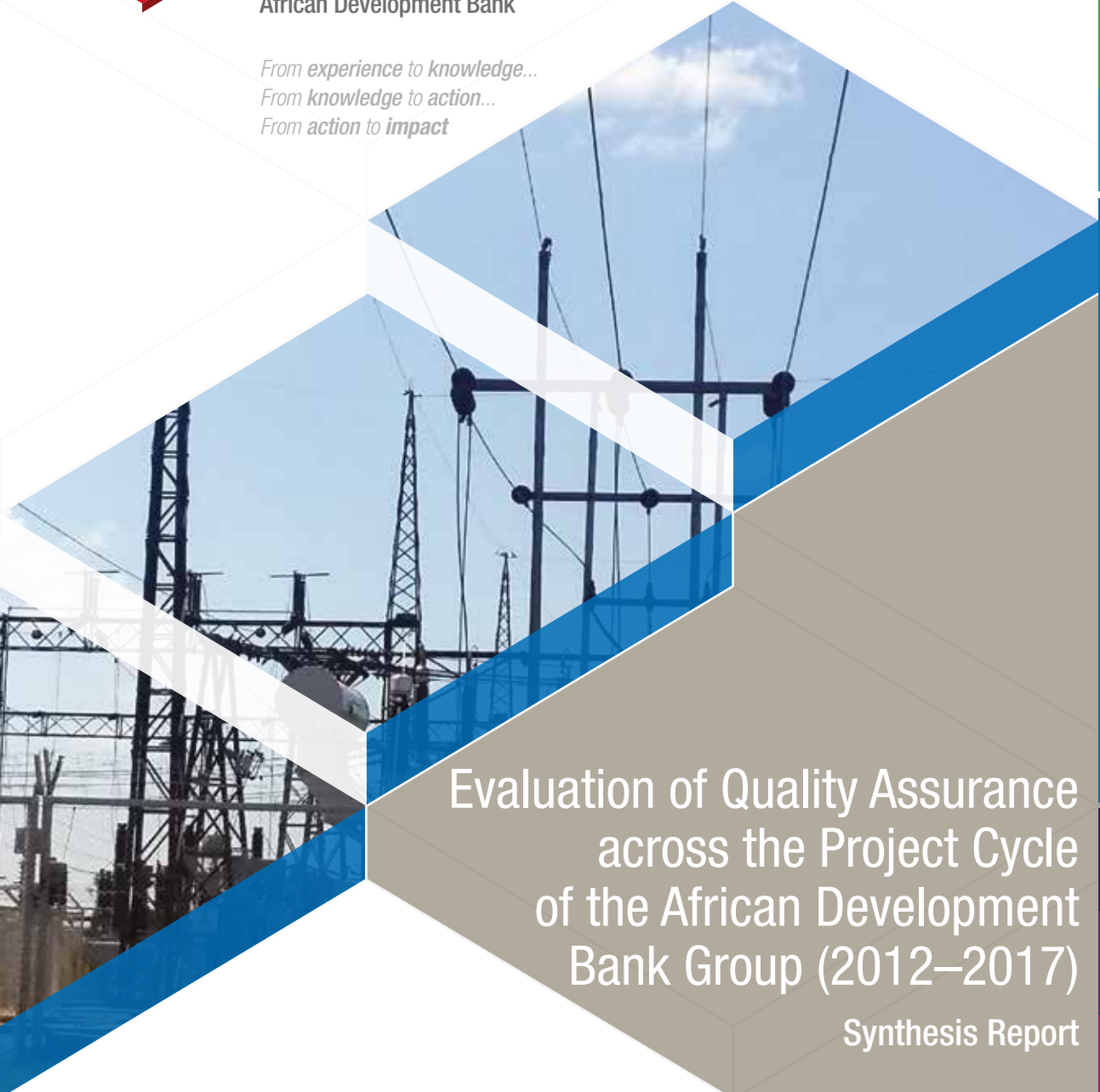


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Evaluation of Quality Assurance across the Project Cycle of the African Development Bank Group (2012–2017)

Synthesis Report

An IDEV Corporate Evaluation

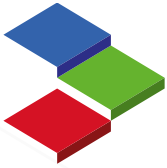


AFRICAN DEVELOPMENT BANK GROUP

October 2018

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Evaluation of Quality Assurance across the Project Cycle of the African Development Bank Group (2012–2017)

Synthesis Report



AFRICAN DEVELOPMENT BANK GROUP

October 2018

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Evaluation of Quality Assurance across the Project Cycle of the African Development Bank Group – Synthesis Report
IDEV Corporate Evaluation, October 2018

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The overarching objective of the African Development Bank Group is to spur sustainable economic development and social progress in its regional member countries (RMCs), thus contributing to poverty reduction. The Bank Group achieves this objective by mobilizing and allocating resources for investment in RMCs and providing policy advice and technical assistance to support development efforts.

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Abbreviations and Acronyms

| | | | |
|--------------|---|----------------|---|
| AfDB | African Development Bank Group | KPIs | Key Performance Indicators |
| ADF | African Development Fund | LOC | Line of Credit |
| ADOA | Additionality and Development Outcomes Assessment | M&E | Monitoring and Evaluation |
| BPS | Best Practice Standard | MTR | Mid Term Review |
| BTOR | Back To Office Report | NSO | Non-Sovereign Operations |
| CEDR | Comprehensive Evaluation of Development Results | OpsCOM | Operations Committee |
| cp | conditions precedent | ORQR | (former) Quality Assurance and Results Department, AfDB |
| CPO | Country Programme Officer | PAP | Project Affected Peoples |
| DAM | Delegation of Authority Matrix | PAR | Project Appraisal Report |
| DAPEC | Delivery, Accountability and Process Efficiency Committee | PBO | Policy Based Operations |
| DBDM | Development and Business Delivery Model | PCR | Project Completion Report |
| DFI | Development Finance Institutions | PD | Presidential Directive |
| DMT | Departmental Management Team | PIU | Project Implementation Unit |
| DO | Development Outcomes/ Objective | PIMS | Public Investment Management System |
| ES | Environmental and Social | PPF | Project Preparation Facility |
| ESA | Environmental and Social Assessment | PSR | Project Status Report |
| ESAP | Environmental and Social Action Plan | QA | Quality Assurance |
| ESIA | Environmental and Social Impact Assessment | QaE | Quality at Entry |
| ESS | Environmental and Social Safeguards | QoS | Quality of Supervision |
| ESW | Economic and Sector Work | RAP | Resettlement Action Plan |
| IDB | Inter-American Development Bank | RMC | Regional Member Country |
| IDEV | Independent Development Evaluation | RR | Readiness Review |
| IFAD | International Food and Agricultural Development | SNOQ | Operations Committee Secretariat and Quality Assurance Department, AfDB |
| IFC | International Finance Corporation | SNSC | Safeguards and Compliance Department, AfDB |
| IOP | Indicative Operational Programme | TA | Technical Assistance |
| IPR | Implementation Project Report | ToC | Theory of Change |
| ISS | Integrated Safeguards System | WB | World Bank |
| ITST | Integrated Safeguards Tracking System | W&S | Water and Sanitation |
| | | XSR | Expanded Supervision Report |

Glossary

Environmental and Social Safeguards (ESS)

Environmental and Social Safeguards at the Bank aim at promoting the sustainability of project outcomes by i) avoiding adverse impacts of projects on the environment and affected people, while maximizing potential development benefits to the extent possible, and ii) minimizing, mitigating, and/ or compensating for adverse impacts on the environment and affected people when avoidance is not possible; and iii) helping borrowers/clients to strengthen their safeguards systems to develop their capacity to manage environmental and social risks. In December 2013, the Bank approved a new Integrated Safeguards System (ISS), building on previous safeguards policies on Involuntary Resettlement (2003) and Environment (2004), along with other cross-cutting policies and strategies.

Evaluability

For public sector operations, evaluability is defined as i) the extent to which the design of an intervention and targeting of beneficiaries is based on evidence and ii) the clarity and realism of the intervention logic given the nature of the development challenge and the scope of the intervention. For private sector operations, evaluability is defined as, in addition to the previous two dimensions, as iii) an evidence-based description of the development challenge and/or market failure to be addressed, and iv) the quality of the results framework as well as the M&E arrangements.

Implementation readiness

In this evaluation, it is the extent to which different implementation requirements are finalized before project approval, whose absence could contribute to start-up delays. It includes aspects such as i) the establishment and staffing of the project implementation unit, ii) the identification of counterpart funding in the government's budget, iii) the availability of procurement plans for the first year of implementation, iv) the provisions to ensure the identification and management of project environmental and social risks, and v) the availability of feasibility or engineering studies.

Quality at Entry (QaE)

The Bank possesses no standard definition of project quality at entry. In the context of this evaluation, QaE is defined as a state of preparedness that makes a project i) likely to be implemented efficiently and ii) likely to achieve its intended development outcomes. In the case of non-sovereign operations, quality at entry is also expressed in terms of an operation's likelihood of being repaid according to its agreed terms.

Quality of Supervision (QoS)

In the context of this evaluation, QoS at the project level is considered as the extent to which the Bank i) proactively identifies and resolves threats to the effective implementation of the project; ii) reports on the compliance with rules and procedures and the achievement of development outcomes; and iii) records lessons emerging from project implementation

Quality at exit

In this evaluation, closure or exit includes the key activities that the Bank performs to ensure sustainability of project results after closing of all physical and financial activities of the project and to improve future operations. It involves the preparation and execution of project closing activities and the timely production of a self-evaluating project completion report, focusing on development outcomes and the collection of experiences and lessons to inform new programming.

Theory of Change (ToC)

The theory of change explains how activities are understood to produce a series of results that contribute to achieving the final intended outcomes and impacts. It describes the set of assumptions that explain both the steps that lead to the long-term goal of interest and the linkages between activities and outcomes that occur at each step of the way.



Executive Summary

Introduction

This report summarizes the findings, conclusions and recommendations of the independent evaluation of *Quality Assurance across the Project Cycle* for both public and private sector operations of the African Development Bank Group (the Bank), during the period 2012–2017. It builds upon the two stand-alone evaluations of *Quality at Entry* and *Quality of Supervision and Exit*. It also analyzes the quality assurance processes for compliance with the Bank's Environmental and Social Safeguards (ESS). The evaluation is based on a sample of operations over UA 1 million, excluding emergency and equity operations.

Quality assurance (QA) at the project level is one of the most important drivers of development impact. The "Bank's Quality Assurance Framework" is a series of reviews that the Bank carries out to ensure quality of the portfolio at each stage of the project cycle. Previous institutional assessments have shown that one weak link can impact the integrity of the entire QA chain. The evaluation responds to persistent challenges observed over the years with respect to the quality at entry and quality of supervision of the Bank's operations.

This evaluation is particularly timely given the ongoing initiatives to reform the Bank's corporate processes. It is expected that the evaluation findings will inform the Mid-term Review (MTR) of the African Development Fund 14. The evaluation examines the relevance, efficiency, effectiveness, and institutionalization of the Bank's QA framework across the project cycle. It addresses four broad institutional questions that are used to articulate the findings, namely:

- Whether individual QA processes are fit for purpose and operating as a coherent system;

- What is the level of compliance with Bank's existing quality assurance standards;
- Which factors facilitate or constrain the application of the framework as designed; and
- To what extent is the QA framework contributing to risk management, the achievement of development results, and organizational learning.

Evaluation Findings

The Bank has recently undertaken reforms related to quality assurance and development effectiveness in order to improve project quality and the likelihood of achieving results. The evaluation assessed the direction of travel of these reforms as positive. Nevertheless, the evaluation identified certain gaps in relation to best practices, both before Board approval and during the implementation and closing of projects. It also found challenges in adherence to the existing Bank procedures, and proposes recommendations to reinforce the system. The evaluation also makes recommendations to strengthen key internal and contextual factors that interact with the Bank's Quality Assurance system.

Is the Bank's QA framework fit-for-purpose and aligned to best practices?

The Bank's project preparation and approval processes do not differentiate projects on the basis of risk, with potential implications for resource allocation. The Bank differentiates projects on the basis of risk only at the final clearance stage, whereby large or higher-risk operations must be reviewed and cleared by the Operations Committee (OpsCom). Comparators, other the hand,

have established separate systems to approve high and low risk interventions, the latter with fewer reviews.

The Bank's current QA framework shows gaps in key dimensions identified as best practices to ensure the effectiveness of the QA processes, viz. independence, contestability and verification. Unlike most comparators, the Bank does not have an independent group that critically reviews and provides feedback and advice on the quality of projects before approval. In addition, there is no clear guidance to ensure broad participation of different functions of the organization to ensure quality of operations, including those not involved in the preparation of a certain project. Across both sovereign and non-sovereign operations, the Bank lacks a systematic means to verify that feedback is incorporated or addressed adequately. The quality control of Implementation Project Reports shows gaps in the review and validation by sector managers.

The current system of QA at the Bank lacks the support of integrated data systems across the project cycle. This limits the extent to which this data can be used to inform strategic decisions. Good practice requires that QA processes operate in an integrated manner to ensure that information generated at each stage is carried forward to the next stages and informs new operations.

The existing Quality at Entry tools for public operations do not sufficiently capture the dimensions of project quality emphasized by Bank staff, comparators and the literature review: i) evaluability; ii) economic analysis; iii) implementation readiness; and iv) proactive risk management. These dimensions were used to create a Best Practice Standard (BPS) tool to identify an evidence-based threshold at which projects had a likelihood of 0.65 of achieving their expected outcomes. The evaluation found that a composite score of evaluability and implementation readiness is a significant predictor of public investment projects' performance. However, these factors are currently averaged with other dimensions in the existing Bank

tools. Therefore, existing Quality at Entry tools for public sector operations do not sufficiently target factors that predict the extent of project outcome achievement.

For private sector operations, the Bank's practices for selecting and appraising operations are aligned with those of comparators. However, comparators are increasingly emphasizing the evaluability of projects. The Bank's existing credit risk framework is relevant, such that the number of unmitigated risks predicts the occurrence of negative project outcomes.

Supervision policies and guidelines are considered relevant, but some further adjustments are needed. Recent reforms have improved the alignment of the Bank's QA framework with comparators. The Bank's decentralization may require further guidelines and fine-tuning to ensure a common understanding of new roles and responsibilities. In addition, it would be advisable to adapt certain supervision tools to different types of Bank operations, in particular multinational and multi-donor operations and operations in fragile situations, as the comparators are already doing.

The Bank's overall approach to public sector project supervision is not sufficiently proactive, despite significant advances in portfolio monitoring. Recent quality assurance tools, such as the Portfolio Flashlight and the Portfolio Delivery Dashboard reviews, are helpful in raising alerts and providing information to senior management about portfolio progress. Nevertheless, the project supervision frequency is only increased once projects are identified as problematic.

The private sector department of the Bank follows a risk-based approach to supervision, which is assessed as relevant to its context and well aligned with comparators. In addition to regular project supervisions performed by portfolio officers and close monitoring by the credit risk team, the Special Operations Unit provides solutions

to highly distressed operations. Nevertheless, the decision points and timeline in the case of problematic projects could be better defined.

For both public and private sector operations, the Bank's efforts in the management of Environmental and Social risks are still heavily concentrated before project approval. The ESS support function at the Bank has been significantly under-resourced and staffing levels are lower than comparator organizations, which have bigger teams specialized in public and private sector operations. Comparators are increasing their resources for the monitoring of effective implementation of the environmental and social (ES) mitigation measures agreed with the borrower.

What is the level of compliance with the Bank's existing quality assurance standards?

Regarding the adherence to current procedures, project briefs are not completed consistently, with implications for resource allocation for project preparation. This is a key milestone for the identification of public sector projects, as well as assessing the time and resources required to bring projects to maturity and identifying corporate benchmarks for project preparation. Comparators use tools such as budget preparation coefficients (WB), to identify resource requirements for project preparation based on key characteristics and pipeline management.

The evaluation identified certain compliance issues during implementation, but also improvements in some dimensions over time. The ideal frequency and team composition of missions proved to be challenging with current staff allocation. However, the evaluation noted an increase in the frequency of supervision of problematic projects. MTRs are not performed systematically to address projects where major changes are required. Other organizations have created incentives to make project restructuring and cancellation terms more flexible. Timeliness issues were identified in the

elaboration and validation of completion reports, with recent management efforts to clear a backlog of Project Completion Reports.

More efforts need to be made to ensure that the new Integrated Safeguards System (ISS) is fully applied to Program-Based Operations (PBOs). Strategic ES impacts potentially derived from the PBOs reforms are not fully identified at appraisal, as is expected by the ISS, approved in 2013. PBOs are assumed to have no adverse ES impacts (category 3 projects). This represents a missed opportunity to support countries to transition to green growth paths through sector reforms.

Which factors facilitate or constrain the application of the framework as designed?

Implementation progress during preparation and appraisal of projects. The QA framework at the Bank recognizes that the main responsibility for the quality of design and implementation resides with the borrower, while the AfDB has a supporting role. The evaluation revealed that the strength of the Regional Member Countries' Public Investment Management System and borrowers' capacities (project implementation units) influences project performance. The limited assessment of these factors jeopardizes the capacity of the Bank to identify the need to provide additional support for project preparation and implementation. The existing Project Preparation Facility (PPF) and TA funds are not used strategically to complete key studies and build the Bank's pipeline of public and private sector projects. The comparators are expanding the use of preparation facilities, and making repayment provisions more flexible.

In terms of internal capacity, the evaluation found inconsistent allocation of staff to operations, and non-standard training and support to staff to perform their role. The Bank presents a high project-to-task manager ratio in comparison with similar organizations, with an unequal distribution across sectors and regions.

It lacks a comprehensive induction program and guidance to support staff.

The number of QA ecosystem staff supporting projects, such as risk and legal specialists, ADOA team, fiduciary staff, and ESS experts, is not commensurate with the growth of the portfolio.

Nearly half of all projects in the evaluation sample were approved in the fourth quarter of each year. They were found to have poorer quality at entry and a reduced likelihood of achieving project outcomes. The bunching of approvals and field supervision missions at the end of the year puts additional strain on staff.

The articulation of responsibilities for project supervision among team members is not fully clear.

Task Managers are responsible for project supervision, but support received from other Bank staff could be enhanced to ensure team members remain accountable across the project cycle. Comparators such as IFAD and the World Bank have created initiatives to strengthen support to task managers dealing with risky and complex projects to ensure risk-based monitoring and problem-solving.

Nearly all stakeholders noted the importance of incentives in ensuring the quality of projects, particularly with respect to results delivery.

The fact that Key Performance Indicators (KPIs) are linked to approvals and disbursement creates unbalanced incentives for Bank staff, favoring approvals over quality designs, and disbursement over achievement of development outcomes (DOs) and capturing key lessons.

To what extent is the QA framework contributing to project risk management, the achievement of development results and promoting learning across the Bank?

There is a significant distance to best practice with respect to risk management for public sector operations. Key weaknesses at appraisal are related to prioritization of risks and the identification of mechanisms to monitor,

reassess and take required actions if certain risks materialize. There is room for improvement in effectively addressing public sector project implementation challenges in real time. Similarly, most of the project completion reports (PCRs) in the sample identified risks to sustainability but did not provide sufficient information about the mitigation measures taken.

The quality of investment projects and PBOs before approval has not changed significantly over 2013–2017, when applying the IDEV best practice tool.

However, the maintenance of the same level of design quality can be considered a good result considering the extraordinary circumstances the Bank went through during the evaluation period. Furthermore, approximately 50% of projects approved each year did meet the IDEV best practice threshold for quality at entry.

Public sector operations showed some improvement in capturing outcomes, but the mechanisms to ensure credible reporting need to be reinforced.

The evaluation found some good practices in building the Borrowers' capacities to monitor projects. More efforts are however required to systematize the practice. The limited completion data of validated sample PCRs show that self-assessment of the Bank's projects during completion was satisfactory overall for 63% of projects in 2014 and 73% in 2015. Similarly, the level of disconnect between self-assessment ratings and the independent validations has improved over these years, from 22.5% to 14% (although this is still above the Bank's quality assurance target of 10%).

PCRs are not yet fully performing their function of recording lessons learned. This finding resonates with a review of recently validated PCRs, which showed an increased rejection rate of lessons learned in IDEV validations during 2014–2015.

The management of risks of private sector operations is rated low at entry and during implementation, according to the review of the the Bank's project appraisal and supervision

documents. Most of the 50 non sovereign operations (NSOs) reviewed were found to carry at least one credit risk that was not addressed at the time of approval or for which no relevant Condition Precedent for Signature or Disbursement was proposed. Comparators such as IFC and IDB Invest now have corporate governance teams to proactively address these issues. The majority of recommendations of previous field supervision missions were not fully addressed in a timely manner according to the desk review of projects.

Private sector operations were found to be less evaluable than investment projects and PBOs. Identified weaknesses suggest that although the potential development impact of a project is identified, NSOs are not designed to credibly and comprehensively measure their potential DOs. The evaluation also found a weak alignment between the project development rationale, the ADOA and the Logframe, suggesting limited prioritization of DOs.

For private sector operations, the Monitoring and Evaluation (M&E) and reporting capacities of clients need strengthening, especially for financial sector projects. The interface with clients has not been ideal in many projects, especially in helping clients on results reporting. Supervision reporting is excessively focused on administrative and fiduciary issues, with lesser attention given to development results. The maturity period of private sector operations was found to be key to decide the timing to prepare the completion report (XSR) to be able to capture DOs.

The evaluation found a lack of incentives for NSOs to optimally assess and learn lessons from the Bank's contribution to private sector development. Once an acceptable rating of potential development impact has been obtained, there is little incentive to further enrich the development argument and thus better articulate a project's contribution to more strategic private sector development impacts. In addition, the Bank does not have a dedicated team to support the tracking of DOs' progress.

Based on these findings and conclusions, IDEV identified the following recommendations to strengthen the current Quality Assurance framework and to address the challenges observed:

Recommendations

Recommendation 1 – The quality assurance review process: Increase the effectiveness and efficiency of the quality review process by:

- Identifying approval 'tracks' to differentiate among operations on the basis of risk;
- Reducing the number of steps that are sequential, in favor of a single meeting in which all QA inputs are considered before project approval;
- Providing Task Managers with more systematic quality enhancement support, particularly for projects that fail to meet quality standards;
- Identifying and allocating the required resources along the preparation and supervision "ecosystem" to support the effectiveness of review processes.

Recommendation 2 – Business development: Increase the use of project preparation facilities to promote project quality at entry by:

- Ensuring staff are sensitized and encouraged to use these funds to support the identification and implementation of the Indicative Operational Program, including Economic Sector Work (ESW);
- Increasing the total funds and maximum allocation for the PPF, MIC-TAF¹ and other sources of funds;
- Diversifying the approved use of preparation facilities to reduce transaction costs and address systemic constraints to project preparation.

Recommendation 3 – Planning and budgeting: Strengthen the Bank's IOP and resource allocation for project preparation and supervision by:

- Enforcing the project brief and enhancing its content, including clear criteria for the inclusion of projects in the preparation pipeline and allocation of resources (time and budget) for preparation;
- Developing an integrated and automated management information system across the project cycle to foster accountability and to improve access to data to inform strategic decisions.

Recommendation 4 – The review tools at entry:
Enhance the relevance and effectiveness of the Readiness Review and Peer Review by:

- Adjusting the content of the Readiness Review to reflect evaluability, economic analysis, implementation readiness and risk management;
- Increase the independence of the Readiness Review and Peer Review by mandating an ‘arms-length’ unit to coordinate both processes;
- Develop detailed terms of reference and selection criteria for technical peer reviewers.

Recommendation 5 – Quality of NSOs: Identify a framework for reinforcing the evaluability of non-sovereign operations by:

- Assessing the evaluability of NSOs in addition to their potential development outcomes, including the identification of a clear and substantiated intervention logic and credible performance measures;
- Identifying a quality enhancement mechanism to strengthen the development rationale and intervention logic of NSOs, particularly for projects demonstrating weak evaluability.

Recommendation 6 – Credit risk of NSOs: Strengthen mechanisms for verifying the mitigation of credit risks for non-sovereign operations by:

- Implementing a readiness filter for project finance and corporate loans to provide good

practice guidance to investment officers and inform the review process;

- Reinforcing the role of credit risk officers in ensuring that key risks are adequately addressed and enforced in loan agreements.

Recommendation 7 – Corporate governance risk of NSOs: Increase emphasis on corporate governance risks among non-sovereign operations by:

- Re-engaging with the Development Finance Institutions Working Group on Corporate Governance and providing training to investment officers on corporate governance issues;
- Identifying TA Funds devoted to corporate governance issues for NSOs, particularly for operations involving lower-tier banks;
- Leveraging TA more systematically to mitigate corporate governance risks prior to disbursement of a loan and monitoring performance on the basis of changes in behavior.

Recommendation 8 – Counterpart readiness: Improve RMC readiness and capacity for Public Investment Management by:

- Identifying RMC capacity deficits during project identification, with mechanisms for providing additional support as required throughout the project cycle;
- Identify countries where counterpart readiness is a consistent obstacle to project design and implementation and offer programs of support to address these constraints and complement development of the Indicative Operational Programme.

Recommendation 9 – Proactive project management: Improve management of risks and project performance by:

- Ensuring alignment of project level supervision with portfolio monitoring to provide appropriate support to problematic projects, and address challenges in the implementation and achievement of results;
- For public sector operations, promoting a proactive approach to project supervision according to the project type and risk exposure established at pre-implementation stage;
- Specifically for private sector operations, strengthening project supervision with special missions to monitor outcome reporting over the lifecycle of the project;
- Reviewing the PCR through formal validation meetings in order to create a space for contestability and clear articulation of lessons.

Recommendation 10 – Compliance with Bank’s rules: Ensure adherence with quality standards for supervision and completion:

- Reinforce quality control mechanisms for project supervision reporting and follow-up;
- Establish clear guidance and performance criteria for project supervision including differentiation by operation type and country and risk profiles;
- Undertake selective post-completion field missions to strengthen the value addition of IDEV’s Validation Notes and the credibility of results;
- Establish clear guidance and performance criteria for monitoring and supervision practices within the Bank’s Regional Offices and across the respective Country Offices;
- Adopt early planning of project completion through the last supervision mission to

ensure appropriate resourcing and improved performance;

- Streamline supervision reporting tools to reduce duplication of content, number of required reporting and ensure differentiation by operation type to maximize usefulness;
- Strengthen the project-supervision instruments to improve development outcomes reporting with special missions within the lifecycle of the project.

