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An IDEV **Corporate Evaluation**

Independent Evaluation of General Capital Increase VI and African Development Fund 12 and 13 Commitments: Overarching Review

Executive Summary

AFRICAN DEVELOPMENT BANK GROUP

September 2015

Executive Summary

About this Evaluation

Rationale

The Sixth General Capital Increase (GCI-VI) and the African Development Fund (ADF) 12 and ADF-13 replenishments reflected a vote of confidence in the African Development Bank (AfDB, the Bank) and its leadership, accompanied by high expectations on the Bank to transform itself and scale up the impact of its support to regional member countries (RMCs). These expectations are underpinned by sets of commitments agreed alongside funding in each of these processes. The commitments act as an agreement between the Bank and its shareholders in the case of GCI, and the Bank and ADF contributors in the case of the ADFs. Both the Bank and its financial supporters are interested in understanding if this approach is working – both in terms of the extent to which the Bank is delivering as expected, and whether the Bank is indeed moving in the direction that it and its stakeholders intended. The evaluation thus has both accountability and learning functions.

Under both GCI-VI and ADF-13 the Bank agreed to independent assessments of progress in delivering on the commitments.[1]

This evaluation is the first to combine an evaluation of the capital increase (GCI-VI) and replenishment (ADF-12 and ADF-13) processes, of the commitments themselves, and of their subsequent delivery and implementation.

Objectives

The specific objectives of the current evaluation are to draw conclusions and lessons about the (i) relevance of the agreed commitments to the Bank's challenges and priorities; (ii) efficiency of the processes in reaching agreement on a coherent and realistic portfolio of commitments; (iii) delivery of the commitments (outputs such as documents, establishment of new structures or processes); and (iv) effectiveness of their subsequent implementation. These form the basis of the four main evaluation questions, which are detailed in Annex 1. The evaluation also makes recommendations aimed at helping the Bank to improve in each of these areas.

Scope

The Bank's Board of Governors approved GCI-VI on May 27, 2010. This capital increase included 35 commitments. The ADF-12 replenishment period covered the years 2011 to 2013; the final replenishment meeting was held in Tunis on September 7-8, 2010. ADF-12 contained 32 commitments. The ADF-13 replenishment period covers 2014-2016; meetings concluded on September 26, 2013. Under ADF-13, the Bank agreed to undertake 45 commitments.[2] These commitments are listed in Annex 2. They vary considerably in content from producing new policy documents to setting up new functions or financial instruments, revising procedures, and instigating institutional reforms. Collectively, they touch on all facets of the Bank's work. This evaluation is necessarily broad in scope – a reflection of the breadth of the commitments themselves.

Approach

The evaluation is theory-based and it draws on a broad range of data collection methods, including both qualitative and quantitative methods: document and literature review, key informant interviews, electronic surveys, focus groups, structured review, and case studies. In addition, the evaluation included use of an expert panel, process mapping, review of organizational models, and benchmarking. The (i) processes and (ii) content of the commitments, as well as (iii) the institutional set-up were benchmarked against similar processes at the World Bank, Asian Development Bank (AsDB), Inter-American Development Bank (IADB) and, where applicable, the International Fund for Agricultural Development (IFAD). More information on the methodology is provided in Annex 3.

Main Findings

Overall, the evaluation found a Bank that is on the move. Without doubt, the Bank is delivering its commitments in terms of agreed documents or establishing agreed structures, albeit often late. The Bank is on the road to positive reform, in the direction that both it and its stakeholders want to see. The journey is of course ongoing, and what is less clear is whether the distance travelled in the four years under review is meeting expectations and whether the Bank is now in a good position to complete the journey. Put simply, the evaluation finds a Bank that delivers on its commitments; produces important documents, tools, and structures; and launches exciting initiatives. But the evaluation is less able to conclude positively on the Bank's ability to resource these initiatives, implement them effectively, and bring them to their full conclusion, thus realizing the intended final benefits. The evaluation therefore voices a note of caution to both the Bank and its stakeholders when it comes to adding major new initiatives and reforms before seeing existing ones through, or without thoroughly planning and resourcing their implementation.

