APPROACH PAPER ON THE ANNUAL REVIEW OF DEVELOPMENT EFFECTIVENESS REPORT

OPERATIONS EVALUATION DEPARTMENT (OPEV)

14 June 2004
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### Abbreviations and Acronyms

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<th>Description</th>
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<tr>
<td>ADB</td>
<td>African Development Bank</td>
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<td>ADF</td>
<td>African Development Fund</td>
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<td>ADI</td>
<td>African Development Institute</td>
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<td>AFDB</td>
<td>African Development Bank Group</td>
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<td>APPR</td>
<td>Annual Project Performance Review</td>
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<td>ARDE</td>
<td>Annual Report of Development Effectiveness</td>
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<td>CAE</td>
<td>Country Assistance Evaluation Paper</td>
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<td>CPIA</td>
<td>Country Policy and Institutional Assessment</td>
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<td>CPR</td>
<td>Country Portfolio Review</td>
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<td>CSP</td>
<td>Country Strategy Paper</td>
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<td>CSPCA</td>
<td>Country Strategy Paper Completion Assessment</td>
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<td>DFID</td>
<td>Department for International Development of the UK.</td>
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<td>DE</td>
<td>Development Effectiveness</td>
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<td>EBRD</td>
<td>European Bank for Reconstruction and Development</td>
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<tr>
<td>ERR</td>
<td>Economic Rate of Return</td>
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<td>ESW</td>
<td>Economic and Sector Work</td>
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<tr>
<td>FRR</td>
<td>Financial Rate of Return</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>HDI</td>
<td>Human Development Index</td>
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<tr>
<td>HS</td>
<td>Highly Satisfactory</td>
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<tr>
<td>HUS</td>
<td>Highly Unsatisfactory</td>
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<tr>
<td>IADB</td>
<td>Inter-American Development Bank</td>
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<td>ID</td>
<td>Institutional Development</td>
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<td>IDA</td>
<td>International Development Association</td>
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<td>IMF</td>
<td>International Monetary Fund</td>
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<td>JAI</td>
<td>Joint Africa Institute</td>
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<td>MDB</td>
<td>Multilateral Development Banks</td>
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<td>MDGs</td>
<td>Millennium Development Goals</td>
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<td>NGOs</td>
<td>Non-Governmental Organizations</td>
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<td>OE</td>
<td>Organizational Effectiveness</td>
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<td>OED</td>
<td>Operations Evaluation Department of the World Bank</td>
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<td>OPEV</td>
<td>Operations Evaluation Department of the AFDB</td>
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<td>PA</td>
<td>Poverty Alleviation</td>
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<td>PBLs</td>
<td>Policy-Based Loans</td>
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<td>PCR</td>
<td>Project Completion Reports</td>
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<td>PIU</td>
<td>Project Implementation Unit</td>
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<td>PPERs</td>
<td>Project Performance Evaluation Report</td>
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<td>PPLB</td>
<td>Policy, Planning and Budgeting</td>
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<td>PRSP</td>
<td>Poverty Reduction Strategy Paper</td>
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<td>Quality Assessment Group at the World Bank</td>
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<td>RBM</td>
<td>Resource-Based Management</td>
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<td>RDE</td>
<td>Review of Development Effectiveness</td>
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<td>RERR</td>
<td>Re-evaluated Economic Rate of Return</td>
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<tr>
<td>Abbreviation</td>
<td>Description</td>
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<td>RFRR</td>
<td>Re-evaluated Financial Rate of Return</td>
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<td>RMCs</td>
<td>Regional Member Countries</td>
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<td>S</td>
<td>Satisfactory</td>
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<td>TA</td>
<td>Technical Assistance</td>
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<td>TAF</td>
<td>Technical Assistance Fund</td>
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<td>U</td>
<td>Unsatisfactory</td>
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<td>UNDP</td>
<td>United Nations Development Programme</td>
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Preface

1. There is increasing demand on development institutions to demonstrate results and effectiveness on the ground. It is therefore not a surprise that the AfDB, in the course of ADF-IX Replenishment discussions, was instructed by the ADF Deputies to prepare independent annual development effectiveness reports on Bank Group activities.

2. Like AfDB, other development agencies are under pressure to constantly improve upon their abilities to demonstrate in concrete and measured terms the results of their activities. While the need to focus on demonstrable results and effectiveness is clear there is no common understanding and clarity on how development effectiveness could be measured. Notwithstanding this, some institutions have started producing reports on development effectiveness by assessing the extent to which their interventions have met the intended objectives. The World Bank is the pioneer in this exercise.

3. This approach paper seeks to provide guidance on the scope and content of the first Annual Development Effectiveness Report (ARDE) of the Bank. The paper has benefited from a wide range of discussions with Country Departments and departments in the PRVP complex, as well as a review of experiences of other development agencies, specifically the World Bank, the Inter-American Bank, DFID and the UNDP.

4. In sections I and II the paper discusses the concepts and dimensions of organizational and development effectiveness, measurement options and the experiences of other agencies in reporting the effectiveness of their work. Section III identifies the main components of AfDB’s first development effectiveness report covering project, sector and country level activities based on quantitative and qualitative analyses of operational performances. The evaluation of investment projects and programs including policy reforms and other lending and non-lending instruments at the country and sector levels will form the basis for the first assessment of development effectiveness of Bank Group operations.

5. In Section IV the paper identifies areas of coverage for the second and third annual reports. Possible topics are: the effectiveness of Bank Group interventions in the social sector, the organizational effectiveness of the Bank and an evaluation outcome of the Bank’s result based management system.

6. Work on the first ARDE is planned to commence immediately after CODE’s approval of the approach paper expected early in July 2004. It is expected to be completed in the first quarter of 2005.
Executive Summary

i. This Approach Paper proposes the scope of AFDB’s first Annual Report on Development Effectiveness (ARDE). This is in response to the ADF Deputies’ desire, articulated during the ADF-IX Replenishment, to have annual reviews that clearly assess the development effectiveness of AFDB’s activities on the RMCs as well as AFDB’s management desire to have a better performance management system.

ii. **Section I: Meanings of Development Effectiveness (DE).** It is useful to make a distinction between organizational and development effectiveness which together constitute *corporate effectiveness*. **Organizational effectiveness** refers to the more direct, accountable and attributable measures of performance *at the institutional level* over which an agency has relatively more control: relevance, efficiency, and efficacy of outputs and some intermediate outcomes. Organizational effectiveness can in turn be sub-divided into measures which relate to the quality of policy, process and resources - *organizational quality* – and those which relate to actual operational achievements: **operational effectiveness.** **Development effectiveness** refers to achievements *at the country level* in respect of less attributable, longer-term outcomes and impacts to which the agency efforts are ultimately aimed, and to which it contributes, but which are beyond the manageable, controllable interest of that agency alone.

iii. In the spring of 2004, the IDA Deputies agreed that country outcomes be assessed on the basis of a set of 18 indicators based on the PRSPs and MDGs. The AFDB adopted the IDA indicators as an appropriate articulation of its Vision and Strategic Plan with the addition of indicators of Regional Integration and Governance which are being developed. **DE should therefore be measured by progress towards the “IDA 18+” indicators.** The next step is to try and determine the contribution of AFDB activities or its various development interventions to country outcomes. In practice, most AFDB activities are still projects of one form or another notwithstanding the recent emphasis on a variety of non-lending interventions. Portfolio indicators of various project outcomes from completed and ongoing projects are the primary source for assessing the impact of AFDB’s Operational Performance on the DE of the RMCs; in the case of IDA, Project Outcome have been shown to be correlated with success in achieving Country Strategy outcomes.

iv. **Measuring DE.** To determine the contribution of AFDB’s activities to country outcomes there are several requirements – sometimes known as the “triple-A” requirements. **Alignment** is whether the data collected at the micro level (e.g. project objectives) are related to the country DE objectives – i.e. the “IDA18+” indicators at the country level. **Aggregation** is whether the reporting systems produce data of various activities (e.g. project outcomes) that can be meaningfully added up (e.g. by being rated in common categories such as ‘satisfactory’ or ‘unsatisfactory’). And **Attribution** is making a link between AFDB’s activities and the outcomes at the country level they aim at influencing. For AFDB and several other development institutions, aggregation is a problem that has been largely addressed. It is also possible to determine whether the objectives of various activities are aligned; the multilateral and regional banks are making major efforts to improve alignment by requiring that project, sector and country activity objectives be related to country DE objectives through a logical framework that links inputs to those results. But how to address attribution remains an intractable problem at the aggregate level: it may be possible to address it at the micro-level in a limited and qualitative way.
v. There are two basic options for measuring effectiveness at the country level. The first option is to measure the changes in selected high-level indicators. The second is to add up the outputs of the agency’s development activities. The first, top-down, approach faces a problem of attribution: to what extent have AFDB’s activities contributed to observed outcomes? Would these changes have occurred anyway, or at a lower level, or later? These are very difficult questions to answer. Bottom up systems, rooted in traditional management information systems, face problems of aggregation and alignment. Most development activities produce different outputs and outcomes that are difficult to add together in a meaningful way. Scores or ratings are easier to add up, but may be less meaningful. For example, the percentage of projects scored as ‘satisfactory’ does not reflect the contribution to DE unless the objectives are aligned to the high level objectives. A mixture of these two approaches, with the new top-down approach added to the more established bottom-up approach of aggregating information is needed.

vi. Section II: Reporting on DE in Other Development Agencies. The major focus is on developments in the World Bank Group where much of the initiatives originated. Various ARDEs, AROEs and the progress of RBM reports are all briefly reviewed as is the World data base used for these purposes. DFID also has one RDE, UNDP three and IADB one. The work in other institutions – the Asian DB, EBRD and bilateral donors other than DFID – is limited in its scope and relevance for AFDB’s ARDE.

vii. Section III: Scope and Content of AFDB’s First ARDE. The structure and content of the ARDE would be as follows:

Chapter One – Recent Trends in DE indicators in Africa. This chapter would review the level and trends in various IDA18+ and related MDG indicators (Annex 1 and 2.A) in the countries of Africa. It would not cover AFDB’s activities but present the context in which AFDB operates. ADF-blend and ADB countries would be treated separately. This context would present a challenging and difficult overall picture as achievement of some important MDG indicators in a number of countries would appear problematic.

Chapter Two -- Operational Performance. The impact of operational performance on DE involves a review of the impact of AFDB’s major activities – project; country and sector; and TAF grants -- from this perspective. Project performance in all its aspects remains the primary source of information available to AFDB to assess the impact of its work on DE notwithstanding AFDB’s recent emphasis on non-lending work.

I. Project Impact on DE. The analysis would be done separately for ADF-blend and ADB projects starting with those approved in 1985 and grouped by ADF approval years. There are 98 ADF-blend and 76 ADB completed projects that have performance ratings in PCRs and PPERs. Active projects in the portfolio (APPR) would be limited to those having a track record defined as having disbursed at least one third of their loan amount. There are also an estimated 158 ADF and 44 ADB such projects. Altogether there is a total of 376 projects – 256 ADF and 120 ADB. All projects would be reviewed to ascertain whether their objectives are aligned to DE objectives – MDG or IDA or PRSP – and project inputs are logically related to objectives. The objectives and inputs summarized in the logframes of PCRs/PPERs for completed projects and in the Appraisal Reports of ongoing projects would be reviewed for that purpose. The process is time-consuming and to some extent subjective but it is feasible and critical for a meaningful ARDE. The World Bank did this for the preparation of the 2002 MDG ARDE. While the exact number of projects to be included in the ARDE must await a review of their alignment to DE indicators, a large majority is expected to pass this test.
The focus of the project analysis will be on trends of ADF-blend and ADB projects grouped by ADF Replenishment period but also involve some cross-section analysis. The major rating categories will be related to sector and country characteristics (p.c. income; CPIA, etc) and lending instrument (PBL, investment, TA, etc). Ratings would be analyzed weighted both by project numbers and loan amounts. The rating methodology for ongoing projects is slightly different than it is for completed projects but is comparable for all the major ratings – Outcomes, Institutional Development, Sustainability and Implementation Performance, including adherence to time schedule, project management, etc. Because the evaluation of completed projects includes more ratings than for active projects, the analysis of completed projects will cover some topics that cannot be covered for ongoing projects such as Bank Performance, Relevance, Factors Affecting Implementation; and impacts on Poverty Alleviation, Environment and Private Sector Development. Also, completed projects will be analyzed by completion years as well as by approval years.

**Country and Sector Impact: Complementing the Project Analysis.** The quantitative analysis of ratings will be complemented by a qualitative analysis relying on a variety of sector and thematic studies that provided in-depth reviews of small samples of projects. The emphasis will be on key sectors most closely related to poverty reduction – namely PBLs, both macro and sector, the agriculture and social sectors projects, including poverty alleviation and gender equity.

II. **Analysis of DE at the Country and Sector Levels** Country assistance is the ultimate purpose of all Bank activities, project and non-project alike. The assessment of DE at the country level therefore provides a needed perspective that is difficult to obtain from the addition of project outcomes, the main source of evaluation data. The main vehicle for doing so are Country Assistance Evaluations supplemented by PRSPs and CSPs. The six CAEs that have been done for Botswana, Burkina, Lesotho, Uganda, Rwanda and Mali evaluated project and non-project activities alike. On the project side, the evaluation was made from macro and sector perspectives. The assessment of non-project lending focused on the relevance and effectiveness of Country Strategy, including the quality of policy dialogue, ESW, aid co-ordination, TA, etc. In the first ARDE, a limited country perspective can be introduced by a review of the 6 CAEs that are now available. The World Bank assessments of DE have progressively come to rely more on country evaluations as the number of CAEs has covered an ever larger number of countries. Thus more CAEs with standardized ratings, especially in ADF countries, are needed to enable AFDB to move to a broader assessment of its DE at the country and sector levels.

III. **Technical Assistance.** This section would address the impact of TA on DE relying primarily on a TA study to be undertaken. The study would update an earlier TA study for projects approved since 1999 and should concentrate on TA projects for Institutional Support as these provide a “value added” to the DE of AFDB’s activities. (The DE of TA for Project-Cycle is mostly captured by the impact of the projects they assist). Also, TA projects in the active portfolio would be reviewed but there are currently only 14 TA projects for Institutional Support that are rated.