Recommendation 11 – Staffing and training: Enhance the capacity of staff to manage projects effectively by:

- Introducing a comprehensive and mandatory training program for all task managers;
- Identifying benchmarks for the number of projects per task manager and allocating resources appropriately. These benchmarks should reflect the different workloads associated with the preparation and supervision of operations.

Recommendation 12 – Incentives: Strengthen incentives for portfolio quality by:

- Identifying meaningful indicators of quality at entry with a demonstrated relationship to project implementation progress and monitoring these indicators over time;
- Including indicators of quality at entry and pipeline development among the Bank’s corporate Key Performance Indicators (KPIs);
- Establishing measures to link indicators of QA for supervision with the performance assessment of Task Managers and managers. ■



Management Response

Management welcomes IDEV's efforts to assess the quality at entry (QaE) and quality of supervision and exit (QoS) of AfDB's operations and to provide lessons that can improve operational quality and enhance the Bank's effectiveness in achieving the goals of its Ten-Year Strategy and the strategic objectives of the High 5s. This note discusses the findings of the evaluations in the context of Management's own assessment of the Bank's quality management systems, which has led to the identification of several reform areas that provide a framework for considering IDEV's evaluation recommendations.

Introduction

Management agrees with IDEV in attaching great importance to operations' quality at entry and quality of supervision, and it subscribes to the direction of IDEV's recommendations. Management recognises the importance of ensuring high-quality project design and supervision, and over the past few years has initiated several measures to strengthen quality, some in response to past evaluations. The adoption and ongoing consolidation of the new Development and Business Delivery Model (DBDM) provides an opportunity to enhance the Bank's responsiveness to the needs of Regional Member Countries (RMCs)

and ensure that AfDB's interventions lead to better results for RMCs.

The QaE and QoS evaluations were conducted as a follow-up to IDEV's 2016 Comprehensive Evaluation of the Bank's Development Results. In that report, a synthesis of 14 Country Strategy and Program Evaluations determined that although project quality at entry and supervision quality are necessary for achieving development outcomes, they remain relatively weak.

The QaE evaluation uses *quality at entry* to mean the design quality and implementation readiness of

Box A: Summary

Management subscribes to the direction of IDEV's recommendations on QaE and QoS. As part of the DBDM, Management set out here 10 priority actions that will significantly enhance the quality and impact of Bank operations:

1. Upgrading the skills of operational staff.
2. Building a robust pipeline for business development.
3. Increasing the resources for project preparation.
4. Streamlining the review process to ensure quality of operations.
5. Strengthening and resourcing the readiness review and peer review.
6. Strengthening planning and budgeting for project preparation and supervision.
7. Working towards an integrated operations portal.
8. Supporting borrower readiness and capacity development.
9. Moving from supervision to support of project implementation.
10. Embedding a culture of quality.

Management will develop a detailed Implementation Plan that operationalises these actions and includes prioritised, sequenced and time-bound deliverables. Management will share this plan with the Board by the end of the year.

a project when it enters the Bank's portfolio. It is important also to differentiate aspects of quality: i) strategic relevance and approach; ii) quality of design (the technical, financial and economic aspects and the fiduciary and safeguard aspects); and iii) the institutional and implementation arrangements, risk assessment, and results framework.

In projects financed by the multilateral development banks (MDBs), including AfDB, the borrower is responsible for project implementation. According to the Bank's Operations Manual (2015), the Bank supports the borrower through "implementation monitoring": that is, "a continuous set of activities carried out during the lifetime of a project, from project launch through routine supervision activities to completion." Like other MDBs, AfDB is now moving to redefine these supervision activities as "implementation support," to reinforce the notion that the borrower has the primary responsibility for implementation, while the MDB supports the borrower.

The QaE and QoS evaluations build on the Bank's commitments and previous self-evaluations, institutional reviews and IDEV evaluations. They also support the Bank's increased emphasis — seen in the new Results Measurement Framework — on proactive portfolio management, and on getting closer to the RMCs.

Overview

The evaluations provide a frank assessment of the QaE and QoS of Bank operations. They identify issues whose solutions are often complex and require focused and sustained attention as well as adequate resources for effective implementation. That is why Management launched a broad range of reforms aimed at addressing these issues at different levels. At the operational level, between 2009 and 2014, in line with best practice among MDBs, Management revised the Bank's approaches to country strategies, project design and readiness, and implementation monitoring.

Additional impetus was given to these initiatives when the Bank launched the High 5s in 2015 and adopted the DBDM in April 2016 to increase its development impact and its responsiveness to RMCs. (Table A at the end of this section provides a timeline of the Bank's recent initiatives on quality assurance.)

IDEV takes an innovative approach, introducing methodological rigour in the QaE evaluation through quantitative analysis. The evaluation used a validation tool to predict project performance outcomes, although the findings are limited by the fact that this tool is based on data from a sample of only 20 projects that is not representative of the portfolio.² Management appreciates IDEV's effort to obtain feedback from operational staff as part of the QaE assessment, including through case studies. The QaE evaluation also undertook an exploratory examination of non-sovereign operations, using a separate approach to adjust for their distinct objectives and context.

The QoS evaluation, which like the QaE evaluation relies on a mixed methods approach, is formative and seeks to emphasise learning rather than accountability. The evaluation finds that the Bank's guidance for project supervision is relevant, clear and aligned with good practice. It points to some gaps in the guidelines and policy for project supervision and completion, particularly with regard to multinational operations and fragile situations. It also identifies variation in adherence to guidelines and highlights weaknesses in institutional arrangements, incentives, and management oversight as well as in monitoring for results at the project level. While noting that the midterm review tool is not always used, the evaluation acknowledges both the more continuous monitoring that is enabled by on-the-ground presence, and enhancements of real-time portfolio-level monitoring.

While the Bank monitors the implementation of its operations at both the project and portfolio levels, the evaluation is focused on the project level and provides limited information on the contribution of portfolio monitoring to overall quality assurance. The quality of project-level monitoring is a critical element of portfolio monitoring since the findings from the supervision of

individual projects, often derived from supervision reports, provide the basis for Management decisions during portfolio reviews.

Although the evaluation was intended to cover supervision and exit, the QoS evaluation contains very little information on quality at exit beyond the number of projects for which Project Completion Reports (PCRs) were prepared. Lack of specificity in the evidence base makes it difficult for Management to identify appropriate changes to address any shortcomings in supervision.

While in recent years the Bank has made good progress in addressing some key challenges, Management agrees that much more should be done to strengthen QaE and QoS. Experience at AfDB and other MDBs shows that QaE is a vital contributor to project outcomes, but the degree to which outcomes are achieved is also affected by the quality of supervision and borrower implementation. For that reason, and taking advantage of the fact that the QaE and QoS reports have been produced in parallel, Management is dealing with the two evaluations in one Management Response. The overall QaE findings regarding the quality of project design and the effectiveness of the review processes offer valuable insights that are generally

consistent with Management's own assessment and provide more evidence to support reforms to strengthen quality. The focus on QaE guidance and review processes therefore needs to be viewed in the context of a broader reform of systems and incentives to improve the quality of the portfolio.

The QaE evaluation findings are separated into the conceptual and procedural aspects of the evaluation of sovereign and non-sovereign operations. The analysis of the conceptual framework is derived from evaluation theory and relies on four dimensions of quality — evaluability, economic analysis, implementation readiness, and risk management — but highlights two as more significant (see Box B).

Management's Assessment

As part of the ongoing DBDM reforms, the Bank has undertaken its own assessment of operational quality. While the DBDM reforms are helping to enhance AfDB's role as a trusted partner that is closer and more responsive to its RMC clients, several mechanisms and processes in the current delivery system have been identified for strengthening to increase the effectiveness of the reforms.

Box B: Lessons on evaluability and readiness

The QaE report highlights evaluability and readiness as two dimensions that are significant predictors of project performance.

Evaluability — A recent Inter-American Development Bank study concluded that among the three evaluability dimensions covered by IDB's Development Effectiveness Matrix — Project Logic, Economic Analysis, and Monitoring and Evaluation — the first two have a positive impact on project performance, but better monitoring has not translated into better-performing projects (Corral and McCarthy, *op. cit.*). A review of World Bank project performance³ found that higher-quality monitoring led to better project performance but expressed concern about potential methodological flaws (e.g. endogeneity) when the capacity of project team members is omitted, since capacity may be related to quality-at-entry scores as well as to better project performance. Consequently, efforts to strengthen systems to manage project quality need to focus not only on the project's development logic, quality of economic and financial analysis, and monitoring and evaluation, but also on the skills and capacity of project teams and on how monitoring is integrated into decision-making during project execution.

Readiness — The term *readiness* usually means readiness for implementation — that is, the extent to which a project might be ready to hit the ground running or might face implementation delays. Project readiness is thus most relevant to the pace of implementation, which may affect the project duration but does not necessarily mean that project outcomes will not be achieved.

Operational skills. Lessons from the Bank's own experience and other MDBs show that quality starts with the technical quality, experience and project management skills of the task manager and the skills mix of the task team. Many operational staff are new to the Bank and have uneven familiarity with and experience in preparing and supervising projects. This leads to an excessive burden on the task managers, which might put project quality at risk. The issue is compounded by the lack of continuity in project task management: rapid turnover after project preparation affects the quality of project supervision. The 2018 World Bank study (Hussain, Kenyon, and Friedman, op. cit.) identified task manager quality and task manager continuity as essential to ensure supervision quality, and as the two most important determinants of project quality. Management's diagnosis also indicates that the workload of task managers is unevenly distributed across different sectors and regions, and in relation to the demands of the work program in those units. Management's assessment of gaps in operational skills and experience points to the need for greater investment in operational skills training for staff (for more details, see analysis below on human resources).

Robust pipeline. Projects enter the Bank's pipeline through the preparation of a project brief that describes the RMC's demand for the proposed project; explains the project's consistency with the country strategy and conformity with Bank/RMC policies and priorities; and notes the availability of financial resources. The responsible manager is expected to review the project brief before the project is included in the pipeline. This process is not always being followed systematically to filter the pipeline down to a reasonable number of projects, and the criteria that are being used to select projects for inclusion in the Indicative Operational Programme (IOP) may need to be revisited. In addition, the use of project preparation funds is not commensurate with the demand in RMCs.

Resources for project preparation. Management agrees with the evaluation's premise that sound project preparation matters for efficient and effective implementation. Management also agrees with

the analysis that highlights the limited availability of adequate project preparation funding in AfDB relative to other MDBs. The Bank has a number of small, fragmented financing facilities whose cumbersome procedures lead to uneven access. The amounts available from these sources fall short of requirements for preparing large projects, in turn constraining the robustness of the pipeline.

Review process. Management agrees broadly with most of the findings listed under the procedural framework — the absence of a risk-based resource allocation, the large number of sequential reviews, the absence of an independent review function for sovereign operations, and the lack of a mechanism to verify how QaE feedback has been addressed. The current quality assurance process entails a sequential peer review, readiness review, country team review and finally a review by the responsible Vice President or the Operations Committee at both Project Concept Note (PCN) and Project Appraisal Report (PAR) stages. Management's diagnosis also indicates that the PCN and PAR review meetings are held fairly close to document completion, reducing the scope for fundamental revisions. In addition, the peer reviewers bring uneven technical expertise, and the reviews focus predominantly on compliance and on improving project documents, rather than on technical feasibility. As the evaluation also notes, although the response matrix does have to be submitted for subsequent approval, the degree to which comments are effectively integrated varies.

Readiness review. Management's diagnosis supports the evaluation's findings about weakness in the readiness review process and in the content of the readiness review instrument. The readiness review was initially implemented as a central function, independent of the Complex originating the project. In 2014 the management of the readiness review was shifted to the originating Complex. The current system does not ensure that the review is independent, or that it is conducted by staff with adequate technical expertise. Management's diagnosis shows, for example, that project evaluability — the development rationale of

projects, the quality and realism of logframes, and so on — is an area that requires further attention. In addition, the readiness reviews as currently implemented do not adequately address factors that determine readiness for implementation — for example, the project's institutional, financial and procurement arrangements. The reviews are also not aimed at supporting task teams with advice for enhancing quality.

Planning and budgeting. Unlike many comparators, the Bank has not integrated its information systems for budget and project planning, nor has it yet rolled out standard coefficients (differentiated by lending instruments, sector, or country risk characteristics) to allocate administrative budget to tasks (such as identification, appraisal, implementation support and closure). With the introduction of the Activity Time Recording System, the Bank is now well placed to determine and track the full cost of operations — staff, consultant and travel costs — and to budget accordingly.

Operations management information systems. The Bank's information systems for processing, programming and tracking operations from pipeline to Board Approval (including SRAS, BPPS and BRAG) are not fully interconnected, so that their effectiveness is limited. At the same time, the Bank's Management Information System, unlike that of other MDBs, does not include a single operations portal that integrates and provides ready access to information about project implementation in real time, which would greatly facilitate project management and oversight and reduce the burden on task teams and managers, and increase transparency and therefore accountability to ensure data is up-to-date.

Borrower readiness and implementation capacity. Management's assessment confirms the evaluation finding that the borrower's readiness (e.g., project implementation team in place and procurement well advanced) and capacity for implementation are critical for project success. The Bank has been able to provide only limited support in this area — for example, through the MIC TA Fund. Management recognises that in

addition to assessing counterpart capacity as part of the readiness review, the Bank would need to invest much more to support the development of implementation capacity in RMCs.

Supervision. Management's assessment concurs with the evaluation finding that there are gaps in adhering to supervision guidelines and delays in completion reporting. To enhance the likelihood of achieving projects' development objectives, the Bank can adopt a more proactive to supporting project implementation. By ensuring greater continuity of task management through an increase in sector staff deployed in regional departments, the Bank can leverage the opportunity created by the DBDM to strengthen project supervision.

Culture of quality and results. The evaluation points out that the Bank's institutional culture favours approval over quality and results. Over the past few years the Bank has made marked progress in results measurement and reporting in the Annual Development Effectiveness Review. However, incentives and organisational key performance indicators (KPIs) continue to emphasise lending and disbursement targets. In operations, staff incentives still tend to reward new lending approvals and lending volume.

Human resources. Management's diagnosis shows that the number of front-line staff assigned task manager responsibilities for project origination and portfolio management has remained flat over the last five years — a period during which the Bank's lending activities and active portfolio have grown significantly in size and complexity. As a result of these trends, task managers have seen a steady increase in their workload: they supervise an average of 3.4 operations in addition to their project preparation and appraisal activities. The review also suggests significant disparities across sectors and regions, including in high-priority areas such as energy and agro-industry, where expertise in both Francophone and Anglophone countries remains in short supply. Management is undertaking a more in-depth analysis of regional resource requirements for task managers and the operations ecosystem, to identify opportunities for redeployment and strengthening.

Raising the Bar on Quality Assurance

Takeaway messages from the IDEV evaluations, Management's own assessments, and lessons from other MDBs point to a number of areas in which to reform the Bank's quality management system. Management intends to elaborate detailed actions for each of these areas in an Implementation Plan to be developed after the Board discussion on the evaluations.

1. **Upgrading the skills of operational staff.** The Bank needs to adopt a more systematic approach to upgrading the skills of its operational staff. Recognising that many task managers are new to the Bank, Management is developing an Operations Academy to train all staff in operational skills. Gateway training will be mandatory for all operations staff and will be augmented by a system of accreditation for all task managers and other key operational roles *Priority: short to medium term.*⁴
2. **Building a robust pipeline for business development.** To ensure a more robust process and criteria for business development, Management will revisit the Operations Manual criteria for including a project in the IOP, specifically focusing on raising the bar for the first year of the IOP. Inclusion in the IOP will trigger the administrative budget allocation to develop the PCN. Also at this point, the need for funds to support project preparation should be assessed. *Priority: short term.*
3. **Increasing the resources for project preparation.** Management proposes to enhance support to task teams by facilitating better access to project preparation funds, providing greater Management oversight of task team composition, and enhancing knowledge services to front-line task teams. Additional resources for project preparation could come from trust funds, dedicated project preparation facilities and through components built in to preceding investment projects. The Bank is exploring ways to consolidate and expand existing facilities to better

support project preparation. Managers will help task managers strengthen task teams by drawing on staff from different parts of the Bank, with special attention to ensuring the timely availability of specialised staff to address fiduciary, safeguard, and other corporate requirements. While increasing the number of staff in key functions may be necessary, Management is exploring opportunities for reallocation and reassignment to ensure that all project teams are appropriately resourced. Management also intends to invest further in knowledge production, curation, and dissemination to facilitate task teams' access to cutting-edge and operational knowledge. *Priority: short to medium term.*

4. **Streamlining the review process to ensure quality of operations.** In line with the new Delegation of Authority Matrix (DAM), Management plans to combine the current sequential review processes into a single concurrent review at both the PCN and PAR stages. The new DAM also supports consolidation of steps: at each of the two main stages, there will be a single quality-focused meeting at which the different quality review inputs are considered together. The reviews will combine the two related but distinct objectives of "quality assurance" and "quality enhancement". Management will examine the timing of the review meetings to ensure that task teams can benefit from the guidance provided. The meetings at PCN stage will provide a Go/No Go decision before project preparation can continue (*Priority: short term*). Management is also embedding responsibility and accountability for quality in the recently issued DAM.
5. **Enhancing and resourcing the readiness review and peer review.** In line with IDEV's recommendation, Management is planning to move the responsibility for the readiness reviews back to the central unit to ensure independence and quality. The readiness review instrument will also be revamped to ensure a sharper focus on evaluability and readiness for implementation, backed with appropriate technical and operational

expertise and, importantly, resources to help task teams to enhance quality. Evaluability will be explicitly addressed as an integral part of the readiness review. Quality enhancement support to task teams will aim at strengthening the development rationale of operations, the design and analysis that underpin project design, and the quality and realism of logframes, and making sure that the right indicators are in place to track progress and assess impact. Readiness for implementation at the PAR stage will ensure that all the institutional, financial and procurement arrangements for the first year are in place before Board presentation to prevent delays in effectiveness and disbursement due to actions that could have been taken before Board approval. In addition, focused terms of reference and guidance for the peer review role will be developed and will include an explicit focus on making recommendations to enhance technical quality and project design. For both review tools, attention will focus on who conducts the review, ensuring that they have the relevant expertise and time. *Priority: short to medium term.*

6. **Strengthening planning and budgeting for project preparation and supervision.** In tandem with the planned SAP upgrade, the Bank is working to improve and link its systems for planning, programming, budgeting and monitoring. The budgeting aspect will include the development of

cost coefficients for different stages in the project cycle, differentiated by levels of risk, and different lending modalities as the basis for resource allocation. *Priority: short term.*

7. **Working towards an integrated operations portal.** The Bank is considerably strengthening its Management Information Systems in conjunction with the upgrade of SAP by complementing the system design improvements with measures to link and streamline related systems. Management is also working towards developing an operations portal that integrates information on project performance, monitoring, and results to help strengthen project and portfolio management. It would facilitate use of operational data to derive lessons and make course corrections through more effective project management. (Additional details on this action will be provided in the Implementation Plan.) Such a system would also feed into the Bank's Delivery Dashboard and Results Reporting System (Box C). *Priority: short term and long term.*
8. **Supporting borrower readiness and capacity development.** Management aims to give greater attention to borrower readiness and to provide resources to enhance it. This effort will include a close examination of funds available for project preparation, and potentially — in addition to

Box C: Tracking progress in implementing operations

The Results Reporting System (RRS) embodies the Bank's commitment to make technology a facilitator in improving the quality of operations. Planned for launch on 1 January 2019, this system will provide line managers with real-time information on key metrics of operational quality.

By automating key steps in the preparation of quality assurance documents — results-based logical framework, Implementation Progress and Performance Results report and Project Completion Report — the RRS will simplify and streamline reporting exercises for task managers. It will also put the Bank in a position to harness newly available data to improve operations design, portfolio reviews and planning exercises.

The RRS package includes the launch of two companion dashboards to i) track the quality of the Bank's portfolios of operations, and ii) prepare reports on aggregate operations results. This new reporting tool allows for greater data consistency and discipline, including by reducing time spent on reconciling custom spreadsheets — time that will be used to conduct more data analyses.

With the RRS, the Bank is leveraging the capabilities and ubiquity of its SAP information system — the Bank's IT backbone — enabling access to its interface for task managers across its Africa-wide network. The Bank plans to transition to the RRS as part of the upgrade to SAP to improve task managers' experience and its interactive data analytics.

Following the Board discussion of these evaluations, Management will develop for each of these areas a detailed Implementation Plan that will include time-bound actions and their resource implications. Management will share these plans with the Board by the end of the year.

The Management Action Record

The following Management Action Record sets out key actions the Bank is committing to take in response to the recommendations made by IDEV

for Quality at Entry and Quality of Supervision. It will be complemented by an **Implementation Plan** that fleshes out Management’s diagnostic on quality assurance and operationalises the actions briefly outlined in the table below. The Implementation Plan will also set out a framework of accountabilities with clear time-bound deliverables covering the short to medium term. Management will share the Implementation Plan with the Board, for **information, by December 2018⁵. Deadlines for all the actions in the Management Action Record will be set out in the Implementation Plan.** ■

| Management action record | |
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| IDEV recommendation | Management’s response |
| Quality at entry | |
| 1. The review tools — Enhance the relevance and effectiveness of the Readiness Review and Peer Review by: | |
| <ul style="list-style-type: none"> a. <i>Adjusting the content of the Readiness Review to reflect factors shown to influence project performance, including evaluability, economic analysis, implementation readiness and risk management.</i> b. <i>Increase the independence of the Readiness Review and Peer Review by mandating an ‘arms-length’ unit to coordinate both processes.</i> c. <i>Develop detailed terms of reference and selection criteria for technical peer reviewers.</i> | <p>Management agrees to strengthen the relevance — i.e., evaluability and readiness of operations — and independence of the readiness review by:</p> <ul style="list-style-type: none"> ■ <i>Improving the “evaluability” and scope of readiness reviews and peer reviews.</i> Management will adjust the content of the readiness review and the peer review to provide a more comprehensive assessment, including of implementation readiness. ■ <i>Increasing the independence of readiness reviews.</i> Management will de-link responsibility for both the readiness review and the peer review from the Bank unit that is responsible for preparing the project. ■ <i>Strengthening the readiness filter.</i> Management will adjust the readiness review to ensure that all the institutional, financial and procurement arrangements for the first year are in place before Board presentation so that there are no delays in effectiveness and disbursement due to actions that could have been taken before Board approval. |
| 2. The quality assurance review process — Increase the effectiveness and efficiency of the quality review process by: | |
| <ul style="list-style-type: none"> a. <i>Identifying approval “tracks” to differentiate among operations on the basis of risk.</i> b. <i>Reducing the number of steps that are sequential, in favour of a single meeting in which all QA inputs are considered.</i> c. <i>Providing task managers with more systematic quality enhancement support, particularly for projects that fail to meet quality standards.</i> d. <i>Identifying and allocating the required resources along the preparation “ecosystem” to support the effectiveness of the review process.</i> | <p>Management agrees to increase the efficiency and quality of the review process by:</p> <ul style="list-style-type: none"> ■ <i>Implementing a more efficient review process.</i> Management will continue to use a lighter process for projects below a certain threshold (approval volume), and for NSOs rated low-risk by the Credit Risk Committee. ■ <i>Consolidating the review process.</i> Management will consolidate discussion of the readiness review, peer review and other departments’ comments into one single meeting per review stage — i.e., PCN and PAR — in line with plans set out in the new DAM. ■ <i>Increasing quality enhancement.</i> Management will earmark resources, including staff, to focus on quality enhancement and will link this into the quality review process. |

| Management action record | |
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| IDEV recommendation | Management's response |
| Quality at entry | |
| 3. Counterpart readiness — Improve RMC readiness and capacity for public investment management by: | |
| <p>a. Identifying RMC capacity deficits during project identification, with mechanisms for providing additional support as required throughout preparation and appraisal.</p> <p>b. Identify countries where counterpart readiness is a consistent obstacle to project design and implementation and offer programs of support to address these constraints and complement development of the IOP.</p> | <p>Management agrees to increase the efficiency and quality of the review process by:</p> <ul style="list-style-type: none"> ■ Conducting a project-level counterpart readiness assessment. Management will include explicit analysis of counterpart capacity and readiness in project-level quality review processes and, on this basis, will build required capacity-building/mitigation measures into the project design. ■ Improving country-level tools and engagement. As a consistent part of the new country diagnostic and strategic framework approach, Management will include an assessment of how country capacity may influence the planned investment programme and what capacity-building/non-lending and other activities will be needed to address it. This will include offering a range of capacity support, including fiduciary clinics/procurement support, technical assistance and related dialogue according to country needs. Progress will be closely monitored through Country Portfolio and Performance Reviews. |
| 4. Planning and budgeting — Strengthen the Bank's IOP and resource allocation for project preparation by: | |
| <p>a. Enforcing the project brief and enhancing its content, including clear criteria for inclusion of projects in the preparation pipeline and allocation of resources (time and budget) for preparation.</p> <p>b. Identifying an integrated platform for managing the project pipeline, including identification, preparation and appraisal.</p> | <p>Management agrees to further strengthen the IOP and resource allocation by:</p> <ul style="list-style-type: none"> ■ Encouraging business development. A new corporate KPI requires that 25% of lending for each operational Complex have PCNs cleared during the year before they are scheduled to be approved. ■ Revisiting standard checklists for inclusion in the IOP. Management will re-examine standard checklists to guide task managers as they prepare project briefs (including for NSOs) and to ensure appropriate filter for inclusion in the IOP. ■ Strengthening line managers' accountability for the quality of the IOP. Line managers will be assessed on the quality of the projects they validated in the IOP as part of their regular performance evaluation. ■ Improving project programming. As part of the SAP reform effort, Management will streamline and link the various systems being used for project planning and execution (SRAS, IOP, BPPS and BRAG). ■ Rationalising allocation of resources. Management will use standard budget coefficients based on the previous year's delivery and projected change for the new year to better align the budgeting process with strategic directions. |
| 5. Business development — Increase the use of project preparation facilities to promote project quality at entry by: | |
| <p>a. Ensuring staff are sensitised and encouraged to use these funds to support the identification and implementation of the IOP, including ESW.</p> <p>b. Increasing the total funds and maximum allocation for the PPF, MIC-TAF and other sources of funds.</p> <p>c. Diversifying the approved use of preparation facilities to reduce transaction costs and address systemic constraints to project preparation.</p> | <p>Management agrees to increase the use of project preparation facilities by:</p> <ul style="list-style-type: none"> ■ Sensitising staff to best practice approaches on project preparation – including through using components of existing projects for the preparation of new/follow-on projects in the same sector. ■ Increasing the use of existing project preparation facilities through a range of initiatives, including improving staff's knowledge about trust funds and special funds. ■ Increasing allocation to project preparation facilities. Management will explore the feasibility of an increased allocation to the ADF PPF and a suitable instrument for ADB countries (such as MIC-TAF), subject to Board endorsement. |

