AFRICAN DEVELOPMENT BANK GROUP

INDEPENDENT DEVELOPMENT EVALUATION

EVALUATION OF THE NON-CONCESSIONAL DEBT ACCUMULATION POLICY (NCDAP)

Terms of Reference

I. Introduction

These Terms of Reference (ToR) outline the evaluation of the Non-Concessional Debt Accumulation Policy (NCDAP) by the Independent Development Evaluation function (BDEV) of the African Development Bank Group (“the Bank or AfDB”). This evaluation will provide evidence-based information on the effectiveness of the NCDAP to inform the Board and Management decision-making process regarding the management of debt sustainability.

This document also serves for the recruitment of a consultancy firm to support BDEV in undertaking the evaluation. Sections I and II provide the background of the NCDAP and the framework for the review. Section III highlights the tasks of the assessment and the technical expertise expected. Section IV sets out the expected deliverables and the timelines.

II. Background

The concepts of non-concessional borrowing or debt sustainability broadly refer to (i) a country’s current level of debt, and (ii) the likelihood of prospective borrowing impacting its present and future ability to meet its debt service obligations. The issues of debt sustainability gained prominence following the end of the Highly Indebted Poor Country (HIPC) initiative, and a worrying trend of growing public debt.

The Bank first approved the NCDAP in 2008 and amended it in 2011 as “Amendments to the Bank Group Policy on non-concessional debt accumulation.” The policy was to mitigate the impact of non-sustainable borrowing on grant-eligible post-HIPC ADF countries. It also guided the use of these concessional resources. Other Multilateral Development Banks (MDBs) and Development Financial Institutions (DFIs) including the World Bank (WB), the International Monetary Fund (IMF), the International Fund for Agricultural Development (IFAD), the Asian Development Bank (ADB), and the Inter-American Development Bank (IADB) have similar policies.

The NCDAP’s objective was to address the issue of debt distress, and debt sustainability by dis-incentivizing non-concessional borrowing by countries. It was built on four principles:

1 For reference, the following links give access to similar policies from various DFIs

i. Strong partnership and coordination with sister MDBs and bilateral agencies—adopting a common strategy in dealing with the problem, including advocacy

ii. Effective implementation—setting up an internal committee to monitor the status of non-concessional borrowing;

iii. Adaptability and implementation of the policy—including a clause in all Bank Group grant/loan agreements requiring reporting on new non-concessional borrowing; and

iv. Flexibility of implementation based on the diversity in country circumstances—applying the policy based on country circumstances and adopting a case-by-case approach.

The policy included triggers and conditions to reduce access to concessional borrowing or to toughen loan terms while building debt management capacities in countries. It also entails strengthening inter-organizational coordination and debt transparency. The amendments made in 2011 mainly introduced flexibility to the measures of the policy to allow for a country-differentiated approach. The operational guidelines approved in November 2011 came to support the implementation of the policy.

After 12 years of implementation, it’s essential to take stock and assess the results of this policy to inform the preparation of a new policy to address the issues related to debt sustainability in Regional Member Countries (RMCs).

III. Purpose, Scope, and Evaluation Questions

This evaluation is to support the preparation of the next NCDAP by the Strategy and Operational Policies Department (SNSP). The recommendations of the NCDAP will also promote learning by other MDBs, countries affected by the policy, and other organizations collaborating with the Bank on non-concessional borrowing.

The evaluation will cover the implementation of the NCDAP from 2008 to June 2020. It includes the review of the 2008 policy, the 2011 amendments, and the operational guidelines approved by the Operations Committee (OpsCom) in November 2011.

The assessment will cover all measures implemented as part of this policy, including its implementation measures and the coordination with other agencies. The key concerns that this evaluation will cover are the following:

i. The policy design and alignment with the Bank’s policy framework and the evolving needs of the ADF countries from 2008 to 2020;

ii. The extent of the implementation, the results achieved, and the factors affecting the performance;

iii. The elements of a relevant and practical policy in the new context (a decrease of Official Development Assistance (ODA), and the increased access to the market financing solutions for ADF countries); and

iv. The recommendations to support the revision and implementation of the policy.

The main objective of the evaluation is to facilitate the design of a more robust and actionable policy that will achieve its goals. Due to COVID-19, this evaluation excludes travels and missions. The team will use the relevant communications tools for all consultations, data collection, and validations.

IV. Evaluation questions

The evaluation will answer provide evidence-based answers to the following questions using the revised international evaluation criteria:

1. **Relevance**: The extent to which the policy objectives and design align with the AfDB’s priorities, policies, and the needs of ADF countries considering the evolution of the lending landscape over the reviewed period.
- What were the main changes between the 2008 and 2011 policy? Were they useful and practical?
- How have these changes affected the countries affected by the policy?

