

Steering Note

ADF-11 Mid-Term Review
October 2009
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AFRICAN DEVELOPMENT FUND

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Abbreviations

ADB	African Development Bank
ADF	African Development Fund
ADF-10	Tenth General Replenishment of the African Development Fund
ADF-11	Eleventh General Replenishment of the African Development Fund
ADF-12	Twelfth General Replenishment of the African Development Fund
CSP	Country Strategy Paper
CPPR	Country Portfolio Performance Rating
FSF	Fragile States Facility
FO	Field Office
HIPC	Heavily Indebted Poor Country Initiative
MDRI	Multilateral Debt Relief Initiative
MTR	Mid-Term Review
NCBP	Non-Concessional Borrowing Policy
PBA	Performance-Based Allocation
PBL	Policy-Based Loan
PEFA	Public Expenditure and Financial Accountability
PL	Professional Level
RMC	Regional Member Country
RO	Regional Operation
UA	Units of Account

KEY ACHIEVEMENTS

The ADF-11 mid-term performance review process reveals that the African Development Fund is on track or ahead of schedule with respect to the majority of its ADF-11 commitments:

- Unprecedented levels of commitments and disbursements in the Fund's strategic priority areas (infrastructure, regional integration, governance and fragile states);
- Allocation of resources as per the resource allocation framework, including the agreed changes to the PBA system, with most resources going to the best performers;
- Continued implementation of the HIPC and MDRI initiatives and use of the DSF to determine the conditions of ADF's assistance to ADF countries; adoption in 2008 of a non-concessional borrowing policy to discourage the re-accumulation of non-concessional debt by HIPCs;
- Progress in country performance under the enhanced Results Measurement Framework and strong evidence of the framework's contribution to on-the-ground results of ADF operations exiting the portfolio;
- Significant progress in all the areas of the Bank's Action Plan on Quality and Results; and
- Significant progress in the implementation of the Bank's institutional and business processes reform program and increase in the Bank's delivery capacity and aid effectiveness.

KEY CHALLENGES

Despite significant achievements, many challenges remain. Bank Management is determined to tackle these challenges, the most immediate of which are:

- Ensuring payment of donor subscriptions to provide the Fund with sufficient commitment capacity to deliver its operational program at the end of 2009 and in early 2010;
- Ensuring that there is sufficient human resource capacity both at headquarters and in the field to accomplish the ambitious work program lying ahead;
- Successfully moving to the next phase of the decentralization process; and
- Consolidating results achieved and deepening reforms to ensure that the results culture already initiated takes firm root in the institution.

In addition, a number of challenges will be considered as the Bank moves forward to ADF-12:

- Increasing the operational effectiveness of RO cost-sharing arrangements and improving the selection of regional public goods projects;
- Ensuring the availability of adequate resources for the FSF and for the clearance of arrears;
- Securing dollar-for-dollar compensation of the Fund under the MDRI as per the agreed framework, in order to ensure the Fund's long-term financial sustainability;
- Reducing the volatility of annual allocations arising from the CPPR; and
- Adopting a graduation policy to determine the right mix of ADF and ADB resources for countries in transition to full creditworthiness.

ACTION PLAN

Management has produced a detailed action plan consisting of key proposals to address the challenges identified. Key actions that Management intends to complete before the end of ADF-11 include:

- *Human resources*: filling more than 95% of current vacancies, revising the Career Development Framework and approving an enhanced staff mobility policy;
- *Decentralization*: adopting a detailed road map to clarify the model, role and strategy of the next phase of decentralization;
- *Quality at entry*: mainstreaming upstream readiness reviews, including environmental and impact assessment components, and assessing and fine-tuning the projects and policies review process; and
- *Communication*: hiring an outside communication firm, systematically posting and updating project information on the Bank's website and increasing communication and outreach within and outside Africa.