| Management action record | |
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| IDEV recommendation | Management's response |
| Quality at entry | |
| | <ul style="list-style-type: none"> Considering new mechanisms for financing project preparation. Management will examine what flexibility is available in existing — and possible additional — funds to also include additional financing instruments beyond grants, such as reimbursable project development grants and early-stage project development capital. |
| 6. Staffing and training — Enhance the capacity of staff to manage projects effectively by: | |
| <p>a. Introducing a comprehensive and mandatory training program for all task managers.</p> <p>b. Identifying benchmarks for the number of projects per task manager and allocating resources appropriately. These benchmarks should reflect the different workloads associated with the preparation and supervision of operations.</p> | <p>Management agrees to enhance staff capacity by:</p> <ul style="list-style-type: none"> Establishing an Operations Academy to provide dedicated training to task managers and Country Programme Officers. Introducing compulsory accreditation. As part of the Operations Academy, Management will introduce mandatory training for all operations professional staff and an additional accreditation program for task managers. Right-sizing the number of task managers. Management will complete its ongoing analysis on workload by task manager and will set benchmarks to guide the allocation of task managers by region and Complex. |
| 7. Incentives and resources — Strengthen incentives for portfolio quality in addition to approvals by: | |
| <p>a. Identifying meaningful indicators of quality at entry with a demonstrated relationship to project implementation progress and monitor these indicators over time.</p> <p>b. Including indicators of quality at entry and pipeline development among the Bank's corporate KPIs.</p> | <p>Management agrees to strengthen the incentives to promote quality assurance and ensure regular and proactive project supervision by:</p> <ul style="list-style-type: none"> Increasing attention to corporate KPIs on quality and supervision. Management will review existing corporate KPIs with a view to increasing the emphasis on portfolio quality and proactive supervision. Strengthening line managers' accountability for quality and supervision. Management will include corporate KPIs on quality and supervision for line managers and will review their performance as part of their regular performance evaluations. Regularly tracking corporate performance. Management will use its Delivery Dashboard to regularly track the quality of operations and supervision by Complex, region and Department. |
| 8. Quality at entry of NSOs — Identify a framework for reinforcing the evaluability of non-sovereign operations by: | |
| <p>a. Assessing the evaluability of NSOs in addition to their potential development outcomes, including the identification of a clear and substantiated intervention logic and credible performance measures.</p> <p>b. Identifying a quality enhancement mechanism to strengthen the development rationale and intervention logic of NSOs, particularly for projects demonstrating weak evaluability.</p> | <p>Management agrees to develop, pilot and mainstream an integrated results planning and tracking system for non-sovereign operations by:^a</p> <ul style="list-style-type: none"> Clarifying the logic of intervention of private sector operations. A logical framework will be piloted and rolled out that will capture the results of private sector projects. It will be streamlined to allow project teams to use it more intuitively, looking at a select set of outputs and outcomes.^b Informing project preparation with ex-ante data. Project teams will use the indicators used in the project's ADOA report to track project progress. Tracking results during implementation. The Bank will take a closer look at results achieved during implementation. The Annual Supervision Reports will be revamped to better track development results. Providing clear results information at completion. Private sector operation/project completion reports will provide detailed descriptions of results achieved throughout the project life. |

| Management action record | |
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| IDEV recommendation | Management's response |
| Quality at entry | |
| 9. Credit risk of NSOs — Strengthen mechanisms for verifying the mitigation of credit risks for non-sovereign operations by: | |
| <p><i>a. Implementing a readiness filter for project finance and corporate loans to provide good practice guidance to investment officers and inform the review process.</i></p> <p><i>b. Reinforcing the role of credit risk officers in ensuring that key risks are adequately addressed and enforced in loan agreements.</i></p> | <p>Management agrees to further strengthen mechanisms for mitigating NSO risk. The new DAM has already introduced additional steps — e.g., Sector Director sign-off with PAT inputs — to ensure the readiness of NSOs. These reforms will be further reinforced by the following actions:</p> <ul style="list-style-type: none"> ■ <i>Implementing a credit readiness filter.</i> Management will introduce a credit readiness filter for project finance and corporate loans with a view to better guiding investment officers and informing the review process. ■ <i>Reinforcing the role of credit officers.</i> Management will introduce a Closing Memo to reinforce the role of credit risk officers in ensuring that key risks are adequately addressed and enforced in loan agreements. |
| 10. Corporate governance risk of NSOs — Increase emphasis on corporate governance risks among non-sovereign operations by: | |
| <p><i>a. Re-engaging with the DFI Working Group on Corporate Governance and providing training to investment officers on corporate governance issues.</i></p> <p><i>b. Identifying Technical Assistance Funds devoted to corporate governance issues for NSOs, particularly for operations involving lower-tier banks.</i></p> <p><i>c. Leveraging Technical Assistance more systematically to mitigate corporate governance risks prior to disbursement of a loan and monitoring performance on the basis of changes in behaviour.</i></p> | <p>Management agrees to increase attention to NSO corporate governance risks by:</p> <ul style="list-style-type: none"> ■ <i>Improving the quality of Integrity Due Diligence (IDD).</i> Management will improve the scope and quality of IDD, tax due diligence and corporate governance assessments at project origination to better identify operational and financial risks. ■ <i>Better tracking corporate governance.</i> Management will better track the corporate governance of NSOs throughout the project lifecycle. To this end, Management will introduce indicators for assessing and monitoring the governance of NSO clients and will undertake regular IDD during implementation for high-exposure operations. ■ <i>Enhancing coordination on corporate governance.</i> Management will increase the Bank's engagement with NSO corporate governance issues. Management will engage more regularly with the relevant DFI working group and the ALSF to organise regular training. |
| Quality of supervision | |
| 11. Proactive project management — Improve management of risks and project performance by: | |
| <p><i>a. Ensuring alignment between project level supervision and portfolio monitoring to provide appropriate support to problematic projects and address challenges regarding the implementation and results of operations.</i></p> <p><i>b. For public sector operations, promoting a proactive approach to project supervision according to the project type and risk exposure established at pre-implementation stage.</i></p> <p><i>c. Specifically for private sector operations, strengthening project supervision with special missions to monitor outcomes reporting over the lifecycle of the project.</i></p> | <p>Management agrees to continue to promote proactive supervision of operations and strengthen compliance with existing standards by:</p> <ul style="list-style-type: none"> ■ <i>Reinforcing compliance with existing standards of twice-yearly supervision of all eligible operations.⁵</i> ■ <i>Reinforcing proactive risk-based supervision.</i> Not all operations require the same depth of supervision. The depth of supervision will depend on the level of risk: low-risk operations may be addressed through desk supervision, while high-risk operations normally require a field mission. ■ <i>Strengthening quality control of supervision.</i> The Results Reporting System (see Box 3) will provide line managers with a dashboard that alerts them to operations requiring closer supervision. <p>Other relevant actions on supervision that will be taken in response to other recommendations:</p> <ul style="list-style-type: none"> ■ <i>Strengthening top-level corporate KPIs on supervision and strengthening accountability for proactive supervision, tracking performance at corporate level (Recommendation 7)</i> ■ <i>Improving supervision of NSOs (Recommendation 8).</i> ■ <i>Better allocating resources for supervision (Recommendation 4).</i> ■ <i>Making sure task managers have a manageable workload and are trained (Recommendation 6).</i> |

| Management action record | |
|--|--|
| IDEV recommendation | Management's response |
| Quality of supervision | |
| 12. Compliance with Bank's rules — Ensure adherence to quality standards for supervision and completion by: | |
| <p>a. Reinforcing quality control mechanisms for project supervision reporting and post-supervision follow up.</p> <p>b. Establishing clear guidance and performance criteria for project supervision including a differentiation by operation type and country and risk profiles</p> <p>c. Undertaking selective post-completion field missions to strengthen the value addition of IDEV's Validation Notes and the credibility of results.</p> <p>d. Establishing clear guidance and performance criteria for monitoring and supervision practices within the Bank's Regional Offices and across the respective Country Offices.</p> <p>e. Adopting early planning of project completion through the last supervision mission to ensure appropriate resourcing and improved performance.</p> <p>f. Streamlining supervision reporting tools to reduce duplication of content, number of required reporting and ensure differentiation by operation type to maximise usefulness.</p> <p>g. Establishing measures to link performance indicators for QA with the performance assessment of Task Managers and Managers.</p> | <p>See comprehensive package of actions set out in response to Recommendation 11 (Proactive Supervision)</p> |
| 13. Enhance quality of reporting — Increase the evidence base and credibility of results reporting by: | |
| <p>a. Reviewing the Project Completion Reports through formal validation meetings in order to create a space for contestability and proper articulation of lessons.</p> <p>b. Developing an integrated and automated management information system across the project cycle to foster accountability and to improve effectiveness and efficiency of reporting.</p> | <p>Management agrees to enhance its efforts to assure quality reporting by:</p> <ul style="list-style-type: none"> ■ Ensuring accountability on results and performance. Management will report to CODE every two years on the results and performance of its operations, drawing on PCR scores. ■ Increasing corporate attention to PCR coverage and timeliness. Management is stepping up its attention to the quality and timeliness of PCRs and expects to achieve its 90% target on timely PCRs in 2018. (See also actions set out against Recommendation 7 on incentives.) ■ Strengthening accountability on the quality of PCRs by finalising PCRs only after review by the implementation support manager and relevant sector manager. ■ Rolling out the Results Reporting System. Management will roll out the Results Reporting System in 2019 with a view to regularly tracking progress in preparing, supervising and completing operations. |
| 14. Incentives — Strengthen incentive measures to support a results and quality culture by: | |
| <p>a. Strengthening accountability and aligning incentives around supervision.</p> <p>b. Strengthening capacity of staff in project management activities through standard training and learning suites.</p> | <p>See actions set out in response to Recommendation 7 (Incentives) and Recommendation 6 (Training)</p> |

a This commitment was made in the context of the ADF-14 replenishment, with a deadline set for 2019.

b The following four commitments are drawn from the Bank Group's Results Measurement Framework 2016-2025.

c Not all operations are eligible for systematic supervision — for example, emergency operations and trust fund-financed operations are not eligible.



Introduction

This report summarizes the findings, conclusions and recommendations of the Independent Evaluation of Quality Assurance (QA) over the project cycle of the African Development Bank Group (AfDB or the Bank). This evaluation builds on the stand-alone evaluations of Quality at Entry (QaE) and Quality of Supervision (QoS) and Exit. It also analyzes the QA processes to ensure compliance with the Bank's Environmental and Social Safeguards (ESS) at each stage of the cycle. Planned IDEV evaluations of the Integrated Safeguards System (ISS) and Self-Evaluation will build upon this project-level analysis to examine higher-level issues.

The “Bank’s Quality Assurance Framework” is conceived as the series of reviews that the Bank implements to ensure quality of the portfolio at each stage of the project cycle. A detailed description of the QA processes is included in Annexes A and B. The evaluation covers all public and private sector operations over UA 1 million during the period 2012 and 2017, excluding emergency and equity operations and grants⁶. This synthesis report addresses four broad institutional questions:

1. Whether individual QA processes are fit for purpose and operating as a coherent and efficient system;
2. Which factors facilitate or constrain the application of the framework as designed;
3. To what extent the QA framework is contributing to the achievement of development results; and
4. To what extent the QA framework is promoting learning across the Bank.

QA at the project level is one of the most important drivers of development impact.

Design and supervision are widely recognized as key determinants for achievement of results and organizational learning. IDEV's Comprehensive Evaluation of Development Results (CEDR) of the AfDB, published at the end of 2016, concluded that inadequate QaE and supervisoin constrained the effectiveness, efficiency and sustainability of projects. While Bank's project designs did not fully integrate and manage contextual risks, weak supervision did not help change the course of the project when necessary⁷.

This evaluation is aligned to the Bank's commitment made during previous the African Development Fund (ADF) to: i) improve the quality of project design, supervision and the performance of projects including management of social and environmental risks; and ii) ensure that the Bank operates as a learning organization.⁸ It is expected that evaluation findings will inform the ADF 14 MTR in October 2018. As such, the main stakeholders of the evaluation are: i) the Bank's Board of Executive Directors; ii) Operations Management; iii) Bank Public and Private Sector Staff.

Previous institutional assessments and evaluations have shown that one weak link across the QA can impact the integrity of the whole chain. For example, weaknesses at the design stage, including weak intervention logic and risk analysis can impact the ability of the Bank to: i) address implementation risks proactively; ii) credibly assess the results achieved; and iii) identify lessons. The IDEV's CEDR in 2016 identified QaE as a key factor underpinning the achievement of project outcomes. The CEDR also

found that information provided about project performance was misleading and of poor quality and recommended enhancing the depth and quality of supervision. In 2016, the “Review of AfDB’s Non-Sovereign Operations” found lack of continuity for credit risk management between project approval and implementation, including a lack of clarity about how the credit risk assessment is used to identify, monitor and mitigate risks⁹. The Bank has not undertaken a comprehensive assessment of the QaE of Private Sector Operations. The most recent institutional assessment about project QaE of Public Sector from 2014 concluded that portfolio quality challenges remained widespread and delays persisted in the implementation of operations in nearly all Country Program Portfolio Reports.¹⁰ The Bank’s 2016–2017 QA Dashboard Annual Report also noted persistent challenges related to delays in preparing IPR reports, as well as inadequate management engagement and attention to these reports, accuracy of the IPR ratings and lack of incentive for staff to report objectively and in a candid way on factors affecting the implementation process. Finally, another recent Bank review highlighted issues on the quality of reporting and monitoring of private sector operations¹¹, with these findings resonating with those of previous assessments¹². Currently, the Bank is conducting a diagnostic study of AfDB’s practices to assure the QaE of public sector operations.

This evaluation is particularly timely given ongoing initiatives to reform the Bank’s corporate processes. Two key institutional reforms with important implications for how the Bank has organized itself to identify, prepare, supervise and close projects and ensure the quality of the portfolio have been introduced over the evaluation period. First, the Bank has implemented important structural and operational changes under the introduction of the new DBDM.¹³ In addition, the Bank introduced a new Presidential Directive 02/2015, that sets out new expectations

for the readiness of projects upon presentation and approval by the Bank’s Board of Executive Directors and for accelerating disbursement.¹⁴ The implications of both reforms are considered in the analysis to the extent possible. The evaluation faced difficulties in accessing the last proposals made by the Delivery, Accountability and Process Efficiency Committee (DAPEC) to re-engineer the Bank’s Operational and Corporate Business Processes. This includes processes involving project preparation, appraisal and supervision. DAPEC¹⁵ is re-engineering the Bank’s processes in order to make them more efficient and adapt them to the new the operational structure¹⁶.

The overall objective of this evaluation is to examine the relevance, efficiency, effectiveness, and institutionalization of the Bank’s QA framework across the project cycle. The specific objectives of the Evaluation of QA across the Project Cycle are to:

1. Follow up on known challenges with respect to the quality of the Bank’s portfolio;
2. Assess the contribution of the QA Framework to risk management, learning and development effectiveness;
3. Support the implementation of the DBDM and the Bank’s development effectiveness by providing an independent view and identifying lessons to inform the Bank’s forward-looking quality agenda.

The main evaluation issues and criteria used to guide the evaluation are included in table 1.

The evaluation is based on the QaE and QoS evaluations using a harmonized and mixed-methods methodological approach to examine how the Bank ensures portfolio quality throughout the project cycle. The evaluation process started in February 2018 and

Table 1: Evaluation Questions

| |
|--|
| Relevance: |
| To what extent is the Bank's QA framework fit for purpose and aligned with comparators and best practices? |
| Effectiveness and efficiency: |
| To what extent has the Bank's QA framework been applied as expected and in a cost-efficient manner? |
| Impact and sustainability: |
| What are the key factors that have facilitated or constrained the implementation of the QA processes? |
| To what extent is the QA framework contributing to the achievement of Development Outcomes (DO) and organizational learning? |

involved an intense data collection process in Abidjan, Washington DC and five RMCs. This was complemented by telephone interviews. Annex C includes further details of the methodology.

The analysis of the Quality Assurance processes is mostly focused at the project level. The consideration of country and sector level is included in relation to the development

of the Bank's pipeline and its relationship with project preparation. Data from Bank-wide and portfolio reviews and monitoring tools is confronted to the project-level supervision information to assess coherence of the overall system. The QoS evaluation seeks to provide evidence on quality of project supervision to inform overall discussion on the Quality Assurance of the Bank's operations. ■



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Evaluation Findings

This section summarizes the findings about the relevance and level of alignment of the current QA framework in relation to comparators and best practices. This analysis is structured in the two main phases of the project cycle (before and after project approval at the Board of Directors), and includes a separate sub-section about the ESS and about the assessment of the level of integration of the QA system across the project cycle. It then moves to assess the level of compliance of the current system from project identification to completion. The third set of findings takes stock of the main external and internal factors found to be important for the efficient and successful implementation of the QA Framework. Finally, the evaluation discusses the extent to which the QA processes have contributed to the achievement of development results and organizational learning, as set out in the Theory of Change (ToC) in Annex 4.

Relevance of the Bank's Current Quality Assurance Framework

The following section summarizes the evaluation findings about the extent to which the existing QA practices and standards are fit for purpose and are aligned with best practices across the project cycle, including a comparison with similar organizations. It also explores to what extent the QA tools are integrated into a coherent process where information generated at each project cycle phase is used in subsequent stages of the project cycle. This analysis takes into consideration the Bank's context and ongoing institutional reforms, to the extent that this information was available for the evaluation.

Is the Bank's QaE framework fit-for-purpose and aligned to best practices?

The preparation, appraisal and approval process for investment projects is "standardized" when applying Business Process Maturity Modelling.¹⁷

The QaE has a formal process and clear standards, documented in an Operations Manual (sovereign operations), although in a draft form since 2014, and a Business Manual (non-sovereign operations). The Bank-wide Program Process Schedule regulates and monitors the progression of projects through the different review stages and ensures consistency.

The Bank's project preparation and approval process does not differentiate among projects on the basis of risk, with potential implications for resource allocation. Comparators such as the WB and IFAD include fewer review and approval stages for low-risk operations, including a system where a single document is drafted for management clearance. Eligibility for Track 1 processing is determined based on a holistic assessment of preparation risks. According to the PD 03/2013, the Bank differentiates among projects on the basis of risk only in terms of the final clearance stage, whereby large or higher-risk operations must be reviewed and cleared by OpsCom. The new DAM similarly does not allow for differentiation among sovereign operations; however, a fast-track process has been identified for lower-risk non-sovereign operations, including: i) repeat financing to the same sponsor; ii) trade finance; and iii) operations linked to the Africa SME Program.

The Evaluation of QaE identified four main quality dimensions of public sector projects emphasized by comparators and the literature review: i) evaluability¹⁸; ii) economic analysis;

iii) **implementation readiness**¹⁹, and iv) **risk management**. These dimensions have been operationalized by comparators in different tools which inspired the BPS tool built by IDEV for this evaluation²⁰. The objective of the BPS was to identify the most important predictors of project performance which should be prioritized by the Bank in their reviews prior to Board approval. This will therefore increase the likelihood that a project is ready to be implemented and more likely to succeed. The box below summarizes findings after applying the BPS to 20 completed public investment projects across five sectors approved after 2010 for which a PCR is available. The same analysis could not be done for the sample of PBOs due to the small number of PCRs available and the weakness of development outcome reporting in the remainder.

The Bank’s practices for selecting and appraising private sector operations (ADOA and credit risk functions) are aligned with those of comparators. However, other organizations are increasingly emphasizing the evaluability of private sector projects in addition to selectivity and credit risk.²¹ IDEV’s QaE built a BPS for NSO on the basis of these best practices which is focused on: i) evaluability²² and ii) the extent to which projects prioritize DO with respect to their rationale and measurement²³. The evaluation found that the presence of unmitigated credit risks at entry is a significant predictor of negative NSO project

outcomes, including delayed start up and risk of non-repayment²⁴.

Is the Bank’s supervision and completion approach relevant and aligned to best practices?

Project-level supervision policies and guidelines for the public sector are considered fit-for-purpose. Recent project-level reforms have improved the alignment of the QA framework during implementation with comparators, although there is still room for improvement.

The update of the public supervision and completion reports (IPR and PCR) in 2014 strengthened their focus on DO and improved their alignment to the Bank’s corporate Results Management Framework. However, further adjustments in the draft Operations Manual are required in terms of specific guidelines for the diverse portfolio of the Bank. For instance, supervision tools are not adapted to different types of projects, such as multinational and regional operations, multi-donor operations or those implemented in fragile contexts. In addition, the project supervision approach for public sector operations is not yet sufficiently proactive. The current public project supervision system does not differentiate according to project complexity, risk exposure and country conditions, and only increases supervision frequency when projects are identified as problematic. Comparators such as the

Box 1: The most significant predictors at entry of outcome achievement on public investment projects and their use in the current QA system

The evaluation proved statistically that evaluability and implementation readiness (dimensions reviewed before approval as part of RR filter of the AfDB) are significant predictors of public investment project performance (70% or more of achievement of results at completion). An average score of these two factors was found to be the strongest predictor. IDEV used this QaE composite to assess the QaE of investment projects and found an evidence-based threshold at which point a project has a 0.65 likelihood of achieving all its planned outcomes.

The Bank’s existing tools to improve the quality of projects before approval do not target factors that predict investment project performance. Although RR addresses similar dimensions, they are covered in a general way, without specific standard or requirement and giving an equal weight to all dimensions.

In addition, the RR, in its current form, demonstrates a “signal versus noise” problem. For instance, comparators separately assess factors such as strategic alignment, fiduciary and ESS or gender equality, concentrating its efforts at QaE on a project’s operational rationale and readiness.

World Bank, IFC and the IDB adopt a differentiated approach in defining thresholds for supervision resource budgeting and allocation by project types, country context and status of an active portfolio.

Enhanced portfolio monitoring efforts have adequately reinforced the alert system on the supervision of public operations. The implementation of the portfolio dashboard, the appointment of special teams at the Vice Presidents' front offices, and the monthly operations supervision meetings are assessed as positive shifts to engage country teams in resolving issues during project implementation. This should strengthen the established framework of supervision at project-level.

The current supervision tools at project level are relevant but their complementarity should be strengthened. Despite the majority of survey respondents (84%) considering that all the supervision tools add value, there is scope for minimising duplication. While IPR should be focused on the reporting of results, aide memoires should highlight the agreed follow-up actions with the borrower and Back To Office Reports (BTOR) should identify critical issues that require the Bank's management attention. According to some staff, this latter role of BTOR should be strengthened to escalate issues where the intervention of senior management is needed in a timely manner.

The recent Bank decentralization may require further guidelines to ensure a common understanding of new roles and responsibilities. Stakeholder consultations confirm that the Bank's guidelines are not yet sufficiently aligned to the Bank's decentralised approach in terms of the ultimate division of accountability roles. Best practices identified by the evaluation and interviews with Bank staff highlight the importance of continuous supervision (day-to-day exchanges with borrowers via email, telephone or meetings). This modality of supervision is not discussed in the current Bank

Operations Manual. The role of country office staff in supervising projects, including continuous supervision, will become more prominent, as illustrated in the latest Delegation of Authority Matrix from July 2018.

The private sector department of the Bank follows a risk-based approach to supervision, which is assessed as relevant to its context and well aligned with comparators. In addition to regular project supervisions performed by portfolio officers, the credit risk team closely monitors the project credit risk performance. This has been reinforced with the establishment of the Special Operations Unit to address highly distressed operations which are included in a watchlist. Several recent revisions of guidelines and templates are considered pertinent to improve the focus and usefulness of project supervision of NSOs²⁵. However, the decision points and timeline in case of problematic projects could be better defined for NSOs.

Key cross-cutting agendas included in the Bank's strategic documents, such as ESS, gender and fragility, are weakly considered during the reporting of implementation and completion stages of the project cycle. IPR and PCR templates include sections for environmental and social safeguards issues and gender, although they are usually weakly discussed (see compliance section). Previous reviews by the quality assurance unit flagged the need to include specific sections to monitor implementation challenges arising from fragile contexts. The evaluation did not find evidence about any efforts to revise the IPR to address this.

Is the Bank's QA framework fit-for-purpose to ensure compliance with the requirements of the ESS across the project cycle and aligned with best practices?

The Bank's requirements with respect to assessing and managing ES risks across the

project cycle have been further clarified with the approval of the new ISS in December 2013.

This has facilitated a more efficient workflow. However, there is still room to improve guidelines and procedures, especially on requirements and instructions of category 2 and 4 projects as relates to the supervision of ES risks and the expected ES information in completion reports²⁶. In addition, as other comparators are doing, the Bank's ESS need to be continuously adjusted to new challenges emerging from a changing portfolio and new safeguards issues related to gender, labor issues, risk of conflict and community health. The ongoing review of the ESAP, the MTR to be conducted by management, as well as the stand-alone IDEV Evaluation of the ISS will assess the coverage of the ISS.

Relative to the Bank, comparator organizations are placing increasing emphasis on the supervision of ES risks and better resourcing their ESS teams.

The Bank's efforts are still heavily concentrated in ES due diligence before the approval of a project by the Board of Directors. ESS staff report that 80% of their time is taken up by appraisal, and only 20% by following up on ES risks identified at appraisal. Figures obtained from the WB, the IDB and the IFC show that they are increasing their efforts (budget and time devoted by ESS specialists) to the supervision of ES issues²⁷. ESS teams have also their own budget to plan supervisions according to the project risk profile. Currently, the SNSC relies on the invitation and budget of operations to join field missions. The implications of this arrangement for the quality of supervision of ES issues based on risks should be explored.

To what extent is the QA framework integrated?

Good practices require that QA processes over the project cycle operate in an integrated manner to ensure that information generated at each stage is carried forward in subsequent project stages and informs the designs and implementation of new operations. At design stage, front-end

activities aim at ensuring a good quality of project design and project implementation readiness as well as at anticipating risks and proposing mitigation measures. An evaluable design should facilitate a candid and credible project reporting based on the results of the logframe and should guide the extraction of lessons learned. Supervision instruments, from pre-implementation to completion, should monitor progress and reduce implementation delays. The risk status of a project should be tracked and reported from approval through implementation (See ToC in Annex D).

The current system of QA at the Bank lacks integrated data systems for managing operations across the project cycle, limiting the extent to which these data can be used to inform strategic decisions.

Knowledge management across the project cycle is characterized by multiple independent platforms, some of them with contradictory information and in many occasions with versions which are not signed-off or validated by senior management. The evaluation found that some key information on the sample of projects reviewed was only available through the task manager²⁸.

