
Executive Summary

October 2018
IDEV conducts different types of evaluations to achieve its strategic objectives.
Executive Summary

Background and Context

This report presents a summary of the key findings and recommendations of an independent evaluation of the quality of project supervision and exit processes of the African Development Bank Group (AfDB, or ‘the Bank’) from 2012 to 2017. The report identifies priority areas for consideration by the Bank’s Management and Board to enhance the quality of project supervision and exit of its operations. The purpose of the evaluation is to fulfill the accountability mandate of the Bank and to contribute toward discussions on operational performance by identifying areas for learning and improvement. The evaluation seeks to provide evidence of the quality of project supervision to inform an overall discussion on quality assurance (QA) of the Bank’s operations during the African Development Fund (ADF) 14 Mid-Term Review in October 2018.

Evaluation Design and Methodology

This evaluation was theory-based. A reconstructed theory of change for the Bank’s project supervision and exit builds on the current Operations Manual of 2014. The evaluation used qualitative data analysis methods to conduct a comprehensive review of project documents. A qualitative process review was conducted on 83 public sector and 38 private sector projects. The evaluation also conducted a qualitative desk review, and validation was undertaken by external experts for a sub-sample of 45 public sector and 22 private sector projects. The evaluation was then triangulated with responses from extensive interviews, an online staff survey and five country case-study visits. The evaluation also used data from a country analysis, as well as specific analysis of environmental and social (E&S) risks for a sub-sample of the most impactful projects (Categories 1, 2 and 4) undertaken as part of an ongoing IDEV evaluation of the Bank’s self-evaluation system, as well as by time and resource constraints. The evaluation therefore addressed procedural aspects of the quality at exit and assessed two key performance areas highlighted by previous reviews as being considered unsatisfactory for Project Completion Report (PCR) performance. The assessment focused on establishing the extent to which risks to sustainability had been addressed in PCRs and the quality of the lessons learned. The analysis looked at a sample of 14 PCRs available within the evaluation sample of 83 public sector operations and 12 Expanded Supervision Reports (XSRs) of the sample of private sector operations.

Evolution of the Bank’s Supervision Framework

Similar to other Multilateral Development Banks (MDBs), supervision in the Bank has undergone several reforms in recent years. In 2012, the Bank approved new initiatives to improve its quality assurance (QA) framework and to guide the implementation of project monitoring. Reporting tools and guidelines for private sector portfolio monitoring, and public sector project supervision and completion, were revised to conform with best practice at other MDBs. QA was further strengthened in 2015 through the setting-up of a separate unit for performance monitoring, and an enhanced Quality Assurance Dashboard system for monitoring and reporting on portfolio performance. Other efforts included introducing key implementation indicators in corporate reporting that monitor progress on project supervision and the Bank’s portfolio, and closer monitoring by the Bank’s Senior Management through monthly operations status meetings. For private sector operations, the Bank implemented results-focused reporting, targeting the ability of investment operations and financial interventions to capture and report adequately on development outcomes — a key weakness that was identified in
previous reviews. However, persistent challenges with compliance and accountability of quality remain.

Portfolio monitoring has since evolved, with the revamping of delivery dashboard monitoring and an enhanced focus to ensure process efficiency and draw Management’s attention to project issues. The Bank’s project implementation recorded some positive performance results, through efforts to maintain reasonable levels of aging projects and projects at risk. For instance, projects at risk fell from 19.0 percent in 2013 to 11.8 percent at the end of 2017, with comparable processing time efficiencies as peers. However, the Bank’s project supervision still has a long way to go to achieve optimal results.

The Bank is certainly seen to be doing, or making the effort to do, many things well, and trying hard to be on par with its comparators. However, it needs to further adapt its supervision approach to new and evolving realities and demands if it is to maintain quality and results.

The ongoing transformation under the new Development and Business Delivery Mode (DBDM) implemented since 2016 is expected to enhance the Bank’s project supervision in both its public and private sector operations. The transformative measures include accelerated decentralization to be closer to clients, together with the restructuring of private sector operations.

