

**INDEPENDENT ASSESSMENT OF THE QUALITY AT ENTRY OF ADF  
2005-2008 OPERATIONS AND STRATEGIES  
MANAGEMENT RESPONSE**



## Management Response

### to OPEV's Independent Assessment of the Quality at Entry of ADF 2005-2009 Operations and Strategies

Management welcomes OPEV's Independent Assessment of the Quality at Entry (QaE) of ADF 2005-2008 Operations and Strategies. While noting the pros and cons of OPEV's assessment methodology and their possible implications on the robustness of the findings, Management acknowledges that, albeit considerable progress has been made in recent years to strengthen QaE, significant challenges lie ahead. In summary, OPEV's assessment provides a balanced picture of the QaE of ADF operations and strategies: whereas the QaE of operations improved noticeably during the period under review, the QaE of country strategies remained, on balance, unchanged between 2005 and 2008. Analysis conducted at the level of individual QaE dimensions suggests that some areas have improved while others deteriorated, which provides useful insights to refocus the Bank's efforts. More specifically, Management will take measures to address shortcomings related to the areas of poverty, gender and social development as well as 'storyline' analysis, stakeholder involvement and results-focus. Management also agrees on the need to devote more resources to QaE and to strengthen processes and tools for quality assurance and is committed to take the required actions. The attached Management Action Record provides further details on actions envisaged by Management's in response to the recommendations of the OPEV report.

#### Methodology to Assess Quality at Entry

Sampling Issues. Although the assessment employed different sources of evidence, the sample sizes used to evaluate both operations (39) and country strategies (12) made it difficult for OPEV to derive statistically robust conclusions, especially differentiated by regions, sectors and lending instruments. For this reason, some of the trends observed in the QaE of operations cannot be considered statistically significant. Findings with respect to the quality of CSPs, derived from only four CSPs for 2008, must be interpreted with even more caution.

QaE Assessment Method. Another methodological issue concerns OPEV's choice of assessment method, i.e., the framework of the World Bank's Quality Assurance Group (QAG). With some 50 quality sub-criteria for projects, the QAG may appear a comprehensive approach to QaE. A major drawback of the QAG approach, however, is its lack of focus and absence of contextual relevance. Under the QAG framework, assessment criteria of less relevance to ADB's strategic priorities have the same weight as criteria that are highly relevant.

Negative weighting of poorly rated QaE dimensions. In assessing the QaE of indi-

vidual operations, OPEV accorded a “negative” rating or zero value to those quality dimensions rated moderately unsatisfactory or worse. OPEV justifies this approach on the ground that unsatisfactory dimensions have the potential to negatively affect the overall project outcomes and therefore should be “ineligible for approval by the Board”. Yet, this method unambiguously distorts the actual QaE rating of a given operation and the overall results obtained in the evaluation.. Furthermore, it lacks differentiation as it assumes that all quality dimensions have the same degree of adversity on the project outcome.

### **Quality at Entry of Bank Group Operations and Country Strategies**

Analysis of the QaE of Operations. OPEV’s assessment concludes that the overall QaE of the 39 operations reviewed (using the QAG method) increased slightly, from 4.1 in 2005 to 4.3 in 2008, thereby remaining at a moderately satisfactory level. Importantly, OPEV study shows a marked improvement in the percentage of operations rated moderately satisfactory or better during the period under review: from 68% in 2005 to 80% in 2008.

Management also appreciates the assessment conducted by OPEV at the level of individual quality dimensions. More specifically, out of the 8 QAG quality dimensions used to assess the QaE of operations, 3 have statistically significant improvements, whereas 4 had no change. Only 1 dimension deteriorated against QAG standards, i.e., poverty, gender and social aspects. The Best Practice Standard (BPS) method also adopted in the evaluation shows other shortcomings related to stakeholder involvement and ‘storyline’ analysis (i.e., the logical link between project inputs and expected results).

Management broadly concurs with these findings and notes that a number of actions have been taken to address issues. These actions, however, were taken too recently to have an impact in the period under review in the OPEV study. These include new guidelines for streamlining cross-cutting aspects into the design of operations (such as the Gender Plan of Action), incorporation of

relevant core sector indicators in projects, systematic collection of baseline data and the introduction in 2009 of a new quality assurance instrument, the Readiness Review, aimed at strengthening the operations review process. Management also acknowledges the need to enhance the functioning of Country Teams, strengthen its skill-mix and ensure a systematic involvement of the Bank’s social, gender and environmental specialists at the very beginning of the preparation process. In parallel, as noted by OPEV, a long-term effort is required to improve national statistical systems in general and the availability of reliable poverty data in particular, and the Bank is already engaged in such effort.