STEERING NOTE

1. Introduction

- 1.1 The purpose of this Steering Note is to provide Deputies with a broad overview of the main issues that have arisen for the Mid-Term Review (MTR) of the Eleventh General Replenishment of the African Development Fund (ADF-11). The note highlights key developments and challenges and proposes an Action Plan to address main implementation issues.
- 1.2 The ADF-11 consultations marked a turning point for the African Development Fund (ADF or the Fund) in several respects. Under ADF-11, Management committed to much greater operational selectivity centered on infrastructure, governance, regional integration and fragile states. Management also committed to pursuing and deepening its institutional and business process reform agenda to increasing the Fund's delivery capacity and its results-oriented culture. On the basis of these commitments and as a sign of confidence in the management team, Deputies agreed to a record 52 percent increase in the size of the last replenishment, giving the Fund significant capacity to support Africa's low-income countries and enhancing its relevance to the African continent.
- 1.3 The papers prepared for this MTR (see list in Annex I) demonstrate the progress made so far in ADF-11. To summarize, the African Development Bank Group (the Bank Group) has built up its delivery capacity and has sharpened its focus on results, laying the foundations for a stronger, more agile and more effective institution as per ADF commitments and the Bank Group's medium-term strategy. This greater focus and capacity has not only made it possible for the Fund to deliver its ambitious lending program on time, but also to respond to the effects of the food price and financial crises by front-loading allocations, accelerating implementation, and restructuring its portfolio. As a result, commitments at this point in the cycle are higher than ever and disbursement rates have nearly doubled. These accomplishments have caused the Fund to become one of the continent's lead donors in its areas of intervention.
- 1.4 In responding to the food, fuel and global economic crises, the Bank Group adapted its assistance in order to help ADF countries better weather the crises and took on additional responsibility in coordinating the response of African countries and acting as Africa's voice in international fora such as the G20. Although there are some signs of recovery insofar as the global crisis is concerned, the shape and timing of recovery remains uncertain, and the Bank will continue to act as Africa's voice within and outside of Africa.
- 1.5 This Steering Note is organized as follows: Section 2 highlights key operational issues related to the implementation of ADF-11 in terms of operational commitments, the Bank Group's resource allocation framework, and activities in support of debt sustainability; Section 3 addresses results; Section 4 discusses delivery capacity; and Section 5 concludes. The Action Plan proposed for the remainder of the ADF-11 period is outlined in Annex II.

2. Operational Implementation

Implementation of ADF Core Operational Priorities

- 2.1 The first half of the ADF-11 period was characterized by an unprecedented surge in demand which led to the commitment of more than 3 billion Units of Account (UA) in the first 15 months. This volume of commitments was double the volume as at the MTR of the Tenth General Replenishment of the African Development Fund (ADF-10). As of end-July 2009, the strong demand for ADF resources had resulted in significant front-loading, partly facilitated by the Fast Track Program developed in response to the food and financial crises. Subject to commitment capacity issues (see Box 1 below), ADF resources will as a consequence be almost entirely exhausted by mid-2010.