Findings

Supervision policies and guidelines at the Bank, as formulated between 2012 and 2017, were found to be largely relevant and clear. The degree of alignment with best practice and comparators has improved thanks to the recent reforms, including updates of reporting tools and significant advances that place greater emphasis on managing E&S safeguards. However, these areas of progress are characterized by a noted absence of the required detail and special guidance for the different types of Bank operations to foster operational effectiveness, especially for addressing multinational and multi-donor operations, together with operations in fragile situations. Guidelines of peer institutions (the Millennium Challenge Corporation [MCC] and the Inter-American Development Bank [IDB]) include relevant details by project type and sector that are absent in the Bank’s operational guidelines — an issue that was raised by more than half of the 92 operations staff interviewed.

The tools used are considered relevant, but their complementarity requires strengthening, as they are considered duplicative and present limited value addition, according to findings from the desk review and Task Manager responses. For private sector operations, Back-to-Office Reports (BTORs), PSRs and Annual Supervision Reports (ASRs) were noted as having almost the same content but at varying levels of detail. This defeats the purpose of these tools to provide complementary information and also indicates the need for an integrated project information platform.

The Bank has had difficulties in promoting suitable institutional arrangements to operationalize a culture of quality and results. This includes addressing the staff incentives required for a cultural shift toward quality and results. In 2016, Management committed to addressing the staff incentive structure in response to recommendations by IDEV’s Comprehensive Evaluation of Development Results (CEDR). However, the evaluation found that the incentive structure still required further attention. The recent enhanced decentralization approach will require further guidance to ensure a common understanding of the new roles and responsibilities, in particular of Country Managers, Sector Managers and Country Program Officers (CPOs) to institutionalize their performance in continuous supervision.

Task Managers are accountable for project supervision, with support from other team members under the existing arrangements for project supervision. The articulation of responsibilities among the team members need to be strengthened to ensure that other members of project supervision missions remain accountable after project approval. Almost half of the survey respondents
(operations staff) stated that they had received only limited support from other team members for project supervision.

With respect to private sector operations, the early warning alerts involving the credit-risk monitoring team were assessed as being relevant. Similarly, the enhanced efforts to include remedial solutions for distressed operations through the introduction of the Special Operations Unit (SOU) was also deemed important for project and portfolio performance. Managing risks is an important part of managing for results, and is aligned with the Bank’s commitment to strengthen supervision.

The Bank has sought to embed risk management in its reporting tools for project and portfolio monitoring. While these changes are aligned with best practice, the evaluation found that the current instruments and the capacity to track, report and adequately respond to project risks were not optimal, given persistent challenges on compliance and quality noted in the process and project document reviews.

The absence of an integrated data system for managing operations was noted by 57 percent of the survey respondents. This also resonates with similar findings of recent reviews. In comparison, some comparators such as IDB and the European Bank of Reconstruction and Development (EBRD) have made good progress in addressing this issue, with recent reforms to enhance risk-focused tracking and reporting capacity for results.

Several areas require improvements in compliance with quality and standards for both public and private sector project supervision to ensure supervision objectives are met. Several weaknesses were recorded regarding alignment with the required strategic areas of the Bank’s focus, including gender and fragility. For instance, despite efforts to place greater emphasis on environmental and social (E&S) safeguard issues, reporting on these issues through regular project-level supervision according to the guidelines remained weak in terms of the information reported.

The evaluation found the recent changes made with the aim of improving clients’ reporting on private sector operations commendable. However, the level of compliance in terms of coverage and content of key performance areas still needs further improvement. Since 2015, the Bank has reinforced the requirement to include development outcome (DO) indicators in all loan agreements, together with a requirement for all clients to collect data. Partial performance achievements in terms of reporting on DOs was noted in some non-financial operations from the desk validation review of sample projects. However, the details to justify ratings need further improvement. Private sector monitoring showed greater focus and concern for credit risks and financial performance, while reporting on DO results remained weak.