Chapter Three: Findings and Recommendations --The Way Forward. The findings and conclusions of the report would be summarized in chapter 3 which would then outline how AFDB’s policies and procedures have evolved to address those issues. This would be done in the context of the RBM initiatives but the treatment would be brief and selective. The main purpose of this part would be to underline AFDB managements’ awareness of the issues and its responses.
B. – Timing and Manpower Requirements (Annex 6). The ARDE is planned to be completed in the first quarter of 2005. Estimated manpower requirements for the ARDE total 65 staff-weeks – of which 21 would come from OPEV and 44 from consultants – plus 13 staff-weeks for the TA study.

IV – Future Annual Reports on Development Effectiveness. Even though the annual additions to AFDB’s project performance rating data, unlike the World Bank’s, are limited to some 20-25 completed projects and 50 to 100 ongoing ones, there are some options for future ARDEs that would deepen and widen the assessment of the DE impact of AFDB’s operations. Among such special topics are the following:

A. A focus on the key sectors – the social sectors, for which there is now an in-depth ongoing study, including Poverty Alleviation and gender projects; agriculture and possibly PBLs.

B. The impact of Changes in Organizational Quality on Operational Performance and Development Effectiveness. Such a review (Annex 3) would concentrate on assessing the outcome of the RBM and after processes generate more data to better assess the impact of inputs and, ideally, provide a clearer conceptual basis to assess results.

C. The impact of AFDB’s activities on DE at the country level would be made based primarily on CAEs and also PRSPs and the CSPCA. The pace at which additional countries are covered will determine when such an approach becomes feasible.

Recommendations. To expand and improve the data base for the first and future ARDEs, consideration should be given to the following:

1. Completed and ongoing projects need to be classified by sector and themes for the first ARDE and subsequent ones as was done by the World Bank. The thematic classification should allow project objectives to be related to MDGs/IDA18 indicators. The sector classification of projects on the basis of the OECD nomenclature being contemplated by PPLB in the context of its work on the Strategic Plan and resource allocation needs to be harmonized with the proposed sector classification of projects recommended in this report on the basis of the UN system, as was also followed by the World Bank. More generally, and going beyond the ARDE, the new system of thematic and sector classifications should cover new projects to be approved. Project objectives and CSPs need to be aligned to the IDA18+ indicators with clear and verifiable logical links between inputs and objectives. This requirement should be a litmus test of passing the “Quality-At-Entry” test. Processing procedures should pay special attention to ensure that this is done. The establishment and maintenance of this new system of project classification raises organizational, administrative and budgetary issues for AFDB.

2. To complement the assessment of DE using primarily project performance indicators with country performance indicators more CAEs should be produced with a standardized rating methodology. CAEs will cover close to 40% of the ADF portfolio after the next three (Ghana, Mauritania and Tanzania) are completed. CAEs should cover at least two-thirds of the ADF portfolio before an ARDE focusing on country interventions can meaningfully be done. Guidelines could be prepared to standardize the rating methodology (Annex 5).
3. At the project level, the number of PCRs need to be increased and their selection needs to be more representative of the country and sector distribution of the overall portfolio with relatively more PCRs in the poorer countries with weak performance and the key social and agriculture sectors. The findings of a special Task Force (OPEV and Operations) to review these matters should be available shortly.

4. On technical assistance, a study updating the 1998 study focusing on the effectiveness in particular on institutional support TA needs to be undertaken. Ongoing TA grants also need to be rated as was the case until recently in the same manner as projects.
Approach Paper
Annual Report on Development Effectiveness

1. This paper proposes the scope of the first Annual Report on Development Effectiveness to be prepared by the African Development Bank Group (AFDB)\(^1\) in the first quarter of 2005. A brief introduction reviews why such a paper is timely and important. Section I follows with a discussion of the definition and measurement of Development Effectiveness (DE). Section II then briefly reviews how other development agencies are tackling this issue. Section III discusses the scope of the first ARDE. A brief concluding section outlines what subsequent ARDEs might cover with related recommendations.

Context and Purpose

2. In recent years, there has been a strong and healthy movement to better assess the impact of the activities of development institutions on the economic and social development of the recipients of their aid. The impetus for this has come from the owners’ desire to have greater accountability as well as the management of those institutions to have a more efficient system of performance management. All this led to a variety of initiatives, activities and assessments briefly reviewed for other agencies in Section II. In the case of AFDB, the ADF-IX Replenishment in September 2002 provided the forum in which the Deputies articulated their desires and expectations in this respect. The following quotation from the Fund Deputies 2002 Report\(^2\) best captures those desires and expectations; The Deputies “affirm that poverty reduction, underpinned by efforts to improve productivity and economic growth, will continue to be the overarching objective of Fund operations. Deputies agree that the following policy objectives will provide the broad policy framework for Fund operations under ADF-IX:

- Achieve greater selectivity and focus in Fund operations with an increased allocation of resources to priority areas;
- Enhance the Fund’s development effectiveness with measurable results on the ground;
- Improve the link between lending and performance;
- Deepen coordination with other development partners and enhance participation of stakeholders.”

3. In the area of DE, the “Deputies agree that the Fund needs to demonstrate more effectively how its operations increase the productive capacity of its borrowing countries and reduce poverty… Specifically, Deputies:

- ask the Fund to develop appropriate quantifiable and monitorable indicators for all sectors and crosscutting issues for monitoring project success and measuring the Fund’s development effectiveness and further ask that all program and project documents contain clear and measurable indicators of expected performance outcomes;

\(^1\) In this report the “AFDB” is used to denote the African Development Group” unless otherwise indicated by the context.

2

- direct the Fund to establish a **results-based management system** for tracking these indicators, measuring results and identifying best practices;
- ask the Board’s **Committee on Development Effectiveness (CODE)** to monitor closely the Fund’s work on developing such indicators; and
- call on the Fund to improve the Bank’s internal review and feedback process in order to incorporate **lessons learned**, and to better publicize its successes”.

4. Finally, “the Deputies call on the Fund to consolidate all existing best practices and new initiatives to enhance effectiveness into a **single action plan** and to report progress against it on an annual basis”. An action plan was subsequently prepared for 2002-2004 which included, inter alia, the commitment to issue an Annual Report of Development Effectiveness and also to undertake an evaluation of ADF-IX grants program during the replenishment period. The scope of the ARDE outlined in this paper focuses on the major concerns articulated by the Deputies summarized above.

I -- What is Development Effectiveness (DE) and how is it best measured?

5. Effectiveness can be defined as the extent to which a development activity has achieved or is expected to achieve its objectives. At the highest level AFDB’s mission and raison d'etre are to help increase the productive capacity or growth of its RMCs and reduce poverty – objectives enshrined in the Vision Statement of 1999, the Strategic Plan of 2003-2007 and various Board Resolutions ³. These broad institutional objectives are regional ones and are closely related to global indicators that have been developed (and are undergoing refinements) to measure development effectiveness. At the same time, AFDB’s development activities at the country, sector and project levels also have objectives. Here the term **activity** is used to cover the various development interventions of AFDB: investment projects, Policy-Based Loans, sector loans, TA grants, training by the African Development Institute and Joint Africa Institute, development research, country and sector dialogue going beyond the project context – e.g. in the discussion of Country Strategy Papers, Poverty Reduction Strategy Papers etc. In practice, most AFDB activities are still projects of one form or another notwithstanding the recent emphasis on a variety of non-lending interventions. The obvious question is how we should assess the contribution of each of these activities to the fulfillment of AFDB’s mandate to foster the development effectiveness of RMCs.

The Different Forms of Effectiveness

6. In pursuing these questions it is useful, in view of the need to have management systems that enhance accountability and performance, to make a distinction between organizational and development effectiveness which together constitute **corporate effectiveness**. **Organizational effectiveness** refers to the more direct, accountable and attributable measures of performance over which an agency has relatively more control or manageable interest: relevance, efficiency, and efficacy at the level of outputs and some intermediate outcomes. Organizational effectiveness can in turn be sub-divided into measures which relate to the quality of policy, process and resources - **organizational quality** – and those which relate to actual operational achievements: **operational**

effectiveness. Development effectiveness refers to achievements in respect of less attributable, longer-term outcomes and impacts to which the agency efforts are ultimately aimed, and to which it contributes, but which are beyond the manageable, controllable interest of that agency alone. This distinction has important implications for performance reporting and accountability. AFDB has a strong interest in contributing and assessing development outcomes: development effectiveness. However, it also needs to measure, and be accountable for, its own performance: organizational effectiveness. This requires multiple systems and a combination of methods as an agreed methodology and indicators of assessing the effectiveness of institutions such as regional development banks is still being developed. The following three flow charts outline the components and sub-components of corporate effectiveness as applied to ADFB. The discussion in this conceptual section and Section III on the proposed structure of first ARDE are built around these flow charts.

Global and Regional Indicators of Development Effectiveness

7. The international community adopted various indicators to assess progress towards reducing poverty, most recently with the Millennium Development Goals adopted by all 189 UN members in the year 2000. The MDGs incorporate eight goals, 18 targets broken down into 48 indicators and are listed in Annex 1. A related list of indicators that was adopted by IDA in April, 2003 and endorsed by AFDB in its ADF-IX – Results Measurement Framework Paper consists of 15 indicators covering income, poverty, agriculture, health, education, water, private sector development, and economic growth and management that will be tested over the course of the next two years. The IDA list of country outcomes indicators adopted by the IDA Deputies is based on the PRSPs and MDGs and was expanded to 18 indicators covering also infrastructure and energy in the spring of 2004 (Annex 2A). The MDGs are already published by various international agencies; 10 of the IDA indicators belong to the set of MDGs. All these indicators rely on relatively well-entrenched data collection and reporting systems, using household survey data or administrative information systems. Some of the other indicators (primary completion rates, business start-up times) are based on WB-funded survey and assessment instruments, so there is little initial financial or technical burden placed on the borrowers for their collection at present. However, eventual integration into national statistical systems would have costs and that need to be estimated.

8. The AFDB adopted the IDA indicators as an appropriate working level articulation of its Vision and Strategic Plan but with some modifications. AFDB has a mandate and keen interest regarding the development of Regional Integration and Governance for the continent. Indicators of performance for those two areas are being developed and will be added to the set of 18 IDA indicators. In particular, the Bank, in collaboration with RMCs and other stakeholders, will assess and select for use an appropriate sub-set of the recent (Kaufman-Kraay) “Best Measure of Quality Of Governance” indicators recently identified and published by the World Bank. Similarly, one or two indicators for

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4 The first seven goals were included in earlier lists, such as the DAC’s International Development Targets, with a few additions and refinements. The new eighth goal adds targets relating to the direct contribution of the developed countries to meeting the Millennium Development Goals, with mention of aid, debt relief and tariff barriers. It is significant that such actions (e.g. debt reduction, higher aid) have been added. However, the wording of most of these is vague (’address…’, ‘deal comprehensively with…’ ‘more generous…’ etc.) compared to the precise numerical goals for developing country performance.

regional integration will also be defined and then developed to measure integration readiness and
degree of integration between RMCs. Advances in developing extra indicators in response to IDA
Deputies requests has resulted in the World Bank proposing to the Deputies the addition of
electrification and rural road access to this set of Country Indicators. The AFDB will add these
indicators if and when they are adopted by IDA.
I -- Components of Corporate Effectiveness

A. Organizational Effectiveness (Institutional Level)
   (i) Organizational Quality
      • Strategies & Policies
      • Processes
      • Resource Use

(ii) Operational Effectiveness
      • Projects
      • TA Grants
      • Country Sector Dialogue
      • ADI-JAI, etc.

B. Development Effectiveness (Country Level)
   • Growth and Distribution
   • International Development Targets
   • Millennium Development Goals
   • IDA15 + Indicators

Alignment Aggregation

Impact on

Attribution
9. DE should therefore be measured by progress towards the indicators adopted by AFDB – namely the “IDA 18 plus” indicators described above. But to do so, these global targets need to be translated to country level objectives and endorsed by the concerned Governments. This is the case for some key targets in cases where PRSPs are available and/or countries that have agreed CSPs that incorporate such objectives. In other cases, targets based on the newly defined set of global indicators and accepted by the Governments are in the process of being defined at the country level and integrated into their policies and programs.

10. The next step is to try and determine the contribution of AFDB activities to country outcomes. The results-based CSP framework should provide the necessary inputs in the medium term but in the meantime portfolio indicators of various project outcomes from completed and ongoing projects should be used; in the case of IDA, these have been shown to be correlated with success in achieving CSP outcomes.

**Measuring Development Effectiveness: The Triple-A Requirements**

11. To determine the contribution of AFDB’s activities to country outcomes there are several requirements – sometimes known as the “triple-A” requirements. **Alignment** is whether the data collected at the micro level (e.g. project objectives) are related to the country DE objectives – i.e. the “IDA18+” indicators at the country level. **Aggregation** is whether the reporting systems produce data of various activities (e.g. project outcomes) that can be meaningfully added up (e.g. by being rated in common categories such as ‘satisfactory’ or ‘unsatisfactory’). And **Attribution** is making a link between AFDB’s activities and the outcomes at the country level they aim at influencing. As is described below, for AFDB and several other development institutions, aggregation is a problem that has been largely addressed. It is also possible to determine (in some cases with considerable work) the extent to which the objectives of various activities are aligned; and the multilateral and regional banks are now in the midst of a major effort to improve alignment by requiring that activity objectives be related to country DE objectives through a logical framework (logframes) that links project inputs to those results. But how to address attribution remains an intractable problem at the aggregate level: it may be possible to address it in a limited way at the micro-level in a qualitative way.

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AFDB, like other development agencies, faces a difficult performance assessment challenge; the work involves a very diverse range of countries, sectors and activities; in unstable and data-poor environments; and with the expectation that the full impact of the work will generally take years to be realized. In these circumstances, there are two basic options for measuring effectiveness at the country level. The first option is to measure the changes in selected high-level indicators, and then to assess the agency’s contribution to the changes observed. The second is to add up the outputs of the agency’s development activities.

The first, top-down, approach faces a problem of attribution: to what extent have AFDB’s activities contributed to observed changes in real-world outcomes? Would these changes have occurred anyway, or at a lower level, or later? These are very difficult questions to answer. Bottom up systems, which are more strongly rooted in traditional management information systems, face problems of aggregation and alignment. Most development activities produce different, context-specific outputs and outcomes that are difficult to add together in a meaningful way. Scores or ratings are easier to add up, but may be less meaningful. For example, the percentage of projects scored as ‘satisfactory’ does not say anything about the contribution to development outcomes unless the objectives are aligned to the high level objectives. A mixture of these two approaches, with the relatively new top-down approach added to the older, more established bottom-up approach of aggregating information through reviews and reports is needed.