- 2.2 ADF's active portfolio disbursement rates increased significantly from about 6 to 7 percent at mid year in previous years to 11 percent at end-July 2009¹, i.e. an annualized rate of 19 percent. This corresponds to the regular average annual disbursement rate of a portfolio designed to disburse over a 4 to 5 year period. In nominal values, disbursements increased to UA 1,122 for the first half of ADF-11, compared to UA 654 million for the first half of ADF-10.
- 2.3 As agreed with Deputies, the Fund significantly sharpened its focus on agreed strategic priorities, with infrastructure (mostly transportation and energy) and governance (mostly public financial management through Policy Based Loans (PBLs)) expected to represent 81 percent of total commitments at the end of the cycle.
- 2.4 The new frameworks agreed in ADF-11 to scale-up support to Regional Operations (ROs) and fragile states have allowed the Fund to make significant strides in these areas, with high demand and commitment rates in the agreed focus areas. Management expects that both envelopes will be fully exhausted by the first quarter of 2010, with significant unmet demand:
- a. At UA 943 million, commitments to ROs reached their highest ever annual level. Most commitments were in infrastructure (transportation and energy), of which 70 percent was financed by the RO envelope and 30 percent by performance-based allocations (PBAs) (cost-sharing). Since demand exceeded available resources, projects were prioritized according to their strategic alignment, their readiness and their development impact. Cost-sharing applied to all projects except eligible regional public goods (8 projects totaling UA 152 million) and countries with an allocation of UA 20 million or less that were eligible for the 10 percent cap on cost-sharing.
 - b. The three windows of the new Fragile States Facility (FSF) are achieving their intended objectives, with UA 382 million of the UA 515 in FSF resources already committed to supporting operations in seven fragile states. These operations are mostly targeted at public financial management systems and basic infrastructure (Pillar I); arrears clearances in Côte d'Ivoire and Togo (Pillar II); and targeted technical assistance in 14 fragile states (Pillar III).
- 2.5 To further strengthen ADF's response to the financial crisis, the Board of Director and Deputies agreed to increase the flexibility of ADF operations and policies in five main areas. First, resource management was rendered more adaptable by allowing significant front-loading in order to facilitate the provision of rapid support to countries in need. Second, portfolio restructuring rules were relaxed to allow resources to be channeled from selected existing projects to areas in need and/or to new objectives. Third, the processing time for projects presented to the Board in response to the crisis was reduced to 3 working days. Fourth, it was agreed that Management would provide the Board of Directors with proposals to reallocate part of the resources cancelled during ADF-11 immediately during ADF-11 rather than through the Advance Commitment Authority of the next replenishment cycle as had previously been the case. Fifth, measures to develop new products and instruments to leverage ADF resources were initiated.
- 2.6 Given the demand by ADF countries and the imperative of a rapid response, policy-based loans (PBLs) represented a large share of approvals made by mid-term (36%). Nonetheless, over the 3 years of ADF-11, PBLs' overall share of ADF-11 PBA approvals is expected to remain within the agreed 25 percent ceiling. Management is closely monitoring the evolution of the ADF-11 PBL pipeline.
- 2.7 Although the RO framework has been effective, implementation revealed two main operational challenges:
- a. It has become apparent that the design of the RO cost-sharing requirement may deter certain countries from participating in ROs, especially countries with relatively small allocations (20 ADF countries have allocations of less than UA 50 million). The requirement also may have a regressive impact on the amount of resources available to countries whose performance has led to an increase in their PBA allocation to just above the UA 20 million thresholds.

¹ Excluding budget support operations and transfers to the Fragile States Facility

- b. It has been difficult for Management to prioritize between regional public goods projects—mostly in the agriculture, health, environment and governance sectors—for which there is very high demand, and other ROs—mostly in infrastructure—financed from the RO envelope, especially in the absence of a cap or set-aside for resources allocable to regional public goods projects financed without cost-sharing.

In their online comments, Deputies have broadly supported Management’s proposal to pursue adjustments that will address these issues. Management’s suggestions in this regard will be presented to Deputies as part of the consultations for the Twelfth General Replenishment of the African Development Fund (ADF-12).

Implementation of the ADF Resource Allocation Framework

- 2.8 As a result of the surge in demand mentioned above and of the increase in the Fund’s delivery capacity, UA 3.14 billion or 74 percent of available resources had been committed at end-July 2009.
- 2.9 The changes to the PBA framework and formula agreed for ADF-11 were implemented in the 2008 and 2009 PBA exercise periods and allocation results show that the revised PBA mechanism continues to be effective at directing more resources to stronger performers. However, implementation has raised concerns about the high volatility of annual allocations arising from changes in Country Portfolio Performance Ratings (CPPRs). In the case of countries with small allocations and small portfolios, these changes are magnified. All the multilateral development banks face this issue. Questions of volatility also arise for small countries graduating from ADF status to blend country status or to ADB status. Management has noted Deputies’ call to refrain from undermining the role of portfolio reviews as an essential tool for dialoguing about performance and will propose ways to increase predictability and reduce excessive volatility. Management has also noted Deputies’ strong support for the development of a graduation policy and will present a proposal to Deputies in the context of ADF-12 consultations.