The Bank has been struggling in recent years to establish an integrated IT platform, as other comparators have.

Currently, the private sector department is attempting to build an integrated platform across the project cycle. Similarly, the ISS approved at the end of 2013 included the development of an online documentation system, linked to the SAP database, to track and store key ES information generated over the lifetime of the project in order to facilitate periodic compliance checks. This Integrated Safeguards Tracking System (ITST) is not yet fully operational²⁹. Some comparators, such as the IDB, are working on integrated data platforms to increase accountability, efficiency and reporting. The opportunity cost of not having such systems is evidenced in the time and resources required to compile accurate data among multiple platforms to address basic operational management queries.

Level of Compliance with the Current QA Framework

The following section assesses the extent to which QA reviews and their outputs have been implemented as expected and to an appropriate standard of quality, including key ES and cross-cutting issues. The evaluation found that QaE is implemented quite systematically and most of the compliance challenges are concentrated during the implementation and completion stages of the project cycle, as summarized below.

Compliance before project approval by the Board of Directors

Project briefs are not completed consistently, having been done for only 6% of the investment projects reviewed by the evaluation. The existing Operations Manual identifies the Project Brief as a key milestone for public project identification and placing the project in the Bank's pipeline³⁰, however, the CPOs interviewed confirmed that Project Briefs are rarely done. The Bank has not systematically budgeted for project preparation across the evaluation period and much of the existing data are not credible.

In contrast, comparators use the equivalent of Project Briefs to identify resource requirements for project preparation based on key characteristics and to support pipeline management. Both the WB and IFAD require that an Activity Initiation Sheet be filled in during the identification stage to incorporate a new project into financial management systems and identify the resources necessary for preparation. In the case of the WB, corporate preparation budget "coefficients" for projects are based on key characteristics, including the complexity, country, sector and scale of a project. This is enforced through their SAP platform.

The current requirements in terms of composition and participation at the Country

Team Meeting are not being systematically implemented or enforced. PD 03/2013 provides directives on composition and participation at the Country Team Meeting, which includes a representative from policy and strategy, sector directors and heads of other relevant organizational units as well as a quality quorum requirement.³¹ However, feedback from key stakeholders indicates that these requirements are not always met, including the quality quorum. There is a general perception that these processes are not very relevant (according to responses to the e-survey)³² and that the uptake of comments provided is low³³.

Analysis of appraisal documents for projects in the sample found a systematic and consistent use of the ES categorization process, which has been waived on a few occasions, such as emergency operations. However, SNSC reported that of 28 projects which were cleared "on condition" from 2014 to 2016, only five of them were translated as loan conditions and a quarter are category 4 projects (interventions through financial intermediaries)³⁴. The evaluation found a good level of compliance of the sample of projects (both before and after ISS) in relation to the disclosure requirements of ESA studies. However, this dimension was difficult to assess due to the lack of sign-off dated versions of ESA Studies (83% of the sample), and the lack of information about the disclosure process of key ES information of category 4 projects³⁵.

The evaluation found that the majority of the 89 projects classified as category 1, 2 and 4 included ES conditionalities, but only a few of them were cp. ES due diligence before approval should reduce the need for project conditionalities, either considering project alternatives or incorporating remedial measures into project design. The evaluation found that the majority of the 89 category 1, 2 and 4 projects (65%) effective after 2012 included at least one type of ES loan condition or covenant, but only 14% were cp³⁶. On many occasions, the supervision reports were

silent about the fulfilment of those conditions. This echoes the 2016 findings of SNSC which concluded that there was no evidence whether the conditions proposed to clear and approve 28 projects between 2014–2016 had been addressed³⁷. The inclusion of loan conditions in both public and private sector projects with significant ES impacts (category 1 and 2) only translates to better ES information in supervision reports for category 1 with cp, but not for category 2.³⁸

More efforts need to be done to ensure compliance with the new ISS covering new lending operations, such as operations through financial intermediaries and PBOs. The ESS at the Bank and elsewhere were initially conceived for big infrastructure investments projects. The Bank's Safeguards Systems approved at the end of 2013 intended to better support the evolving range of lending products and innovative financing modalities, including PBOs and operations through Financial Intermediaries.³⁹

- I The evaluation could not fully assess the compliance with the Bank's ESS procedures for the majority of the 22 Bank's operations within the sample involving corporate loans or lending to a financial intermediary** that lend to or invest in sub-projects that may produce adverse environmental or social impacts. Sufficient ES information was found for only 8 of them. IDEV will complement this analysis in the upcoming evaluation of the ISS.
- I For PBOs, strategic ES impacts potentially derived are not fully identified at appraisal**

since they are assumed not to have any adverse ES impacts (category 3 projects).

Only two of the 110 PBOs approved by the Bank between 2012–17 analyzed by IDEV's Evaluation of AfDB PBOs were not classed as Category 3, with only one of them re-classed as category 3 during implementation⁴⁰. Given the increasing number of energy and other sector specific PBOs, assuming they are all category 3, may lead to missing opportunities to support countries to transition to green growth paths.

According to self-reported figures, Bank shows similar efficiency figures in relation to the lead time between concept note and approval of public investment projects, when comparing with the IDB. The WB invests considerably more time preparing projects for approval than the Bank (14 vs 6.63 months). However, relative to comparators, the Bank's project preparation and approval process to enhance the quality of sovereign operations is less efficient than those of comparators based on: i) the lack of risk-based differentiation among projects; and ii) a larger number of sequential review and clearance requirements (at least 8 before being sent to the Board)⁴¹.

Compliance during the first stages of implementation

The evaluation identified a series of compliance problems during project launching, when compared to Bank guidance requirements. Only 48% of the projects reviewed had a project launching mission. Interviewees

Box 2: Best practices during the first stages of implementation

Comparators invest more resources in this key moment than the Bank. For example, IDB undertakes a first workshop before approval to define and discuss project benefits and find a mutual commitment to monitor development indicators. Another workshop is done after approval and before first disbursement to assure a smooth project launch. During the second workshop, a final implementation plan is updated and validated with major risks to implementation identified.

reported that in many occasions it happened too early (before the permanent project team was on board), with a too limited duration to cover key issues (average of 5-days) and with suboptimal teams in relation to support staff such as legal, fiduciary and ESS experts.

Compliance during project implementation

The Bank's guidance requires continuous day-to-day supervision of public sector operations in addition to at least one field supervision. For problem or potentially problem projects, more than one field mission per year is envisioned. For private sector projects, the supervision

Table 2: Level of compliance with key dimensions of Bank supervision

| | Strengths | Weaknesses |
|---|--|--|
| Frequency of supervision missions | The frequency of field supervisions of public sector operations decreased over the period 2013–2017 but remained high: from 83% of projects with one or more supervisions per year to 74% in 2017. | The proportion of projects that did not have any supervision mission in a given year increased significantly, from 17% of active projects in 2013 to 26% in 2017. |
| | The % of problematic public projects supervised more than once per year increased from below 70% for 2013–2015 to 100% for 2016–2017. | There is limited differentiation in terms of the length of supervision of problematic and non problematic projects ^a . Multinational operations are supervised less frequently than other projects. |
| | For NSO, new guidelines were approved in 2015. The evaluation found that 36% of projects which became effective before 2015 were supervised at least once per year. This improved to 75% after 2015 ^b . | |
| Team composition of supervision missions | For public sector projects, financial management experts have been increasingly associated to supervision missions (75% of the sample). | According to the desk review of public sector projects, only 49% of the supervision missions were sufficiently staffed ^c . This was confirmed by the stakeholder survey: 52% of respondents consider that the skills mix in field supervisions does not adequately take into consideration the project type and status. For private sector projects, compliance could be strengthened: more than half of the interviewed monitoring team members consider that the credit risk team is not yet sufficiently engaged in project supervisions. ES specialists are still associated in a limited way during supervision of public and private sector operations, even when relevant ^d . |
| Timely submission of supervision reports | W&S, social and agriculture public sector projects performed better than the average in relation to this indicator during the evaluation period. | An average of 25 days of delay in relation to best practice (IPRs should be submitted 30 days after the field mission or desk review) for the sample of 83 public sector projects. Multisector projects showed the longest delay (77 days), followed by transport (75 days) and power project (56 days). |
| | This indicator could not be calculated for private sector operations. | |

a The evaluation analyzed 329 supervision reports of the 83 public projects in the sample (2012-2017) and found that the average supervision length is 8.2 days for 18 problematic projects, only a bit longer than the average 7.7 days for the 29 missions of non problematic projects.

b For private sector operations, project supervision frequency is determined by the credit risk rating and the complexity of the project, with a required minimum of one field mission per year.

c Supervision team including the Task Manager, a fiduciary expert and one additional sector and/or cross-cutting expert.

d ESS specialists only participated in five field supervision missions of the 32 category 1 and 2 public projects effective after 2012 with supervision reports available (this represents 33% of category 1 and 9% of the total category 2 in this sample). For private sector project, they participated in the three category 1 and none of the category 2 or 4. ESS experts warn about the potential reputational risk of category 2 projects, which are systematically less supervised. Previous Bank's reviews in 2014 also warned that category 4 have not paid enough attention to ES aspects. The Bank ESS requirements are vague about the requirement of ESS experts to join supervision missions. They only state that qualified ES specialists should be included in supervision missions, while it also states that this is especially important for high-risk projects (generally category 1 projects).

Source: Based on a process review of 83 public and 38 private sector projects, specific ESS desk validation of a sub-sample of 89 projects, interviews and an e-survey.

frequency is determined by the credit risk rating and complexity of the project, with a minimum of one field mission per year. According to Bank guidelines, whenever possible, the Task Manager should be supported by various specialists, depending on the nature and type of the operation. The timeliness of supervision reporting is important for ensuring timely action by the borrower. The following table summarizes the findings of the evaluation about the compliance with these three dimensions of the QA framework.

Despite efforts to improve the results-focus of supervision reporting on public sector projects, the Bank does not have a mechanism to ensure the methodology is properly implemented. The IPR's reporting format and scoring methodology were designed to generate an objective and evidence-based assessment of performance project. However,

the desk review found challenges: i) subjective interpretation of the indicators to rate the project status (implementation progress and development objectives); and ii) weak justification of the ratings to make them credible (see table 3). According to interviews, the IPR template is being revised to further strengthen its focus on results.

While the Bank's operational guidelines adopt a mandatory conduct of MTRs for all lending operations, this has not been respected in a systematic way. MTRs are conceived as an extended supervision mission demanding additional resources in terms of team composition, duration and scope. According to the Bank's manual, an MTR is used to assess project progress and to take concrete decisions on projects where major changes are required. They can entail project reformulation, suspension of disbursement, or loan cancellation. According to their implementation advance, 52 of

Table 3: Candor of supervision reports as a proxy of quality of supervision

| Strengths | Weaknesses |
|--|--|
| <p>For public sector operations, according to responses of the stakeholder survey, 62% of respondents agree that the IPR generates credible evidence-based performance ratings.</p> <p>61% of the IPRs 83 reviewed projects are compliant with the methodology for rating implementation progress and development objectives^a.</p> <p>This review identified three best practices of ES information in IPRs for infrastructure projects (category 1 and 2).^b Two sectors performed better than average in relation to the quality of the justification of ES ratings in the IPR: power (where 90% of the reviewed IPRs performed well) and transport (80% of IPR available with good ES rating justification). W&S and agriculture only had 50% and 40% of the IPRs with sufficient justification for the 9 and 10 projects in the sample, respectively.</p> | <p>Very few projects (15%) adhered to the project classification methodology.</p> <p>Only 28% of the sampled projects had credible IPR ratings (well justified).</p> <p>The evaluation assessed as poorly justified ES ratings for 57% category 2 public projects, but found more credible ratings for the most impactful projects (12 category 1 projects).</p> |
| <p>For NSOs, credibility of the rating for implementation progress was assessed as satisfactory for the sample of 22 projects (60%).</p> | <p>DOs rating was the least credible score, especially for financial projects. The reviews found significantly less information in PSRs when compared with BTORs of the same supervision missions. However, BTORs were seen to vary considerably in quality and depth of analysis for different projects.</p> <p>The PSR does not include any further explanation about the ES rating or the level of progress of the implementation of mitigation measures.</p> |

a The IPR scoring methodology rightly does not use any formula based on a pre-determined weight applied to individual outputs. It is therefore up to the TM to decide how much weight to give each individual outputs and/or project components

b One hydroelectric project in Cameroon, including detailed information about the progress to fulfil individual ES loan conditions; one solar energy power in Morocco, summarizing the results of external environmental audits, such as the progress of implementation of environmental mitigation measures and the measures to minimize workers' accidents; and a rural roads project in Senegal with clear milestones of the ESMP implementation.

Source: Based on a desk validation conducted by external experts of 45 public and 22 private sector projects, specific ESS desk validation of a sub-sample of 69 projects, interviews and e-survey.

the 83 projects included in the sample were eligible for MTR. However, only 33 of them were reviewed at mid-term. The evaluation did not find a considerable performance improvement following the MTR (only 5 of the 13 problematic projects improved their performance status after MTR). According to the Task Managers interviewed, there is the perception that MTRs may entail onerous outcomes and remedial actions. Other organizations, such as the WB, have created incentives to make project re-structuring and cancellation terms more flexible and have simplified the corresponding procedures.

Compliance at project completion stage

QA during the last stages of the project cycle involves engaging with the borrower or client to conduct a self-assessment on results and lessons learned (the completion report) and to ensure all audit and financial justifications are submitted and accounts closed. To undertake these tasks, completion missions need to be adequately resourced and have the right skill mix to address all relevant issues - from technical aspects to administrative and financial issues. However, the evaluation found that, as is the case in other stages of the project cycle, resource allocation for completion missions is not differentiated by project size or type.

Completion missions do not comply with the team composition expected in the Bank's manual. Out of the 83 public sector projects in the sample of the evaluation, 22 were completed during the evaluation period. Out of these, only 14 had completed a PCR and the rest were still due as of June 2018. More than half (54%) of the respondents to the evaluation staff survey considered that the Bank did not mobilize the right skill mix team in completion missions. The analysis of the composition of the 14 completion missions found that the skill mix is far from the one recommended in the Bank's Operations Manual. This should be explored with a larger sample in the future. Country visits confirmed that the involvement of fiduciary teams at completion is limited. This constitutes an important missed opportunity to capture specific lessons on

disbursement challenges. The evaluation could not validate information about compliance with audit at exit and closing of project accounts.

The timeliness of PCR submission has deteriorated during the evaluation period, but there have been recent efforts to clear this backlog. A PCR is due six months after completion of all activities and can be initiated after achieving 85% of execution rate. The evaluation compared the number of PCRs to be finalized in a given year (due PCRs) with those completed (actual PCRs) for the entire Bank portfolio and found considerable deterioration in the timeliness of PCR submission (from all PCRs submitted on time in 2013 to 44% of PCRs submitted with delay in 2017, with a target of 90%). The evaluation noted, however, that a large number of PCRs were recently finished.

The evaluation could not find data about the timely submission of XSRs, but the desk review highlighted challenges related to the timing of when an XSR is done. The guidance establish that a one-time XSR is required once a project reaches operating maturity, typically three or four years after disbursement for non financial operations and within 18 to 24 months for financial operations. The evaluation found that the timing of XSRs is not always well chosen in order to ensure data about DO is available (30% of the sample which were undertaken too early and could not capture DO). This analysis should also be confirmed with a larger sample.

Key Factors that have Facilitated or Constrained the Implementation of QA Processes

How do country context and project implementation mechanisms interact with the Bank's QA framework?

The QA framework at the Bank recognizes that the main responsibility for the quality of design



and implementation resides with the borrower. The AfDB is responsible for ensuring the projects' QaE (good quality of project designs and readiness for implementation) and for supporting borrowers during implementation (proactive identification and solution of risks to ensure the achievement of project DO, including good results reporting and extracting lessons learned). Both QaE and QoS are inherently probabilistic. An intervention may still fail to achieve its expected results despite demonstrating good QaE and good QoS if the implementation context is unfavourable.

Both the literature and stakeholders interviewed for this evaluation highlight the importance of various factors that impact the likelihood of successful outcome regardless of the quality assurance across the project cycle conducted by the Bank. These factors are related, among others, to: i) the capacity of borrowers to prepare and implement projects; ii) the country's level of fragility; the regulatory, licensure and legal requirements, such as national mechanisms to compensate People Affected by Projects (PAP); and iii) the capacity of contractors working in RMCs. Especially relevant for public sector projects are factors such as parliamentary processes associated with loan approval; and the capacity to prioritise, prepare, resource and implement projects at central level, including procurement processes. The following section summarizes some of the issues identified in the sub-sample of projects of the five countries visited for the evaluation (Cameroon, Kenya, Morocco, Senegal and Zimbabwe).

RMC's capacity to prioritise, prepare and implement projects and to mobilize counterpart funds

The Bank does not explicitly consider contextual factors that influence the relationship between QaE and implementation progress of public projects during preparation and appraisal. The evaluation found that

public investment projects in countries with stronger capacity at the central level for project identification, preparation, appraisal, prioritization, budgetary, implementation (Public Investment Management System) were more likely to meet the evidence-based threshold for the QaE composite score (better evaluability and readiness implementation at approval).

The countries and borrowers visited showed different levels of capacity to prepare projects with the necessary level of maturity before contacting the Bank in search of funding.

The best performance was found in Morocco, where various national proponents were able to finalize the required feasibility studies before the engagement of the Bank. In other settings, the evaluation found as a common practice that the Bank and the borrower fund feasibility studies of subsequent phases while implementing a previous one. In fragile and emergency situations, such as in Zimbabwe after the 2008 cholera outbreak, the Bank usually worked with sub-optimal level of information for project preparation.

Another important dimension to ensure timely project implementation is related to the borrower's capacity to undertake advanced procurement and to pre-finance some key activities before approval of the Bank's loan.

This is especially important after the PD 02/2015. In practice, only one of the five countries visited, Morocco, has been able to systematically apply this with considerable time efficiency gains, while the experience is mixed in Cameroon and Kenya. In some countries, the national procurement regulations dealing with approval of bids beyond a certain amount delay implementation, in spite of the Bank pro-actively trying to address the issue.

Even with a good budgetary procedures, strong management and fiduciary capacities at the central level and an experienced and well staff Project Implementation Unit (PIU), public projects can still encounter

implementation challenges due to the country's macro-economic situation. The evaluation did an analysis of appraisal and supervision documentation of some 20 projects in the five countries visited and found that in almost half of them, the appraisal documents did not clearly state whether the needed documentation was included in national budget at approval. Bank supervision reports indicate that this risk did indeed materialize in five of these nine projects. Interviews with key stakeholders during the country missions also highlighted this problem - especially in Cameroon, Kenya and Senegal. Potential budget caps set by macroeconomic stability policies are seldom considered during project designs. Task Managers shared with the evaluation team their difficulties to attract Bank senior management attention to pro-actively solve issues related to an inability to allocate counterpart resources in a timely manner, which requires high-level arbitration with national authorities.

Regulatory and institutional frameworks to compensate people affected by projects (PAPs)

Land acquisition and resettlement issues have been observed to be a recurring bottleneck in the implementation of big infrastructure public and private sector projects funded by the Bank. The evaluation interviewed the borrowers of 11 big infrastructure projects which

triggered the Bank's policy on resettlement/land compensation and found that this caused implementation challenges in most of them (7 of 11). Good practices identified are: i) the use of specialized teams at the PIU to negotiate and obtain the written consent from people affected, and ii) establishing a grievance mechanism to solve disagreements, for both category 1 and 2 projects. However, even when borrowers comply with the ESS requirements, challenges related to PAP compensation or relocation are not easily avoidable in complex settings such as densely populated areas⁴². In other cases, the country's institutional frameworks for compensation are complex and the implementation procedures used to channel resources to PAPs are too long to efficiently comply with the Bank's ESS requirements (see Box 3).

Bank's resources to address environmental and social issues are concentrated at the project level and are too limited to work upstream to improve and align RMC's frameworks, as recommended by best international practices. Helping borrowers and clients to strengthen their safeguards systems to develop the capacity to manage ES risks of projects is one of the goals of the ISS approved by the Bank at the end of 2013 and a trend of best international practices. The Bank's ESS procedures detail the requirements that borrowers should comply to: i) handle any involuntary resettlement or relocation and ii) provide compensation for the loss of assets

Box 3: Effects of the RMCs' institutional procedures related to land acquisition and resettlement on timeliness of Bank-funded infrastructure projects implementation

In the case of a hydroelectric project in Cameroon, including transmission and distribution lines, the national-led process to compensate the PAP, according to the applicable legislation, took more than two years. This process involved the creation of an inter-ministerial commission to identify and compensate PAPs, the issuance of the expropriation and compensation decree, the issuance of a payment decree and a regional decree to create a commission in charge of the payment. This was identified in Bank supervision reports as one of the main obstacles for the execution of works, despite the efforts of the Bank to speed up the process by placing a resource person in the Prime Minister's office. In addition, the long process from design to real compensation of PAP made it difficult to enforce cut-off dates (date of eligibility for indemnification or compensation) and added extra challenges to the realism of the compensation/resettlement budget included in the project design.

or source of income as the consequence of Bank-funded projects⁴³. These requirements are applied uniformly across all RMCs. The Bank conducted an analysis in 2015 about the equivalence of the legal frameworks of six countries in relation to the Bank's requirements, including Morocco and Cameroon. In relation to land acquisition and resettlement, both countries were rated as partially equivalent to Bank safeguards requirements.⁴⁴ Key informants identified two issues impeding the ability of SNSC to build on the findings of the 2015 study: i) the low staffing levels; and ii) the fact that specialists are mostly concentrated on the ES categorization and appraisal of individual projects. Other comparators, such as the WB, are helping countries to develop national ESS systems and to strengthen their national capacities to improve project efficiency implementation.

Borrowers' capacity to monitor and implement projects

The ability of borrowers to implement and monitor project progress greatly influences project performance, since the Bank's QA framework only supports them. The analysis of the performance monitoring framework of 45 public sector projects showed that most of them (75%) are satisfactory, although it varies greatly across projects. Some of the challenges confronted by borrowers are related to difficulties in recruiting (and retaining) M&E experts. The M&E and reporting capacities of clients for financial sector projects were found to be significantly worse than non-financial projects, according to the desk review of 22 private sector projects. The evaluation also found that interface with private sector clients has not been ideal in many projects, especially about helping clients on results reporting.

The existing QA tools do not assess these external factors systematically at approval

nor monitor their effects on project efficiency.

This jeopardizes the capacity of the Bank to identify the need to provide additional support for project preparation and implementation, both at the borrower/client level and in the country enabling environment. In addition, other institutional factors are important to ensure the optimal functioning of the QA system of the Bank. They are summarized in the following section.

Does the Bank possess an enabling environment for quality?

This section explores the findings on institutional factors which have facilitated or constrained the systematic implementation of the QA framework as designed; and which promote or jeopardize its institutionalization. They are related to the availability of financial resources to: i) improve the quality of operations, training and staffing; ii) the governance of the QA framework, including roles, responsibilities and data management; and iii) organizational culture and incentives. The organization has gone through two major events which may have also influenced the enabling environment to ensure quality of operations. On one hand, the Bank lost 7% of its staff from 2013 to 2018, partially because of the move of headquarters from Tunis to Abidjan⁴⁵. On the other hand, the ongoing changes of the DBDM since 2015 constitute a transition period where processes, reviewing entities and delegation of authority are being revised.

Financial resources, training, guidance and staffing

Resources for project preparation, supervision and completion

The evaluation found a limited use and availability of PPF at the Bank to promote project

readiness. The Bank has approved a smaller amount of preparation facilities (102.99 million UA between 2013–2017)⁴⁶ than the WB in the Africa region for a shorter period (131.4 million UA between end 2014 and end 2016)⁴⁷. Factors underpinning the relatively low level of utilization include: i) lack of awareness of the facilities by task managers; and ii) relatively limited availability of funds. Furthermore, stakeholders noted that the maximum allocation for the PPF is insufficient to prepare complex infrastructure projects.

Existing PPF and TA funds are not used strategically to complete key studies to build the Bank’s pipeline of projects or strengthen the capacity of countries and borrowers to prepare and implement projects, where necessary. Project preparation funds suffer from disbursement challenges due to administrative procedures, which are similar to those of projects. The PPF has faced challenges in implementing an efficient approval process, with long delays noted in preparing the letter of agreement.⁴⁸ Similarly, the evaluation found a very limited use of ESW to inform project preparation (only nine out of the sample of 85 investment projects approved from 2013–2017 refer to ESW).

For NSOs, TA has not been leveraged optimally to mitigate client governance risks. This practice is used widely across the Africa SME Program to strengthen the credit risk management processes and internal controls of borrowers. However, the funds for financial institutions to strengthen their governance systems and lending to SMEs has been very limited, as corroborated by investment officers. Furthermore, when TA has been provided to financial institutions prior to the disbursement of funds. Monitoring was found to focus on disbursement and delivery of reports rather than on how new skills, systems and policies are being applied. Other comparators such as IFC, assess the institutional governance of borrowers against

a maturity model and condition future financial support to key reforms.

The average leveraging of preparation funds has not been optimal in comparison to comparators. The WB is expanding the use of preparation facilities beyond the preparation of individual projects to address challenges related to country capacity for project preparation and pipeline development. Repayment provision were similarly altered to encourage the use of this facility by: i) allowing PPFs to be repaid under any ongoing loan; and ii) waiving repayment of PPFs that do not lead to a new project if the borrowing country faces a high risk of debt distress.

The evaluation found inconsistent and unreliable information about budgeting of preparation and supervision activities. Other comparators are using norms for preparation time and resources based on project complexity, country context, sector and financing mechanism. The lack of confirmed supervision cost estimates suggests a potential mismatch between resource needs and availability. Poor planning and coordination among supervision teams were also identified as issues for public sector operations during stakeholder consultations.

Training and staffing

In terms of capacity, interviews and survey respondents attest the inadequate and non-standardized training to support Task Managers and private sector officers to perform their role. Most of them consider that training is inadequate for project supervision and completion (54% and 63% respectively). This includes training on project management and on cross-cutting issues, such as ES⁴⁹. The Bank has recently recruited a large number of new staff, so the need for training is especially acute for them. Despite efforts to establish a “Task Manager Academy,” there is no formal mechanism to build the capacity of new and

existing staff to manage projects across the project cycle. However, initiatives have been implemented to mentor investment officers and improve the capacity of staff to prepare and manage NSO⁵⁰. SNOQ has also been providing some support to staff for improving QaE. The WB mandatory Task Manager Academy could be a source of inspiration to develop systematic training for staff, including the enforcement of the accreditation of task managers through the SAP system such that staff that are not accredited cannot be formally assigned to any project as a task manager.