Alignment

The World Bank’s rating system is a system that yields agency-wide results. All activities are rated under a number of criteria on a regular basis and upon completion. These ratings include an overall rating of whether the activity has been satisfactory. Hence overall portfolio performance can be judged by the percentage of projects deemed satisfactory. Such analysis is published in the Annual Review of Development Effectiveness. This system yields information of use to management, which has a systemised approach to identifying 'problem areas'. In the decade from 1991 the percentage of 'problem projects' rose from 11 to 20 per cent, resulting in the creation of the Portfolio Management Task Force whose report (known as the Wapenhans Report) advocated a number of changes and contributed to the adoption of results-based management within the World Bank. Whilst a 'satisfactory' project is defined as one which is substantially meeting its development objectives, this by itself is insufficient for us to say anything about the contribution of the World Bank to meeting the goals. There is a misalignment between the data collected from the 'bottom up' and the sort of outcomes being monitored in 'top down' MDG-oriented systems. The response to the problem of misalignment was dealt with at the World Bank in two ways -- ex-post with the reclassification of projects in 2000-2001 and with QAG’s review of the alignment of ongoing projects to the MDGs. In 2000-2001 the World Bank sector/sub-sector classification of projects moved to the UN coding system designed to measure progress in MDGs. Projects since 1995 were then re-classified in this way. This allows the assessment of Bank projects (percent satisfactory) to reflect progress towards MDGs.
Aggregation

15. Several agencies have data that can be aggregated across projects (percent satisfactory for a variety of project outputs/outcomes and inputs characteristics) and to a much lesser extent but increasingly across countries. Several questions arise concerning these data bases.

1. **Performance Ratings.** There are two issues here. Absolute “standards” when comparing two institutions and the quality of comparative data within an agency.

   - On the first, there is nothing that can be done about “absolute” levels except to be cognizant of the differences when these are known – just as we discount for the “generous” grading systems of US educational institutions compared to those of Europe. It is interesting to note that in a sample of some twenty PBLs which were jointly financed by AFDB and IDA, the ratings of both agencies agreed in over three quarters of cases; when there were differences the AFDB ratings were more often than not “stricter” with a larger number of unsatisfactory projects.

   - Regarding comparative data within an institution, this may seem not to be a problem as ratings are given by the agency itself. But the matter is not so simple as there are independent project ratings prepared by OPEV and others by Task Managers – with no check from an independent source. There is a so-called “disconnect” observed in the World Bank between OED ratings and those of operational staff for ongoing projects reflected in the APPRs. The most recent QAG assessment in the World Bank notes that 92% of projects are expected to achieve their development objectives while the ratings for completed projects of OED has been in the 70% range with 79% being the highest ever. Independent evaluations appear to lead to “tougher” ratings but there is no way to adjust for those discrepancies.

2. **Sample Issues.** The question of sample size is not an issue for an institution like the World where 100% of project are covered but needs to be addressed in AFDB.

3. **Homogeneity of Units.** Finally, are we adding like with like or are we adding apples and oranges? While ‘satisfactory’ can’t mean the same thing for a PBL as a teacher training project, we are satisfied that common criteria have been applied in awarding the ratings ensured by well established guidelines and an independent check. And it is OK to add apples and oranges if we want to know how many pieces of fruit we have.

The above issues do not detract from the conclusion that ratings can and are being meaningfully aggregated but they do indicate the need to interpret results with caution as well as the need to complement the quantitative analysis of ratings with a variety of qualitative assessments. To have as accurate a picture of what is happening as possible we need to rely on multiple systems.
Attribution

16. The Millennium Development Goals and related “IDA 18 plus” indicators do least well with respect to attribution. The MDG’s are relevant, mostly well-defined and correspond to existing indicators at the country level. But they are also mostly outcome-oriented with little effort made to build a consensus around an underlying logical model of how the targets are to be achieved. In the absence of such a model it is extremely difficult to say anything sensible to attribute changes in target indicators to the actions of the development community. Some donors have tried to bridge this gap between development actions and desired outcomes through the preparation of ‘Country Strategy Papers’ (CSPs) which try to set out how targets, especially the reduction of poverty, are to be achieved. But more often than not the analysis of CSPs of various donors show that even when they include an analysis of poverty, the problem of the ‘missing middle’ remains – there continues to be a gap between the causes of poverty identified in the poverty profile and the proposed interventions. The introduction of logframes that are more focused on the MDGs should help fill some of this gap but logical models that provide guidance on the optimal steps between inputs and results for the indicators are needed.

17. The intractable nature of the attribution problem, given the absence of controlled experiments, led some to suggest we should not be unduly concerned about it. Success or failure ultimately belong to the country and the agency should have ample satisfaction (dissatisfaction) that it has shared in this success (failure). At the same time, a qualitative assessment of the role of agencies can be made at the micro-level and can be useful as a mechanism when used to assess whether that agency’s contribution was adequate and how it might be improved rather than as a scoring sheet to award ratings of success to this or that agency. The question then becomes how to increase that agency’s contribution to successful outcomes and not how large that contribution was or how much larger it may become.

Implications for AFDB

18. What are the implications of all the above for AFDB’s first RDE? Beyond the need to have multiple quantitative and qualitative assessments for each AFDB activity, two implications stand out:

- On Operational Performance: for the aggregation of project rating data to be meaningful, project objectives have to be aligned to the indicators of DE (the “IDA18+” indicators). Project objectives need to be matched to country DE objectives – a difficult task as the DE objectives now being adopted by RMCs were not in existence at the time projects were appraised. The process is time-consuming and to some extent subjective but it is feasible and critical for a meaningful ARDE as elaborated in Section III. The World Bank did this for the preparation of the 2002 MDG ARDE. In AFDB, the PPLB is considering the classification of the ADF loan portfolio on the basis of the OECD nomenclature in the context of its work on the Strategic Plan and resource allocation. This approach needs to be harmonized with the proposed alignment of projects recommended in this report in para 33 below on the basis of the UN system to allow ratings to be related to MDGs as was done in the World Bank.
• On Organizational Quality: an assessment of its components -- policies, processes and resource use -- can be made but such an exercise would be more meaningful if done a year or two hence. New policies to respond to the Vision Statement and the Strategic Plan have been in place for some time but more and better data from the key processes that have been introduced would allow a more thorough review of the issues. Also, organizational indicators of effectiveness comparable to the DE indicators at the country level are being developed. In their absence it is difficult to gauge the impact of Organizational Quality on Operational Performance. For these reasons, the assessment of Organizational Quality would be more thorough if done at a later time.

II -- How are other Development Agencies Reporting on Development Effectiveness?

19. The concept of Development Effectiveness (DE) has been widening beginning in the nineties as institutions began measuring, in addition to project outputs, the development impact of their projects and other interventions and as reducing poverty became the overarching objective of their activities. The concept of poverty reduction was broadened from “growth with distribution” to also include an ever increasing number of social as well as economic welfare measures embodied most recently in the Millennium Development Goals. At the same time and more recently the focus has been shifting towards Organizational Effectiveness (OE) as donors and the management of institutions alike have sought to increase accountability and improving institutional performance by better measuring their institutions’ impact on DE. Thus, the first Roundtable on Managing for Development Results and the Monterrey International Conference on Financing for Development both held in 2002, followed by the Second Roundtable held in Marrakech in February 2004, resulted in a number of ongoing Results-Based Management (RBM) initiatives by donors.

20. The following paragraphs briefly review how the reporting systems of various institutions of particular relevance to the preparation of the AFDB’s first ARDE are evolving with respect to DE and OE. The major focus is on developments in the World Bank Group where much of the initiatives have originated and also includes work in DFID, UNDP and IADB. Work on these aspects in other institutions – AsianDB, EBRD and bilateral donors other than DFID – is limited both in its scope and relevance for AFDB’s first ARDE.

The World Bank Group

21. A. Data Base. The IBRD data base is large, comprehensive with excellent coverage of projects, countries and sectors and “renewable” – i.e. with sufficient new data coming on stream every year to allow an annual analysis of basic trends combined with a variety of different special topics.

Projects. Some 200-300 projects are completed annually and the data base of all completed projects exceeds 6000 projects. Virtually all have ICRs (with some lag) and OED reviews on a “selective” sample basis a fair number of these (about 25%). The rating methodology is well established and allows aggregation without issues of sampling size or “representativeness”. There is an issue of consistency between ratings of ongoing projects done by QAG and OED’s ratings for
evaluated projects -- the so-called disconnect, which after improving in recent years has recently deteriorated.

**Alignment of Projects in the World Bank System.** With respect to alignment, this was handled ex-post with the reclassification of projects in 2000-2001 and with QAG’s review of the alignment of ongoing projects to the MDGs. The World Bank has two distinct classification systems instituted since 2002 for projects approved since the early nineties:

- **Sector Classification** – consisting of different codes whereby projects are classified into up to 5 different sector codes by percent of their commitments. For each project, the allocations to various sectors total 100%. This classification conforms to the one of the UN coding system. There are about 60 sector codes.

- **Thematic Classification.** This coding system is unique to the World Bank and was designed to measure progress of projects in achieving their Development Objectives. It’s based on a ranking of Development Objectives according to their importance with the total of the rankings always totaling 100%. There are over 60 thematic codes. Most can be related to MDGs and/or the IDA18 indicators.

There are *The Guidelines for Using the Sector Codes* and the *Guidelines for Using the Theme Codes* which provide further details on the scope of sectors and themes. All are available at the OPCS Website [http://sectors](http://sectors). The thematic classification allows the performance assessment of Bank projects (percent satisfactory) to reflect progress towards MDG goals. The coding system for both classifications was integrated in the SAP after the latter had been operational. The classifications are used for budgetary and unit program preparation and monitoring purposes in addition to analytical purposes such as in the ARDE. The classification was done centrally in consultation with the Sector and Thematic Boards as well as Task Managers. At inception, the system was set up with the help of an IT person who designed the coding system and tabulations used in monitoring and evaluation.

**Country and other studies.** On the country side, there are, in particular, about 60 Country Assistance Evaluation reports covering spans of five to ten years with an established methodology reproduced in Annex 3; the countries covered account for a large share of Bank activity. There are also a large number of studies on sector and thematic topics.

**B. Statistical Analysis of the Project Data Base.** This has been used sparingly. Since close to 100% of the population of projects is covered, there are no sampling issues. Multivariate analysis has been rarely used – regressions were used in the 1997 ARDE but in terms of trying to determine whether aid added anything to the explanation of the economic performance of countries, not in describing differences in performance ratings. Multivariate analysis to explain differences in performance ratings have been done in the context of specific in-depth topics. They have not been found very meaningful at the aggregate level.
C. Reports

I. Annual Reviews of Development Effectiveness. The first ARDE was produced in 1997 taking the earlier Annual Review of Evaluation Results to a higher plane with a more sophisticated and quantitative analysis of the development impact of projects. Subsequent ARDEs continued to address the project, sector and country dimensions of Bank interventions around special areas of emphasis in different years – for example the Comprehensive Development Framework in 1999; the Strategic Compact in 2000; the Choice of Instruments in 2001; the MDGs in 2002; and Policy Reform in 2003 (forthcoming). The MDG report relied mostly on the 50 plus CAEs available as the basis of its analysis. Projects were also analyzed in terms of their MDG impact.

II. Other World Bank Reports related to Organizational Effectiveness:

a. The 2003 Annual Report on Operations Evaluation (AROE) on Assessing Monitoring and Evaluation of Development Effectiveness of the World Bank and the forthcoming 2004 AROE aim at assessing how results-oriented the Bank's monitoring and evaluation (M&E) systems are and the extent to which the Bank has put in place a system to manage for results. The 2003 AROE identified the Bank's framework for monitoring and evaluation and commented on their overall effectiveness. This AROE will use the same framework while focusing specifically on the results-orientation of M&E including clarity in the definition of desired results, the associated causal chains, and related performance measurement.

b. The forthcoming Evaluation Capacity Development Report on World Bank Support for Public Sector Capacity Building in Sub-Saharan Africa will review the relevance and effectiveness of Bank support for public sector capacity building in Sub-Saharan Africa over the past ten years focusing on enhancing the ability to perform the key development functions – strategic planning, policy-making, resource mobilization and management, service delivery and legal and regulatory enforcement. The assessment will be on relevance, efficiency, efficacy, Bank and Borrower Performance covering projects, six country studies, the World Bank Institute and grants.

c. Various conceptual papers related to the RBM agenda are under preparation for the Committee on Development Effectiveness. There is an informal draft of March, 2004 report on the Implementation of the Agenda on Managing for Results: Progress Report. This is part of the effort, following Monterrey and Marrakech, of developing indicators of organizational effectiveness (both organizational quality – primarily internal processes – and operational performance involving the impact of the institution’s operations on the country DE) for development institutions akin to the DE at the country level. The consensus is that several years are needed before reaching this stage.
III. Quality Assessment Group (QAG) Reports These are evolving toward including more Development Effectiveness and Organizational Quality (internal processes) criteria and analysis not only in the APPRs special areas (e.g; chapter 5 of the 2002 APPR on MDGs) but also in the special reports on Quality-at-Entry and more recently on reports about the effectiveness of Supervision and ESW. In time, the APPR may well evolve into a broader RBM document as the conceptual basis for such an evaluation is developed and put in place.

Other Donors: DFID, UNDP and IADB

22. On reports of DE, other than the World Bank, DFID produced an RDE in 2001, UNDP three RDEs in 2000, 2001 and 2003 and IADB one in 2002. (Other development agencies have not produced a RDE). IADB and the Asian Bank do not have a rating system for completed projects akin to the one of AFDB since 1996 and the World Bank. But all Development Banks do rate ongoing projects in a comparable way and have annual reports (the APPRs) analyzing results. Both UNDP and DFID also have rating systems for completed projects that differ somewhat from those of development banks but are comparable in that they rate most of the same measures of DE.

23. On RBM, there are many initiatives (special units created; conceptual reports being prepared) underway in the World Bank and all the regional development banks following the Monterrey and the Second Roundtable in Marrakech to define and measure the various dimensions of organizational quality as well as how to get a better handle on developing clearer links between operational performance by the institution and DE at the country level. Because of this and because results-based management systems have barely begun to be introduced, the few assessments of organizational performance that have been made (e.g. the DFID RDE report; the World Bank’s 2003 AROE) have been qualitative and partial.