A team-based approach for addressing problematic projects in the private sector was established for credit-risk management. However, challenges of lapses in coordination and poor communication between teams were noted from interview responses. Consultations with the team further confirmed lapses in the relaying of important information between Portfolio Officers, financial accounting staff and the credit-risk team to enable timely decisions to be made.

The use of other supervision instruments, beyond periodic supervision missions, is low. In particular, the use of Mid-Term Reviews (MTRs) to help address potentially risky projects and assess the state of progress toward outcomes is sub-optimal. Only 37 percent (19 out of 52) projects that were due for an MTR in the sample received an MTR. This was observed even for projects that were identified as risky at an early stage.

The analysis of public sector supervision reports found challenges in the follow-up on implementation issues and in ensuring that they were resolved in good time. Although the desk review showed an overall satisfactory performance of 60 percent in identifying implementation issues and relevant corrective actions during supervision, it also found that the Bank was under performing in addressing those issues in a timely manner, with only 40 percent considered satisfactory for this sub-criterion.
The management information system for projects within the Bank (SAP project information system) does not adequately support the Bank’s results-focused monitoring objectives and knowledge generation. The current system does not provide an integrated platform to support the tracking of key features of projects throughout the project life-cycle. The information in SAP is not sufficiently reliable to monitor the performance of all of the Bank’s projects (both public and private sector) in ‘real time’ at each level of the Bank’s hierarchy. Similarly, it does not enable the tracking and management of lessons learned during the project life-cycle for implementation activities and at closure. This creates challenges for data access and the aggregation of updated information for use by Senior Management, operations departments and independent evaluations.

The ability to track the achievement of DOs requires appropriate and credible data collection during supervision. For private sector operations, although the Bank has incorporated reporting requirements in legal documents, a review of the 22 projects showed that only 38 percent were considered satisfactory with regard to DO reporting requirements. Clients’ reporting on DOs tended to be based only on easily accessible and readily available data, such as the number of employees, which does have any direct link to projects supported by the Bank. The evaluation found that financial projects’ reporting on DOs was more inadequate than for non-financial projects. Most notably, there was a lower compliance of financial clients with reporting requirements for DOs and E&S safeguards. Of the 15 projects noted as being unsatisfactory for reporting on DOs, eight (53 percent) involved lines of credit (LoCs).

Findings from the country analysis showed that country contextual issues and the capacity of Project Implementation Units (PIU) influenced implementation progress. This further confirms that, while supervision can improve a project’s outcomes, actual achievements on the ground depend largely on the borrower’s performance, as noted by almost all of the interviewees from the Regional Member Countries (RMCs), Bank staff and the comparators.

Further studies from a World Bank review demonstrate that, while good supervision contributes to implementation success, it does not necessarily influence project DOs. This finding was also tested in the desk validation though with a smaller sample and resulted in a similar finding.

The inability to collect reliable information on DOs during supervision also affected the quality of reporting in XSRs. XSRs were characterized by weaknesses in adhering to standard practice for determining maturity periods and disparities with the information captured during preceding supervision reports.

There were challenges in the timely delivery of PCR compared with previous years. While the Bank made efforts to clear its backlog of reports in 2017, IDEV PCR validation delays persisted. A review of a sample of validated PCRs by IDEV for 2014 (sample of 35 projects) and 2015 (55 projects) indicated a satisfactory rating for the overall quality of PCRs (63 percent for 2014 and 73 percent for 2015). The performance also showed a declining disconnect rate of 22.5 percent in 2014 and 14.0 percent in 2015 though this relates to a sample reviewed and should not be generalised.

PCRs are one of the Bank’s main reporting and lesson-learning tools. However, they do not allow for a systematic approach to recording lessons learned, as mentioned by more than half of the interviewees. This finding resonates with a review of recently validated PCRs, which showed an increased rejection rate of lessons learned in a validation by IDEV, from 46 percent in 2014 to 53 percent in 2015.