Most of operations staff and individuals responsible for supporting the QA framework at the Bank claimed in interviews to be “overstretched” and unable to devote the necessary time to produce high quality work. The Bank counts with a high project/task manager ratio in comparison to similar organizations. While at the Bank a Task Manager is in charge of an average of 3.4 projects in 2017 (both for project preparation and supervision)⁵¹, the WB and IDB reported lower figures, between one and two projects per TM. There are significant variances in this average across sectors and regions, with some TM reporting to be managing up to 10 projects per year, and the majority 1–5⁵². Of the task managers who responded to IDEV’s survey of staff, 30% reported being responsible for more than 5 projects. This ratio increased from 2013, when it was 2.7 with the number of Task Managers has remaining flat, around 300, over the past five years. Management estimates that since 2010, Task Managers have prepared an average of 0.5 new projects each year. This entails a significant time constraint for staff and poses a risk to quality, both of their feedback in various QaE reviews and the proactive management of their own operations.

The evaluation corroborated the findings of the 2016 self-assessment “Review of AfDB’s NSO”⁵³ which identified inadequate numbers of investment officers as a factor

constraining the quality of preparation, including support for projected growth in private sector operations. The Bank reported an average of 2–3 operations per investment officer. The evaluation also found overstretched teams supervising many operations. Each portfolio officer is currently covering on average 9.5 projects, with a maximum of 15 projects per officer⁵⁴. Interviews also highlighted that the complexity of projects is not always aligned with the investment officer’s level of experience.

Stakeholder consultations highlighted a persistent missing link between investment officers which originate private sector projects and the portfolio officers in charge of their monitoring and supervision. The review of the supervision reports of 38 private projects noted frequent changes of portfolio officers. Interviewees highlighted that this often creates a communication gap with clients, especially due to deficient handing over processes between investment officers and portfolio officers, which mostly happen with delays. Recently, the Bank has introduced measures to address the discontinuity across the project cycle of NSO. Although it is too early for the evaluation to assess these recent changes, there is still room for improving the clarity in roles and responsibilities, quality checks and reporting lines between portfolio monitoring teams within the private sector front office and portfolio monitoring officers placed within the sector departments.

The number of staff of the QA ecosystem of the Bank supporting projects, such as risk and legal specialists, ADOA team, fiduciary staff and ESS experts, is also limited to match the growth of the portfolio. The availability of experts does not match the growth of portfolio. For instance, the ratio of the number of active projects to procurement specialists has increased from 20.5 in 2015 to 22.75 in 2017, according to Bank data. This was corroborated through comparator

interviews, which indicated that the Bank employs fewer permanent staff to perform these functions relative to comparators considering the number of projects approved each year.⁵⁵ Interviews with Bank fiduciary experts also highlight challenges to coordinate the time of supervision missions to ensure their participation.

For NSOs, there is a gap between the credit risk and legal functions such that cp recommended by the credit risk officer are not always reflected in the loan agreement. This gap is relevant to QaE given that the number of unmitigated credit risks is a significant predictor of negative outcomes. Credit risk officers are not always involved in the finalization of loan agreements or in the decision to waive conditions. It was not possible to confirm this finding through analysis of the project sample due to the lack of access to the Common Terms Agreement.

Reviewed interviews and documents suggest that the ESS support function at the Bank has been significantly under resourced and that staffing levels are lower than comparator organizations. While in 2013, there were 20 ESS staff, in 2017 this number was reduced to 15 (5 social and 10 environmental safeguards specialists). Interviews with comparators suggest that they operate with a higher number of specialists in this domain, with support of more external consultants and differentiated teams to address the ES risks of public and private sector operations⁵⁶. In addition, data about ES categorization of projects show that more ES risky projects (category 1 and 2) are entering the portfolio. Recent estimates of SNSC consider that some 72% of the ongoing portfolio is of high risk⁵⁷.

The share of operations' decentralized staff and the proportion of projects managed from country offices have increased, but they are not yet fully staffed and do not count with sufficient delegation of authority. The

decentralization of Bank activities to be closer to RMCs aims, among others, to improve the quality of supervision as practised by other comparator institutions. The share of operations' staff based in country offices and regional hubs increased from 39% in 2013 to 58% in 2017, according to a 2017 budget and performance review. Similarly, the proportion of projects managed from country offices has increased from 50% to 76% for the same period⁵⁸. Evidence from previous assessments⁵⁹, confirmed by interviews for this evaluation, shows that effective decentralization is constrained by inadequate delegation of authority and empowerment of the field offices. As of 2018, not all country offices have the required full staff to cover their portfolio and the required authority to manage certain portfolio implementation issues. The level of approval is still quite centralized at headquarters level, creating bottlenecks and delays in responding clients' requests. The new DAM approved in 2018 is expected to address this.

Governance issues affecting the effectiveness of the QA framework

Three key factors were identified as important to ensure the effectiveness of the QA processes: independence, contestability and verification. The Bank's current QA framework does not provide for an independent review of projects, especially for public sector operations. There is no clear guidance to ensure a broad participation of different parts of the organization to ensure quality of operations. Lastly, the accountability mechanisms to verify whether inputs provided are incorporated to improve operations are not fully effective.

The Bank does not have an independent group which provides feedback and advice on the quality of projects before approval as some comparators do (IFAD, WB and IDB)⁶⁰. SNOQ is just the custodian of quality standards⁶¹. The RR

was delegated to Country Program Officers and Country Economists in 2015, so the Bank no longer possesses a means through which independent feedback and advice is provided on the quality of operations. Several stakeholders noted that the quality and usefulness of the RR has diminished since this delegation occurred. Furthermore, 10% of Task Managers who responded to the survey identified the RR as the quality review mechanism that adds the most value to project preparation.

According to interviews, recent institutional changes may have diminished the independence and enforcement of ES dimensions in project designs during the RR. In 2016 the ESS function was centralized in the same department, that of the SNSC. Before that, specific ES teams in sector operations departments were in charge of ESS mainstreaming and due diligence (project ES categorization and review of the quality of ESA studies), while ORQR3 performed a compliance role. The fact that these two functions merged in SNSC may have diminished the compliance checks.

Stakeholders at comparator institutions emphasized the importance of “contestability” in terms of the extent to which actors who are not implicated in the preparation of a proposed operation participate in its review and approval. IFAD and IDB promote broad and cross-functional membership of decision meetings, including senior representatives from other thematic and sectoral divisions. For Bank projects, decision meeting reviews typically involve individuals working in the same country or sector as the proposed operation, unless a review by OpsCom is required. By contrast, the Bank approval process implemented prior to the introduction of PD 03/2013 included an Inter-Departmental Working Group with broad membership that was chaired by a Director from a separate department. This arrangement ensured a better level of contestability.

Task Managers are accountable for project supervision but the support they receive from other Bank staff within a multi-disciplinary team approach needs to be strengthened. According to the testimonies of some Task Managers, there are cases where there is an apparent lack of shared responsibility among the multi-disciplinary team involved in supervision missions. For instance, for public sector operations, the practice of collectively determining the IPR ratings is more an exception than the rule. In comparator organizations, fiduciary and ES experts complete the sections about these aspects in supervision reports and validate the rating of those dimensions⁶².

The support to supervision missions at the Bank is not comparable to that in similar organizations where “quality enhancement” processes have been instituted. Comparators have created platforms and made available supplementary budgets to help teams to collectively handle complex projects; providing dedicated experienced technical and fiduciary experts to support task managers in addressing challenges. IFAD’s Supervision Implementation Support team provides support for teams dealing with risky and complex projects. Similarly, the World Bank Agile initiative performs a similar function, but it is more-so limited to hand-holding support for complex projects and providing workable solutions from project approval based on risk profile.

Client engagement and credible reporting of results and lessons during completion are still weak and do not follow best practices. The preparation of PCRs should be undertaken by the borrower, with assistance of the Bank. Several interviewees indicated that they have externalized this to independent teams. Some comparators, such as the IDB, promote a better engagement with the borrower/client in a closing workshop with a draft PCR. This workshop is used for inputs and comments from government in order to finalise the document.



Across both sovereign and non-sovereign operations, the Bank lacks a systematic means of verifying that feedback on QaE is incorporated or addressed in a verifiable way. For instance, the evaluation found that less than half of the comments in various reviews are integrated or addressed in a verifiable way⁶³. Task Managers are required to submit a matrix or “Project Issues List” identifying how feedback from various review processes have been addressed prior to project clearance. However, the quality of the information provided in them is variable and it is unclear that their content is verified systematically. Currently, the Bank only verifies the inclusion of feedback for projects presented to OpsCom. This implicates only a small proportion of operations approved each year. Comparators have introduced processes to address this issue. At IFAD, the Quality Assurance Group conducts a desk review to ensure that all changes requested at decision meetings have been implemented prior to advising whether the operation should be cleared. At IDB, Task Leaders are required to submit an updated Proposal for Operation Development for a two-day no objection period subsequent to the Quality Risk Review meeting.

Quality control of IPRs shows gaps in relation to their review and validation by sector management. In the current Bank’s supervision system, the IPRs prepared after a field mission or desk review should be reviewed and approved by the line manager⁶⁴. Only 73% of the 358 IPRs that were examined by the evaluation were validated. The evaluation found that the highest percentage of IPRs validated by senior management are agriculture, social and transport operations. A review of a sample of supervision missions carried out from 2013 to 2017 for 83 public sector projects showed a decrease in the proportion of submitted IPRs that were approved by managers, from 77% to 45%, against a required standard of 100%. The evaluation found a deterioration on the quality control and the timely approval of the results of the supervision missions by management. In comparator organizations, country managers

check the validity of the justification provided in the report. Moreover, IDB has an independent review system integrated in their equivalent of IPR known as the Project Monitoring and Reporting, which requires validations at two levels to improve the candor and realism of reporting.

Interviewed stakeholders highlighted the limited effectiveness of remedial actions included in aide-memoires co-signed with government. Closer scrutiny of issues and recommendations by managers is recommended as a way to support task managers to address them timely. Stakeholders confirmed that the recent introduction of the Portfolio Flashlight and the Quality Assurance Dashboard are helpful tools in identifying problematic projects. Similarly, Country Portfolio Performance Reviews are overseen by senior management. The recent introduction of monthly Operations Supervision meetings have also been good steps to clean the portfolio. However, these tools should not replace the need to supervise individual projects and follow-up on critical issues⁶⁵.

Supervision of NSO has an additional layer of verification to support the portfolio officer, but reporting lines should be clarified. During implementation of NSOs, portfolio officers are supported by the credit risk team if necessary. Under previous procedures, PSRs were validated by portfolio leaders and by Bank sectors. Interviewees claim that during the current transition period, reporting lines are no longer clear. The evaluation found that the involvement of managers during NSO supervision is more reactive than pro-active, with excessive attention on flagged projects. In addition, interviewees pointed out a need to further involve origination teams in supervision, or at least inform them about the problems encountered during implementation.

Best practices adopted by comparator organizations advise to validate all supervision and completion reports and to disclose at least some sections to the general public, which has

not been systematically done at the AfDB. This is done by the WB, the IDB and IFAD as an incentive for senior management's verification to ensure that signed off versions are stored in a common data base. The 2016 implementation review of the the Bank's Disclosure and Access to Information (DAI) policy highlighted the need to ensure that countries fully comply with these obligations. The DAI includes the proactive disclosure of supervision or progress reports, aide memoires and PCR⁶⁶.

Incentives and organizational culture

Currently, KPIs are linked to approvals and disbursement, and create contradictory incentives for Bank staff as well as challenges to the quality of operations. Nearly all stakeholders noted the importance of incentives in ensuring the quality of projects, particularly with respect to results delivery. They noted that the existing KPIs favour approvals over quality designs and disbursement over achievement of DO and capturing key lessons. Responses from the staff survey indicate that 54% feel the Bank's KPIs give greater weight to project approval than to project supervision, while only 45% think that the Bank's organizational setting and incentives for staff are conducive to evidence-based reporting and credible scoring on project performance. All interviewed stakeholders noted considerable pressure to deliver projects to the Board to meet annual lending targets. This phenomenon results in an accumulation of projects slated for approval at the end of the calendar year, known as "bunching." The evaluation proved statistically that half of investment projects in the sample were approved in Q4 with significantly lower QaE and, therefore lower likelihood of achieving their outcomes⁶⁷.

Concerns were also expressed regarding the willingness of management to "send projects back" when deficits in quality are evident, especially for public sector operations. In total, 55% of Task Managers and 43% of CPOs

agreed that projects that do not demonstrate good QaE are not presented to the Board of Executive Directors. Task Managers for sovereign operations noted that it is rare for a project to be stopped prior to Board approval on the basis of QaE. By contrast, feedback from management and investment officers indicates that the Departmental Management Team (DMT) meeting is being leveraged effectively to filter projects with QaE challenges which are sometimes sent back for improvements in an estimated 30% of meetings.

The evaluation found a lack of incentives for NSOs to optimally assess and raise lessons from the Bank's contribution to private sector development. Interviewees suggested that this challenge arises from the relative emphasis placed on the bankability of NSO, rather than their development impact. Once an acceptable rating of potential development impact has been obtained, there is little incentive to further enrich the development argument and better articulate a project's contribution to more strategic private sector development impacts. The 2016 Bank self-assessment⁶⁸ identified lack of quality-based KPIs as a factor constraining the quality of preparation of private sector operations.

More emphasis is given to due diligence before project approval than to ensuring that ES mitigation measures are implemented effectively to prevent or compensate impacts. For instance, the Bank's corporate indicator in relation to ES is only focused on the inclusion of ES mitigation measures at appraisal⁶⁹. Similarly, the Annual Reports of ORQR (and SNSC) are mainly focused on ex-ante ES due diligence.⁷⁰

After having presented an assessment of the relevance of the current QA framework as well as the level of adherence to existing procedures and external/internal factors affecting the implementation of the system, the following section discusses the contribution of

QA processes on the achievement of project development results and organizational learning.

Effectiveness of the QA Framework

Following the Theory of Change included in Annex D, this section unpacks the plausible contribution of the Bank's Quality Framework across the project cycle to the achievement of development outcomes at project level as well as organizational learning. It firstly analyzes the evolution of project design quality of Bank approved projects and its linkage with the robustness of supervision reporting. It then assesses how well the Bank identifies risks at appraisal, including adequate mitigation measures, and how they are proactively managed during implementation. In addition, the contribution of due diligence to identify, avoid, minimise and mitigate or compensate adverse impacts on the environment and affected people is mainstreamed in this analysis.

The contribution of the QA framework to achievement of development results

Evolution of project QaE and robustness of reporting about development outcomes

Public sector operations

The QaE of investment projects and PBOs has not changed significantly over the evaluation period (2013–2017) despite a systematic application of the Quality Framework before project approval. This can be considered a good result when taking into consideration the extraordinary circumstances the Bank underwent during the evaluation period. Approximately half of the projects approved during this period met the IDEV evidence-based threshold at approval. However, statistical analysis indicated that there

is no significant relationship between the year of approval and the proportion of projects that meet this threshold⁷¹. This finding differs from the self-assessments done by the QA Division of the Bank which state that the quality of PARs has improved from 2011 to 2017 using the RR ratings⁷².

- I Although most of the 85 public investment projects approved from 2013 to 2017 are evaluable, they fail to meet best practice for economic analysis, implementation readiness and, in particular, risk management.** The desk review found stronger economic analysis for transport and power sector projects, which had consolidated guidance. However it was weaker for social sector projects which rarely conduct cost-effectiveness analysis to justify their design.
- I PBOs exhibit weaknesses in economic analysis and the identification of ES risks at entry.** The 35 PBOs analyzed by the QaE evaluation (approved from 2013 to 2017) did not include a General Economic Analysis of the proposed reforms, which is drastically different from best practices such as the IDB's DEM⁷³. Although such an analysis may not be meaningful for all ISPs and PBOs, it is considered relevant where reforms and activities result in recurring costs. Similarly, the evaluation found that only in two cases was a strategic ES assessment done for PBOs in the sample. The remaining were assumed to have no adverse ES impacts and were classed as category 3 projects. This does not adhere to ESS requirements and represents a missing opportunity to support countries to transition to green-growth paths through sector reforms promoted by PBOs.

The Bank self-assessment during completion (PCR) is overall satisfactory for the cohorts of 2014 and 2015, but challenges to ensure project sustainability are noted. The analysis of the most recent available cohort of PCRs

validated by IDEV (35 in 2014 and 55 in 2015)⁷⁴ shows an overall satisfactory rate of 63% for 2014 and 73% for 2015 (satisfactory quality according to Bank management). Project team members opined that closure activities do not adequately ensure that a flow of project benefits will be generated after Bank funding has been withdrawn.

The evaluation found a decrease of the disconnect rate between the self-assessment and the independent validation of PCR ratings for the available years, 2014–2015. The evaluation looked at two key areas: i) the extent of coverage of risks to sustainability during implementation and how they are finally reported at exit, and ii) the quality of self-reporting to ascertain the level of disconnect. The disconnect rate improved from 22.5% in 2014 to 14% in 2015. However, the target at the Bank is 10% and for peers is 5–10%. These findings need to be considered with caution because the sample is very small and data is missing for 2016 and 2017.

The indepth content review of the small evaluation sample of PCRs identified some key challenges in the justification and level of information provided to assess results and extract lessons. Only 14 of the 22 public sector projects of the sample which were completed during the period finalized a completion report by mid-2018, most of them are PBOs. Most PCRs identified risks but did not provide sufficient information about the mitigation efforts conducted during implementation. In three PCRs, risks identified in early stages were only noted at completion with references to how they should be considered, but there is no clear information if that was done.

Private sector operations

Non-sovereign operations were found to be less evaluable than both investment projects and PBOs. Particular challenges were noted with respect

to: i) supporting the development rationale for projects with qualitative and quantitative evidence; ii) establishing a coherent vertical logic between the project activities and impacts; and iii) identifying credible and meaningful indicators of the targeted development impacts. These weaknesses suggest that, although the potential development impact of a project is identified, NSOs are not designed to credibly and comprehensively measure their potential DO. The evaluation also found a weak level of alignment among the project development rationale and logical frameworks in PARs and the ADOA development outcomes. The finding is aligned with a recent analysis conducted by SNOQ which identified a lack of alignment between indicators identified in the ADOA, project logical frameworks and supervision tools.⁷⁵

Supervision and completion reporting is excessively focused on administrative and fiduciary issues, with lesser attention to development results. The absence of quality reporting dimensions makes difficult to track the quality of reporting across the portfolio. Some transactions have benefited from additional funds to support clients to improve reporting, but this has not been done systematically. Financial sector operations performed worse in terms of reporting on development outcomes than non-financial NSOs. The desk review and interviews pointed out that Line of Credit (LOC) projects continue to have challenges to collect key data for results-focused reporting. This issue was also highlighted by a recent review by the Bank on the Impact of LOC⁷⁶ as presented to the Board in 2018. The desk review of the small sample of projects with XSR available (12 of the 22 projects) shows unsatisfactory reporting in relation to the Bank's strategic objectives, DO (especially for financial operations), and lessons learned. However, the evaluation identified some good practices in terms of reporting of DO with strong evidence, going beyond the information provided in client's reports. The evaluation also identified one XSR of a LOC within the sample that had some analysis of the wider economic impacts of the project.

Management of risks across the project cycle

QA frameworks are meant to improve the identification and management of risks throughout the project cycle. During project appraisal the Bank identifies risks and proposes mitigation measures and monitoring arrangements that will act as an early warning system for implementation problems, ensuring that these challenges are addressed before they pose serious problems. Best practices identified consider that QaE entails comprehensive risk assessment, including identification of the likelihood and potential impact of identified risks which should inform an evidence-based risk monitoring and mitigation strategy⁷⁷. Mutual accountability between the Bank and its clients requires that the Bank helps the borrower to identify and resolve problems as they arise, involving all stakeholders with a role in project implementation. This entails not only Bank's staff and project executing agencies, but also government representatives and other country actors involved in key factors related to the country governance and regulatory context which could impact project preparation and implementation.

Public sector operations

There is a significant gap in relation to best practice with respect to risk management for sovereign projects at appraisal stages. In some of the project designs reviewed, the risks section was used to “dismiss” risks rather than identify means of managing them. Key weaknesses include the failure to: i) rate and prioritize risks on the basis of their likelihood and potential impact; ii) identify a course of action for treating risks, including “acceptance” where the risk is not under the influence of the project; iii) identify a strategy for managing risks that are linked to their underlying causes; and iv) identify clear indicators for monitoring and re-assessing risk. Currently, it cannot be determined how risk management contributes to project performance as

overall the quality of risk assessment at approval is consistently poor.

Disbursement, counterpart funding, procurement and financial management are the key factors affecting project implementation progress. Analysis of the performance criteria of the 357 IPRs prepared during 2012–2017 for the 83 public sector projects reviewed shows the following problems affecting project implementation: i) disbursement issues – 23% of the IPRs; ii) mobilization of counterpart funding – 18.5%; iii) procurement issues – 13%; and iv) financial management – 9%. In addition to these factors, delays in procurement (time elapse from submission of bidding documents for Bank's approval to contract) are also significant, ranging from 6.3 to 16.3 months, while the Bank's target is 8 months.

There is room for improvement in relation to effectively and timely addressing project implementation challenges. One of the main functions of project supervision is follow-up and proactive solution of issues identified in previous supervision missions. The overall perception of Bank staff about the usefulness of supervision for early identification of risks and issues is quite high (78% of respondents somewhat or strongly agreed). The desk review found that, although supervision reports rightly raise key implementation issues and assign remedial actions to responsible institutions or actors, a timeline to resolve them was not systematically indicated. Only 39 of the 45 public sector projects could be analyzed as having two or more consecutive years of supervision. Half of them show evidence of sufficient follow-up on recommendations from previous supervisions, according to the review of its 391 supervision reports during the evaluation report. Some of the factors explaining this low performance are related to the generic and non-actionable wording of recommendations. Therefore, there is room to maximize the function of project supervision as an early warning of implementation issues and its ability to address issues in a timely manner. Lastly, projects recently identified as problematic remain flagged for longer periods. While 39.8% of projects

remained flagged between 2015 and 2016, this percentage increased to 49.74% in the following years (2016–2017).

The projects' efficiency has improved in relation to project start-up delays, although the QaE evaluation found that time to first disbursement is not a strong predictor of overall implementation progress. A good design, including project readiness for implementation, along with project launching and supervision should decrease the time between approval to disbursement. The AfDB reports that in 2017, around 15 months of average time between approval to first disbursement, similar to other comparators such as the IDB (12.1) and IFAD(16.8). However, the portfolio of the WB in Africa (comprising only Sub-Saharan Africa) is more efficient in relation to this indicator (9.4 months). None-the-less, the time to first disbursement has decreased significantly over 2013–2016. While it was 17.57 months on average for projects approved in 2013, it decreased to 12 months for projects approved in 2015 and 2016.

Private sector operations

The management of project risks and the capacity of design and supervision to mitigate projects risks is low. Most (70%) of the 50 NSOs reviewed at QaE were found to carry at least one credit risk that: i) was not addressed at the time of approval; ii) was not identified as being mitigated by other considerations or actions; and iii) for which no relevant cp for Signature or Disbursement was proposed. With respect to negative outcomes, project finance and corporate loans were more likely to experience delays to signature and disbursement relative to lines of credit. In contrast, project finance, corporate loans and lines of credit were equally likely to be either watch-listed or deemed a risk for non-repayment (identified as jeopardy/joint venture or impaired). For LOC, the presence of

unmitigated risks related to operating ratios as well as institutional governance was a significant predictor of potential loss⁷⁸. Comparators such as IFC and IDB Invest now have corporate governance teams to proactively address these issues, following the DFI Working Group on Corporate Governance.

The majority of recommendations of supervision missions are not sufficiently actionable. The desk review of 22 projects found that most of the follow-up actions and supervision recommendations are only vaguely described, are not time bound and comprehensive in most of cases (for 12 projects).

Data from comparators about projects' efficiency was difficult to obtain, but shows similar figures, for those available. While the average time from approval to effectiveness for the AfDB private portfolio is 13.5 months, IDB Invest reports 9.8 months. IFC figures could not be accessed.

The performance of the portfolio in terms of Non-performing Loans remains low. The evaluation did not perform an analysis of the non-performing loans of the sample, but the average for the Bank remains low (2.1% in Q3 2013 and 7.6% in Q4 2016)⁷⁹. The most recent figure (2017) is 4.5%, below that of comparators (5.4% for IFC, 5.5% for EBRD, and 6% for IDB-ILC).

Managing Environmental and Social safeguards risks and reporting effectiveness of ES mitigation measures

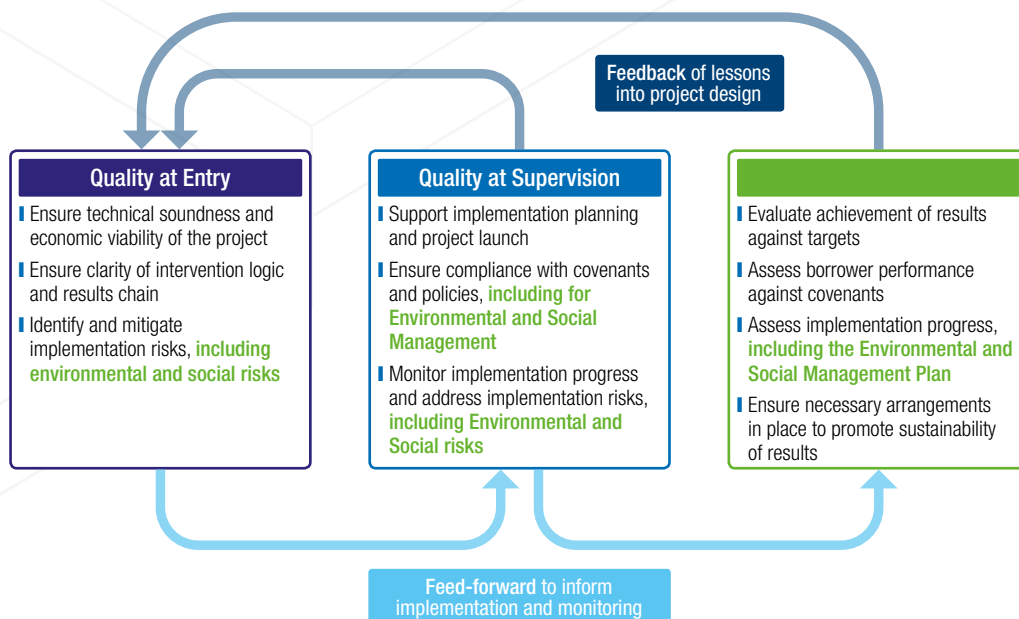
The identification of ES impacts and appropriate mitigation measures at appraisal and the quality of reporting about ES risks in supervision and completion reports follows the usual practice of other comparators: stronger at appraisal, weaker during implementation and completion. This affects both public and private sector projects:

- From a sub-sample of 24 category 1 and 2 public sector projects with supervision reports available, only five fully justified the high satisfactory ES rating in the IPRs. The ES supervision rating measures to what extent the environmental and/or social mitigation measures agreed with the borrower at appraisal are successfully and timely implemented, according to the Environmental and Social Management Plan⁸⁰. All of these five projects are power and transport sector projects⁸¹. Three additional transport projects show good candor but a low ES rating, which constitutes good practice in terms of ES risk management (identification of issues to propose corrective measures).
- The majority of the supervision reports of the 15 project entailing compensation or resettlement components in the sample

claim a satisfactory or partially satisfactory advance of the Resettlement Action Plan (RAP), but the information provided is too limited to assess the real implementation on the ground and subsequent results on people's livelihoods⁸². This echoes the findings of an AfDB 2015 study which reviewed 69 projects with resettlement components (2005–2015) and found that the Bank and other implementing agencies have inadequate capacity to monitor RAPs.