III -- Scope and Content of AFDB’s First ARDE

24. Introduction. This section is organized around the types of effectiveness identified in Section I and the related measurement issues. Corporate Effectiveness was defined to consist of Organizational Effectiveness and Development Effectiveness with the latter focusing on results at the country level – the “IDA15 plus indicators – and the former on results at the institutional level. Organizational Effectiveness is in turn divided into Organizational Quality and Operational Performance. The latter and its components are outlined below while Organizational Quality will not be treated in any depth in this first RDE. Many important AFDB’s initiatives in this area have only been recently introduced. With a limited track record and no aggregate and few intermediate indicators of organizational quality at the conceptual level, a meaningful assessment of this dimension of effectiveness would be premature. As noted in Section II, the MDBs are heavily involved in developing organizational indicators equivalent to DE at the country level but some time is needed before this stage is reached. For both these reasons it is proposed to defer a comprehensive treatment of this topic to a subsequent RDE. (Annex 3 provides an outline of the

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main issues that would then need to be addressed). Nevertheless, to the extent that some of the issues identified from the review of Operational Performance are being addressed by new policies and processes – the major components of Organizational Quality -- these will be mentioned at the end of the section on Operational Performance.

25. The RDE will assess the impact of AFDB’s activities in all the RMCs with special emphasis on the Bank Group’s use of ADF resources since this is a special concern of the Fund Deputies as elaborated in the introduction. The report will be structured to allow separate treatments for the use of ADF-blend resources on the one hand and ADB resources on the other. The main sections of the report are described below followed by an estimated budget and timing. A concluding section describes the scope of possible future ARDEs.

A. Main Sections of the Report on Development Effectiveness

Preface

26. The preface would explain the context in which this new series of ARDEs has been conceived, essentially answering the question “why now” along the lines of the introductory paragraphs of this approach paper as well as a brief explanation of the envisaged scope of the first report – what is left out and why as well as what is included.

Executive Summary – About 4 pages focusing on the conclusions

Chapter One – Recent Trends in DE indicators in Africa.

27. This chapter would review the level and trends in various IDA18+ and related MDG indicators (Annex 1 and 2.A) in the countries of Africa. It would not cover AFDB’s activities but present the context in which AFDB operates. ADF-blend and ADB countries would be treated separately. This context would present a challenging and difficult overall picture as achievement of some important MDG indicators in a number of countries would appear problematic. For example, the absolute number of the poor in Africa has been increasing – given the rates of population growth you need a 5% GDP growth to keep the number of poor from rising and 7% to halve poverty by 2015. The HDIs (health, education, water) show a mixed picture – often ratios have improved but absolute numbers increase and achievement of many of the IDA18+ goal are uncertain. But providing a broader context for AFDB’s activities is highly desirable per se; and this would highlight the need for more resources.

28. More specifically the objective would be to assess trends in the IDA18+ indicators at the country level drawing separate conclusions for the group of ADF-blend and the ADB countries. Various sources would be used for this exercise: (a) recent CSPs (32 in 2003) and PRSPs (over 18 in Africa in ADF countries); (b) the relevant AFDB data base from the Development Research Department – especially the Africa Development Report, Statistical publications; the Africa Economic Outlook; the Annual Report, etc; (c) relevant material on poverty, especially in Africa, in various World Bank publications listed in the References at the end of the paper.
**Table 1: Information Base for Assessing AFDB's Operational Performance**

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<th>Eval of Project Impact</th>
<th>Eval of Sector Impact</th>
<th>Eval of Country Impact</th>
<th>Time Frame and Comments</th>
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(*) These projects also have PCRs
Progress in the IDA indicators by country are available for almost all the indicators \(^8\) and some analysis by country has been done though there appears to be no systematic, recent or comprehensive analysis of these trends. There is an analysis of MDGs by Region \(^9\) with Sub-sahara being one Region and Middle East and North Africa that includes North Africa another. No comparable exercise has been done for the IDA indicators but many are included in the MDGs. Much of what is available for MDGs can be found at [http://www.developmentgoals.org/].

Given the available information by country on most of the IDA indicators in the World Bank but the limited analysis, it appears that chapter one can be written in 3 to 4 weeks.

**Chapter Two -- Operational Performance**

29. The impact of operational performance on DE at the country level can best be assessed by reviewing AFDB’s major activities from this perspective. These would be grouped in three separate sections -- projects; country and sector interventions; and TAF grants. Table 1 describes the information base available in AFDB for this chapter. Project performance in all its aspects remains the primary source of information available to AFDB to assess the impact of its work on DE, notwithstanding AFDB’s recent emphasis on non-lending work.

I. **Project Impact on Development Effectiveness**

   **General Considerations**

30. The analysis would be done separately for ADF-blend and ADB projects starting with those approved in 1985 and grouped by ADF approval years as projects approved earlier would be too old to be of much relevance. There are 98 ADF-blend and 76 ADB completed projects that have performance ratings. The source of that information would be PCRs and where available PPERs. Active projects in the portfolio (APPR) would be limited to those having a track record defined as having disbursed at least one third of their loan amount. There are an estimated 158 ADF and 44 ADB such projects. The source of information would be recent APPR and 25 Country Portfolio Reviews undertaken between 1998 and 2003. Altogether there is a total of 376 projects – 256 ADF and 120 ADB. This estimate is likely to be on the high side for reasons explained in Annex 4 which reviews in detail the sources, scope and comparability of the available data bases for the first ARDE\(^{10}\).

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\(^8\) The footnote to the table in Annex 2A on Country Outcome Indicators notes that information on all the indicators is available by country except for number 13 (public expenditure management) and the three new ones – rural roads, electrification and solid fuel. Most of the available indicators are included in the World Development Indicators (WDI) published annually by the Bank. Nos 11 and 12 on business start-ups can be found at: [http://rru.worldbank.org/DoingBusiness/ExploreTopics/StartingBusiness/]  


\(^{10}\) The estimate of disbursements for about half the ongoing projects relied on the SAP which id being revised downwards. The final number passing the 33% disbursement threshold is likely to be lower than this estimate. See Annex 4 for details.
31. The rating methodology for ongoing projects is slightly different than it is for completed projects but is comparable for all the major ratings – project outcomes, ID, sustainability and Implementation Performance. The major difference is the absence of ratings for Bank Performance and Relevance in the case of ongoing projects. Even when comparable in terms of definitions, however, ratings for ongoing projects can only reflect “expected” outcomes rather than the “actual” ratings of completed projects. Also, Task Managers have an understandable tendency to view “their” projects in a more favorable light than the independent evaluators of completed projects. Ratings of ongoing projects in APPRs are therefore sometimes better than the actual ratings for those projects when completed. This “disconnect” is prevalent in other institutions. In AFDB it is more pronounced for the Development Objective ratings that appear to have a positive bias than for Implementation Performance ratings. Notwithstanding these limitations, ongoing projects need to be included in the ARDE because they represent a large number of more recent projects that are relevant to AFDB’s current concerns. And while comparisons of ongoing and completed projects need to be made with caution, the trends in ratings of ongoing projects can add an important dimension to an assessment of AFDB’s DE.

32. **Number of Projects.** Table 2 summarizes the distribution, by ADF replenishment period, of rated completed and ongoing projects (excluding grants) estimated to have disbursed more than one third of their loan amount. As explained below, most but not all of these projects would be reviewed in the first ARDE.

33. The projects in the table below would be reviewed to ascertain whether their objectives are aligned to DE objectives – MDG or IDA or PRSP – and project inputs are logically related to objectives. The objectives and inputs summarized in the logframes of PCRs/PPERs for completed projects and in the Appraisal Reports of ongoing projects would be reviewed for that purpose. The process is time-consuming and to some extent subjective but it is feasible and critical for a meaningful ARDE. The World Bank did this for the preparation of the 2002 MDG ARDE. Additionally, for completed projects, the Relevance of projects to country and sector policies would provide an additional test of their alignment to DE objectives, particularly in countries with good economic performance which suggests economic policy objectives closely related to DE indicators. While the exact number of projects to be included in the ARDE must await a review of their alignment to DE indicators, a large majority is expected to pass this test. Because relatively more PCRs and PPERs are undertaken in the richer countries there are relatively more completed ADB projects than ongoing ones. The sample of ongoing projects better reflects the distribution in the overall portfolio – another reason of the importance of including ongoing projects in this ARDE where special attention needs to be given to ADF projects. Or, putting it differently, the assessment of ADF-blend projects will rely relatively more on ongoing projects; for ADB projects the converse will be the case.

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11 In the three latest Reviews of Evaluation Results, over 80% of the number of completed projects were consistently rated as Satisfactory or Highly Satisfactory on Relevance to country and sector priorities. Ongoing projects, being more recent, can also be expected to have objectives that are largely aligned with some key DE indicators.
Table 2: Number of Rated ADF/Blend and ADB Projects since ADF IV

<table>
<thead>
<tr>
<th>Approval Years</th>
<th>Estimated Ongoing Proj w/&gt;33% disb</th>
<th>Completed Proj (a)</th>
<th>Total Estimated Projects (b)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>ADF/Bd</td>
<td>ADB</td>
<td>Total</td>
</tr>
<tr>
<td>ADF IV: 1985-87</td>
<td>7</td>
<td>0</td>
<td>7</td>
</tr>
<tr>
<td>ADF V: 1988-90</td>
<td>23</td>
<td>8</td>
<td>31</td>
</tr>
<tr>
<td>ADF VI: 1991-93</td>
<td>46</td>
<td>7</td>
<td>53</td>
</tr>
<tr>
<td>1994-1995</td>
<td>1</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>ADF VII: 1996-98</td>
<td>39</td>
<td>7</td>
<td>46</td>
</tr>
<tr>
<td>ADF VIII: 1999-2001</td>
<td>39</td>
<td>16</td>
<td>55</td>
</tr>
<tr>
<td>ADF IX: 2002-2004</td>
<td>3</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>158</strong></td>
<td><strong>44</strong></td>
<td><strong>202</strong></td>
</tr>
</tbody>
</table>

(a) With Overall and Detailed Ratings -- all with PCRs some also with PPERs
(b) Excluding Grants. In addition 14 ongoing rated TAFs for Inst Support have disbursements above 33%.

34. **Scope of the ARDE Review.** How will the sample of completed and ongoing projects be analyzed? The focus of the project analysis will be on trends of ADF-blend and ADB projects grouped by ADF Replenishment period but will also involve some cross-section analysis. Ratings would be analyzed weighted both by project numbers and loan amounts. Because the evaluation of completed projects includes more ratings than for active projects (para 31), the analysis of completed projects will cover some topics that cannot be covered for ongoing projects as described below. Also, completed projects will be analyzed by completion years as well as by approval years. The major common areas to be covered by completed and ongoing projects would include:

- The ratings for Overall and Project Outcomes, Institutional Development, Sustainability and Implementation Performance would be analyzed in a variety of ways -- (a) by sectors with special focus on those sectors that are more directly related to poverty reduction – agriculture, the social sectors and structural or sector PBLs; (b) by various country groupings (by p.c. income; geographic area and by economic performance); and (c) by lending instrument (policy based or investment loan).

- Analysis of Efficiency (ERRs and FRRs where available) by sector and country characteristics.

- Analysis of cost and time under/overruns by sector and country characteristics.

35. In addition, for all completed projects it will be possible to cover the following topics:

- Bank Performance and its components – identification, preparation, appraisal and supervision – would be analyzed by sector, country characteristics (p.c. income; CPIA) and lending instrument
• Detailed Analysis of Efficacy covering the impact of projects on Poverty Alleviation, Environment and Private Sector Development. These would be analyzed by sector, country characteristics (p.c. income; CPIA) and lending instrument
• Detailed Analysis of Relevance analyzed by sector, country characteristics (p.c. income; CPIA) and lending instrument
• Factors Affecting Implementation Performance and Outcome. Some projects for which PPERs were prepared have a special assessment – both quantitative and qualitative -- of cross-cutting factors affecting project outcomes for adjustment and investment loans. The analysis of this part will draw general lessons for successful and not-so-successful projects.

**Country and Sector Impact: Complementing the Project Analysis**

1. **Sector and Sub-sector Perspective**

36. It is important to emphasize that the analysis of ratings will not rely exclusively on the quantitative analysis described above but will be complemented by a qualitative analysis as was done in recent Reviews of Evaluation Results.\(^{12}\) relying on a variety of sector and sub-sector and thematic studies that provided in-depth reviews of small samples of projects included above. The emphasis will be on the analysis of the key sectors most closely related to poverty reduction – namely PBLs, both macro and sector, the agriculture projects and those in the social sectors, including poverty alleviation and gender equity. The source material for this analysis includes: (a) detailed but selective studies of sectors and sub-sectors; (b) the sector and thematic parts of recent RERs; and (c) APPRs with special sector subjects. Details follow.

From 1998 and 2001 there were 17 sector-sub-sector/thematic studies:

- three on PBLs -- one for PBLs from 1986 to 1997; the other two since then; one looking at five trade adjustment loans, the other at 3 successful PBLs;
- one on poverty reduction;
- four in agriculture -- one general and three country-specific in Ghana, Rwanda and Uganda;
- four in the social sectors – one in rural health; two in rural and urban water; and one country review of the social sectors in Rwanda; and
- five in infrastructure – 2 in Roads and one each in Dams, Telecommunications and Energy for 3 countries.

Also, the last three Reviews of Evaluation Results assessed to varying degrees the sector and thematic performance of projects in their respective portfolios. And the APPRs have sector reviews and sometimes special topics – education, health, micro-finance this year; and audits and PIUs in the following years.

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2. Country Perspective

37. Country Portfolio Reviews have been undertaken in the majority of countries since the mid-nineties. 25 countries were covered between 1998 and 2003. In addition to being a source for project data, the CPRs may be used to assess progress at the country levels. Projects in CPRs represent a significant part of those in the overall portfolio – about one half of AFD projects and three quarters of ADB ones; These should provide important qualitative assessments of portfolio performance at the country level that complements the quantitative analysis described above.

II. Analysis of DE at the Country and Sector Levels

38. Country assistance is the ultimate purpose of all Bank activities, project and non-project alike. The assessment of DE at the country level therefore provides a needed perspective that is difficult to obtain from the addition of project outcomes, the main source of evaluation data. Country evaluation of Bank assistance, if one can put it that way, involves an assessment that is more than the sum of its parts. The main vehicle for doing so are Country Assistance Evaluations supplemented by Country Strategy Papers and Poverty Reduction Strategy Papers.