Analysis of the QaE of CSPs. OPEV’s assessment concludes that the overall QaE of CSPs remained, on balance, unchanged between 2005 and 2008. While Management agrees with OPEV that the assessment is essentially indicative due to the very small number of cases reviewed, it does nonetheless provide valuable lessons. CSP quality was generally stronger where the Bank had undertaken regular portfolio reviews. Joint Assistance Strategies have a significantly higher number of satisfactory ratings.

The OPEV study identifies a number of areas where improvements in the quality of CSPs were noted in the period under review, including selectivity, integration of lessons learned and knowledge underpinning the CSP formulation, alignment with country priorities, and efforts to strengthen country dialogue and partnerships. These trends clearly reflect the growing attention paid by Management to the advancement of the Paris declaration principles and the overall aid effectiveness agenda. However, the OPEV study also flags persistent challenges in the QaE of CSP including deficient poverty analysis, challenges in mainstreaming cross-cutting issues (notably HIV/AIDS and environment), poor evidence of stakeholder participation, and insufficient demonstration of results monitoring systems.

Management is taking measures to address the above-mentioned shortcomings. In particular, a Readiness Review tool - similar in

its aim to the RR developed for operations in 2009 - will be piloted for CSPs in 2010 and eventually rolled out in 2011.. Strengthened Country Teams and a more solid review process will contribute to enhance the poverty focus and mainstreaming of cross-cutting issues into CSPs. Management also expects that the acceleration of the decentralization process will allow the Bank to strengthen partnerships with other donors, engage more frequently in joint CSPs, and support the participation of a range of stakeholders in CSP formulation. Better integrating lessons learnt (from CSP completion reports and country portfolio reviews in particular) and quality analysis and knowledge products to underpin CSP preparations will remain priorities to address QaE shortcomings.

Among the major constraints identified for both operations and country strategies, OPEV highlights a number of resource and process related issues, notably limited staff time and capacities for preparation and consultation, weak coordination between relevant Bank departments, strict adherence to report formats and guidelines, and a lack of flexibility in processing schedules. While these are important concerns that can be addressed through specific measures, it is Management's view that resources are most efficiently used by exercising greater selectivity in analytical work, focusing on areas of the Bank's comparative advantages, and promoting joint analysis with other development partners.

### **Impact of Bank Reforms on QaE**

QaE from a longer-term perspective. OPEV's assessment rightly indicates that it is too early to gauge the effects of recent Bank reforms on QaE. Nevertheless, from Management's point of view, it would be useful to consider QaE against the broader and more strategic setting of the institutional changes that have shaped the Bank over the past few years. Management is convinced that the current status and progress on the Managing for Development Results (MfDR) agenda and QaE would not have been possible in the absence of important organizational decisions made prior to and during the period of OPEV's assessment. To a large extent, successive ADF replenishment exer-

cises provided a platform for maintaining a quasi continuous dialogue between the Bank and Deputies, and furnished the necessary impetus to adopt and implement difficult internal reforms. Among reforms that have affected the QaE of ADF operations, Management would like to underscore the following:

Strengthening of Matrix Management. The 2006 reorganization sanctioned an organizational matrix supportive of constant interaction between country program staff and sector specialists. Regional departments (including Field Offices) were made accountable for the design of country strategies and lending programs, while sector departments were given authority over sector analysis and project preparation and implementation. By better synthesizing sector knowledge and country expertise, this structure helped focus Bank interventions on strategic priorities that are more responsive to country demands. Within regional departments, Field Offices were established and the positions of country program officers expanded to strengthen engagement with country authorities and executing agencies on the ground. This has stimulated more active portfolio management and facilitated dialogue on generic project implementation issues such as loan effectiveness and start-up constraints.