HIPC, MDRI and Debt Sustainability Issues

- 2.10 Besides the operational activities described above, the Bank Group continued to implement debt relief and debt sustainability initiatives and programs in ADF countries with a view to reducing those countries’ debt burdens and freeing budgetary resources for poverty reduction initiatives.
- 2.11 The key issue going forward is the continued debt vulnerability of many Heavily Indebted Poor Country Initiative (HIPC) countries, even after these countries reach their completion point. While it is clear that the HIPC and the MDRI have permitted participating countries to significantly reduce their debt burdens, thereby redirecting resources toward poverty-reducing measures, debt sustainability analyses show that many countries are experiencing a deteriorating debt situation and risk falling back into debt distress, primarily as a result of their vulnerability to export shocks and their high sensitivity to the terms of new non-concessional financing. In some countries, the problem is compounded by the effects of the financial and economic crisis. This situation reinforces the urgent need for donors to make sufficient concessional resources available as their primary source of financing and emphasizes the imperative for all stakeholders to step up their debt management assistance and coordination activities. In this respect, the Bank Group has moved to enhance its debt management capacity activities by joining the multidonor Debt Management Facility and by becoming much more systematic about its downstream debt management initiatives in ADF countries.
- 2.12 As per its ADF-11 commitments, in 2008 the Bank Group approved a Non-Concessional Borrowing Policy (NCBP) with a view to discouraging HIPCs from re-accumulating non-concessional debt in cases where re-accumulation would risk debt distress. Implementing the NCBP has proven challenging because of the difficulty of obtaining information about the non-concessional borrowings of certain countries and determining the right types of disincentives to apply. Following the approval of a revised concessionality policy by the Board of Directors of the International Monetary Fund in late August 2009, the ADF is currently reviewing its NCBP in close cooperation with the International Development Association and the International Monetary Fund.

Box 1: Commitment Capacity and the Challenge of Long-Term Financial Sustainability

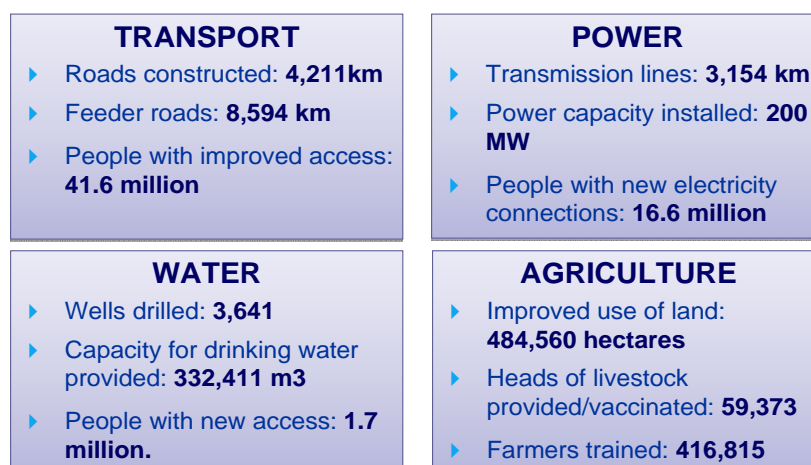
One of the most significant immediate challenges facing the Fund is the fact that the cost of the pipeline of ADF operations scheduled for presentation to the Board of Directors between August and end-December 2009 (UA 1.35 billion) exceeds the Fund's current commitment capacity (UA 1.12 billion). As a result, ADF will be unable to authorize commitments corresponding to its full 2009 pipeline unless all subscriptions are paid as due. Management invites countries that have some flexibility to pay the third installment of their subscription (2010) in cash or in promissory notes as early as possible and to authorize the early commitment of their subscription in order to allow the Fund to continue to provide resources to ADF countries in early 2010.