Relevance was evaluated by assessing alignment and selectivity of the three sets of commitments. For all three processes the alignment of the commitments with the Bank's priorities is rated as either satisfactory or moderately satisfactory. However, when it comes to selectivity only ADF-12 was rated moderately satisfactory, with ADF-13 and GCI-VI rated moderately unsatisfactory. The evaluation finds that the commitments are relevant, but they are many in number, including some assessed to be of an insufficiently strategic nature necessarily to require the attention of governors and deputies and might equally be addressed by the Board and Bank management.

For GCI-VI, the evaluation found that the process was timely in its response to the global crisis, and the commitments were aligned with the Medium-Term Strategy (MTS) and broadly represented the views of regional and non-regional member countries. Weaknesses were found in terms of selectivity with a large number of commitments. For ADF-12 there was good strategic alignment overall between the priority areas selected for the replenishment consultations and the Bank's strategic directions enshrined in the MTS. The goals of ADF-13 as a whole were consistent with the Ten-Year Strategy (TYS), and a number of the commitments were responsive to the Bank's institutional needs and the priorities of its donors. Both sets of ADF commitments also had a strong element of accountability to the ADF contributors.

The evaluation finds that, for all of GCI-VI, ADF-12 and ADF-13, the implementation capacity of the Bank and the costs of delivering and implementing commitments were not fully considered when they were agreed. In some cases consultation with the parts of the Bank likely to deliver and implement could have avoided less strategic or unclearly worded commitments.

Some of the issues included as commitments could have been left to the Board of Directors and Bank management to allow greater selectivity, favoring commitments at a strategic level that required the attention of the governors and deputies. Since the commitments affect the Bank Group and implementation is to be overseen by the Board, early ownership with regard to the content of and intention behind the commitments would facilitate the delivery and approval process and enhance the likelihood of achieving intended change. Bank management would then also be in a stronger position to go to the ADF replenishment meetings with a coherent and manageable set of issues for which there is already strong buy-in.

The efficiency of the **process** for agreeing the commitments (which is part of a broader funding discussion) ranges from satisfactory for GCI-VI to moderately unsatisfactory for ADF-12 and ADF-13. It should be highlighted, however, that the evaluation did not find that the ADF processes are markedly less efficient than those of comparators. Many of the areas where efficiencies can be improved in the ADF process are also relevant for the comparable replenishment processes of other multilateral development banks (MDBs).

Efficiency of the GCI-VI process is reflected in the number and management of meetings, the small number of papers, and the Bank's internal management of the overall process. Given the resulting 200% increase in capital, the time and effort invested in this process was cost effective. In addition the process was inclusive – involving all shareholders through an extended Governors Consultative Committee (GCC) and regional and civil society consultations.

The ADF process overall is intensive in terms of Bank staff and management time, particularly given that it takes place every three years. For ADF-12 and ADF-13, management and staff, aided by the External Coordinator, managed the processes effectively, including management of the meeting process, timely delivery of a large number of quality papers, and responsiveness to the donors' requests. However, there are also some weaknesses in the current process. In terms of staff time and management focus, the processes were costly, and this was exacerbated by the large number of papers prepared for the consultation meetings (17 for ADF-12 and 23 for ADF-13, excluding papers for the mid-term reviews (MTRs)) and insufficient time between replenishments to focus on implementation.

The Bank introduced changes intended to increase the efficiency of the ADF process, compared to ADF-11 and earlier replenishments. While some initiatives were taken up in ADF-12, most of the changes were felt only in ADF-13. This included reducing the number of meetings and shortening the period over which the formal replenishment meetings are held, as well as an attempt to hold more of the meetings at Bank headquarters to save on travel costs. They have also sought to lighten the intense load on the core ADF team by involving other parts of the Bank in drafting of papers. There are also new initiatives under way including the establishment of an ADF working group of deputies and the separation of the internal steering committee into two parts. However, it is too early to see whether or not these contribute to a more efficient process.

In addition to efficiency, the evaluation notes perceived governance issues that surround the ADF process, since these have an effect on the efficiency and effectiveness of the process as well as delivery and implementation of the commitments. First, although both executive directors in the ADF Board and deputies in ADF discussions are nominees of their governors, in some cases there has been a disconnect between the two in practice. There is also a perception in some parts of the Bank that the ADF drives the whole Bank, but sidelines non-ADF-contributing Bank shareholders. However, involvement of the executive directors in the ADF processes has increased in the period under review, and the evaluation assesses that this can be built on further to address perceived disconnects.