- The ES specific information in supervision aide-memoires is still very limited in the sample of category 1 and 2 public sector projects reviewed. Out of 29 aide-memoires found, only 2 included a stand-alone ESS annex. This is in line with the findings of an ORQR compliance audit (2014) which found that ES aspects are not being systematically

Figure 1: Feedback and feed-forward processes across the project cycle



Source: Elaborated by the evaluation team during the inception phase

reviewed during supervision and are not part of aide-memoires, except when a potential high corporate risk materializes⁸³. The Independent Review Mechanism Annual Report 2017 noted that Bank Supervision Reports and BTOR on ES aspects of projects are either brief or prepared without due diligence, and in a few cases are inconsistent with actual project activities on the ground.

I Supervision reports contain limited information on ES aspects of non-financial private sector operations (category 1 and 2) and operations channeled through financial intermediaries or corporate loans (category 4 projects). According to interviews, the ES assessment procedures are currently being reviewed to strengthen the guidelines to manage ES risks of private sector operations. Limited information was found even for the few cases of category 4 projects where compliance with Bank's ESS procedures is included in the results-based logframe of the PAR (number sub-borrowers fully compliant with Environmental requirements and with environmental monitoring systems). IDEV will explore the ES compliance of lines of credit through a case study in the forthcoming stand-alone evaluation of the ISS. According to interviews, the ES assessment procedures are currently being reviewed to strengthen guidelines to manage ES risks in private sector operations.

The contribution of the Bank's QA framework to promoting learning across the Bank

The QA chain plays a critical role in continuous improvement of the Bank's portfolio through feedback loops. Information generated at each phase of the project cycle should inform design and implementation of new and ongoing operations. Furthermore, "feed-forward" learning processes occur when risks and monitoring

arrangements identified at the design influence supervision activities (See Figure 1).

The evaluation and recent Bank self-assessments recognise that capturing and sharing learning is still a challenge. At a project level, the reporting system in place for public sector projects provides room for capturing learning: i) PARs include the incorporation of lessons learnt, ii) IPRs concluding sections deal with "lessons learned during implementation", and iii) the PCRs requires the identification of lessons for relevance, effectiveness, efficiency and sustainability. The PCR, as a self-evaluation report, is particularly key for the feedback of lessons since it "helps the Bank to account for its investments and collect experiences and lessons from completed operations to inform new programming". This requires that lessons are categorised to inform the specificity and the context in which they occurred. However, the quality and usability of those lessons in key documents across the project cycle is assessed by this evaluation as low, as previous assessments noted.⁸⁴

I PAR does not often capture essential lessons learnt from past operations, either in the sector, the country or in similar operations of other partners. The most common source of lessons learned are previous projects or phases, while Independent Evaluations and Bank ESW are cited far less frequently (24% and 12% respectively for a sub-sample of 25 sovereign operations reviewed)..

I Quality assurance activities at completion do not adequately focus on capturing relevant lessons which could be potentially useful and accessible to formally inform new operations. The content analysis of the small sample of available completion reports (14 PCRs) found that the evidence provided

about the lessons is weak and the lessons are often inapplicable or too general to be used. Stakeholders interviewed acknowledged that the Bank does not devote sufficient time and attention to identifying lessons learned and

make them available in a usable way. Most Task Managers raised concerns about the ability of PCRs to generate relevant knowledge and to facilitate the integration of lessons into the designs of new projects. ■



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Conclusions and Recommendations

Conclusions

Conclusions applicable to both public and private sector operations

- The Bank's current system of QA is assessed as relevant and aligned to best practices but lacks an integrated data system for managing operations across the project cycle, limiting the extent to which these data can be used to inform strategic decisions.
- The Bank's current QA framework at entry presents gaps in relation to key factors identified as best practices to ensure the effectiveness of the QA processes: independence, contestability and verification. It does not have an independent group that provides feedback and advice on the quality of projects before approval as some comparators do. In addition, there is no clear guidance to ensure a broad participation of different parts of the organization to ensure quality of operations, including those not implicated. Across both sovereign and non-sovereign operations, the Bank lacks a systematic means of verifying that feedback is incorporated or addressed in a verifiable way.
- The current supervision framework of public and private sector operations remains relevant and useful thanks to recent reforms and enhanced efforts from management. Improvements in portfolio monitoring and actions to further engage senior management are improving the efficiency of operations, but attention to project-related issues during monitoring and supervision is crucial.
- The Bank has a high project per Task Manager ratio for both public and private sector operations and does not have adequate nor standardized training to support Task Managers in the performance of their role. The number of QA ecosystem staff supporting Bank projects, such as risk and legal specialists, ADOA team, fiduciary staff, ESS experts are also limited to match the growth of the portfolio.
- The Bank's requirements with respect to assessing and managing ES risks across the project cycle have been further clarified with the new ISS, but are still too concentrated in due diligence before approval. The quality of reporting about ES risks in supervision and completion reports presents some deficiencies which include: i) weak justification of IPR ES ratings; ii) limited information in supervision reports about the results of resettlement and compensation plans over people affected by Bank-funded projects; and iii) scant ES information in aide-memoires and private-sector supervision reports reviewed.
- The evaluation found a good level of compliance within the sample of public and private projects in relation to the disclosure requirements of ESA studies before Board approval. However, this analysis was hampered due to the lack of signed-off dated versions of most of them. The Integrated ITST is not yet fully operational.
- Land acquisition and resettlement issues have been observed to be a recurring bottleneck in the implementation of big infrastructure public and private sector projects funded by the Bank. In some cases, even when borrowers

comply with the ESS requirements, challenges related to compensation or relocation are not easily avoidable in complex settings such as densely populated areas. The Bank has not been active in helping countries to improve their institutional frameworks and procedures for land compensation, as best practices advise.

- KPIs at the Bank are mostly linked to approvals and disbursement. This creates contradictory incentives for Bank staff, favoring approvals over quality designs and disbursement over achievement of DO and capturing key lessons to improve future interventions.

Conclusions for public sector operations

- The Bank's project QA framework both at entry and during implementation does not differentiate among projects based on risk, with potential implications for resource allocation.
- Some review tools before Board approval, such as the peer review and the country team meetings, present gaps in terms of the desired qualifications and experience of peer reviewers and issues to be addressed with respect to project design.
- PBOs are assumed not to have any adverse ES impacts (classed as category 3 projects). This is a missed opportunity to support countries to transition to green-growth paths through sector reforms.
- Evaluability and implementation readiness are significant predictors of public investment project performance, when IDEV-constructed best practice standard is applied. These factors are currently averaged in the existing Bank's RR with other dimensions.
- The Bank does not explicitly consider country factors that influence the relationship between

QaE and implementation progress during preparation and appraisal of projects.

- The evaluation found an overall good level of compliance which is stronger at project pre-approval. Some areas for identified improvement are: i) the preparation of project briefs; ii) the use of project launching; and iii) Mid-Term Review missions.
- The Bank has undertaken important steps to reinforce the supervision system, especially at the portfolio level, however additional efforts are needed to strengthen project-level supervision, which should be more proactive. The current supervision tools are not wholly adapted to the different types of interventions and implementation contexts.
- In relation to supervision missions, the expected frequency, team composition and timely submission of reports proved to be challenging to be met with the current levels of staffing in some instances. However, the frequency of supervision of problematic projects increased during the period.
- When the IDEV best practice tool was applied, the QaE of investment projects and PBOs did not change significantly over the evaluation period (2013-2017); This is considered a good result in light of the extraordinary circumstances through which the Bank underwent during this period.
- Completion reports, and their validation by IDEV, are delayed. The limited data available shows that the self-assessment of Bank projects during completion (PCR) is satisfactory and the disconnect with the independent validation has improved.

Conclusions for private sector operations

- Project preparation and approval process does not differentiate on the basis of risk or use TA to mitigation key risks.

- The Bank's practices for selecting and appraising private sector operations are aligned with those of comparators, but could be strengthened, emphasizing the evaluability analysis of projects.
- Non-sovereign operations were found to be less evaluable than both investment projects and PBOs. This has implications as to the credible measure of their potential and actual development outcomes.
- The risk-based approach to supervision is assessed as relevant to its context and well aligned with comparators. However, the decision points and timeline of problematic projects could be better defined.
- Some dimensions which performed well during the period are the frequency of missions and the composition of the missions (team approach), although environmental and social specialists could be more proactively associated to prevent reputational risks.
- Supervision reporting is focused on administrative and fiduciary issues, with lesser attention to development results. Financial sector operations performed worse in terms of reporting on DO than non-financial NSOs.
- The management of project risks throughout the project cycle is rated low according to the desk validation of the sample of projects reviewed at entry and the Bank's supervision documents.
- Data about XSRs were very scant, but challenges related to the timing when an XSR is done — in order to be able to capture development outcomes — were identified. The evaluation also raised some good practices in terms of reporting of DO at completion. Validation of XSRs have not been undertaken by IDEV for the past 4 years.

Recommendations

Recommendation 1 – The quality assurance review process: Increase the effectiveness and efficiency of the quality review process by:

- Identifying approval 'tracks' to differentiate among operations on the basis of risk;
- Reducing the number of steps that are sequential, in favor of a single meeting in which all QA inputs are considered before project approval;
- Providing Task Managers with more systematic quality enhancement support, particularly for projects that fail to meet quality standards;
- Identifying and allocating the required resources along the preparation and supervision "ecosystem" to support the effectiveness of review processes.

Recommendation 2 – Business development: Increase the use of project preparation facilities to promote project quality at entry by:

- Ensuring staff are sensitized and encouraged to use these funds to support the identification and implementation of the IOP, including ESW.
- Increasing the total funds and maximum allocation for the PPF, MIC-TAF⁸⁵ and other sources of funds
- Diversifying the approved use of preparation facilities to reduce transaction costs and address systemic constraints to project preparation.

Recommendation 3 – Planning and budgeting: Strengthen the Bank's IOP and resource allocation for project preparation and supervision by:

- Enforcing the project brief and enhancing its content, including clear criteria for the inclusion of projects in the preparation pipeline and

allocation of resources (time and budget) for preparation;

- Developing an integrated and automated management information system across the project cycle to foster accountability and to improve access to data to inform strategic decisions.

Recommendation 4 – The review tools at entry: Enhance the relevance and effectiveness of the Readiness Review and Peer Review by:

- Adjusting the content of the Readiness Review to reflect evaluability, economic analysis, implementation readiness and risk management;
- Increasing the independence of the Readiness Review and Peer Review by mandating an ‘arms-length’ unit to coordinate both processes;
- Developing detailed terms of reference and selection criteria for technical peer reviewers.

Recommendation 5 – Quality of NSOs: Identify a framework for reinforcing the evaluability of non-sovereign operations by:

- Assessing the evaluability of NSOs in addition to their potential development outcomes, including the identification of a clear and substantiated intervention logic and credible performance measures;
- Identifying a quality enhancement mechanism to strengthen the development rationale and intervention logic of NSOs, particularly for projects demonstrating weak evaluability.

Recommendation 6 – Credit risk of NSOs: Strengthen mechanisms for verifying the mitigation of credit risks for non-sovereign operations by:

- Implementing a readiness filter for project finance and corporate loans to provide good

practice guidance to investment officers and inform the review process;

- Reinforcing the role of credit risk officers in ensuring that key risks are adequately addressed and enforced in loan agreements.

Recommendation 7 – Corporate governance risk of NSOs: Increase emphasis on corporate governance risks among non-sovereign operations by:

- Re-engaging with the Development Finance Institutions Working Group on Corporate Governance and provide training to investment officers on corporate governance issues;
- Identifying TA Funds devoted to corporate governance issues for NSOs, particularly for operations involving lower-tier banks;
- Leveraging TA more systematically to mitigate corporate governance risks prior to disbursement of a loan and monitoring performance on the basis of changes in behavior.

Recommendation 8 – Counterpart readiness: Improve RMC readiness and capacity for Public Investment Management by:

- Identifying RMC capacity deficits during project identification, with mechanisms for providing additional support as required throughout the project cycle;
- Identifying countries where counterpart readiness is a consistent obstacle to project design and implementation and offer programs of support to address these constraints and complement development of the Indicative Operational Programme.

Recommendation 9 – Proactive project management: Improve management of risks and project performance by:

- Ensuring alignment of project level supervision with portfolio monitoring to provide appropriate support to problematic projects, and address challenges in the implementation and achievement of results of operations.
- For public sector operations, promoting a proactive approach to project supervision according to the project type and risk exposure established at pre-implementation stage.
- Specifically for private sector operations, strengthening project supervision with special missions to monitor outcome reporting over the lifecycle of the project;
- Reviewing the PCR through formal validation meetings in order to create a space for contestability and clear articulation of lessons.

Recommendation 10 – Compliance with Bank’s rules: Ensure adherence with quality standards for supervision and completion:

- Reinforce quality control mechanisms for project supervision reporting and follow-up;
- Establish clear guidance and performance criteria for project supervision including differentiation by operation type and country and risk profiles;
- Undertake selective post-completion field missions to strengthen the value addition of IDEV’s Validation Notes and the credibility of results;
- Establish clear guidance and performance criteria for monitoring and supervision practices within the Bank’s Regional Offices and across the respective Country Offices;
- Adopt early planning of project completion through the last supervision mission to

ensure appropriate resourcing and improved performance;

- Streamline supervision reporting tools to reduce duplication of content, number of required reporting and ensure differentiation by operation type to maximize usefulness;
- Strengthen the project-supervision instruments to improve development outcomes reporting with special missions within the lifecycle of the project.

Recommendation 11 – Staffing and training: Enhance the capacity of staff to manage projects effectively by:

- Introducing a comprehensive and mandatory training program for all task managers;
- Identifying benchmarks for the number of projects per task manager and allocating resources appropriately. These benchmarks should reflect the different workloads associated with the preparation and supervision of operations.

Recommendation 12 – Incentives: Strengthen incentives for portfolio quality by:

- Identifying meaningful indicators of quality at entry with a demonstrated relationship to project implementation progress and monitor these indicators over time;
- Including indicators of quality at entry and pipeline development among the Bank’s corporate Key Performance Indicators (KPIs);
- Establishing measures to link indicators of QA for supervision with the performance assessment of Task Managers and managers. ■



Annex A — QA Framework Across the Project Cycle

Operations funded by the Bank in RMCs follow a process referred to as “the Project Cycle,” which represents a continuous management process implemented over the lifecycle consisting of seven phases: programming, identification, preparation, appraisal, approval, implementation and completion.

The QA review framework across the project cycle can be summarized as:

- At entry, the QA framework entails various due diligence reviews to ensure each project meets a minimum standard of design quality and readiness when it enters the Bank’s portfolio in relation to: i) strategic alignment and project selectivity, ii) good design quality — including technical, economic and financial viability of the investment, evaluability of project outcomes and realism of the intervention logic; and iii) readiness for implementation — including realistic implementation arrangements, anticipated procurement requirements, fewer cp, readiness for management of environmental and social risks⁸⁶. Therefore, **QaE is a state of preparedness that makes a project likely to be implemented efficiently and likely to achieve its intended development outcomes.**
- During implementation, the Bank performs regular supervision or implementation monitoring to ensure i) timely project implementation; ii) management of implementation challenges and risks – development risks, operational, compliance and fiduciary risks; iii) reporting of progress towards the achievement of expected outcomes; and iv) raising lessons learned from project implementation. **QoS is considered in this context as the extent to which the Bank proactively identifies and resolves threats to the achievement of project development outcomes as well as reports on the compliance of rules, procedures and achievement of results through field and desk supervision and project implementation backstopping.** Two key instruments are used for Bank’s implementation monitoring: project and portfolio supervision. Although this evaluation focuses on the former, the implications over the project cycle of the latter are also referred to, where relevant⁸⁷.
- Completion starts with preparation for closing project activities and the production of a self-evaluation project completion report which should be focused on results and the collection of experiences and lessons to inform new programming. The Bank’s guidelines for quality-at-exit emphasize the need to address sustainability issues related to financing, maintenance and institutional responsibilities.

QA Framework for Public Sector Operations

QaE of public sector operations

Table A.1: Project Preparation Milestones for Public Sector Operations

| Public Sector Operations | | |
|--------------------------|--------------------------|--|
| Project Cycle Stage | Milestone | Quality Review Tool |
| Identification | Project Brief | None |
| Preparation | Project Concept Note | Peer Review Readiness Review Country Team Review |
| Appraisal | Project Appraisal Report | Peer Review Readiness Review Country Team Review |

The Peer Review constitutes the first formal round of reviews for the PCN and the PAR outside of the originating department. It is expected that peer reviewers are formally selected by Regional or Sector Managers based on their experience and are tasked with providing feedback on the technical design quality of a proposed operation in the context of a specific sector.

The Readiness Review (RR) is a tool to identify and address project quality issues during project preparation. At the PCN stage, the RR serves as a filter for determining whether a project is ready for appraisal or whether additional information should be collected before the project proceeds to the next stage of the project cycle. At the appraisal stage, the RR is conducted again in greater detail to determine whether a proposed operation is ready to be presented to the Board for approval. In 2013, the RR was updated⁸⁸ and placed more emphasis on problem analysis, quality of the results chain, integration of lessons learned, fiduciary aspects and readiness for implementation. The rating scale was modified from a 6-point scale to a 4-point scale in order to be consistent with other project reporting tools implemented throughout the Bank. Furthermore, the RR was decentralized and is now completed by trained “RR focal points” (typically Country Program Officers in the Bank’s regional offices). All dimensions are assessed by the RR focal point with the exception of: i) the fiduciary criteria – assessed by the front office of the Procurement and Fiduciary Services Department; ii) gender equality criteria, assessed by the Bank’s gender division; and iii) environmental and social safeguards criteria reviewed by the Bank’s Compliance and Safeguards Division.

The Country Team Review is a key element of quality assurance for all Bank operations, constituting the final filter before Management and Board clearance. Under PD 03/2013, Operations valued at less than UA 20 million may be cleared for Board Submission by the Country Team. The main objectives of the Country Team Review are to: i) ensure that operations are consistent with the policies and priorities of the Bank and RMCs; and ii) ensure the quality of operations documents. In particular, the country team discusses the feedback provided across the different review mechanisms and how these issues have been addressed.

Quality of supervision of public sector operations

A project launching mission is undertaken shortly after loan signature. It aims at familiarizing and training the project implementing agency staff with Bank implementation procedures. The mission requires a multi-

disciplinary team to address all different aspects of the implementation procedures. The team normally includes the Task Manager, fiduciary experts, disbursement officer, environmental and social safeguards experts.

Desk supervision is a day to day activity taken by the Task Manager on the project in order to maintain constant contact with the borrower/client. It consists of the review of periodic reports and responding to queries from project executing agencies, borrower and review of progress reports prepared by borrower/client.

The supervision missions produce the back to office reports (BTOR) and Implementation Project Reports (IPR). IPR were introduced in 2011 to establish linkages to projects results-based logical frameworks and improve risk management and action orientation. It became mandatory for all public sector operations from 2013 onwards.

Specialised supervision missions: As part of the Bank's commitment to enhance implementation quality, special missions are undertaken by key functions of the Bank to address risky projects or major issues in implementation. These missions are also focused on enhancing capacity of the borrower to meet all requirements. These missions include disbursement missions, audit and financial management missions, environmental and safeguards missions among other relevant ones depending on the need.

Mid-term Reviews (MTR) assess progress and allow the Bank and borrowers to take concrete decisions to improve the likelihood of a project achieving its results or where major changes are required to bring the operation on track towards development objectives. MTRs entail a thorough, in-depth supervision which covers all aspects of project activities. MTR can lead to: i) project reformulation -changes in project design or scope, ii) disbursement cancellation or suspension of one or more loan components until satisfactory compliance is achieved, or iii) loan cancellation – is it is decided that the loan does no longer respond to national priorities or implementation is severely hampered by circumstances beyond workable resolutions.

Quality at exit of public sector operations

The Bank's Operations Manual (2014 draft) details three steps to ensure quality-at-exit of public sector operations: the PCR preparation, the review process and the IDEV validation.

The PCR must be prepared within 6 months from the date a project reaches 98% cumulative disbursement rate or when it is substantially completed. The PCR preparation can be initiated as soon as a project has disbursed 85% of its resources. For Program-based Operations (PBOs), a full PCR is prepared upon completion of the entire program. The PCR mission entails the consultation of the executing agencies and other stakeholders. The review and clearance process of the PCR is the following:

- **Clearance by the sector manager:** this happens after the completion of the first draft within ten working days before submission to peer reviewers.
- **Peer reviewing:** The draft PCR is sent to peer reviewers. The guidelines require that at least one peer reviewer is preferably located in a field office or has had previous field experience.

I Country/Regional Team Clearance: The Sector Manager sends the document to the Regional Director for clearance, following a formal or virtual meeting. The revised document is submitted to the Regional Director for final clearance.

Posting and Distribution: After translation, the PCR is posted and timeliness is assessed on the basis of the date of reception by e-mail. The General Secretariat puts the PCR in both languages in the internal Bank database and distributes a copy to the Board for information.

IDEV review of PCR: this includes the review of the quality of each PCR produced by the Bank. The review of PCRs results in a “PCR Evaluation Note” that assesses the objectivity of the performance ratings, the pertinence of lessons/recommendations, and provides a general quality assessment.

QA Framework for Private Sector Operations

QaE of private sector operations

Table A.2: Project Preparation Milestones for Private Sector Operations

| Private Sector Operations | | |
|---------------------------|--------------------------|---|
| Project Cycle Stage | Milestone | Quality Review Tool |
| Identification | Project Evaluation Note | DMT/DCC Review |
| Preparation | Project Concept Note | ADOA Summary Credit Note DMT/DCC Review |
| Appraisal | Project Appraisal Report | ADOA Summary Credit Note DMT/DCC Review |

Three primary quality review mechanisms are applied to the Bank’s Private Sector Operations across the project cycle: i) **the Additionality and Development Outcomes Assessment (ADOA)**; ii) **the Summary Credit Note (SCN)**; and iii) **the Departmental Management Team Review** (now the DCC). The objectives and structure of these reviews are described in the sections below.

The ADOA was introduced in 2008 as a framework for the ex-ante assessment of potential additionality and development outcomes for private sector operations.⁸⁹ The ADOA methodology was subsequently revised in 2014 to: i) strengthen alignment with the priorities of the Ten-Year Strategy; ii) harmonize the indicators used among other IFIs, and iii) increase transparency of the weights and rating methodology. The ADOA assesses the additionality and potential contribution to development outcomes over the economic life of a private sector operation. The “economic life” of an operation differs depending on the type of investment. For infrastructure projects, this period represents the construction and operation of the investment. For projects involving financial intermediaries, including lines of credit and equity investments, this period reflects the period for which the funds are used by the intermediary.

The Summary Credit Note (SCN) plays a particularly important role in the approval of private sector operations by providing an indication of the commercial viability of the operation as well as its potential credit and implementation risks. The SCN includes a preliminary risk assessment of the project conducted by the credit risk officer and provides a preliminary risk rating for discussions by the project appraisal team. The credit risk process begins when the Project

Evaluation Note is approved. First, a high-level review is conducted to ensure that the transaction would comply with the Bank's exposure limits if approved. When the PCN is prepared, the credit officer will conduct a preliminary evaluation that captures the key risks inherent in the project, including a preliminary rating. The preliminary risk rating is reviewed and adjusted as necessary during the project appraisal process until a final rating is confirmed by the Internal Rating Committee and the Credit Risk Committee. This rating is then provided alongside the PAR for the subsequent approval by management and the Board.

The Departmental Management Team/Deal Clearance Committee (DMT/DCC) is responsible for overseeing the Bank's pipeline of projects, ensuring that all proposed transactions are sound and consistent with departmental objectives.⁹⁰ The DMT/DCC includes all departmental managers for private sector operations and is chaired by the departmental Director. The Director may call upon any other member of department staff based upon the specificity of the project and the skill-mix/knowledge of the concerned staff member. The DMT/DCC may also call upon staff from other sector departments to provide specific expertise as required. On this basis, the DMT/DCC is responsible for review and clearance of key milestones, including the PEN, PCN and PAR.

The Country Team Review is a key element of quality assurance for all Bank operations, constituting the final filter before Management and Board clearance. Under PD 03/2013, operations valued at less than UA 20 million may be cleared for Board Submission by the Country Team. The main objectives of the Country Team Review are to: i) ensure that operations are consistent with the policies and priorities of the Bank and RMCs; and ii) ensure the quality of operations documents. In particular, the country team discusses the feedback provided across the different review mechanisms and how these issues have been addressed.

The Country Team meeting is chaired by the Regional Director or Country Manager, with the Country Program Officer serving as secretary, with other members to be selected by the Country Manager in consultation with the Sector Director. Country Team meeting attendance is mandatory for the Lead Economist, Lead Experts, and representatives for legal, policy, procurement and finance matters.

The minutes from Country Team meetings are published and considered at subsequent levels of review, including the Sector Vice President, who can clear operations between 20 and 100 million UA, and OpsCom, which clears operations of 100 million UA and above, all operations identified as ES Safeguards category 1 with respect to environmental and social issues and projects involving potential reputational risk.

Quality of supervision of private sector operations

Reporting from Investee Companies: This involves project specific reporting obligations of clients including quarterly financial reports, annual audited accounts, submission of insurance certificates at each reporting year and reports on environment and social compliance validated by the borrower.