Revised Review Process. Presidential directive No 07/2007 setting out "revised procedures for the review and approval of CSPs and operations" put in place a more systematic quality review process by cross-sectoral Country Teams and clearly delineated the responsibilities of the Bank's various departments. The new quality review process features successive consultations and reviews by peers, Country Teams, and the Operations Committee (OpsCom) at both the concept and the appraisal stages. While a work in progress, endowing Country Teams with key responsibilities in the review of strategies and operations has undoubtedly contributed to strengthen the QaE of operations. As the representative of Senior Management, OpsCom was tasked by the presidential directive to oversee the review process and provide clearance for subsequent preparation stages.

Readiness Review and ADOA. The establishment in July 2008 of the Quality Assurance and Results Department (ORQR) sent another strong signal of the Bank's commitment to improve QaE. The Readiness Review coordinated by ORQR on a pilot basis for investment projects in 2009 aims at providing Country Teams with guidance on QaE dimensions and criteria matters during the preparation process. The Readiness Review was rolled out to all operations including Policy-based Lending Operations in at the beginning of 2010. While not yet formally integrated into the Bank's Review process, Readiness Reviews have emerged as an innovative and essential quality assurance instrument of the Bank.

Another Bank initiative, the Additionality and Development Outcomes Assessment (ADOA) introduced in late 2008, examines the expected development results of private sector operations. It is another important contributor to the quality of non-sovereign operations.

Overall, Management considers that the changes implemented by the Bank in recent years have had a significant impact on the QaE of ADF operations. While some of these changes did not fall within the scope of OPEV's assessment, their benefits are visible, especially in terms of improved project readiness, clearer focus and better understanding of quality criteria.

## **Way Forward**

With this broader and longer-term perspective on QaE, Management wishes to reaffirm its commitment to strengthening the quality at entry of Bank operations and country strategies to achieve better results on the ground in its client countries. Concurring with the main lines of OPEV's findings and recommendations, Management intends to address problem areas and current constraints by taking action in the following areas:

Consolidate the review process. Priority will be given to formally integrate the Readiness Review into the Bank's operations review process, to roll out the Readiness Review

tool to country strategies and to develop best practice quality standards for both operations and strategies. Efforts will be pursued to improve the availability and systematic inclusion of baseline data to facilitate results monitoring and reporting..

Enhance focus on results. The existing formats and logframes for operations and country strategies will be simplified and adjusted to enhance their focus on results and results measurement. The Readiness Review, quality standards and simplified logframes will be formally included in the revised Bank Group Operations Manual.

Strengthen compliance with environmental and social safeguards in the review process. Safeguards and crosscutting themes are incorporated into the Bank's review process and the Readiness Review. A Bank-wide effort remains necessary to develop the appropriate expertise and pool of qualified staff to ensure compliance with safeguard policies, including risk mitigation measures.

Enhance QaE support for selected operations. Additional resources must be devoted to supporting QaE during the processing of selected, possibly more complex operations and country strategies. To this end, departments with specialized know-how and expertise (ONRI, OFSU, ORPF, etc.) will be more actively engaged in country teams. The devolution of more responsibilities to country offices for operations and CSP processing will also contribute to enhance the quality at entry of complex operations and those requiring more intensive dialogue.

Staff development. Staff development is necessary to ensure the widespread acceptance and ownership of the Bank's MfDR agenda and new QaE procedures and instruments. For that reason, learning support to regional and sector departments, including Field Offices, will be intensified in 2010 and 2011, thereby supporting the Bank's decentralization policy and enhancing the human resource base across the institution.