Furthermore, the dollar for dollar compensation of the Fund under the MDRI framework remains a key concern. As of end-July 2009, 10 percent of donor commitments for cancelled loan reflows had not been received for the ADF-10 disbursement period, and 13 percent of such commitments had not been received for the ADF-11 disbursement period. With several countries expected to reach their completion point by 2011, and with the cost of debt relief rising, it is critical for the Fund's long-term financial sustainability that donor commitments are received in full and on time.

3 Results

- 3.1 In concluding the ADF-11 replenishment discussions, Deputies had made it clear that their approval of the increase in Fund resources was based on their expectation of stronger results. The Bank's commitment to results under ADF-11 has translated into two main elements: an enhanced Results Measurement Framework and a set of institutional reforms now codified as the Action Plan on Quality and Results. Management is pleased to report significant and steady progress in both areas and is taking all actions necessary to sustain this progress in light of the challenges that remain.
- 3.2 Under the enhanced Results Measurement Framework, the performance of ADF countries remained positive in 2007-2008, with strong economic growth and a commodity boom contributing to rising per capita income, declining poverty and improving social welfare. It is expected that the picture at the end of ADF-11 will be more somber than at mid-term. As requested by Deputies, the Bank has assessed and recommended possible new indicators related to sanitation, climate change, gender and fragile states for future inclusion in the framework.
- 3.3 An assessment of outputs and outcomes of all operations exiting the ADF portfolio in the past 3 years showed ample evidence of ADF's contribution to development results, whether in the form of new roads that allow people to access markets, transmission lines that connect families and businesses to power, irrigation systems that increase crop yields, microfinance loans that raise household incomes, or regional integration that improves access to affordable energy (Figure 1). The assessment also revealed a greatly improved ability to track outputs and outcomes through much more comprehensive completion reporting than in the past: 72 percent of all 2006-2008 exits were tracked.

Figure 1: Selected Output and Outcome Indicators



- 3.4 The assessment of exiting operations also highlighted areas where improvement is still needed. The share of operations with satisfactory outcomes, for example, increased from 55% in 1993-1997 to 60% in 2003-2008 but remains low. Better quality at entry and more effective implementation will greatly improve outcomes, especially of larger operations, PBLs and water supply initiatives.
- 3.5 Regarding the second part of ADF-11 results commitments, at the time of this MTR, significant progress toward the Action Plan on Quality and Results has been made. First, *awareness* of the need to improve quality and strengthen the focus on development results has been raised across the institution. Second, a country-focused *review process* for new operations and strategies has been put in place and new tools have been piloted to stimulate structured discussions about quality at entry. Third, the quantity and the quality of *portfolio supervision* have been increased, taking full advantage of cost-effective field-based supervision and focusing more on progress toward results. Fourth, key *implementation processes*—most notably procurement—have been reformed for swifter and more accountable service delivery in a decentralized environment. Fifth, procedures, formats and incentives for *completion reporting* have been revamped for a dramatic improvement in timely delivery that allows for the incorporation of lessons learned and serves as the foundation for future results reporting. Finally, initial scoping for an *automated results reporting system* has been completed and core output and outcome indicators have been adopted in all sectors.
- 3.6 The assessment of progress on quality and results leads Management to a simple conclusion: the Bank is making progress and must stay the course. But this evidence leaves no room for complacency. Africa's underlying needs are enormous and Africa is arguably the world's most challenging and volatile environment. The Bank is in the transition and consolidation phases of an evolution towards a results-oriented organization, and it is shifting its focus from inputs to outputs and, in the medium term, outcomes. As such, it is becoming much more than a channel for aid. Management is aware of the risks associated with this stage of its evolution and is committed to continued monitoring and improvements to achieve lasting results.