39. The analysis at the country level needs to start with the Country Strategy Papers (CSP) and the more than 18 Poverty Reduction Strategy Papers (PRSP). The CSPs covered 32 countries in 2003. A cursory review of these papers gives a mixed picture – some have objectives that are aligned with the major IDA18+ indicators or the PRSPs but with others the alignment is tenuous. The new results-based CSP should remedy this situation. A more difficult issue is that of the “missing middle” – the absence more often than not of an explanation of how the inputs or activities envisaged in the CSP are expected to lead to the objectives. With respect to the PRSPs, the process has enhanced country ownership of strategy development, and has encouraged donor alignment around national strategies. Establishing appropriate indicators and targets for poverty reduction is a key element of the PRSP approach. Comparison of PRSP indicators with MDG indicators shows substantial alignment of priorities but given the diversity of indicators in PRSPs it is not possible to simply aggregate across PRSPs for the purpose of monitoring progress. Another problem is that only about half of ADF countries had completed full PRSPs at the end of 2003. The conclusion is that (a) CSPs need to become more results-based, as they are in the process of becoming, and progress towards achievement of their objectives assessed through CSP Country Assessments, as is envisaged; and (b) PRSPs need to cover all countries. In the interim, country-level assessments would rely exclusively on CAEs.

40. Since 2001 six CAEs have been done for Botswana, Burkina, Lesotho, Uganda, Rwanda and Mali and three more are under preparation in Ghana, Mauritania and Tanzania. CAEs assess progress of AFDB’s programs at the country level using a rating methodology that goes beyond the rating of projects to the country and sector levels. Annex 5 reproduces verbatim a short description of the World Bank’s Country Evaluation Rating methodology for CAEs. The rating methodology in AFDB’s CAEs was influenced by the World Bank’s but it has yet to be standardized. The Lesotho CAE was done jointly with the World Bank while the more recent Rwanda CAE was done in parallel. The CAEs all evaluated project and non-project activities alike. On the project side, the evaluation and related performance ratings were made from macro
and sector perspectives. Equally, the CAEs assessed various aspects of non-project lending focusing on the relevance and effectiveness of Country Strategy and including the quality of policy dialogue, economic and sector work, aid co-ordination, TA, etc. Assessments often involved a top-down approach whereby progress at the country level in various areas was assessed and AFDB’s involvement (and even contribution) to those results evaluated; this, in addition to the traditional bottom-up approach of project evaluations.

41. To conclude, CAEs can and should be increasingly used in future to complement project ratings as the basis for assessing AFDB’s DE at the country level. In the first ARDE, a limited country perspective can be introduced by a review of the 6 CAEs that are now available – five in ADF countries and the sixth in Botswana. The CAEs in the ADF countries represent 18% of the amount of the ADF portfolio. But the primary source for evaluating DE will continue to be project performance rating data until such time as the coverage of CAEs increases sufficiently to cover most of the AFDB’s borrowers (or a group of those borrowers – e.g. ADF countries\textsuperscript{13} or the poorer ADF countries) at which time primary reliance on CAEs can and should be made. The World Bank assessments of DE have progressively come to rely more on country evaluations as the number of CAEs has covered an ever larger number of countries, although project evaluations continue to constitute important inputs into RDEs. The World Bank’s 2002 ARDE on MDGs relied heavily on 50 CAEs as well as project ratings for its assessments. Thus more CAEs with standardized ratings, especially in ADF countries, are needed to enable AFDB to move to a broader assessment of its DE at the country and sector levels.

III. Technical Assistance (TA) and Training of the African Development Institute (ADI)

42. Technical Assistance provided by development institutions can and has often been shown to have a substantial impact on DE. In the case of AFDB, TA is provided on a grant basis either as a stand alone operation or as part of a project. In principle, there should be a distinction between TA that is designed to improve specific project performance -- project-cycle TA -- and that which is independent of such performance designated as institutional support TA. Institutional support TA clearly has an impact on DE impact that is additional to AFDB’s other activities. Assessing the impact of project cycle TA is more complicated as some of it may be related to specific AFDB projects whose impact is included as part of those projects’ outcomes while another part may improve the ability of the Government to prepare and implement projects generally and therefore provides a real value added. Training by ADI is also a form of TA that can have an impact on DE that is managed by AFDB instead of the country. And here too a distinction should be made between Project Management courses whose impact can be expected to be captured through improvements in project outcomes and Development Management courses and Fellowships that provide a value added in terms of effectiveness over and above that provided by AFDB’s other activities.

43. Since TAFs currently allow the financing of projects as well as TA, it may be timely to assess the TAF before its functions are expanded. Also, TA grants are made to ADF countries the major focus of interest of the RDE. But while the number of operations averages around 40

\textsuperscript{13} When the Ghana, Mauritania and Tanzania CAEs are completed, CAEs will have covered countries that represent close to 40% of ADF operations.
grants per year in recent years, many TA grants are no longer rated. Indeed, there are currently only 14 TA projects for Institutional Support that are rated in the active portfolio.

44. But is it feasible for the ARDE to examine the process by which grant funds are designed, allocated, and monitored and the relevance and effectiveness of individual grants in the context of the DE indicators? This is possible but may be harder to do than for loans because there are no PCR/PPER and also because there are far fewer TA grants than loans in the active portfolio. These could be analyzed as proposed for project loans above, including the extent of their alignment to country indicators. But a meaningful review of TA cannot be done without an update of a special study on TA done in 1998 which sought to measure the impact of TA grants extended between 1983 and 1997 with a detailed questionnaire and field visits for a sample of projects. An evaluation study akin to the one done earlier focusing on TA grants especially for Institutional Support after 1998 is needed. In any case, it would be highly desirable to mandate that TA grants be rated as they were until recently. It would also be helpful that an APPR focus on this important topic as a special subject soon.

45. With respect to training by ADI -- JAI are the objectives of such training relevant to country needs and CSP objectives? What activities are supported? What is the quality of training methods and is it likely to lead to sustainable capacity building? It is possible to review ADI’s strategy, programs and priorities but an assessment of the impact of ADI’s activities on capacity building is not available. However, ADI is planning such an evaluation in 2004 as part of the RBM exercise and is seeking bilateral assistance for that purpose. It is best to address the impact of ADI’s activities on DE when this work is completed, ideally at the same time as an in-depth review of the DE of TA is undertaken.

Chapter Three: Findings and Recommendations --The Way Forward

46. The findings and conclusions of previous sections would be summarized in this section which would then outline how AFDB’s policies and procedures have evolved to address those issues. This would be done in the context of the RBM initiatives but the treatment would be brief and selective. The main purpose of this part would be to underline AFDB managements’ awareness of issues and its response. A detailed treatment of the RBM initiative could be covered in a subsequent RDE when there is a longer track record as described in Annex 3.

B. – Manpower Requirements and Timing

47. Annex 6 presents the manpower requirements with the detailed tasks and timing for the first ARDE. Estimated manpower requirements for the ARDE total 65 staff-weeks plus 13 staff-weeks to update the impact of the TAF since 1999. Of the total of 65 staff-weeks, 20 staff-weeks are estimated to come from OPEV and 44 from consultants -- for chapter 2 (22); the preparation of Guidelines for the CAEs (6) the alignment of projects (12) and the IT consultant for the coding system (4). There is some flexibility in using OPEV staff or consultants for some tasks.

48. To complete the first ARDE in the first quarter of 2005, work needs to be initiated as soon as possible as follows: (a) the ongoing projects to be reviewed need to be finalized and the Appraisal Reports of projects not in the DARM need to be collected from Abidjan. (b) The IT and Alignment specialists need to be recruited. They will need four months from the time they are hired to complete their work during which time the other consultant(s) may be hired. Chapter 2 will require close to six months for the consultant to complete. (c) At the same, the TA study needs to be launched as soon as possible so the results are available by the end of this year. Finally, the preparation of chapter 1 can proceed independently of all these tasks but obviously the earlier it is done, the better.

IV – Future Annual Reports on Development Effectiveness

49. Even though the annual additions to AFDB’s project performance rating data, unlike the World Bank’s, are limited to some 20-25 completed projects and 50 to 100 ongoing ones, there are some options for future ARDEs that would deepen and widen the assessment of the DE impact of AFDB’s operations. Subsequent ARDEs could include a review of developments during the year and then deal with a special topic that would constitute the major content and focus of that report. Among such special topics are the following:

A. A focus on the key sectors – the social sectors, for which there is now an in-depth ongoing study, including Poverty Alleviation and gender projects; agriculture and possibly PBLs.

B. The impact of Changes in Organizational Quality on Operational Performance and Development Effectiveness. Such a review (Annex 3) would concentrate on assessing the outcome of the RBM when new processes generate more data to better assess the impact of inputs and, ideally, provide a clearer conceptual basis to assess results. A few years are needed before this can be effectively done.

C. Top-down assessments of the impact of AFDB’s activities on DE at the country level based primarily on CAEs and also PRSPs and the CSPCAs that exist. The pace at which additional countries are covered will determine when such an approach becomes feasible (see Recommendation 2 below).

Recommendations

50. To expand and improve the data base for the first and future ARDEs, consideration should be given to the following:

1. Completed and ongoing projects need to be classified by sector and themes for the first ARDE and subsequent ones as was done by the World Bank. The thematic classification should allow project objectives to be related to MDGs/IDA18 indicators. The sector classification of projects on the basis of the OECD nomenclature being contemplated by PPLB in the context of its work on the Strategic Plan and resource allocation needs to be harmonized with the proposed sector classification of projects recommended in this report on the basis of the UN system,
as was also followed by the World Bank. More generally and going beyond the ARDE, the new system of thematic and sector classifications should cover new projects to be approved. Project objectives and CSPs need to be aligned to the IDA18+ indicators with clear and verifiable logical links between inputs and objectives. This requirement should be a litmus test of passing the “Quality-At-Entry” test. Processing procedures should pay special attention to ensure that this is done. The establishment and maintenance of this new system of project classifications raises organizational, administrative and budgetary issues for AFDB

2. To enable AFDB to complement the assessment of DE using primarily project performance indicators with country performance indicators – as the World Bank has increasingly done in recent years – more CAEs should be produced with a standardized rating methodology. The six CAEs produced to date account for 18% of the ADF portfolio; the next three for Ghana, Mauritania and Tanzania will more than double the number to just under 40%. More CAEs should be prepared starting initially with the larger ADF Borrowers to cover at least two-thirds of the ADF portfolio before an ARDE focusing on country interventions can meaningfully be done. At the same guidelines could be prepared to standardize the rating methodology.

3. At the project level, the number of PCRs need to be increased and their selection needs to be more representative of the country and sector distribution of the overall portfolio – i.e. relatively more PCRs in the poorer countries with weak performance as well as relatively more in the key social and agriculture sectors as recommended in the 2001-2002 RER\textsuperscript{15}. A special Task Force consisting of OPEV and Operations was set up to review these matters and its findings should be available shortly.

4. On technical assistance, a study updating the 1998 study\textsuperscript{16} focusing on the effectiveness in particular on institutional support TA needs to be undertaken. If this study is to be done, it should be done sooner rather than later, in order to assess the impact of the TAF under the old system whereby the TAF was limited to grants. Ongoing TA grants also need to be rated as was the case until recently in the same manner as projects.


# The Millennium Development Goals

<table>
<thead>
<tr>
<th>Goals and Targets</th>
<th>Indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Goal 1: Eradicate extreme poverty and hunger</strong></td>
<td>1. Proportion of population below US$1 per day.</td>
</tr>
<tr>
<td></td>
<td>2. Poverty gap ratio [incidence multiplied by depth of poverty].</td>
</tr>
<tr>
<td></td>
<td>3. Share of poorest quintile in national consumption.</td>
</tr>
<tr>
<td>Target 1: Halve, between 1990 and 2015, the Proportion of people whose income is</td>
<td>4. Prevalence of underweight children (under-five years of age).</td>
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<tr>
<td>less than one dollar a day.</td>
<td>5. Proportion of population below minimum level of dietary energy consumption.</td>
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<tr>
<td>Target 2: Halve, between 1990 and 2015, the Proportion of people who suffer from</td>
<td></td>
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<tr>
<td>hunger.</td>
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<td></td>
<td>7. Proportion of pupils starting grade 1 who reach grade 5.</td>
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<tr>
<td></td>
<td>8. Literacy rate of 15-24 year olds.</td>
</tr>
<tr>
<td>Target 3: Ensure that, by 2015, children everywhere, boys and girls alike, will</td>
<td></td>
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<tr>
<td>be able to complete a full course of primary schooling.</td>
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<td></td>
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<tr>
<td><strong>Goal 3: Promote gender equality and empower women</strong></td>
<td>9. Ratio of girls to boys in primary, secondary and tertiary education.</td>
</tr>
<tr>
<td></td>
<td>12. Proportion of seats held by women in national parliament.</td>
</tr>
<tr>
<td>Target 4: Eliminate gender disparity in primary and secondary education preferably</td>
<td></td>
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<tr>
<td>by 2005 and to all levels of education no later than 2015.</td>
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<tr>
<td><strong>Goal 4: Reduce child mortality</strong></td>
<td>13. Under-five mortality rate.</td>
</tr>
<tr>
<td></td>
<td>15. Proportion of 1 year old children immunised against measles.</td>
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<tr>
<td>Target 5: Reduce by two-thirds, between 1990 and 2015, the under-five mortality</td>
<td></td>
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<td>rate.</td>
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<tr>
<td></td>
<td>17. Proportion of births attended by skilled health personnel.</td>
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<tr>
<td>Target 6: Reduce by three-quarters, between 1990 and 2015, the maternal mortality</td>
<td></td>
</tr>
</tbody>
</table>
### Goal 6: Combat HIV/AIDS, malaria and other diseases

| Target 7: Have halted by 2015, and begun to reverse, the spread of HIV/AIDS. | 18. HIV prevalence among 15-24 year old pregnant women.  
19. Contraceptive prevalence rate.  
20. Number of children orphaned by HIV/AIDS. |
|---|---|
| Target 8: Have halted by 2015, and begun to reverse, the incidence of malaria and other major diseases. | 21. Prevalence and death rates associated with malaria  
22. Proportion of population in malaria risk areas using effective malaria prevention and treatment measures.  
24. Proportion of tuberculosis cases detected and cured under DOTS (Directly Observed Treatment Short Course). |

### Goal 7: Ensure environmental sustainability*

| Target 9: Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources. | 25. Proportion of land area covered by forest.  
26. Land area protected to maintain biological diversity.  
27. GDP per unit of energy use (as proxy for energy efficiency).  
<table>
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<tr>
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<th></th>
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<tbody>
<tr>
<td>Target 10: Halve, by 2015, the proportion of people without sustainable access to safe drinking water.</td>
<td>29. Proportion of population with sustainable access to an improved water source</td>
</tr>
</tbody>
</table>
| Target 11: By 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers. | 30. Proportion of people with access to improved sanitation.  
31. Proportion of people with access to secure tenure. [Urban/rural disaggregation of several of the above indicators may be relevant for monitoring improvement in the lives of slum dwellers.] |
Goal 8: Develop a Global Partnership for Development*

Target 12: Develop further an open, rule-based, predictable, non-discriminatory trading and financial system. Includes a commitment to good governance, development, and poverty reduction – both nationally and internationally.