Reviews of client reports: This tool requires a systematic tracking of and follow up on receipt of expected reporting from clients. It requires the use of a client reporting requirement letter as a checklist on quarterly monitoring as to what reports are due and when they are actually received. The instrument equally ensures a review of these reporting and the identification of emerging problems.

Lender's technical advisor's reporting for specific operations i.e. large and complex operations such as innovative technology energy projects, mining projects, big projects (with values of over 500 million dollars etc.). For such

investment projects, the client is required to engage a specialized technical team to undertake project site supervision and progress reporting.

With respect to reporting, the private sector also has specificities which differ from public sector operations and also with the type of operation, depending on if the operation is a financial or non- financial/investments operation. On the other hand, a private sector template places more emphasis on financial, profitability, investee sustainability and less on capturing development outcomes.

Supervision missions are required, as per Bank rules, to be undertaken twice a year for problematic projects and at least once a year on ordinary operations. Private sector portfolio monitoring and supervision adopts a risk-based approach in line with good practices in other Multilateral Development Banks. This approach is intended to address resource constraints while fostering quality in portfolio management. The supervision missions produces the BTOR and supervision reports (PSR) that feeds into annual supervision reports (ASR) for portfolio review exercises as part of portfolio supervision.

Quality at exit of private sector operations

The main tools used for private sector operations at exit include the following: the **Extended Supervision Report (XSR)**. Another important output is the project close-out report which confirms that all the client's obligation in respect of the facility have been met.

The **XSR** is the main output of the exit stage for private sector operations. The XSR provides an assessment of the extent to which the project objectives have been met and the development outcomes achieved. According to the private sector business manual⁹¹, the XSR starts upon the confirmation of the project's early operating maturity. The definition of completion varies from one project to another, however relates to the completion of construction, the full disbursement of funds under financing agreements, the reaching of specific milestones - such as output, and revenue thresholds.

The different steps to ensure quality-at-exit for private sector projects are detailed in Bank guidelines for XSR⁹² and summarized below:

- The **review of all the project documentation** from inception to the date of XSR and field research and analysis. The XSR draft should be finalized including assigned ratings and the rational for each rating.
- The **draft XSR is discussed** within the Bank's Private Sector Department, with country team and optionally with IDEV. Comments should be limited to highlighting any apparent evaluative gaps or misinterpretation of the XSR guidelines.
- **Clearance of the finalized XSR** by the Director of the Private Sector Department and transmission to OpsCom or Investment committee for information. It is also sent to IDEV for an independent assessment of the ratings and the preparation of a review note.
- **IDEV reviews the XSR** to assess conformity with XSR guidelines as well as the objectivity of its performance ratings, findings and lessons learned. IDEV's review note are discussed with the Private Sector Department before finalization, especially when there are different performance ratings and lessons learned.
- **IDEV forwards the review note together with the XSR** to the Board Committee and Operations and Development Effectiveness (CODE) for information.

Annex B – Environmental and Social Safeguards Requirements Across the Cycle

The Bank updated its Safeguards System in 2013 following extensive consultation. The Integrated Safeguards System (ISS) was designed to better align with the Bank's new policies and strategies, including the Bank's new Ten-Year Strategy (2013–2022) and the High 5s⁹³. Among others, it was intended to:

- Update the existing policies to adopt good international practice, including on climate change;
- Adapt policies to better support the evolving range of lending products and innovative financing modalities, mainly Policy Based Operations (PBOs) and support to Financial Intermediaries (FI),⁹⁴
- Improve internal processes and resource allocation⁹⁵.

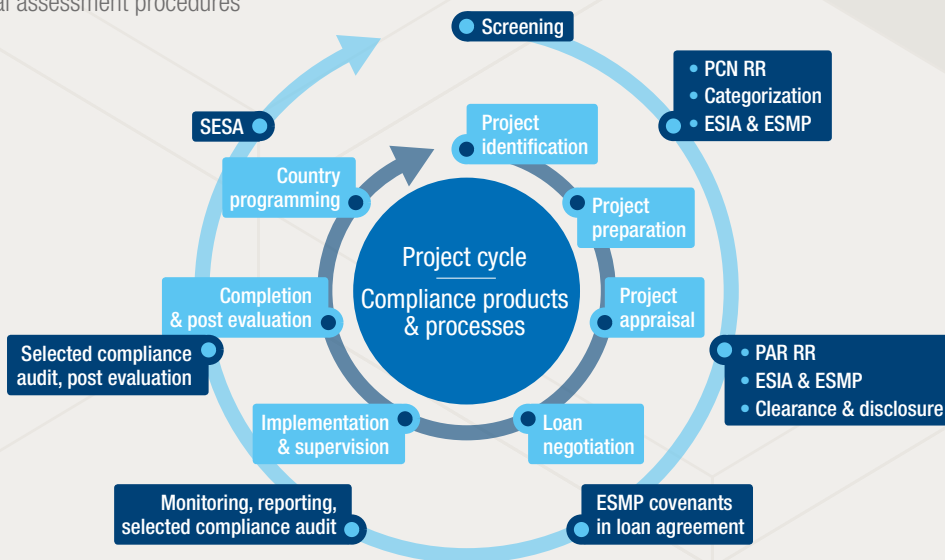
Various scattered policies were relevant for ES issues before 2013. At that time, safeguards issues were operationalized through the Environmental and Social Assessment Procedures (ESAP) for public sector operations approved in 2001, the environmental procedures for private sector operations (2000) and the Integrated Environmental and Social Impact Assessment (IESIA) guidance notes of 2003. The Policy on Involuntary resettlement of 2003 was also key before the approval of ISS. The ISS includes a policy statement, 5 Operational Safeguards (OS), and updated versions of the ESAP and the IESIA (2015). The revised ESAP addressed the limitations of the previous ESAP and provided a strong procedural basis for the operationalization of the ISS. The new ISS became effective in July 2014 and projects approved before are gradually brought to similar requirements through supervision missions and the update of key studies during implementation.

Figure A.1 summarizes the main ISS requirements at each stage of the project cycle as set up in the ESAPs, from project identification to completion. The operationalization of the Environmental and Social Safeguards (ESS) at the project level entails various due diligence, review and supervision activities that the Bank undertakes across the project cycle to ensure that the borrower complies with the ESS/ISS requirements. Different ES outputs are developed by the borrower and validated by the Bank, depending on the project type and E&S risk of the intervention.

Environmental and Social Assessment (ESA) studies are primarily the borrower's responsibility under both systems (before and after ISS). However, at various stages of the project cycle, the Bank's sector departments, the compliance and safeguards division (now SNSC) and the legal department (GECL) are responsible for assisting the borrower and for ensuring that the Bank's environmental and social safeguards requirements are respected⁹⁶. Within the Bank, Task Managers are responsible for ensuring compliance of Bank operations with the ESAP, with the support of environmental and social safeguards experts. The following paragraphs summarize the main requirements and responsibilities across the Bank's project cycle, with emphasis on the due diligence to be undertaken by Bank staff to ensure compliance with the ESS policies.

At entry, under both periods (before and after ISS), the **borrower, either country or a sponsor/private client, is responsible** for undertaking and disclosing the ESA studies of the project⁹⁷. Bank sector departments supported by Bank ESS specialists are in charge of validating and summarizing these ESA studies and ensure ES aspects are properly integrated in the Project Appraisal Report (PAR)⁹⁸. During this

Figure A.1: Environmental and social risk management activities under the Bank's environmental and social assessment procedures



Source: 2017 AfDB Safeguards & Compliance Unit presentation

process, the Bank's safeguards specialist assigns an ES category to the project and decides which ESA studies need to be conducted or complemented.

Table A.3: Project Categorization under OS1

| Category | Description |
|----------|--|
| 1 | Bank operations likely to cause significant environmental and social impacts, including any project requiring a Full Resettlement Action Plan (RAP). |
| 2 | Bank operations where likely environmental and social impacts are few in number, site-specific, largely reversible and readily minimized by applying appropriate management and mitigation measures. |
| 3 | Bank operations with negligible adverse environmental and social impacts. Following categorization, no further action is required, though assessments may be beneficial in managing potentially unintended impacts on affected communities. |
| 4 | Bank operations involving lending to an FI that lends to, or invests in, sub-projects that may produce adverse environmental or social impacts. FIs are required to: <ul style="list-style-type: none"> ■ Have adequate corporate social and governance policies, apply those policies to category 1 or 2 subprojects and comply with local environmental and social requirements; ■ Develop and/or maintain an Environmental and Social Management System (ESMS) in line with the Bank's OSs that is appropriate to the nature of its operations; ■ Demonstrate it has sufficient management commitment, organizational capacity, resources and expertise to implement its ESMS; and ■ Develop and disclose a summary of its ESMS to the public and make use of the Bank's Negative List (goods that are harmful to the environment) in selecting sub-projects. |
| 4 FI-A | A FI with a portfolio that is deemed high-risk and may include sub-projects that can be categorized as Category 1. |
| 4 FI-B | A FI with a portfolio that is deemed medium-risk and may include sub-projects that can be categorized as Category 2. |
| 4 FI-C | A FI with a portfolio that is deemed low-risk and includes sub-projects that can be categorized as Category 3 only. |

During implementation, the borrower is responsible to ensure the effective monitoring of the environmental and social mitigation measures included in the ESMP and/or the Resettlement Action Plan (RAP) and to quarterly report on ESMP/ESMS implementation to the Bank. The Bank's sector departments review these reports, with the support and clearance of the Bank' environmental and social Safeguards specialists. This ES information is summarized in the Implementation Progress Report (IPR) for public sector projects or the Project Supervision Report (PSR) for private sector projects⁹⁹. A similar process happens for the PCR¹⁰⁰.

The following table was reconstructed using both ESAP, 2001 (before ISS) and ESAP, 2015 (after ISS). Main differences among the two systems and procedures are noted when necessary. The evaluation does not cover ES outputs on the identification and preparation stages as they were not found for a large number of projects in the sample, for instance, categorization memos at identification stage.

Category 1 are projects likely to have the most severe ES impacts and require a full ESIA; category 2 have site-specific ES impacts that can be minimized by the applications of mitigation measures included in an ESMP; category 3 do not have any adverse ES impacts, and category 4 are projects involving investment of Bank funds through FI in subprojects that may result in adverse ES impacts.

Table A.4: Bank's ESS Quality Assurance requirements across the project cycle

| Project cycle stage | Project type | Bank's ESS Quality Assurance requirement | ES output reviewed in this evaluation |
|---|------------------------------|---|--|
| Project appraisal and Board presentation | Category 1 and 2 projects | Sector Departments review the ESA studies prepared by the borrower, the Compliance and Safeguards Division validate ESA studies and prepare ESA summaries | <ul style="list-style-type: none"> ■ ESA summaries^a ■ Integration of ES information into PAR ■ Integration of loan conditions and covenants into Project Loan Agreement/ PAR |
| | Category 4 | Sector Departments integrate ESMS summary /due diligence information document into PAR, previously reviewed and validated by the Compliance and Safeguards Division (ESAP, 2011: assess FI ES performance and capacities). | <ul style="list-style-type: none"> ■ Integration of ESMS summary or due diligence information into PAR ■ Integration of loan conditions and covenants into Project Loan Agreement/ PAR |
| Project implementation and supervision ^b | Category 1, 2 and 4 projects | Sector Departments review Quarterly Implementation Reports done by the borrower and supervise the implementation of the ESMP/ESMS. Whenever non-compliance is observed or unexpected impacts arise, the sector departments request the borrower to review the ESMP/ESMS. Those changes must be cleared by the Compliance and Safeguards Division. | E&S information in IPR ^c and PSR ^d |
| Project completion | Category 1, 2 and 4 projects | Sector Departments integrate E&S content into PCR which is reviewed by the Compliance and Safeguards Division | PCR with E&S content |

a ESA studies or summaries have different scopes and names depending on the type of project categorization and the ESAP 2001 or 2015. For ESAP 2001, they are ESIA, ESMP, Sectoral and Regional ESA, Strategic Assessment of structural and sectoral adjustment loans. For ESAP 2015, SESA (Strategic ESA), ESMP, ESIA, ESMP, FRAP/ARAP (Full or Abridged Resettlement Action Plans), ESMS.

b In addition to periodic project supervision (conducted by sector departments and supported by ES safeguards specialists for category 1, and other projects upon request), SNSC and CRMU conducts additional compliance reviews.

c The ESAP 2015 only includes this generic requirement as the main ES output at the implementation stage. The template of the IPR in section C (compliance with covenants) includes a criterion about "compliance with Environmental and social Safeguards". It recommends including a report on compliance with covenants in Annex-3 of the IPR. The ESAP 2001 only requested the borrower to send quarterly reports to the Bank on the implementation of the ESMP. The Bank's responsibility is only to review it and request a revision of the ESMP if non-compliance to agreed requirements or unexpected impacts are noted (for category 1 and 2). It is assumed that this information should be summarized in the overall project's supervision reports.

d The environmental procedures of the Bank for private sector operations (2000) establish that the Bank's supervision reports should include a section about the respect of the ES clauses included in the investment contracts. The ESAP 2015 (applicable to private and public sector operations) is less explicit for the private sector. It does not provide a template for the ES section in the PSR.

Annex C — Evaluation Methodology

Evaluation Methodology

The evaluation was implemented using a mixed methods design that triangulates multiple sources of qualitative and quantitative evidence and leveraged several different data analysis techniques. The harmonized evaluation approach used for the QaE and QoS evaluations ensures that: i) shared issues are approached in the same way using a common framework; ii) potential linkages between different processes are explored systematically; and iii) implementation synergies with respect to samples, stakeholders and data collection tools are identified and leveraged.

To support the assessment, the two main components of the evaluation (QaE and QoS) developed ToCs to identify potential pathways through which the Bank's QA framework, at each stage of the project cycle, contributes to the achievement of project outcomes and institutional learning. This is synthesized in a ToC across the project cycle which is included in Annex 4. The ToC is aligned with the evaluation matrices of both evaluations which include evaluation questions, indicators and lines of evidence that were triangulated to identify the evaluation findings and recommendations.

The harmonized methodological approach involves multiple layers of analysis which represent shared lines of evidence and allow for a gradually deeper level of review as a sample of public and private sector operations approved over the evaluation period (2012–2017). The backbone of the evaluation methodology for QaE and QoS evaluations is a review of a sample of public and private sector projects, including environmental and social safeguards issues.

The evaluation conducted a qualitative desk review and validation against a best practice standard of a sample of projects to validate existing ratings included in Bank's documents across the project cycle. Both the Evaluation of QaE and QoS developed a desk best practice validation tool tailored for public and private sector operations, as well as a specific one for PBOs for QaE. It was applied by experts with at least 10 years of experience in the design, implementation and evaluation of projects in the corresponding sector.

- The QaE tool was applied to a random sample of 120 public sector and 50 private sector projects for QaE (2013–2017).
- The QoS tool was applied to a purposeful sample of 45 public sector and 22 private sector projects that became effective in 2012 and had either IPR or disbursement rates of at least 40%. In order to enlarge the sample of completed projects, some private sector projects which became effective in 2009 were added to the sample.

It also undertook a qualitative process review of projects to examine how the QA framework is applied and is contributing to portfolio quality to two purposeful samples:

- For QaE, the process review was conducted for a purposeful sample of 60 public sector operations and the 50 private sector operations.
- For QoS, the process review (based on the Quality Assurance Dashboard) screened 83 public sector and 38 private sector operations.

In addition, the evaluation applied a tailored desk validation tool to review the compliance with ESS to a sub-sample of 89 category 1, 2 and 4 projects, built from the intersection of the QaE and QoS samples.

The evaluation conducted a Qualitative Comparative Analysis of 5 Country Case Studies¹⁰¹ and 24 ongoing projects. This information was triangulated with responses from interviews of key country stakeholders, including borrowers (PIU staff and private sponsors), contractors, national authorities in charge of the project investment management cycle, and other donors. In addition, field visits of 12 of the 24 projects were conducted.

Finally, the project and country-level reviews were contextualized by stakeholder consultations and interviews with Bank stakeholders¹⁰², a comparator review with organizations with similar institutional context, size and scope of projects, a literature review and stakeholder survey. The survey was sent to 422 staff across 8 professional groups, but only 101 responses were received. Due to the low response rate to the survey, IDEV only used the responses of some professional groups for questions where the margin of error was reasonable, although high.

The evaluation makes a remarkable contribution to innovation because it is the first comprehensive evaluation covering public and private sector operations and because it has developed tailored desk validation tools to review the contribution of the QA framework at each stage of the project cycle building on best practices. The Evaluation of QaE used quantitative data analysis to identify unbiased estimates of the QaE of projects both across sectors and over time. Qualitative data analysis were used to analyze the justifications of sector experts for each dimension of the best practice validation tool for QaE, QoS and the desk validation of the ESS requirements. Some of the analyses of the evaluation are not wholly comparable to previous evaluations of the QaE and QoS conducted at the Bank and by comparator organizations. However, the evaluation surmounted this limitation with a thorough triangulation of methods and sources.

The evaluation recognizes that the QA framework of the Bank changed from 2013–2014 onwards through PD 03/2013 and PD 02/2015 and the Operations Manual in 2014. However, some key tools were already in place since the beginning of the evaluation period and their changes are fully considered in the evaluation¹⁰³. The assessment explores the emerging practices of operations conceived under this new framework for the QaE aspects of the evaluation, while the inclusion of older projects in the sample allows to capture QA for supervision and completion stages of the project cycle.

In addition to the usual Evaluation Reference Group composed of key Bank staff members with knowledge about the QA framework,¹⁰⁴ the evaluation team engaged with the SNOQ to ensure complementarity and use of preliminary findings of this evaluation in the ongoing Diagnostic study of AfDB's practices to assure the QaE of public sector operations. The evaluation benefited from the oversight role of an external peer reviewer and an IDEV internal one as part of quality control measures.

Evaluation Limitations

The main evaluation challenge was related to access to key project documents. The deficient hand over mechanisms and knowledge management practices at the Bank was a challenge. The evaluation team made a considerable effort to obtain project documents through a "multi-pronged" strategy for data collection,

including consultation of multiple online document platforms and direct document requests to various Bank's staff. The credibility of project data obtained from SAP was verified using other sources of evidence. The low response rate of certain groups of stakeholders to the online stakeholder survey limited its usefulness, despite efforts of the evaluation team and senior management to encourage participation. Similarly, some anticipated corporate data about comparator institutions and private sector operations could not be accessed on time to be used in the evaluation. In addition, the team had problems to access the most recent proposals from the TMT and DAPEC.

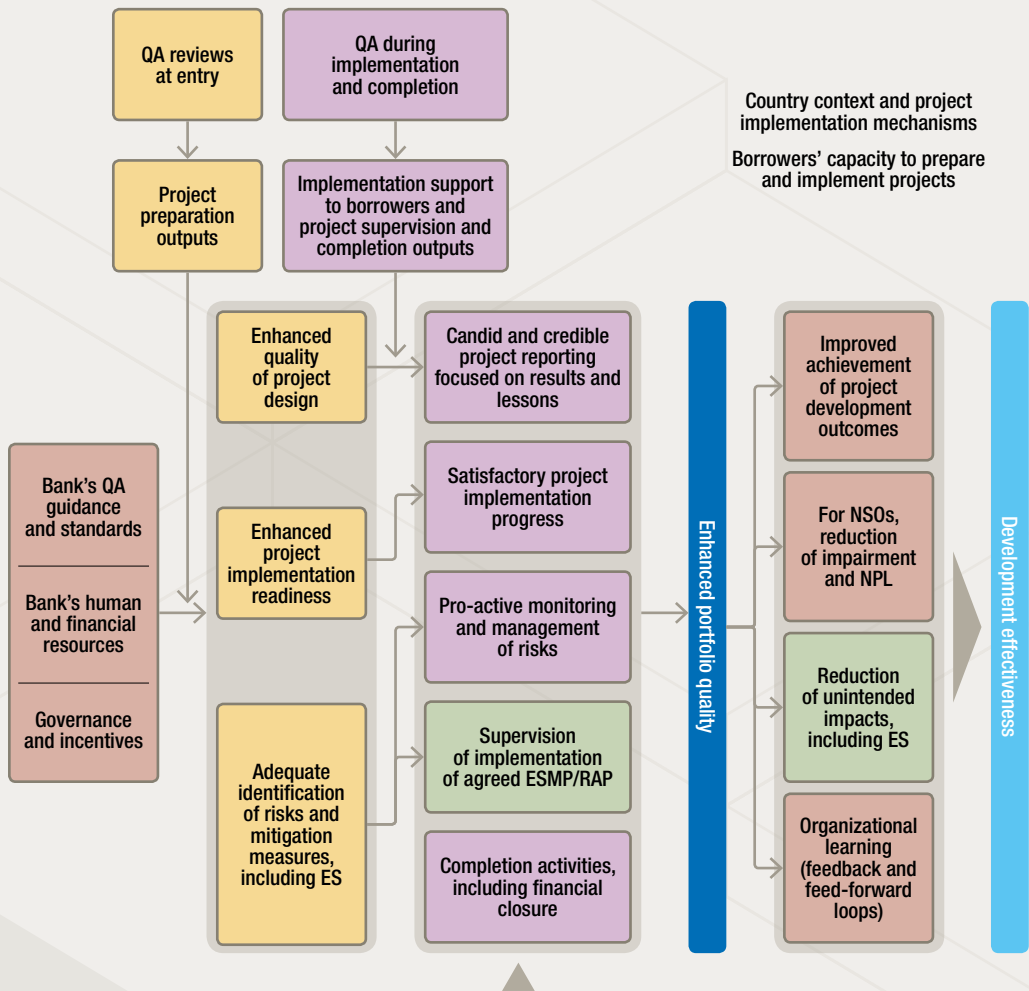
Some parts of the analysis are constrained by the fact that the periods covered are quite broad and samples could not be totally coincidental. For instance, in order to grasp project supervision and completion practices, part of the sample is older and may not reflect the Bank's existing framework. However, this allowed an enlargement of the sample of completed projects to assess the Bank's quality assurance during completion and exit, which still remained very limited (14 PCR and 12 XSR). This analysis will be further developed by another IDEV ongoing evaluation about self-evaluation. The ESS framework at the Bank was substantively upgraded with the ISS which became effective in July 2014. The evaluation considered this date as a cut-off point to analyze the compliance of a sub-sample of 89 projects at design. Projects approved before ISS were assessed against the previous procedures. In relation to compliance with ISS during implementation, ISS was considered for all projects since all projects are meant to be brought gradually to similar requirements through Bank's supervision missions and the update of key studies during implementation, when necessary.

Only the QaE evaluation component used stratified random sample which allows the possibility of year-over-year and within-year analyses, as well as to generalize the estimates to the rest of the Bank's portfolio. Therefore, the rest of the analysis only shows some trends found in a purposeful sample of projects which was built to maximize the number of operations with a completion report. The sample of projects which could be reviewed at completion is especially low, despite having expanded the evaluation period to projects which became effective (some of them approved in 2008). The evaluation treats those findings with caution and recommends management to enlarge the analysis.

The use of one expert per sector to implement project-level reviews across the different evaluation components introduces limitations pertaining to inter-rater reliability stemming from possible differences in the understanding of each expert. This limitation was mitigated by piloting each of the review tools across sectors and providing feedback to ensure a common understanding of the methodological requirements. In addition, experts are required to justify their ratings using evidence from the project documents to facilitate quality control of project reviews. In order to mitigate these limitations and challenges, the evaluation triangulated different sources of evidence to identify evaluation findings and conclusions.

The analysis of the Quality Assurance processes is mostly focused at the project level. The consideration of country and sector level is only considered in relation to the development of the Bank's pipeline and its relationship with project preparation processes. Data from Bank-wide and portfolio reviews and monitoring tools is confronted to the project-level supervision information.

Annex D – Theory of Change of the Bank’s Quality Assurance Framework Across the Project Cycle



Assumptions

- Adequate country/borrower preparation and implementation capacity (Public Investment Management System or capacity of client to prepare and implement quality projects).
- Borrower's commitment to project quality design and implementation.
- Conducive implementation context (absence of major economic, political or social crises).
- Clear guidance and standards for applying QA framework.
- Coherent and integrated QA framework allows to use information generated at each project cycle phase to inform designs and implementation of new operations (learning feedback loops across the project cycle).
- Sufficient resources (time, money, staff, training and support) to implement QA framework.
- Sufficient Bank's management ownership of QA output quality.
- Appropriate verification and enforcement mechanism in place.
- Adequate staff incentives to apply QA Guidance systematically.