4 Delivery Capacity

- 4.1 Finally, Deputies had requested the Bank Group to demonstrate clear improvements in its delivery capacity, because delivery capacity is central to translating available resources into real operations and results. Management is pleased to report significant progress in this area as testified by the doubling in commitments and disbursements, undeniable strides in terms of results and an increased ability to adapt Bank operations to new demands. These accomplishments are all clear evidence that the Bank has built a strong capacity to deliver that compares well to the performance of other, better resourced multilateral development banks. This said, Management also recognizes that recent achievements must be consolidated and deepened. For that reason, it is working actively to address the weaknesses that remain.
- 4.2 The Bank has taken a number of decisive actions since 2007 to overcome the challenges that have slowed its progress towards greater delivery capacity:
- Management restructured the Operations Vice-Presidency responsible for country and regional programs and policies and established the new Results and Quality Assurance Department as a focal point for managing institutional change aimed at enhancing aid effectiveness.
 - Management completely overhauled its operational programming, its review process and its authority delegation systems, thus empowering managers to make decisions based on evidence, experience and results. The creation of the Operations Committee and new Country Teams has streamlined the review process and helped improve the quality of operations. A review of experiences with the review process so far is currently being conducted with a view to learning lessons and making further improvements.

- Country Teams are now playing an enhanced role, helping cross-Complex dialogue and identifying issues at an early stage of the review process. A revised matrix for the delegation of authority has enhanced accountability and ownership. Readiness Reviews have been integrated in the operations review process to enhance quality at entry. In addition, a more results-focused project monitoring and supervision framework is being put in place. Project completion reports are now delivered in a timely manner.
- Management upgraded its fiduciary function to a full-fledged Procurement and Fiduciary Services Department and is reforming the Bank's procurement procedures, including amending the rules of origin for ADF countries. This has made it easier for the Bank to use country procurement systems and to participate in common financing arrangements at the country level.
- Management enhanced its decentralization strategy and some 23 Field Offices are now operational. In addition, donor coordination has been enhanced and communications between the Bank Group and its clients have improved. Decentralization guidelines and the ongoing effort to improve Field Offices' procurement capacity have increased portfolio management from Field Offices and have raised procurement service standards.
- Management revised its Budget Management Framework to gradually strengthen its new results-based culture, empowering individual managers and emphasizing accountability. The move to UA budgeting in 2010 will allow for greater flexibility and accountability and will enhance staff planning. The new 3-year framework ensures that resources are allocated to strategic priorities and that reviews and adjustments are overseen by the chief operating officer on a regular basis.
- The Bank's human resources capacity was significantly strengthened with a drastic reduction in vacancies from 24% to 13% thanks to the recruitment of more than 150 staff members and the filling of almost all key positions. Offers of employment to fill another 56 positions will bring the rate down further, to 8%. In addition, employment of 152 full-time equivalent consultants and 62 technical assistants and secondees has provided the Bank with essential specialist skills while giving it the flexibility to adjust its skill mix to changing circumstances.

4.3 The recent independent evaluation of the status of decentralization has highlighted recent progress while noting significant challenges that have delayed the delivery of the benefits expected. Management is developing a detailed roadmap for the next phase of decentralization to be completed by end-2009; this roadmap addresses many pending issues. A short information note on the roadmap's preparation status and its main contents will be submitted to Deputies before Helsinki. The information note on the Independent Evaluation of Quality at Entry for ADF-11 Operations and Strategies validates Management's view that institutional and organizational reforms are beginning to have a powerful impact on operational quality and results. This impact is clearly evidenced by the significant progress already registered by Tier II of the Results Measurement Framework on institutional effectiveness. The evaluation also highlighted weakness and challenges, especially in relation to the analysis of poverty, gender, and environmental aspects of projects, which Management is determined to address. The sobering review of the Bank Group's performance in meeting its Paris Declaration commitments at the time of the Accra High Level Forum on Aid Effectiveness (2008) also clearly highlighted areas of weaknesses where additional efforts are required.