Target 13: Address the special needs of the Least Developed Countries (LDCs). Includes: tariff and quota free access for LDC exports; enhanced programme of debt relief for Heavily Indebted Poor Countries (HIPC) and cancellation of official bilateral debt; and more generous Official Development Assistance (ODA) for countries committed to poverty reduction.

Target 14: Address the special needs of landlocked countries and small island developing states (through Barbados Programme and Twenty-Second General Assembly provisions).

Target 15: Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term.

Target 16: In cooperation with developing countries, develop and implement strategies for decent and productive work for youth.

Target 17: In cooperation with pharmaceutical companies, provide access to affordable, essential drugs in developing countries.

Target 18: In cooperation with the private sector, make available the benefits of new technologies, especially information and communications.

Some of the indicators listed below will be monitored separately for the Least Developed Countries, Africa, landlocked countries and small island developing states.

Official Development Assistance

32. Net ODA as percentage of DAC donors’ gross national income (GNI) [targets of 0.7 per cent in total and 0.15 per cent for LDCs].
33. Proportion of ODA to basic social services (basic education, primary health care, nutrition, safe water and sanitation).
34. Proportion of ODA that is untied.
35. Proportion of ODA for environment in small island developing states.
36. Proportion of ODA for transport sector in land-locked countries.

Market Access

37. Proportion of exports (by value and excluding arms) admitted free of duties and quotas.
38. Average tariffs and quotas on agricultural products and textiles and clothing.
39. Domestic and export agricultural subsidies in OECD countries.
40. Proportion of ODA provided to help build trade capacity.

Debt Sustainability

41. Proportion of official bilateral HIPC debt cancelled.
42. Debt service as a percentage of exports of goods and services.
43. Proportion of ODA provided as debt relief.
44. Number of countries reaching HIPC decision and completion points.
45. Unemployment rate of 15-24 year olds.
46. Proportion of population with access to affordable essential drugs on a sustainable basis.
47. Telephone lines per 1000 people.
48. Personal computers per 1000 people.

* The selection of indicators for Goals 7 and 8 is subject to further refinement.

<table>
<thead>
<tr>
<th>Indicator (a)</th>
<th>Perc of PRSPs that include Indicator (b)</th>
<th>Perc of PRSPs that cover subject</th>
<th>Most recent Year data for IDA countries</th>
<th>Perc of IDA countries with data in 2000-2002</th>
<th>No of IDA countries included to calculate growth from 1990</th>
<th>Historical av. annual growth of IDA countries (c)</th>
<th>Annual rate required to meet MDG target from 1990</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Proportion of population below $1/day</td>
<td>14</td>
<td>100</td>
<td>19</td>
<td>48</td>
<td>-1.3</td>
<td>-2.8</td>
<td></td>
</tr>
<tr>
<td>2. Underweight children under 5 years of age</td>
<td>44</td>
<td>69</td>
<td>53</td>
<td>46</td>
<td>-2.8</td>
<td>-2.8</td>
<td></td>
</tr>
<tr>
<td>3. Under-5 child mortality</td>
<td>75</td>
<td>97</td>
<td>100</td>
<td>77</td>
<td>-1.6</td>
<td>-4.4</td>
<td></td>
</tr>
<tr>
<td>4. Proportion of one-year-old children immunized against measles</td>
<td>11</td>
<td>72</td>
<td>100</td>
<td>76</td>
<td>0.4</td>
<td>1.8</td>
<td></td>
</tr>
<tr>
<td>5. HIV prevalence rate of women 15-24</td>
<td>6</td>
<td>67</td>
<td>66</td>
<td>(..)</td>
<td>(..)</td>
<td>(..)</td>
<td></td>
</tr>
<tr>
<td>6. Proportion of births attended by skilled personnel</td>
<td>55</td>
<td>100</td>
<td>66</td>
<td>39</td>
<td>2.7</td>
<td>4.3</td>
<td></td>
</tr>
<tr>
<td>7. Ratio of girls to boys in primary and secondary education</td>
<td>64</td>
<td>78</td>
<td>64</td>
<td>49</td>
<td>1.5</td>
<td>1.3</td>
<td></td>
</tr>
<tr>
<td>8. Primary school completion rate</td>
<td>30</td>
<td>100</td>
<td>78</td>
<td>55</td>
<td>0.9</td>
<td>1.7</td>
<td></td>
</tr>
<tr>
<td>9. Proportion of population with sustainable access to an improved water source</td>
<td>86</td>
<td>94</td>
<td>94</td>
<td>34</td>
<td>1.7</td>
<td>0.9</td>
<td></td>
</tr>
<tr>
<td>10. Fixed lines and mobile telephone per 1000 inhabitants</td>
<td>33</td>
<td>48</td>
<td>100</td>
<td>78</td>
<td>13</td>
<td>(n/a)</td>
<td></td>
</tr>
<tr>
<td>11. Formal cost required for business start</td>
<td>3</td>
<td>17</td>
<td>69</td>
<td>(..)</td>
<td>(..)</td>
<td>(n/a)</td>
<td></td>
</tr>
<tr>
<td>12. Time required for business startup</td>
<td>11</td>
<td>17</td>
<td>69</td>
<td>(..)</td>
<td>(..)</td>
<td>(n/a)</td>
<td></td>
</tr>
<tr>
<td>13. Public expenditure management</td>
<td>0</td>
<td>97</td>
<td>30</td>
<td>(..)</td>
<td>(..)</td>
<td>(n/a)</td>
<td></td>
</tr>
<tr>
<td>14. Agricultural value added</td>
<td>19</td>
<td>64</td>
<td>90</td>
<td>68</td>
<td>2.4</td>
<td>(n/a)</td>
<td></td>
</tr>
<tr>
<td>15. GDP per capita</td>
<td>39</td>
<td>100</td>
<td>96</td>
<td>72</td>
<td>2.0</td>
<td>(n/a)</td>
<td></td>
</tr>
<tr>
<td>16. Access of rural population to an all-season road</td>
<td>14</td>
<td>42</td>
<td>14</td>
<td>(..)</td>
<td>(..)</td>
<td>(n/a)</td>
<td></td>
</tr>
<tr>
<td>17. Household electrification rate</td>
<td>28</td>
<td>56</td>
<td>23</td>
<td>(..)</td>
<td>(..)</td>
<td>(n/a)</td>
<td></td>
</tr>
<tr>
<td>18. Prop of households using solid fuels</td>
<td>11</td>
<td>36</td>
<td>20</td>
<td>(..)</td>
<td>(..)</td>
<td>(n/a)</td>
<td></td>
</tr>
</tbody>
</table>

Notes: (..) means insufficient data, (n/a) means not applicable

a All data are taken from the latest 2004 World Development Indicators database, except indicators 13, 16, 17, and 18.

b As of March 2004, 36 countries had full PRSPs. All growth rates have been calculated between 1990 and the most recent years using the exponential growth method. Some indicators are excluded in the analysis since the historical performance cannot be established because of insufficient data.

b As of March 2004, 36 countries had full PRSPs.

c All growth rates were calculated between 1990 and most recent years using the exponential growth method.
B. The IDA System.

**Purpose and Context.** This note describes the IDA approach to the introduction and tracking of an expanded set of country outcome indicators about a year ago for consideration by IDA in the Spring of 2004. The purpose of the system is to strengthen the focus of IDA’s activities on development outcomes and to inform Deputies’ discussions about IDA’s effectiveness. Following the introduction of the of the interim results measurement system under the IDA13, it was apparent that there should be enhancements to this system to better reflect PRSP priorities and the “localization” of MDG targets among IDA borrowers. For this reason, the selection of country outcome indicators for an enhanced system has been guided by three interrelated concerns: (1) consistency with priorities articulated by countries through their PRSPs; (2) alignment with MDG indicators and other international monitoring efforts; and (3) relevance to IDA’s activities in borrowing countries.

The IDA results measurement system builds on two key elements. First is the increasing focus on country outcomes and the associated measurement and monitoring that must occur at the country level through national statistical systems. The second is the introduction of a results-based CAS as the Bank’s business plan for contributing to selected outcomes at the country level. For IDA-eligible countries, this takes place within the PRSP context. The PRSP process has enhanced country ownership of strategy development, and has encouraged donor alignment around national strategies. Establishing appropriate indicators and targets for poverty reduction is a key element of the PRSP approach. However, as recent reviews have indicated, considerable scope remains for setting clear and realistic targets, defining appropriate indicators to monitor progress, and strengthening monitoring systems and statistical capacity.

Comparison of PRSP indicators with MDG indicators shows substantial alignment of priorities but given the diversity of indicators in PRSPs we cannot simply aggregate across PRSPs for the purpose of monitoring progress in IDA countries. Another problem is that only about one-third (23) of IDA-eligible countries had completed full PRSPs as of the end of January 2003. For these reasons, the proposal for an enhanced system includes some indicators commonly found in PRSPs, others which capture PRSP priorities for which common indicators are not widely available—but may be in future—and still others which reflect IDA’s focus on the growth and investment climate needed for sustained poverty reduction.

**The IDA Indicators.** As shown in the above table, eighteen indicators are proposed for monitoring country outcomes. The first fifteen indicators constituted the original list and covered poverty reduction through both broad-based growth and targeted service provision, and include income, poverty \(^{(17)}\), malnutrition, maternal and child health, HIV/AIDS, gender, basic education, water supply, private sector development, public sector management and economic growth. The last three indicators covering infrastructure and energy were added

\(^{(17)}\) The indicator chosen for aggregation across countries measures the proportion of the population living on less than a dollar a day. This common indicator is calculated by the World Bank on the basis of national poverty data generally reported in PRSPs. It is recognized that this national data and associated national poverty lines are more relevant for strategy and programming decisions at the country level.
recently. No such list of indicators can be considered definitive or comprehensive. Rather, it should be considered as reasonably representative of the priorities that have emerged in PRSPs and CASs to date, shaped by data availability and subject to improvement over time as our knowledge base improves. More than half the IDA 18 indicators are also MDG indicators. The other indicators are complementary to the MDGs, reflecting PRSP and IDA priorities for private sector development, public sector management and economic growth needed to achieve the poverty reduction target of the MDGs.

**CAS Papers.** Although in recent years CASs have been more closely aligned with country and Bank priorities, the definition of desired results—in terms of country outcomes—still needs to be significantly strengthened. Many CASs lack outcome-oriented objectives and measurable indicators of progress toward these outcomes, while the link between country-level results and the choice of IDA instruments is weak. The results-based CAS includes a “results framework” that identifies (a) core country outcomes (as articulated in the PRSP), (b) associated intermediate outcomes that IDA can contribute to directly; and (c) the products and services mix that best contributes to these outcomes. By working backwards from desired outcomes to products and services, the results framework is expected to enhance IDA’s allocative efficiency within each country—that is to say, IDA will be more likely to do the right things in a specific country context.

At the end of the CAS cycle, teams will prepare a CAS Completion Report that will serve as a starting point for independent evaluation by the Operations Evaluation Department (OED). It will take several years of CAS Completion Report reviews by OED before the quality of the outcome ratings is sufficient for IDA monitoring. Teams will begin preparing results-based CASs for IDA countries in FY03 and FY04, along with CASCRs. By FY06, a significant share of the CASCRs will derive from a results-based CAS, making this an appropriate time to introduce IDA monitoring of CAS outcome ratings. In the meantime primary reliance will continue to be put on project outcomes.

**Project Outcome Ratings.** The database on project outcomes covers the entire population of exiting IDA projects, generally 120-130 per year. This population is too small to ensure statistical validity of subcategories on a yearly basis. As outcome ratings, they also have a built-in lag (the average age of ongoing projects is 5-6 years). Nonetheless, these ratings and the lessons behind them are highly relevant to the preparation of new projects and to midcourse corrections of ongoing projects. Setting targets for project outcomes that are aligned to the IDA indicators is thus important. An example relating project inputs to project outcomes and impact for one of one IDA indicator (reduction of mortality rates for children under 5 years old) is given in the figure below.
C. Logic Model For An IDA Indicator

Impact

Outcome

Intermediate Outcomes

Outputs

Activities

Inputs

Reduce Mortality of children below 5

Improve use of Oral Rehydration Therapy for childhood diarrhea

Increase maternal knowledge of and access to ORT services

15 media campaigns completed
100 health prof trained in ORT

Launch media campaign to educate mothers
Train health prof in ORT

1. Trainers 2. ORT Supplies 3. Funds
Assessment of Organizational Quality

This Annex lists below the major questions to be addressed when a detailed review of Organizational Quality is made. New policies to respond to the Vision Statement and the Strategic Plan have been in place for some time but more and better data from some of key processes that have been introduced would allow a more thorough assessment of the issues. Also, such a review is best done, ideally, when institutional indicators of performance are developed and accepted.

A. Policies – sector and thematic: Have policies and strategies improved? An impressive list of new strategies and policies responding to the Bank’s Vision and Strategic Plan have been issued. In practice have these been internalized and adhered to? An assessment of their impact requires a combination of (a) interviews and/or survey of staff; and (b) a review of the impact on project design and implementation relying on RERs and sub-sector/sector and thematic studies.

B. Processes – Has the process by which AFDB manages development assistance improved? This can be broken down into:

a. Guidelines and procedures for project processing from identification through supervision have been introduced to sharpen the poverty focus of AFDB. Has their introduction made AFDB a more effective results-based management institution? But while data on intermediate inputs may be available (e.g. no of supervision missions) hard conclusions about how far these measures affect DE are difficult. For example, how does better Quality at Entry translate into progress towards the ID15+ indicators? While difficult, assessments are possible with the good information, monitoring and evaluation.

b. Aid administration – closer to local decisions? Field offices improved the quality of AFDB engagement: as did participatory approaches for project preparation and implementation. What has been the impact in each case?

c. Aid co-ordination – Is AFDB’s collaboration with other donors – share of its aid and quality – increasing the effectiveness of its aid? In the case of PRSPs? in project design? Implementation? Also, partnerships would be reviewed.

d. Organizational structure of AFDB – more country focused?