## Management Action Record

Key OPEV recommendations	Management's response and proposed action
<p><b>Recommendation 1</b>  <b>Set clear quality standards directly targeting quality at entry.</b> Readiness Reviews provide a set of criteria against which to assess quality at entry, but they do not provide a clear statement of the standards to be met. Explicit quality standards should be included in the forthcoming revised Operations Manual.</p>	<p><b>Agreed</b>            As part of the development of the Readiness Review tool, best practice Quality Standards (QS) for Operations are being prepared under the coordination of ORQR. The QS aims at complementing the Readiness Review Checklists by providing technical guidance to Task Managers / Country Teams on compliance with the QaE dimensions. QS are expected to be disseminated as of Q3 2010.            A similar process is envisaged for CSP, after pilot-testing and validation of a readiness review tool, with envisaged dissemination of QS for CSPs in Q2 2011.            New quality at entry instruments and procedures will be formally integrated into the Bank's operations review process and the revised Bank Group Operations Manual.</p>
<p><b>Recommendation 2</b>  <b>Under the new quality standards for operations and country strategies, provide Bank Staff and management with mandatory, high quality training appropriate to their various responsibilities.</b> Training in this area has so far not been mandatory and has been somewhat piecemeal. A concerted effort to raise the level of staff skills and awareness is required.</p>	<p><b>Agreed</b>            ORQR organized in 2009 a number of workshops in country offices on the Bank's agenda on quality and results including quality at entry issues and presentation of the readiness review. Further workshops are planned in 2010 and beyond. Staff orientation on quality standards for operations (and later CSPs) will be provided at these events to facilitate their dissemination and comprehension.            In relation to the above, Management intends to prioritize and systematize training on the use of the logical framework as a tool for designing quality operations and monitoring results. It is envisaged to develop and test training modules in view of implementing a comprehensive training plan for 2011 and 2012, possibly including e-training modalities. In parallel, EADI's training programs aimed at officials of Regional Member Countries (RMCs) on quality and results topics, including logframes, will be pursued</p>
<p><b>Recommendation 3</b>  <b>Carefully monitor compliance by Bank staff and management with the new standards and processes.</b> Management should undertake annual QEAs to monitor the effectiveness of the ongoing reforms, including compliance with the relevant standards and procedures. Independent assessments should also be undertaken periodically for validation: CODE should consider tasking OPEV to undertake a further independent QEA review in 2011.</p>	<p><b>Agreed</b>            Annual readiness review retrospective reports will be prepared by ORQR to take stock of QaE progress at the corporate level - as assessed through the readiness reviews - to identify trends and remaining challenges in QaE dimensions for CSPs and operations.            Management welcomes a further independent assessment of the QaE of operations and CSPs but would suggest it to take place in 2012 to better capture the effect of actions undertaken including the rolling out of the readiness review to all operations and CSPs.</p>

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<p><b>Recommendation 4</b>  <b>Undertake, as a priority, a review of constraints contributing to weak quality at entry with regard to poverty, gender and environmental aspects in operations and country strategies, and take appropriate measures to promote improvements.</b></p>	<p><b>Partially Agreed</b>  Strengthened Country Teams with the adequate skills mix together with the readiness reviews will ensure a more solid review process of Bank operations and contribute to enhance the poverty focus and mainstreaming of cross-cutting issues into CSPs. The Readiness Reviews, for operations and eventually CSPs, systematically considers the treatment of poverty, compliance with environmental and social safeguard policies, as well as stakeholder involvement.  Management recognizes the need for skilled and well-trained staff in the areas of poverty analysis, gender analysis and environmental safeguards. Training in these areas will be intensified including through orientation on environmental and social safeguards for country offices (see 2 above).  Management also expects that the decentralization – also understood as the devolution of more operations' processing responsibilities to field offices – will contribute to address knowledge gaps and noted weaknesses in certain QaE dimensions. In particular gender and environmental concerns can be better assessed through proximity with clients and beneficiaries as well as strengthened partnerships with local development partners, including NGOs/CSOs.</p>
<p><b>Recommendation 5</b>  <b>Put in place appropriate IT systems to enable archiving of PAR Annexes and supporting documentation for future use.</b>  Currently, this material cannot be readily retrieved, despite its utility for project implementation.</p>	<p><b>Agreed</b>  Documents distributed to the Boards are accessible and registered in the central Documents And Records Management System (DARMS). Other relevant operations reports including technical annexes to Appraisal Reports are normally accessible within the responsible processing department and registered under the departmental DARMS. Management of Operations departments assisted by CIMM and SEGL will ensure that all project documentation is appropriately recorded in the relevant DARMS.</p>
<p><b>Recommendation 6</b>  <b>In the forthcoming review of the Operations Committee (OpsCom), re-emphasise the Committee's strategic role in ensuring quality at entry.</b> OpsCom has devoted considerable attention to the details of quality at entry on a case by case basis. It needs to give more attention to the factors driving quality at entry, and ensure effective management of the upstream processes of project identification and design.</p>	<p><b>Agreed</b>  In principle, Management agrees on the recommendation to emphasize the strategic role of OpsCom, in conformity with its original mandate. The recently completed review of OpsCom will provide further insights into this question and OPEV's recommendation will be taken into consideration.</p>