4.4 Deputies have provided detailed and constructive comments online about the challenges facing the Bank Group, particularly as regards human resources and decentralization. They have also expressed clear concern about the Bank's poor performance with respect to its Paris Declaration commitments and about some of the findings of the evaluation of quality at entry. Ultimately, the effectiveness of reforms already underway will depend on the Bank's success in tackling a number of long-standing institutional challenges: (i) successfully completing its shift to more flexible and country-focused budget processes; (ii) attracting and retaining high-quality staff through transparent and competitive human resource policies; (iii) empowering Field Offices by effectively transferring decision-making authority to the field; (iv) upgrading its information system architecture and ensuring access to information technology

skills; and (v) enforcing operational readiness even as resource delivery is scaled up and accelerated. Management is committed to addressing these challenges.

5 Conclusion

- 5.1 Considerable progress has been achieved during the first 15 months of ADF-11, both in terms of delivery capacity and reforms and in terms of commitments. This progress is encouraging, and Management should stay the course. Deputies have made it clear and Management is conscious that significant challenges remain, particularly in strengthening and consolidating the Bank's delivery capacity (staffing, decentralization). Management is determined to redouble its efforts to remedy areas where progress has been lagging and the Action Plan attached herewith details some of the key actions that Management plans to continue to carry out until the end of the ADF-11 period. In addition, Management continues to implement the full set of institutional reforms. These reforms are regularly adjusted to changing circumstances and are monitored under the ongoing supervision of the Board of Directors.

Annex I: List of Papers Prepared for the Helsinki Meeting

1. Steering Note

Discussion Papers

2. Progress Report on ADF Core Operational Priorities
3. ADF-11 Resource Allocation
4. Progress in Implementing the ADF-11 Results Measurement Framework (with Annexes)

Background Papers

5. Impact of Institutional and Business Process Reforms on Programming and Delivery
6. Implementing the Paris Declaration Commitments and Building on the Accra Agenda for Action
7. Issues Concerning the Blend Country Regime and the Adoption of a Graduation Policy for ADF Countries
8. Update on ADF Activities in Support of Debt Sustainability
9. Review of Debt-Related Issues Under the Heavily Indebted Poor Countries (HIPC) Initiative and the Multilateral Debt Relief Initiative (MDRI)
10. The New Role of the African Development Fund in the Changing Aid Architecture
11. Options to Improve the Cost-Effectiveness of the Replenishment Process
12. Independent Evaluation of the Decentralization Strategy and Process at the African Development Bank – Summary Report for the ADF-11 Mid-Term Review
13. Independent Evaluation of Quality at Entry for ADF-11 Operations and Strategies – Information Note for the ADF-11 Mid-Term Review.

Annex II: ADF-11 Action Plan: Post-Mid Term Review (Nov. 2009 – Dec. 2010)