C. Resources – Have relatively more AFDB resources gone to poorer countries and to the poorer sections of the population within countries? The allocation process and the results would be reviewed by (a) country; (b) sector; and (c) CPIA. Are more resources going to countries with a per capita income below $360? More towards the key sectors that, other things being equal, have a greater impact on the poor – viz. agriculture and the Social Sectors? Are more resources going to countries with a stronger performance?
The Project Data Base

1. The two tables at the end of this annex provide the details of the population of projects whose performance ratings can be analyzed as part of the first ARDE provided their objectives are aligned with the IDA indicators. Table 2 in the text is a summary of those tables. The projects to be analyzed are grouped into ADF/Blend and ADB starting with ADF IV – i.e. projects approved in 1985 – 87 as earlier projects are too old to be of relevance. Projects are divided into completed and ongoing ones. Completed ones are further divided into those with PCRs (with or without a PPER) and those with PPERs. The source of information for ongoing projects are the 25 CPRs and the APPR. The number of completed and rated ADF projects approved from 1985 onwards is 98 and the corresponding number of ADB projects is 76. For ongoing projects, the number of rated ADF-Blend projects with a track record (defined as those having disbursed at least one third of their commitment amount) is estimated at 158 projects and the corresponding number for ADB is 44. The total is estimated at 376 ongoing plus completed projects that can potentially be evaluated – 256 ADF and 120 ADB. This number will be reduced to exclude projects whose objectives are not aligned with the DE indicators or for which that information cannot be found. We expect that a relatively small number will be excluded for reasons explained below. Finally, it should be noted that the above numbers exclude TAF grants of which 64 were rated, 48 with disbursements above 33%. Of these, 34 are Project Cycle Grants and 14 are for Institutional Support.

<table>
<thead>
<tr>
<th>Number of Projects</th>
<th>ADF-Blend</th>
<th>ADB</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Completed</td>
<td>98</td>
<td>76</td>
<td>174</td>
</tr>
<tr>
<td>Estimated Ongoing w/&gt;33% Exc. Grants</td>
<td>158</td>
<td>44</td>
<td>202</td>
</tr>
<tr>
<td>Total Exc. Grants</td>
<td>256</td>
<td>120</td>
<td>376</td>
</tr>
</tbody>
</table>

The Alignment of Project Objectives

There is also an important caveat to the numbers listed in the table above. The number of projects in countries not having CPRs (about half the total) were derived from the SAP which has some shortcomings that are being addressed. The ongoing revision of the SAP disbursement data is likely to reduce disbursement ratios which are considerably higher in the SAP than in the CPRs that were reviewed. Thus, while on average 56% of projects had a disbursement ratio exceeding 33% in the CPR group, 82% of projects in the SAP for non-CPR countries had disbursement ratios exceeding 33%. The number of projects to be included in the study is therefore likely to be lower than shown in the table after the revisions of the SAP disbursement data for the 33% disbursement cut-off point – and the more so if it were decided to raise the cut-off point to a higher number of say 50% if human resource and/or budgetary constraints emerge.
2. Before performance ratings can be meaningfully aggregated, they need to be checked for “alignment” to DE objectives. While this task is time consuming and judgmental – as the projects to be assessed were designed before the IDA15+ indicators were defined -- it is both necessary and possible. There are 174 completed projects that have to be reviewed from this perspective using the PCRs and PPERs. Most of these projects (about 80%) were judged to be Relevant to country and sector objectives which would suggest especially for good performing countries that they are likely to be aligned to one or more of the IDA indicators. There are also another 202 rated ongoing projects in the APPR and 14 Institutional Support grants. These do not have a rating on Relevance but being more recent may better reflect AFDB’s priorities. To gauge how far they are aligned requires reviewing the Appraisal Report of these projects (especially the section on objectives and the Logical Framework). Two-thirds to three quarters of these projects were approved since 1991-2 and are available on the DARMs. For the balance, the Appraisal Reports are only available in hard copy in the files in Abidjan.

Conclusion. We should expect that some of the 376 ongoing and completed projects will not be included in the ARDE analysis either because their Appraisal Reports are not available or because the analysis of their objectives determines their lack of alignment. We can expect this number to be limited because most of the completed projects are “Relevant” while the ongoing ones are recent. To the extent that Appraisal Reports for some projects are not found, these would be for the older projects.

Performance Ratings for Ongoing and Completed Projects.

3. In comparing the ratings for completed and ongoing projects, a distinction should be made between the differences in “standards” as well as the differences in coverage or content of the ratings themselves.

A. Standards. Here, there are two important differences between the rating of completed and ongoing projects. The former are often done by independent evaluators (in the case of PCRs, an input from the Borrower is required; and when PCRs are followed by PPERs, then the independence of the evaluation is even more pronounced) and with more perspective since ratings are given after, sometimes well after, projects are completed. In the case of ongoing projects the sample to be analyzed will be limited to projects that have a track record, having disbursed at least one third of their commitments. But the ratings for active projects are by definition “expected” ratings that may be adjusted as the project progresses and after it is completed. Even though ratings for completed projects are more reliable in principle, the meaning and implications of these ratings may not be as relevant to AFDB management because the projects are older than ongoing projects. However, as can be seen from the table, most projects were approved in ADF IV to VI and relatively few since the mid-nineties; but a significant proportion was largely implemented since the mid-nineties when basic changes in AFDB’s strategies, policies and procedures began.
B. Coverage. Project performance ratings for completed projects analyzed in the last three RERs\(^{19}\) were mostly rated according to the new guidelines first issued in 1996 and revised in 2001\(^{20}\). Ongoing projects rated in the Annual Portfolio Performance Review are rated according to comparable criteria summarized in the Annexes to the APPRs\(^{21}\) and in both cases there are four performance ratings ranging from Highly Satisfactory to Highly Unsatisfactory. Though most of the rating categories in both systems are similar, there are differences in that some ratings are omitted from ongoing projects (e.g. Bank Performance and Relevance) while sub-categories differ for several of the common ratings, requiring adjustments. The rating categories for completed projects are “sturdier” with clearer and broader definitions as well as being more comprehensive than those for ongoing projects as explained below.

Comparable project “output” ratings exist for completed and ongoing projects for all the major output categories — namely Overall Outcomes, Project Outcome, Institutional Development and Sustainability. But differences exist in the sub-categories, notably the absence of a rating on “Relevance” in the case of ongoing projects. With respect to the “input” categories the major difference is also the absence of a rating on “Bank Performance” in the case of ongoing projects. This rating and its components -- Identification, Preparation, Appraisal and Supervision – will therefore have to be limited to completed projects. Finally, with respect to Implementation Performance, the ratings are comparable — cost, time, and adherence to covenants are rated in both systems; “monitoring & evaluation” is rated for completed projects while ongoing projects rate a variety of factors affecting implementation performance such as project management, procurement, etc.

Conclusion. Ongoing projects have a weaker data base -- both because the ratings are not “final”, are not independent and have a more limited coverage than completed projects. But the projects are younger and those with a track record can provide important and more recent information about DE. Consequently, both populations of projects should be reviewed but any “mixing” of the information of both groups should be done with caution. At the same time, certain kinds of analysis can only be done for some populations. For example, “Relevance” can only be analyzed for completed projects. (But for ongoing projects one can get a sense of “Relevance” by looking at the degree of Alignment of project objectives to DE indicators; see below). And the analysis by completion year – so-called “exit year” – can only by definition be done for completed


projects. Notwithstanding the differences noted in this section it is desirable and possible to draw on the ratings of both completed and ongoing projects to make a fuller and better assessment of the DE of AFDB’s operations in the ARDE.
Table A: Details of the Number of Ongoing ADF/Blend and ADB Projects since ADF IV

<table>
<thead>
<tr>
<th>Approval Years</th>
<th>In CPRs (a)</th>
<th>In countries Without CPRs(b)</th>
<th>Total Estimated APPR</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>ADF/Bld</td>
<td>ADB</td>
<td>TAF</td>
</tr>
<tr>
<td>ADF IV: 1985-87</td>
<td>2</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>ADF V: 1988-90</td>
<td>13</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>ADF VI: 1991-93</td>
<td>30</td>
<td>5</td>
<td>2</td>
</tr>
<tr>
<td>1994-1995</td>
<td>0</td>
<td>4</td>
<td>0</td>
</tr>
<tr>
<td>ADF VII: 1996-98</td>
<td>52</td>
<td>5</td>
<td>10</td>
</tr>
<tr>
<td>ADF VIII: 1999-2001</td>
<td>44</td>
<td>9</td>
<td>17</td>
</tr>
<tr>
<td>ADF IX: 2002-2004</td>
<td>1</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>142</strong></td>
<td><strong>24</strong></td>
<td><strong>29</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Of Which: Projects w/ Disb &gt; 33%</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADF IV: 1985-87</td>
</tr>
<tr>
<td>ADF V: 1988-90</td>
</tr>
<tr>
<td>ADF VI: 1991-93</td>
</tr>
<tr>
<td>1994-1995</td>
</tr>
<tr>
<td>ADF VII: 1996-98</td>
</tr>
<tr>
<td>ADF VIII: 1999-2001</td>
</tr>
<tr>
<td>ADF IX: 2002-2004</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

(a) Rated projects from the APPR. The % disbursed was estimated from the average disbursement ratios in projects in 25 CPRs
(b) Source SAP -- Disbursement estimates in SAP being revised.
Note -- Of the 48 TAF rated grants with disbursements of over 33%, 34 are Project Cycle and only 14 are for Institutional Support.
<table>
<thead>
<tr>
<th>Approval Years</th>
<th>Total PCRs</th>
<th>(Of Which: PPRs)</th>
<th>Total APPR Exc TAFs</th>
<th>Total Ongoing &amp; Completed</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>ADF/Bld</td>
<td>ADB Total</td>
<td>ADF/Bld Total</td>
<td>ADB Total</td>
</tr>
<tr>
<td>ADF IV: 1985-87</td>
<td>36</td>
<td>23   59</td>
<td>30      21      51</td>
<td>7          0       7</td>
</tr>
<tr>
<td>ADF V: 1988-90</td>
<td>30</td>
<td>27   57</td>
<td>19      19      38</td>
<td>23         8       31</td>
</tr>
<tr>
<td>ADF VI: 1991-93</td>
<td>23</td>
<td>18   41</td>
<td>9       9       9</td>
<td>46         7       53</td>
</tr>
<tr>
<td>1994-1995</td>
<td>0</td>
<td>4    4</td>
<td>0       0       0</td>
<td>1          6       7</td>
</tr>
<tr>
<td>ADF VII: 1996-98</td>
<td>8</td>
<td>4    12</td>
<td>3       1       4</td>
<td>39         7       46</td>
</tr>
<tr>
<td>ADF VIII: 1999-2001</td>
<td>1</td>
<td>0     1</td>
<td>1       0       1</td>
<td>39        16       55</td>
</tr>
<tr>
<td>ADF IX: 2002-2004</td>
<td>0</td>
<td>0    0</td>
<td>0       0       0</td>
<td>10         3       0</td>
</tr>
<tr>
<td>Total</td>
<td>98</td>
<td>76   174</td>
<td>53      50      103</td>
<td>158        44       202</td>
</tr>
</tbody>
</table>

Of Which: With Detailed Ratings

<table>
<thead>
<tr>
<th>Approval Years</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>ADF IV: 1985-87</td>
<td>24</td>
<td>11</td>
<td>35</td>
<td>18</td>
<td>10</td>
<td>28</td>
<td>7</td>
<td>0</td>
</tr>
<tr>
<td>ADF V: 1988-90</td>
<td>23</td>
<td>17</td>
<td>40</td>
<td>14</td>
<td>9</td>
<td>23</td>
<td>23</td>
<td>8</td>
</tr>
<tr>
<td>ADF VI: 1991-93</td>
<td>22</td>
<td>16</td>
<td>38</td>
<td>16</td>
<td>7</td>
<td>23</td>
<td>46</td>
<td>7</td>
</tr>
<tr>
<td>1994-1995</td>
<td>0</td>
<td>4</td>
<td>4</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>6</td>
</tr>
<tr>
<td>ADF VII: 1996-98</td>
<td>8</td>
<td>4</td>
<td>12</td>
<td>3</td>
<td>1</td>
<td>4</td>
<td>39</td>
<td>7</td>
</tr>
<tr>
<td>ADF VIII: 1999-2001</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>39</td>
<td>16</td>
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The World Bank’s OED Country Evaluation Rating Methodology

1. This methodological note reproduces verbatim the relevant parts of the World Bank’s Country Assistance Evaluation of Russia\(^{22}\) that describe the basic elements of OED’s Country Assistance Evaluation (CAE) rating methodology for the World Bank’s country assistance. The World Bank’s role has been increasingly country based, policy oriented, and programmatic. Hence, over the past seven years, (FY95–01), OED has evaluated the development impact of country assistance programs in 45 countries\(^ {23}\). This note reflects the lessons of this evaluation experience.

Bank Country Assistance Performance versus Country Performance versus Bank Performance

2. Three possible objects must be distinguished in country-related evaluations: the country’s development performance, the performance of the Bank’s assistance program, and the Bank’s own performance in designing and implementing the program. While interrelated, they are not identical. Favorable Bank program outcomes do not always translate into favorable economic and social development results for the country, nor does a strong Bank performance necessarily mean that the assistance program was successful. Poverty reduction in a country may fail to occur even if the specific programs supported by the Bank have had good outcomes. Equally, the programs supported by the Bank may succeed even if the Bank’s own performance has not been satisfactory. Thus, the results of a Bank assistance program could be rated as highly satisfactory even for a client that did poorly in areas not addressed by the Bank’s program. From the record of the CAEs we have done to date, we discovered there were:

- Clients whose prolonged periods of development were matched by successful Bank assistance (e.g., Poland, Ghana, and El Salvador)
- Clients that achieved above-average development results, even though the Bank’s assistance did not fare nearly as well (e.g., Costa Rica)
- Clients in which the Bank’s assistance achieved significant development results, despite lagging country development (e.g., Ethiopia).

3. Also of note is that, in conformity with its mandate, OED does not rate the development performance of the client country or the aid performance of its non-Bank partners. Yet, it is critical to have a clear view regarding both these issues to correctly assess the outcome of the assistance program and any obstacles the Bank contended with in designing and implementing its Country Assistance Strategy. Active participation of the client, non-Bank partners with Bank staff in the evaluation process is likely to lead to the best results.