With respect to the ***delivery*** of the commitments, the vast majority of the GCI-VI and ADF-12 commitments, and ADF-13 commitments that are due have been delivered. For GCI-VI and ADF-12, of a total of 67 commitments only two have not been delivered – and both relate to actions that are not wholly under Bank management control.[3] For ADF-13 the process of delivery is ongoing, but of those due at the time of writing, the majority have been delivered. The rating for delivery is satisfactory. However, in terms of timeliness of delivery the rating was moderately unsatisfactory for all three processes.

Around half of the commitments were delivered late, some more than one year after the due date. In many cases there are good reasons for these delays; indeed target dates for delivery were simply unrealistic for about one-third of the commitments. Linked to this, for each of the three processes at least two-thirds of the commitments were due to be delivered in the first 12 months after completion of the process – partly in order to show progress in annual monitoring (in the case of GCI-VI) and for MTRs (in the case of ADF-12 and ADF-13). This frontloading means the Bank has to act on many fronts at once. Other, overlapping factors contributing to delays include the internal complexity of some individual commitments, lack of planning for timely delivery, and inadequate institutional resources and coordination. Before agreeing to the commitments, the Bank does not cost or fully plan out what delivery will take in practical terms or who should take the lead on cross-cutting areas. In some cases there is a disconnect between those agreeing to commitments – including their precise wording and target delivery dates – and those who need to deliver and implement. The Bank thus sets itself up to miss its targets.

The ***effectiveness*** of implementation of the commitments was examined by clustering the commitments around five areas and reconstructing the change envisaged by the Bank and its shareholders and fund members, based on available documentation and interviews. The five clusters are (i) policies and strategies; (ii) operations; (iii) resources and financial management; (iv) institutional effectiveness; and (v) results measurement. Given that achieving change in these areas takes time and the large number of relevant changes that have been initiated in the last 12 months, effectiveness was assessed against both (a) the degree to which change has been achieved to date, and (b) the direction of travel based on recent developments.

In terms of change achieved to date, the Bank has made progress between 2010 and 2014 in all the areas highlighted in ADF and GCI discussions, though to varying degrees. However, in some areas it is not yet possible to see that changes expected have been achieved. In some cases there are have been delays in delivering the outputs associated with the commitments, or they have only recently been agreed (in ADF-13), therefore the degree of change achieved as a result has necessarily been limited. In others it seems that while the Bank has been strong in delivering key outputs, it has not yet followed through with the resources, tools, incentives and the will to implement in practice. Both Bank management and the Board, and as a result staff, are focused on delivery of outputs, with less attention paid to following through on ensuring implementation and therefore securing intended outcomes.

In terms of recent developments and the direction of travel, the picture is more positive. Numerous recent developments indicate that despite initial problems and delays the Bank is moving in the right direction in all of the areas examined. For example, on people management, there have been a number of developments during 2014 which show a positive direction, even if progress was slower in the previous three years.

Therefore while the achievement of change to date is rated as either moderately satisfactory or moderately unsatisfactory, the direction of travel based on recent developments is rated as moderately satisfactory (Figure 1). These ratings are subject to the proviso that realizing these positive developments in practice will require sustained attention to implementation – in the evaluation team's view more so than adding new overlapping initiatives and reforms.

Recommendations

Based on the findings and conclusions, the evaluation makes the following recommendations.