Legend of the Theory of Change

QaE reviews:

- **Public sector:** peer review, readiness review, country team review, Environmental and Social (ES) categorization, Operations Committee (OpsCom) review
- **Private sector:** Assessment of Development Objectives and Additionality (ADOA) note, Summary Credit Note (SCN) / Credit Risk Review, peer review, Environmental and Social (ES) categorization, Operations Committee (OpsCom) review for large, complex and high-risk projects, Department Management Team (DMT) review

Project preparation outputs:

- **Public sector:** Project Brief, Project Concept Note (PCN), Project Appraisal Report (PAR)
- **Private sector:** Preliminary evaluation note, PCN, PAR

Quality assurance during implementation and completion:

- **Public sector:** project launching, special supervision, regular supervision, progress reviews, mid-term review, portfolio review, completion mission
- **Private sector:** review of client report, supervision missions

Project supervision and completion outputs:

- **Public sector:** Implementation Progress Report (IPR), Back To Office Report (BTOR), aide memoire, Annual Portfolio Performance Review (APPR), Mid-term Review (MTR), Project Completion Report (PCR)
- **Private sector:** Annual Supervision Report, Annual Portfolio Performance Review (APPR), Back To Office Report (BTOR), Project Status Report (PSR), Expanded Supervision Report (XSR)

ESMP: Environmental and Social Management Plan

RAP: Resettlement Action Plan

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Endnotes

1. Middle Income Country Technical Assistance Fund.
2. A recent IDB paper used a much larger sample of 853 projects to undertake an econometric analysis of the relationship between quality at entry and project performance. See Leonardo R. Corral and Nancy McCarthy, "Organisational efficiency or bureaucratic quagmire: do quality at entry assessments improve project performance?" Inter-American Development Bank, IDB Working Paper Series – 787, March 2017. Another recent study analyses a dataset of all 2,845 investment project financing projects approved between FY95 and FY2009, which constituted 89% of all projects closed between FY2005-2015, to examine the factors driving investment project performance at the World Bank. See Mustafa Zakir Hussain, Thomas Kenyon, and Jed Friedman, DEC Policy Research Report, September 2018. Washington, DC: World Bank
3. Estelle Rosine Raimondo, "What difference does good monitoring & evaluation make to World Bank project performance?" World Bank, Policy Research Working Paper, June 2016.
4. This is an indication of the timeline priority. A more detailed sequence of time-bound deliverables will be included in the Implementation Plan.
5. The quality assurance tools and processes are different for sovereign and non-sovereign operations. While this Management Response does not always make a distinction between them, the Implementation Plan will clearly differentiate priorities and actions for sovereign and non-sovereign operations.
6. Grants have been excluded except in the case of Zimfund programming in Zimbabwe, for information on QA framework functioning in a fragile context.
7. The CEDR involved a synthesis of evaluations across 14 countries, representing nearly 60% of the Bank's total lending portfolio between 2004 and 2014.
8. African Development Bank Group (2017) "Report of the Fourteenth General Replenishment of the Resources of the African Development Fund (ADF-14)," ADF/BD/WP/2017/14/Approval.
9. Ernst & Young (2016) "Review of the African Development Bank Group's Non-Sovereign Operations (NSO)"
10. African Development Bank Group (2014) "Improving Portfolio Performance at the African Development Bank," ADF/BD/IF/2014/167.
11. African Development Bank Group (2017) "Enhancing Results and Quality Reporting of Non-Sovereign Operation", PINS and SNOQ
12. IDEV conducted two independent evaluations of the QaE of public sector projects (2009 and 2013) which assessed Bank's operations against dimensions used by the WB's Quality Assurance Group and a best practice standard (BPS). These evaluations found some improvements in relation to 2008, but no significant difference was found when compared to projects approved in 2005 (African Development Bank Group - 2010 "Independent Assessment of the Quality at Entry of ADF 2005-2008 Operations and Strategies – Final Summary Report," ADF/BD/WP/2010/21 and Itad (2013) "Synthesis Report – Second Independent Assessment of Quality at Entry of Public Sector Operations"). The 2010 IDEV evaluation of Bank supervision of public sector operations identified the lack/deficient supervision guidance and oversight as one setback to effective supervision function. Among the causes highlighted, deficient Bank-wide systems of data and information management, poor enforcement mechanisms and resource constraints in the responsible Departments. 2010 AfDB Project supervision at the African Development Bank 2001-2008: An Independent Evaluation – Final Report. Operations Evaluation Department (OPEV).
13. African Development Bank Group (2016) "An Update of the Decentralization Action Plan in Line with the New Development and Business Delivery Model," ADF/BD/WP/2015/54
14. African Development Bank Group (2015) "Presidential Directive No. 02/2015 Concerning the Design, Implementation and Cancellation of Bank Group Sovereign Operations."
15. DAPEC is a sub-committee of the Transition Management Team in charge of the oversight of this high-level reform.
16. To date, DAPEC has completed a review of 14 business processes and has produced 17 Business Process Re-engineering Reports, including "future state" proposals for Budget Preparation and Allocation, Budget Management, Performance Management and Fiduciary Safeguards, according to AfDB (2018) "Fourth TMT Update on the Implementation of the Bank's Development and Business Delivery Model," ADF/BD/WP/2018/55.
17. The lower level of the maturity model is "ad hoc" (risk management is not guided by standardized process), while the more mature ones are "managed" (risk information is integrated to formal knowledge base, is audited to ensure quality and compliance and used to inform corporate decision-making) and optimized (the knowledge base is leveraged, normalized processes to an "optimized" (risk management information is integrated and used to evaluate and improve the effectiveness of an organization's risk management processes).
18. For public sector operations, evaluability is defined as i) the extent to which the design of an intervention and targeting of beneficiaries is based on evidence and ii) the clarity and realism of the intervention logic given the nature of the development challenge and scope of the intervention (source: IDB Development Effectiveness Matrix). For private sector operations, evaluability is defined as, in addition to the previous two dimensions, iii) evidence-based description of the development challenge and/or market failure to be addressed, and (iv) quality of the results framework as well as the M&E arrangements (source: IDB Invest Delta).
19. Implementation readiness in the QaE Evaluation was conceived as the extent to which different implementation requirements are finalized before project approval that could otherwise contribute to start-up delays. IDEV's BPS tool included aspects such as the establishment and staffing of the project implementation unit, the identification of counterpart funding for the first year of operation in the government's budget, the availability of procurement plans for the first year of implementation, the provisions to ensure the identification and management of project environmental and social risks, and the availability of feasibility or engineering studies where needed.

20. IDEV's Best Practice Standard (BPS) Validation Tool is an evidence-based standard for quality at entry which was built through the review of the existing tools of comparators and consultations with Bank and comparators' staff. The four dimensions identified are rated using a four-point scale and were inspired by: the IDB's Development Effectiveness Matrix (DEM) for problem analysis, evaluability and economic and financial analysis; the World Bank's Implementation Readiness Checklist for the implementation readiness section; and the World's Bank Strategic and Operational Risk Rool (SORT) for the proactive risk management section.
21. IDB Invest recently introduced the DELTA (an adapted version of the DEM for NSO); IFC uses the Anticipated Impact, Measurement and Monitoring (AIMM) tool to align project level outcomes to targeted market impacts; the European Bank for Reconstruction and Development has recently introduced the Transmission Objectives Measurement System to align project to up to two market transition impacts.
22. The NSO evaluability dimension in IDEV's BPS assesses the extent to which operations: i) clearly identify the development problem to be addressed; ii) identify the key constraints underlying the development problem and the how they are addressed by the proposed operation; iii) demonstrate a clear vertical logic; and (iv) present measurable indicators for development outcomes.
23. The second dimension of IDEV's BPS for NSO examined the extent to which the development outcome rationale presented in Project Appraisal Reports and the indicators measured in the results matrix align with the ADOA assessment, targeting the most relevant development impacts to which a project will contribute.
24. This includes i) taking longer than one year to reach signature; ii) taking longer than 18 months for first disbursement; and iii) being watch-listed or being deemed a risk for non-repayment.
25. The revisions of the Portfolio Monitoring Guidelines, the templates of the BTOR and PSR in 2014 and 2015, and the amendment of the credit risk review guidelines should improve the risk-focused of supervision. In addition, the revision of the reporting format for non-financial operations (2013), the operating guidance for lines of credit (2014) are being extended to financial operations to reinforce the reporting on development outcomes of Bank's NSO.
26. The review of the ESAP in 2015 proposes that Bank's sector departments prepare an ESCR. On practice, ES information at completion is integrated in PCR of public sector operations and XSR of private sector operations and there is no stand-alone ESCR. Further guidance about the expected ES content in completion reports could be developed in the nex version of the ESAP.
27. According to data from comparators, the WB allocation co-efficients are around 60-40% (ES preparation and supervision), IFC also reports that 55% of the time of their ES specialists is devoted to supervision; for IDB, this ratios vary between 20 and 36% of resources and time for ES supervision depending on the ES risk of the intervention.
28. Across the sample of sovereign and non-sovereign operations reviewed in the Quality at entry Evaluation, nearly all projects were found to be missing at least one review document across project preparation and appraisal
29. The ITST started to be populated in 2016, but this has not been systematic due to staff shortage. The data base of key ESS documents across the project cycle is not complete as of 2018. The evaluation found that 83% of the 89 category 1, 2 and 4 projects reviewed for ESS compliance (effective after 2012) did not have signed off versions of their ESA summaries, with a control number indicating it is a cleared final version. Interviews with Bank's ES safeguards specialists explained that document control has been difficult as there has been frequent staff turnover without adequate handover.
30. Subsequent to the receipt of an official request and an initial eligibility screening conducted by the Country Program Officer, the assigned task manager is meant to undertake a "Technical Review" of the documentation provided by the borrower. The purpose of this review is to: i) identify that the project rationale is sound and that the operation is likely to be sustainable; ii) identify potential implementation risks to be addressed during preparation; and iii) determine the extent of project preparation.
31. African Development Bank Group (2015) "Bank Group Operations Manual for Sovereign Operations"
32. The majority of Task Managers noted that these reviews were not contributing to the quality of projects as intended due to the poor quality and relevance of the feedback provided. Furthermore, only approximately 1/3 of task managers who responded to the staff survey agreed that there are clear standards in place for selecting peer reviews and conducting the peer review.
33. A process review analysis of 25 sovereign operations indicated that only one quarter of comments provided as part of the peer review, and nearly one third of comments provided as part of the Country Team Meeting, are not relevant to key factors underlying QaE . These data are corroborated by the survey of staff for which only around a quarter of task managers identified the peer review and country team meeting as the review mechanisms which add the most value to project preparation. In contrast, 34% of task managers identified an additional department-specific mechanism implemented separately from the documented preparation and approval process as adding the most value to project quality.
34. 2016 ES due diligence Annual Report.
35. The disclosure requirements are 120 days for public category 1 projects; 60 for private sector category 1 projects; 30 days for category 2 public and private sector projects (ESAP, 2015). They are published at <https://www.afdb.org/en/documents/environmental-social-assessments/> and widely disseminated in the country and region where the project takes place. Signed off versions are those with a Bank control number.
36. Most of the 97 ES conditions found in 58 projects are related to resettlement/compensation of local population. Other loan conditions, used in very limited number of cases, are related to the recruit of an environmentalist at the PIU.
37. 2016 SNSC ES Annual Due diligence report
38. Other types of loan conditions often included in loan agreements to strengthen the ES requirements are to be fulfilled during the cours of project implementation, with a timeline (other conditions) or without a timeline (undertakings). In most cases they are related to the need to report on progress of implementation of ES mitigation measures, including showing the proof of effective payment to population affected by Bank's projects.
39. In alignment with the international practice, the Bank classes as a separate category (category 4) operations lending to financial intermediaries (FIs), which include banks, insurance, reinsurance and leasing companies, microfinance institutions, private equity funds and investment funds.

40. One is an agricultural operation in Morocco and one is a livestock operation in Rwanda which were rated category 2; in these cases a Strategic Environmental and Social Assessment was validated for the approval. In the case of the PBO in Morocco, its ES risk was changed during implementation. Neither the supervision reports nor the PCR justified this change. The PCR only included that the program was category 3 because it was a budget support program entailing reforms measures for the departments of agriculture, water, environment and energy.
41. Each sovereign operation is subject to a peer review, Readiness Review and Country Team Review at both the Concept and Appraisal stages. The Sector Director is also meant to clear these milestones subsequent to the peer review and Country Team meeting, further increasing the number of sequential review and clearance steps in the process. In contrast, the IDB, IFAD and WB implement between 4 and 6 review and approval stages for a typical sovereign operation
42. For instance, this is the case of two projects in the sample, one in Nairobi and another in the metropolitan area of Dakar. According to document review and interviews, both PIUs of these public sector projects followed all the required steps of the Bank's Environmental and Social Safeguards system at appraisal and during implementation. Nonetheless, one of them received a complaint related to compensation through the Independent Review Mechanism of the Bank.
43. The borrower should prepare a Resettlement Action Plan (RAP) that addresses the livelihoods and living standards of displaced persons as well as compensation for loss of assets, using a participatory approach at all stages of project design and implementation (Bank's Involuntary Resettlement Policy (2003), and the associated procedures included in the Environmental and Social Assessment Procedures in 2001 and 2015).
44. 2015 AfDB Involuntary Resettlement Policy: Review of Implementation. Safeguards and Sustainability Series, Volume 1, Issue 3. This report rated the following dimensions: identification and compensation of PAP as part of the Environmental and Social Assessment and the consultation process around RAP.
45. According to Management figures, staff decreased 14% from 2013 to 2017 and increased by 7% from 2017 to 2018.
46. Data from SAP, PPF and African Development Bank Group (2018) "SMCC Note on the Middle Income Country TA Fund."
47. World Bank Group (2016) "Project Preparation Facility: Increase in Commitment Authority and Enhanced Scope"
48. This was corroborated by responses of TM through an e-survey and interviews. Approximately 90% of task managers agree that availability of PPFs is insufficient and process to access to them is too cumbersome.
49. During the evaluation period, SNSC only managed to undertake various technical sessions and trainings to create awareness of ISS in 2013 and 2014. The evaluation did not find evidence of other efforts to disseminate the updated ESS procedures and to change the perception of some staff who under-evaluate the contribution of environmental and social safeguards to overall project performance and sustainability.
50. The Bank's 2016 Business Manual identifies a peer-review system whereby junior investment officers are paired with a more senior peer to advise them in the preparation and structuring of projects, with several investment officers confirming the utility of this practice.
51. African Development Bank Group (2018) "Review of Operations Delivery Capabilities"
52. The sector complex with more limited capacity to originate new projects as of 2018 is PEVP (energy, climate change and green growth). The sector distribution and the workload in lending program delivery across regions have remained unchanged over the same period. East and West regions are overstretched with the largest number of operations per TM. This was corroborated through interviews for the evaluation. PIVP officers (private sector, infrastructure and industrialization) have the highest ration of active portfolio per TM
53. Ernst & Young (2016) "Review of the African Development Bank Group's Non-Sovereign Operations (NSO)"
54. Figures of comparators were difficult to obtain. Only IDB Invest reported 1.5 projects per investor. The evaluation could not confirm the comparability of the figures.
55. For example, SPD at IDB employs a team of 35 permanent staff and 20 consultants to review 160 operations each year.
56. The Bank does not record the number of projects supported by each of the ESS experts, although some interviewees reported having handled up to 23 projects in 2017, including due diligence of 15 category 1 projects before approval and 8 field supervisions. Only the WB and the IFC have estimated the average ratio: 10 for WB public sector operations, 12 for IFC private sector operations (5 appraisals and 7 supervisions per year).
57. No data about the ES profile of the ongoing portfolio could be found. These figures were estimated for the SNSC retreat in 2017. The analysis could not use a total of 339 for which the environmental categorization was not included in SAP. It is likely that lots of them are category 4 projects, since the analysis only reported one ongoing category 4 projects out of the 116 analyzed.
58. AfDB (2018). 2017 Retrospective review report on Bank Group budgets and work programme performance. ADF/BD/WP/2018/28
59. IDEV country evaluations (2012-2015)
60. At IDB, the Office of Strategic Planning and Development Effectiveness implements provides an independent assessment of an operations evaluability during the approval process. Their input (the DEM scores) not only serves an input to decision meetings, but also accompanies and operation when it is sent to the Board of Executive Directors for approval. Similarly, IFAD has identified the Quality Assurance Group (QAG), responsible to provide an independent assessment of the QaE of proposed operations and advising on its clearance. At the WB, this function is performed by the Operations Policy and Country Service Team, which equally provides independent advice to Regional Vice Presidents on the quality of operations prior to their approval and provides advice to project teams for the purpose of quality enhancement.
61. The Quality Assurance division has the key function of ensuring a pro-active management of results by assuring a system for corrective action and generating operational knowledge to improve future operations.
62. At the Bank, even when environmental and social safeguards specialists participate in a field supervision mission, their inputs are sent to Task Managers/portfolio officers via email, who is in charge of integrating these inputs in the general supervision report. As the desk review of 81 category 1 and 2 projects show, this information is not systematically reported on supervision reports (IPR/PSR).

63. Half of comments received about the Project Concept Notes are integrated (53% of Readiness Review and Peer Review, 39% of comments received at the country team review) and 40% of comments received about the Project Appraisal Report (16% at RR, 50% at peer review and 53% at country team).
64. For example, according to the Bank's guidelines, the Country Programme Officer (CPO) as part of their oversight of the portfolio are expected to follow-up on the recommendations of project supervision reports, to regularly verify and validate the integrity of the project supervision ratings and to alert on Projects at Risk and recommend corrective actions as necessary.
65. According to interviews during the country visits, country portfolio officers or country managers should escalate to national authorities' or borrowers' implementation issues beyond the technical control of task managers. Country Portfolio Performance Reviews could play this role but currently they are not sufficiently focused on specific projects to make them an effective tool for senior engagement at the level of individual projects.
66. African Development Bank Group (2016) "Disclosure and Access to Information Policy. Three-Year Implementation Retrospective 2013-2016 Annual Report. Developing Africa Openly and Transparently", Office of the Secretary General (PSEG).
67. The evaluation found that 49% of 85 investment projects approved between 2013-2017 (statistically-representative sample of the portfolio) was approved in the last quarter of each year. The evaluation used a composite QaE score of "evaluability and readiness for implementation" and concluded that the projects approved at Q4 scored 2.55, in comparison to 2.87 in Q2, and 2.79 and 2.78 in Q1 and Q3.
68. Ernst & Young (2016) "Review of the African Development Bank Group's Non-Sovereign Operations (NSO)"
69. The Annual Development Effectiveness Reports (ADER) have been reporting since 2014 the "% of operations with satisfactory environmental safeguards system mitigation measures" using the satisfactory ES rating of the Readiness Reviews of Project Appraisal Reports. The evaluation could confirm with a subsample of 66 projects approved between 2014 and 2017 the positive trend to an increased percentage of operations with a satisfactory or highly satisfactory rating for ES issues at Readiness Review of PAR.
70. The ESS division prepares information notes on the status of environmental categorization of projects, including the number of different ES instruments reviewed and validated before Board approval (ESIA, ESMP, ESMS, RAP...). They do not take stock of the distribution of projects per ES category finally approved at the Board, which was reconstructed for this evaluation using available data from different Bank's sources. The evaluation could not access to the KPI of all the ESS experts or the ones for SNSC, but an example shared showed an imbalance of targets towards ES due diligence before approval (100% of projects submitted to Board for approval with ES categorization assigned) than during implementation (15 annual supervisions).
71. The evaluation conducted an Analysis of Variance (ANOVA, a statistical method used to test differences between two or more means) of 85 Investment projects. A Chi Square (X2) statistic was also used to investigate whether distributions of categorical variables differ from one another.
72. African Development Bank Group (2018) draft. Quality Retrospective Report. An assessment of the Bank's Quality Assurance Tools. Quality Assurance Division (SNOQ2)
73. The DEM requires that PBOs include a general economic analysis that identifies: i) the economic rationale for the operation; ii) identification and quantification of economic benefits that result from implementation of the operation; iii) identification and quantification of costs to economic actors that result from implementation of the operation; and iv) clear assumptions based on an economic model.
74. IDEV is delayed in relation to the validation of PCRs. Peer reviewed and final versions of PCR-Evaluation Notes are only available up to 2015.
75. African Development Bank Group (2018) "Enhancing Results and Quality Reporting of Non-Sovereign Operations". The review analyzed 60 private sector operations and found that few of them have a clearly defined development objective, with the majority demonstrating gaps in the causal links between project activities, outputs and outcomes. Furthermore, the majority of projects did not identify SMART indicators or exogenous factors that could affect the realization of development outcomes. However, approximately three quarters of project logframes were found to include at least one indicator from the ADOA Framework, facilitating the monitoring of outcomes.
76. Financial Sector Development Department (PIFD) - Paper on the Impact of the AfDB lines of Credit, (May 2018)
77. IDB Development Effectiveness Matrix (DEM) and World Bank Group (2017) "Interim Guidance Note – Systematic Operations Risk Rating Tool (SORT)".
78. Risks related to operating ratios were deemed to include: i) failing to meet regulatory requirements for the capital adequacy ratio; ii) having a high level of NPLs relative to the market; and iii) having a low rate of liquidity. Risks related to institutional governance were deemed to include: i) weak credit risk management and/or internal controls; and ii) weak management experience. Of note, neither risk category on its own was found to be a significant predictor of potential loss
79. Data from the Bank's Credit Risk Function.
80. The IPR guidance in ESAP 2015 includes an ES rating with four point-scale rating where : highly satisfactory (4) is granted when all the safeguards measures are respected, satisfactory (3) when at least 75% of them are respected and a maximum 6 month delay is observed with the others, unsatisfactory (2) is considered when 50-75% of the safeguards measures are respected and the delay is between 6-12 months. In this case, corrective measures need to be raised and followed-up. Finally projects received a very unsatisfactory rating (1) when less than 50% of the safeguards measures are respected and a delay of more than one year is observed for the rest. In this case, the issue should be escalated and sanctions studies.
81. The evaluation could only find supervision reports for 51 projects of the 89 projects of the ESS sample (43 public and 8 private), either because of problems with the Bank documentation system or because their level of advance is still very low. Out of the 51, only 42 projects had an IPR available, and only 37 of them included a numerical ES rating in the IPR. The evaluation assessed the quality of the information provided in this 37 IPR and found that only 24 included sufficiently justified that rating reviewed the ES information of 89 projects classed as category 1, 2 and 4

82. Out of the 89 category 1, 2 and 4 projects reviewed for environmental and social issues, 30 of them triggered the Operational Safeguards about involuntary resettlement, land acquisition, population displacement and compensation. Half of them advanced enough to have been supervised by the Bank. None of these 15 projects in the sample reviewed for this evaluation reported if compensation at full replacement cost was applied (emphasized with the approval of ISS) or if the compensation package resulted on improved standard or living, or income-earning capacity of the PAP. Even with an in-depth review and field visit of a hydroelectric project in Cameroon, the evaluation team was unable to verify if the total number of people compensated were better off than before because the baseline data was outdated. However, it was confirmed on the ground that the quality of the houses provided to the families relocated was better than their previous ones and they received extensive support and monitoring from the executing agency and the Bank's safeguards specialists.
83. The report noted that this is also an issue for other institutions, such as the WB and the Asian Development Bank. For instance, the WB Independent Evaluation Group mentioned weak ES supervision as a big cause of concern in its 2010 Safeguard Policies Review, and noncompliance with ES safeguard supervision requirements was the main reason for claims made by affected persons to the WB's Inspection Panel.
84. African Development Bank Group (1994) "The Quest for Quality – Report of the Task Force on Quality at Entry for the African Development Bank" (The Knox Report); African Development Bank Group (2016) "Comprehensive Evaluation of the Development Results of the African Development Bank Group (2004–2013) – Synthesis Report"
85. Middle Income Country Technical Assistance Fund.
86. For private sector operations, QA should also contribute to a reduction of likelihood of impairment, which entails the identification of risks at different levels and management and monitoring arrangements to address them.
87. Portfolio supervision entails portfolio reviews, country portfolio performance reviews, portfolio performance monitoring dashboard and country program completion.
88. African Development Bank Group (2013) "Staff Guidance Note on Quality at Entry Standards for Public Sector Operations – 2013 Update," ADF/BD/IF/2013/206.
89. African Development Bank Group (2009) "Revised ADOA Framework," ADB/BD/WP/2009/150.
90. African Development Bank Group (2015) "Private Sector Operations Business Manual"
91. 2015 AfDB Private Sector Operations Business Manual
92. 2012 AfDB Revised Guidelines for the Preparation of Expanded Supervision Report and Expanded Supervision Report Review Notes
93. The AfDB High 5s are: Light up and power Africa; Feed Africa; Industrialize Africa; Integrate Africa; and Improve the quality of life for the people of Africa.
94. Financial intermediaries (FIs) include banks, insurance, reinsurance and leasing companies, microfinance institutions, private equity funds and investment funds.
95. ISS Policy statement (2015), page 2.
96. The ISS also mentions the role of the IDEV in validating the ES information included in PCR. The evaluation could not include this in the analysis because of the small sample of PCR and XSR in the sample of projects. None of the available ones was validated by IDEV.
97. The Bank's ISS uses project as all lending operations and project activities funded by the Bank (ESAP, 2015, page 9). For the case of category 4 projects (financial intermediaries), the document to be disclosed is the Environmental and Social Management System (ESMS) of the FI.
98. As key quality assurance stages at entry, SNSC is involved in the Readiness Review of the PCN (Project Concept Note) and the PAR.
99. As it is explained in the following table, the applicable procedures for private sector operations are less explicit about the supervision requirements. There is an ongoing process to revamp the ESAP 2015 to address this.
100. The ESAP 2001 included similar language. The borrower is responsible to implement ESMP, including compliance with indicators identified in project implementation documents, the Bank's policies and guidelines, as well as ES covenants included in the loan documents. It is also responsible to ensure ES surveillance and monitoring and report to the Bank on the results of the implementation of the ESMP in regular quarterly reports.
101. Cameroon, Morocco, Kenya, Senegal and Zimbabwe
102. The team conducted more than 200 interviews with Task Managers; Investment Officers; Portfolio Management Officers; corporate specialists such as Country Program Officers, safeguards specialists, fiduciary and gender experts; sector directors and managers; Board Directors and Advisors; and Senior Management.
103. RR was updated in 2013; ADOA methodology was revised in 2014; the PCR format and the NSO guidelines for portfolio monitoring were revised in 2013-2014; the IPR, the NSO guidelines and the credit risk review guidelines were revised in 2015, including the creation of the Special Operations Units.
104. Senior staff from the Operations Committee Secretariat and Quality Assurance; Senior Vice Presidency; Non Sovereign Operations & Private Sector Support; Delivery Performance, Management & Results; Safeguards Compliance Division; Regional Development, Integration and Business Delivery East and Southern Africa Resource Center; Agriculture, Human and Social Development Operations; and Credit Risk Unit.



IDEV

Independent Development Evaluation
African Development Bank



About this Evaluation

This report presents the findings, conclusions and recommendations of the independent evaluation of Quality Assurance across the Project Cycle for both public and private sector operations of the African Development Bank Group (the Bank), during the period 2012–2017.

The evaluation seeks to determine the extent to which the Bank's quality assurance (QA) processes are appropriate; comply with QA standards; address risk management; and contribute to organizational learning as well as to the achievement of development outcomes. Its results are expected to inform the ongoing reforms of the corporate processes at the Bank. The evaluation builds upon two stand-alone evaluations: i) Quality at Entry and ii) Quality of Supervision and Exit of Bank Group Operations. It also analyzes the quality assurance processes for compliance with the Bank's Environmental and Social Safeguards (ESS).

The evaluation assessed as positive the direction of travel of the recent reforms undertaken by the Bank related to QA and development effectiveness. However, some gaps were noted in the QA framework in relation to best practices, such as in applying the dimensions of independence, contestability and verification. It also noted challenges in adhering to existing Bank procedures, like inconsistent use of project briefs and mid-term reviews. The evaluation noted a high project-to-task manager ratio, compared to similar organizations, and that the number of specialist (risk, legal, fiduciary, ESS) staff to support QA was not commensurate with the growth of the Bank's portfolio.

The evaluation makes various recommendations to the Bank to enhance its QA system. These include reducing the number of required steps in the review process, while enhancing the relevance and effectiveness of the various reviews, setting differentiated pathways for the approval of operations based on risk, and strengthening resource allocation and incentives for project quality at entry, supervision and completion. It also makes recommendations to strengthen contextual factors that interact with the Bank's quality assurance system, such as improving the readiness of regional member countries and their capacity for public investment management.



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