Building a Metric Algorithm

\(^{22}\) Assisting Russia’s Transition: An Unprecedented Challenge, 2003, OED, Annex 16.

\(^{23}\) As of early 2004, about 60 Country Assistance Evaluations had been produced.
4. Intermediate development objectives, such as financial sector adjustment and integrated rural development, are often the indispensable pathways to the realization of higher-order objectives, such as poverty reduction. So the causative links between the two must be identified. Work can then proceed toward design of a ratings scale with appropriate weights.

5. At times, clients may have some development goals at odds with the broad-based goals embodied in the Bank’s Comprehensive Development Framework (CDF). Normally, such conflicts would be identified and resolved in the Country Assistance Strategy (CAS), enabling the evaluator to focus on whether the tradeoffs adopted were reasonable. In other instances, key development constraints may not have been identified or addressed by the Bank’s assistance program.

6. Such omissions tend to emerge upon examination of development behaviors and endowments observed during and preceding the period under evaluation. Finally, the evaluator must be alert to possible major shortcomings in the assistance program results, such as violations of the Bank’s safeguard policies.

7. Rating the outcome of the assistance program then involves an investigation into the relevance of its primary objectives in contributing toward a resolution of one or more key constraints hampering client country development, the program’s efficacy in having achieved its major relevant objectives with minimal short-comings, and its efficiency in containing the costs per unit of benefit delivered.

**Institutional Development Impact**

8. This can be rated as high, substantial, modest, and negligible/negative. Ratings are based on an assessment of the Bank’s assistance impact on strengthening the client country’s capacity to manage, among others, the following areas:

- Economic management
- The structure of the public sector and, in particular, the civil service
- The institutional soundness of the financial sector
- Legal, regulatory, and judicial systems
- Monitoring and evaluation systems
- Aid coordination
- Financial accountability
- Building nongovernmental organization capacity
- Social and environmental capital.

**Sustainability**

9. This measures the likelihood that the development benefits of the country assistance program will be maintained. Sustainability can be rated as highly likely (4),
likely (3), unlikely (2), highly unlikely (1), or nonevaluable. Future work will focus on refining the definition of sustainability to distinguish between the expected duration of benefits versus the likelihood that some or all of the expected benefits may not materialize.

**Three-Dimensional Evaluation**

10. OED has developed three modules dealing with different perspectives, or dimensions, of Bank assistance:

   a. Products and services dimension: The evaluator adopts a “bottom-up” analytical approach to the major Bank Group inputs: loans, economic sector work (ESW), strategic advice, aid coordination, and resource mobilization.

   b. Development impact dimension: The evaluator adopts a “top-down” analytical approach, rating the overall outcome and results of the Bank’s program of assistance. Counterfactuals are applied.

   c. Partner performance dimension: The evaluator assesses responsibility for the impact of the country assistance program to four sets of actors: the Bank, its aid partners and stake-holders, the client country, and exogenous factors. The contribution of each is rated independently and then blended into a dimensional rating. However, to minimize the risk of steering all debate among the key partners over their performance ratings, OED does not make these explicit in its CAEs.

11. The dimensional scores should be equal (or nearly so), because they capture different facets of the same assistance result. Were a large disparity to arise, this would signal some inconsistency, requiring adjustments among the three dimensional scores, in this way mitigating the effects of rating subjectivity. For example, good partner performance (assessed against current policies and standards) combined with favorable exogenous conditions may contrast with an apparently poor development impact, thus requiring a revision of one or both assessments (e.g., by concentrating on the adequacy of policies and standards or on the accuracy of the development impact indicators).
Work Program For the First ARDE

The World Bank System for the Alignment and Classification of Projects

1. The World Bank has two distinct classification systems instituted since 2002 for projects approved since the early nineties:

   - **Sector Classification** – consisting of different codes whereby projects are classified into up to 5 different sector codes by percent of their commitments. For each project, the allocations to various sectors total 100%. This classification conforms to the one of the UN (and is different from DAC’s). There are about 60 sector codes.

   - **Thematic Classification.** This coding system is unique to the World Bank and was designed to measure progress of projects in achieving their Development Objectives (DO). It is based on a ranking of DO according to their importance with the total of the rankings always totaling 100%. There are over 60 thematic codes. Most can be related to MDGs and/or the IDA18 indicators.

   There are *The Guidelines for Using the Sector Codes* and the *Guidelines for Using the Theme Codes* which provide further details on the scope of sectors and themes. All are available at the OPCS Website [http://sectors](http://sectors).

2. The coding system for both classifications was integrated in the SAP after the latter had been operational. The classifications are used for budgetary and unit program preparation and monitoring purposes in addition to analytical purposes such as in the ARDE. Only the thematic classification is used to gauge progress towards MDG goals.

3. The classification was done centrally at system inception and since then for new projects. The Sector and Thematic Boards as well as Task managers are informed with the opportunity to comment on the decision. The former almost never do, the latter rarely. The system is administered by a professional with an International Development background. The workload is equivalent to classifying about 100 projects every month. At inception, the system was set up with the help of an IT person who designed the coding system and tabulations used in monitoring and evaluation.

**Implications for AFDB.**

4. **Preparation of the first ARDE.** After the 175 or so PCRs/PPERs and like number of appraisal reports are gathered (from the DARMs and from the Abidjan files for projects approved before 1991), it should take some three months to classify the DO in a way that is related to IDA18 and/or MDG indicators. The latter needs to be done by a professional expert in economic development. (One person is preferable to two even though it will take a little longer to complete the task. This would ensure consistency and similar standards; also there are economies as only one person needs to be trained.) The classification would be done centrally in consultation with Task managers. These consultations would not affect the amount of manpower needed but would add about two weeks of elapsed time for completion of the job; few TMs can
be expected to contest the classification. Prior to starting in Tunis, it would be essential for the person who will do the alignment to spend about two weeks at World Bank HQ with the persons responsible for the system. The need is not only to be clear about how projects are to be classified but also and equally how various themes relate to the MDGs/IDA18 indicators. There would also be a need for the services of an IT person for one month to design the coding system and its uses for the thematic and sector classifications even though for the purposes of the first ARDE only the thematic classification is needed. The coding system to be developed for the classification of projects would be a free standing one independent of the SAP. The classification would cover both the thematic areas and also the sectors. The sector classification is not needed for the first ARDE but would be useful in terms of comparability with the World Bank and UN system in general terms as well as specifically when the second ARDE focusing on sector results is undertaken. And there are economies in undertaking both classifications at the same time.

5. **Beyond the first ARDE.** Ideally, the projects to be covered in the classification should include all ongoing projects and not just those to be analyzed as part of the first ARDE – i.e. ongoing projects that have not disbursed 33% of their loan commitments. Also, new projects would be included as they are approved which raises an organizational and budgetary issue for AFDB.

### Manpower Requirements and Organization of the Study.

6. The table below estimates the staff-week requirements for the first ARDE for both OPEV staff and consultants. The assumptions for these estimates are as follows; (a) the classification of projects will be done for both thematic and sectors codes; (b) the coding system will be a free standing one, independent of the SAP; (c) projects approved since 1985 and ongoing projects having disbursed at least 33% of their loan amount would be reviewed. There are 174 completed projects but an uncertain number of ongoing projects – the maximum of such projects is 202 but the final number is likely to be between 150 and 175 since the SAP system exaggerates the disbursements and some appraisal reports that predate DARMs (pre-1992) may not be found. The table conservatively assumes that 175 ongoing projects are reviewed for a total of 35024; and (d) Guidelines to standardize the performance ratings in CAEs will be prepared. This is not needed for the first ARDE but for future ones. Excluded from the table below are the manpower needs for (i) the TA study estimated at about 3 man-months; and (ii) the annual cost of maintaining the system by adding new projects to the classifications in future years.

7. **Organization of the Study.** The way the study is organized is critical not only to its success but also to how much resources end up actually being used. Strong central leadership is essential. There are many ways to structure the work but the report needs to have a single coordinating author who could be the principal author of parts of the report while integrating the work of others into a coherent whole.

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24 If reviewing about 350 projects proves too onerous in time and cost there are several options. One is to include only ongoing projects that disbursed more than 50% of the loan amount (rather than 33%). Another is to exclude projects approved under ADF-IV in 1985-87 and start with project approvals in 1988. Either option alone would reduce the total number of projects by about 50 to a total of about 300. Both together would reduce the total to 250 projects – 146 completed and 107 ongoing.
8. **Conclusions.** The table below shows the total estimated manpower requirements of 65 staff-weeks for the first ARDE broken down by various tasks to which should be added 13 staff-weeks for the TA study. Of the total, 20 staff-weeks are estimated to come from OPEV and 44 from consultants -- for chapter 2 (22); the preparation of Guidelines for the CAEs (6) the alignment of projects (12) and the IT consultant for the coding system (4). There is some flexibility in using OPEV staff or consultants for some tasks.

9. **Timetable.** To complete the first ARDE in the first quarter of 2005, work needs to be initiated as soon as possible as follows: (a) the ongoing projects to be reviewed need to be finalized and the Appraisal Reports of projects not in the DARM need to be collected from Abidjan. (b) The IT and Alignment specialists need to be recruited. They will need four months from the time they are hired to complete their work during which time the other consultant(s) may be hired. Chapter 2 will require close to six months to complete. (c) At the same, the TA study needs to be launched as soon as possible so the results are available by the end of this year. Finally, the preparation of chapter 1 can proceed independently of all these tasks but obviously the earlier it is done, the better.
Estimated Manpower Requirements in Staff-weeks

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<td>Chapter TWO</td>
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<tr>
<td>A. Project Impact</td>
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<tr>
<td>Develop Coding System</td>
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<td>for classification (IT specialist)</td>
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<td>1. Completion</td>
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<tr>
<td>a. Alignment (7/d) : 174 projects</td>
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<tr>
<td>b. Prep of Pro-forma and Tabulation of data</td>
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<td></td>
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<tr>
<td>c. Review 17 SS and all RER</td>
<td>3</td>
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<tr>
<td>d. Analysis and Write-up</td>
<td>5</td>
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<td>2. Active Projects</td>
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<tr>
<td>a. Alignment (7/d) : 175 projects</td>
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<tr>
<td>b. Prepare Data to make Consistent w/ Comp Projects (7/d).</td>
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<tr>
<td>c. Prep of Pro-forma and Tabulation of data.</td>
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<tr>
<td>d. Review 25 CPR</td>
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<td>e. Analysis and Write-up</td>
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<tr>
<td>B. Country Analysis: Review 7CAEs&amp;PRSP&amp;CSP -- 4 sw -- and</td>
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<td>Develop CAE Guidelines -- 6 sw (**)</td>
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<td>C. Technical Assistance</td>
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<td>D. The Way Forward</td>
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Memo – Total for Chapter 2 divided as follows:
- Main author of chapter 2: (22)
- Alignment specialist: (12)
- IT specialist: (4)
- Develop CAE Guidelines: (6)

**Grand Total = 65 staff-weeks**

(*) The +1 is for the two weeks spent in Washington.
(**) Especially important for the ARDE focusing on the impact of AFDB’s activities on DE at the country level (para 48 item C)
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2. Education Sector Policy. OCOD. March 2000. Last one in 1986

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**F. Project Performance Reviews**

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II – Country Portfolio and Other Reviews


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B. Conceptual Papers on Evaluating Development Effectiveness


5. Using Development Goals to Design Country Strategies, Howard White, Institute of Development Studies, University of Sussex and David Booth, Overseas Development Institute. Issues paper prepared for the session on ‘How do CSPs address poverty’ session at the joint DFID Economists’/Social Development Advisors’ retreat of September 1999 at Eysham Hall, UK.


C. Results-Based Management (RBM)


   a. Annex 1: Promoting a Harmonized Approach to Managing For Development Results: Core Principles
   c. Managing For Development Results in The Multilateral Development Banks: Progress Report
Annex A. Statement of MDB Presidents on Better Measuring, Monitoring, and Managing for Development Results
Annex B. Progress Report of African Development Bank
Annex D. Progress Report of European Bank Reconstruction and Development
Annex E. Progress Report of Inter-American Development Bank

d. OECD/DAC Combined Views on Managing for Development results

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b. Better Measuring, Monitoring and Managing for Development Results (Development Committee paper, 2002)
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d. IDA Results-Measurement System: Update Note (April 2003)
e. Glossary of Key Terms in Evaluation and Results-Based management (OECD/DAC, 2002)
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g. How Will We Know the Millennium Development Results When We See Them? Building a Results-based Monitoring and Evaluation System (2003)
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Other Papers Related to RBM

1. Better Measuring, Monitoring, and Managing for Development Results, Development Committee paper of September 18 2002 DC2002-0019
5. 2003 Annual Report on Operations Evaluation (AROE) on Assessing Monitoring and Evaluation of Development Effectiveness of World Bank activities, Deepa Chakrapani, OED, World Bank, 2003 and the forthcoming 2004 AROE. The 2004 AROE will aim to assess how results-oriented the Bank's monitoring and evaluation (M&E) systems are and the extent to which the Bank has put in place a system to manage for results. The 2003 AROE identified the Bank's frameworks both for monitoring and evaluation and commented on their overall effectiveness. This AROE will use the same framework while focusing specifically on the results-orientation of M&E including clarity in the definition of desired results, the associated causal chains, and related performance measurement. It will also examine the extent to which the Bank has a system to ensure that results-oriented M&E data actually inform decision-making and resource allocation.
Various World Bank documents produced in the operational complex, QAG and OED assess various aspects of the effectiveness of internal processes as well as their impact on fulfilling parts of the DE agenda. These include the Annual Review of Portfolio Performance (ARPP), The Country Assistance Evaluation (CAE) with the CASCR (CAS Completion Report), Country Portfolio Reviews, Grant Completion Reports, Quality at Entry Reports, Quality of Supervision Assessments and Sector Strategy Papers. There are also DEC Research Project Completion Reports and, for training, World Bank Institute evaluations of selected programs. There is also the Quality of ESW Assessment of QAG.

UNDP Corporate Balanced Scorecard report for the Year 2002, Office of Corporate Planning, UNDP

D. Poverty Reduction and Related Topics

1. World Development Indicators, 2003 and earlier years
34. Human Development Report 2003, UNDP
35. Poverty – Indicators; Monitoring and Assessment; Strategies for Poverty Reduction; and Implementation of Poverty Reduction Strategies, UNDP Technical Support Department

E. Relevant Country Studies