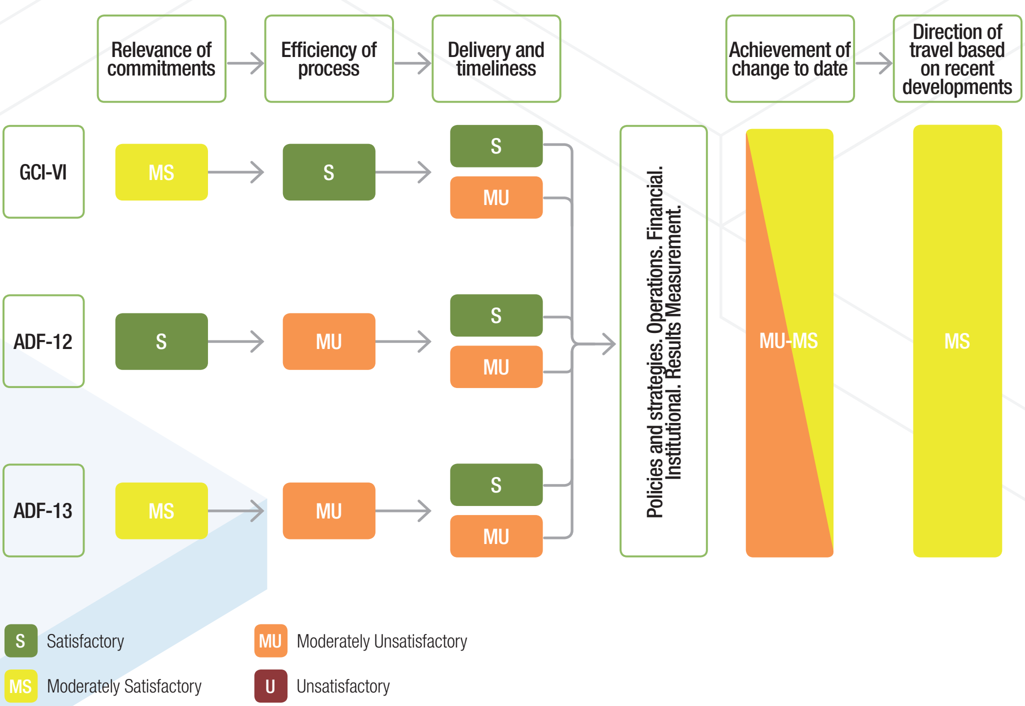
For both ADF and any future GCIs:

Recommendation 1: Focus on fewer and more strategic commitments, with realistic timelines and estimated costs for delivery.

In future replenishment or capital increase processes, beginning with ADF-14, Bank management should:

- Come to the table with a clear and coherent set of proposed commitments, seek to limit the number of commitments and discuss with deputies whether all the issues raised are of sufficiently strategic or high level to be included in these discussions and the agreed matrix of commitments.
- Consult thoroughly with the parts of the Bank that will be responsible for delivering and implementing potential commitments to agree realistic timelines, estimate likely costs (and opportunity costs where relevant) as well as ensure unequivocally clear wording of the commitments themselves and ownership among the implementing department(s).
- Avoid heavy frontloading of commitments, as far as possible.

Figure 1: Overview of the evaluation assessment



- Make clear in the documentation the outcome or intended change expected from the delivery of a specific output, and where feasible how the change will be measured.

Recommendation 2: Enhance monitoring and managerial accountability for effective performance and results in terms of continued implementation, not only one-off deliveries.

Build on existing monitoring of delivery to also focus on the effectiveness of implementation. Ensure accountability and monitoring does not stop at delivery of a paper to the Board but covers implementation in practice. Integrate and align this monitoring with the monitoring taking place both for the Results Management Framework and the delivery and performance management function (as against introducing an additional system) – this also requires that the commitments themselves are relevant to these areas.

For the ADF specifically:

Recommendation 3: Simplify the process.

Work with the governors, deputies and the Executive Board, in consultation with other MDBs, on a package of measures aimed at significant simplification of the replenishment process to be discussed at ADF-13 Mid-Term-Review and implemented in ADF-14 or ADF-15. This package should explicitly consider:

- Moving to a longer replenishment cycle, drawing on the experience of AsDB.
- Producing fewer background papers, drawing on the Bank's experience with GCI.
- Organizing fewer formal replenishment meetings, and continuing to hold the majority of them at Bank headquarters.
- How the new ADF working group should be shaped to ensure that the time invested in it actually increases the overall efficiency and effectiveness of the process.

Recommendation 4: Seek early Board ownership of commitments.

Build on existing efforts, including the existing informal Board meeting before each replenishment, to obtain executive directors' early ownership of the commitments under the ADF (irrespective of whether Board members represent contributing or benefitting countries or both). To do this the Bank will need to consider proactive ways to enhance communication and engagement. ■

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About this Evaluation

This summary report presents the results of an independent evaluation of the efficiency and effectiveness of the African Development Bank's administrative budget management. The evaluation's overarching objective was to assess the extent to which the management of the Bank's administrative budget provides efficiency and effectiveness in delivering on its strategic priorities and areas where further improvements may be possible. The evaluation also assessed the extent to which key actions recommended by the 2012 review of budget reform had been implemented.

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