	ISSUE	ACTION	TARGET DATE
1. Improving Quality and Results			
Quality at Entry			
1.1	Enhancing Quality at Entry for all strategies and operations	<ul style="list-style-type: none"> • Readiness Review (currently applied to all public sector investment lending) mainstreamed for 100% of public sector operations including PBLs, and; <ul style="list-style-type: none"> - Piloted for CSPs • Evaluation of the project and policy review and approval process concluded <ul style="list-style-type: none"> - Revised process approved 	Q1 2010 Q3 2010 Q4 2009 Q2 2010
Managing for Results			
1.2	Instilling a results-oriented culture	<ul style="list-style-type: none"> • Revision of supervision reporting tools and processes (to focus on results and facilitate field-based supervision) completed • 100% of policy-based lending operations in fragile states formally supervised twice a year • Online objective-based staff performance management system strengthened to link individual staff objectives to department objectives 	Q2 2010 Q2 2010 Q4 2009
1.3	Improving data and systems for results reporting	<ul style="list-style-type: none"> • Prototype of web-based automated results reporting system that tracks outputs and outcomes developed; <ul style="list-style-type: none"> - System piloted • Core sector indicators (on infrastructure, human development, governance) refined and adopted, and their use monitored every 6 months 	Q4 2009 Q1 2010 Q1 2010
2. Delivery Capacity and Institutional Effectiveness			
Human Resources			
2.1	Improving career development opportunities and strategies for staff retention	<ul style="list-style-type: none"> • Revised Career Development Framework approved; Presidential directive issued • Enhanced staff mobility, rotation and reintegration policy including targets approved and launched 	Q2 2010 Q4 2010
2.2	Ensuring sufficient human resource capacity, especially in newly created departments and Field Offices	<ul style="list-style-type: none"> • Out of 156 PL vacancies as of 30 September 2009, 56 positions currently on offer filled and new staff assumed duty • Recruitment for 95 positions completed and new staff assumed duty 	Dec. 2009 March 2010
Decentralization			
2.3	Enhancing implementation of the Ten Point Action Plan and developing a detailed roadmap for the next phase of decentralization	<ul style="list-style-type: none"> • Detailed roadmap approved, which clarifies the model, role and strategy of decentralization, including targets for roll-out of offices, staffing, and delegation of authority, and which is aligned with ongoing HR and business process reforms 	Dec. 2009
2.4	Completing the decentralization of fiduciary decision-making by building capacity within Field Offices	<ul style="list-style-type: none"> • 40% of procurement related decisions taken in the field • Audit reports submitted to Bank within the prescribed 6 month period increased from 20% to 50% 	Dec. 2010 Dec. 2010

	ISSUE	ACTION	TARGET DATE
Information Technology (IT)			
2.5	Upgrading the Bank's information management and resource planning platform (SAP) functions, and integration with field offices	<ul style="list-style-type: none"> Pilot phase of SAP upgrading completed to improve integration of workflow through secure and full FOs connectivity, automated administrative services and support for new financial products; <ul style="list-style-type: none"> Roll-out completed 	Dec. 2009 Q4 2010
Communication of Bank's operations			
2.6	Enhancing implementation of the Bank's public disclosure policy	<ul style="list-style-type: none"> Project briefs on all current projects posted on ADB website 	Jan. 2010
3. Aid Effectiveness, Harmonization & Alignment			
Alignment with and building of country systems			
3.1	Enhancing the Bank's participation in multi-donor assessment of country systems and strengthening collaboration in building these system	<ul style="list-style-type: none"> Four (4) countries assessed on the quality and standard of their national procurement system to determine whether and to what extent the Bank can use this system. Joint analytical and diagnostic of country systems (PEFA) conducted in at least 4 countries per year New governance operations with a component aimed at strengthening country public procurement systems increased from 28% in 2007 to 60% by year-end 	Q4 2010 Dec. 2009; Dec. 2010 Dec. 2009
4. Cross-cutting Themes			
Environmental and social safeguards			
4.1	Strengthening environmental and social assessments	<ul style="list-style-type: none"> Environmental and social assessment (including gender) mainstreamed as QaE dimension into the Readiness Review Detailed approach paper, including Terms of Reference and a timeline, on the revision of the Environmental and Social Assessment procedures adopted 	Q4 2009 Q1 2010
Gender mainstreaming			
4.2	Building capacity for gender-disaggregated data collection and reporting	<ul style="list-style-type: none"> Gender-disaggregated data collection, monitoring and reporting strategy piloted in two RMCs; <ul style="list-style-type: none"> Strategy reviewed and scaled up in the two RMCs 	Q1 2010 Q4 2010
Climate Change			
4.3	Ensuring implementation of clean energy and climate risk strategies	<ul style="list-style-type: none"> Climate Risk Management and Adaptation action plan approved by Board of Directors 	Q4 2009