Overall, the Bank is making efforts in the relevant areas to improve its supervision practices. There is momentum toward achieving full implementation quality, as seen in several ongoing initiatives, including particular attention to project support and performance by Senior Management recently. However, this should be accompanied by suitable institutional arrangements to support a cultural shift in terms of accountability and a shared commitment.
toward quality and results. In particular, current corporate data indicate limited staff capacity and an increased project-to-staff ratio from 2.7 projects per Task Manager in 2013 to 3.4 projects in 2017. This issue is further compounded by inadequate training to support and guide staff in project management activities, as noted by interview respondents, with 54 percent agreeing that training was inadequate.

Following the above findings that resonate with the acknowledged challenges and subsequent reforms, this evaluation proposes the following areas for improvement.

**Evaluation Recommendations**

**Recommendation 1 – Proactive project management:** Improve the management of risks and project performance, by

- Ensuring alignment of project-level supervision with portfolio monitoring to provide appropriate support to problematic projects, and address challenges in the implementation and achievement of results in operations.
- For public sector operations, promoting a proactive approach to project supervision according to the project type and risk exposure established at the pre-implementation stage.
- Specifically for private sector operations, strengthening project supervision with special missions to monitor DO reporting over the project life-cycle.

**Recommendation 2 – Compliance with the Bank’s rules:** Ensure adherence to quality standards for supervision and completion, by

- Reinforcing quality control mechanisms for project supervision reporting and post-supervision follow-up.
- Establishing clear guidance and performance criteria for project supervision, including differentiation by operation type, country context and risk profiles.
- Undertaking selective post-completion field missions to strengthen the value addition of IDEV’s Validation Notes and the credibility of results.
- Establishing clear guidance and performance criteria for monitoring and supervision practices within the Bank’s Regional Offices and across the respective Country Offices.
- Adopting early planning of project completion from the previous supervision mission to ensure appropriate resourcing and improved performance.
- Streamlining supervision reporting tools to reduce duplication of content, the number of required reports and ensure differentiation by operation type to maximize usefulness.
- Establishing measures to link indicators of QA for supervision with the performance assessment of Task Managers and Managers.

**Recommendation 3 – Enhance quality of reporting:** Increase the evidence base and credibility of results reporting, by

- Reviewing PCRs through formal validation meetings to create a space for contestability and clear articulation of lessons learned.
- Developing an integrated and automated management information system across the project life-cycle to foster accountability, and to improve effectiveness and efficiency of reporting.

**Recommendation 4 – Incentives:** Strengthen incentive measures to support a results and quality culture, by

- Strengthening accountability and aligning staff incentives around supervision.
- Strengthening the capacity of staff in project management activities through standard training and learning suites.
About this Evaluation

This report presents the findings and recommendations as well as lessons learned from an independent evaluation of the quality of project supervision and exit processes of the African Development Bank Group. It covers both public and private sector operations during the period 2012–2017.

The evaluation sought credible evidence of the extent to which the Bank’s project supervision system is relevant, adequate and aligned with best practice; the performance of the Bank’s Quality Assurance (QA) framework during project implementation and completion; and the factors that shape supervision effectiveness. It also sought lessons that would inform the Bank’s future use of supervision under its transformation agenda. The evaluation was theory-based. It drew data from diverse sources including document reviews; interviews of Bank staff, clients in regional member countries, and staff of other international financial institutions; and site visits to 5 countries (Cameroon, Kenya, Morocco, Senegal, and Zimbabwe). Data was analysed using both qualitative and quantitative methods.

Overall, the evaluation found that the Bank is making efforts to improve its supervision practices and that there is momentum towards achieving quality in relevant areas, such as attention to project support and performance by the Senior Management. Supervision policies, guidelines and tools were found to be largely relevant and clear. However, the evaluation noted that the complementarity, use and follow up of supervision tools and teams requires strengthening, and that the Bank’s management information system does not adequately support monitoring, knowledge generation and learning. A number of recommendations are made to the Bank, including to improve the management of risks and project performance; ensure adherence to quality standards for supervision and completion; increase the credibility of results reporting; and strengthen incentives to support a results and quality culture.