2. Coherence: The extent to which the policy was compatible with internal policies and the policies of sister organizations.
- How coherent was the policy with other related Bank policies?
- What are the changes in the lending landscape over the period of implementation? How did they affect the policy’s relevance over time?

3. Effectiveness: The extent to which the policy provisions were implemented and achieved its expected objectives and results. The factors that enabled or hindered the implementation, explaining the results.
- To what extent did the Bank implement the planned actions of the policy including the provisions to be inserted in the legal agreements for grants and loans?²
- To what extent was the policy applied to countries, and why? Which measures were applied in cases of breaches to the policy, and how coherent was the implementation? Which measures and approaches showed results, and why?
- Has the clause of required reporting of non-concessional borrowing been implemented in all Bank grants and loans? To what extent were the countries monitored under this policy? To what extent was the information on the external debt of these countries known?
- To what extent was the policy successful in ensuring that the RMCs have been meeting that requirement? Has the policy succeeded in addressing the issue of subsidizing non-concessional financing with concessional financing?
- Was coordination and partnership among sister MDBs and bilateral agencies carried out? To what extent was it effective? How could coordination with other organizations be improved?
- Was the capacity building to support economic and debt management effective?

4. Efficiency: The extent to which the policy was implemented timely with adequate resources and processes.
- Was the policy implemented in a timely, economical, and results-oriented manner?
- Was the implementation of the policy compliant with the Bank’s operational standards and guidelines?

5. Sustainability: The likelihood of the continuation of the benefits, if any, generated by the policy.
- Did this policy generate any sustained benefits?
- Are these benefits likely to endure without the continuation of the policy?

6. Impact: The extent to which the policy has generated significant positive or negative, intended or unintended, higher-level effects.
- Has AfDB contributed to capacity building to support economic and debt management capacity?

² The evaluation should assess the level of willingness of the Bank to implement the policy measures and the motive behind the decision to implement or not.
To what extent has non-concessional debt accumulated in the concerned RMC’s during the period?

Could the increase in debt post-HIPC have been prevented? And to what extent the policy may have contributed to or detracted from it?

**V. Objectives of the Assignment**

The mission of the consulting firm is to support the evaluation of the NCDAP by BDEV. It will be responsible for:

i. Evaluating the policy using the international evaluation criteria and the good practices from the Evaluation Cooperation Group (ECG);

ii. Identifying, collecting, and systematically synthesizing evidence from various sources; and

iii. Preparing the deliverables of the evaluations as described by these ToRs.

**VI. Tasks of the Consultant**

Under the guidance of the Evaluation Task Manager, the consultant firm will undertake the following functions:

i. Conduct a desk review of all relevant documents (including assessment of the policy, operational guidelines, and other internal and external appropriate documentation);

ii. Conduct interviews with key internal and external informants as part of qualitative data collection processes for the assignment;

iii. Conduct country case studies of the application of the policy;

iv. Analyze macroeconomic statistics of ADF countries from 2008 to 2020, the portfolio of ADF countries during 2008–2020, and; the Bank’s implemented programs in the ADF countries during the period;

v. Benchmark the policy with other Multilateral Development organizations, including WB, IMF, IFAD, and ADB, IADB;

vi. Produce the deliverables of this evaluation based on the various evidence collected by the evaluation team; and

vii. Undertake other duties identified as supporting the smooth conduct of the NCDAP evaluation.

**VII. Timeline and Deliverables**

This assignment will last a maximum period of 6 months, beginning in October 2020. The evaluation team shall be ready to start work from early October following the signature of the contract.

The expected deliverables for this evaluation are the following:

i. Following the scoping mission, an approach paper detailing the methodology and activities of the evaluation including the data requirements, sources of evidence, and estimated timelines;

ii. Following the data collection and analysis, a draft technical evaluation report detailing the emerging findings of the evaluation; and

iii. Following comments from the reference group and the quality assurance process, a final
technical evaluation report detailing the findings of the evaluation, including case studies, lessons and suggested recommendations.

The summary evaluation report for presentation to the Board of Directors will be prepared by the BDEV evaluation team on the basis of the technical report.

The table below presents an indicative timetable of the tasks, tentative dates, and deliverables for the evaluation.

<table>
<thead>
<tr>
<th>Activities</th>
<th>Deliverables</th>
<th>Dates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Document review</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Drafting of the approach paper</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Comments by the evaluation reference group and peer reviewers on the approach paper and revision</td>
<td>Final approach paper</td>
<td>October—November 2020</td>
</tr>
<tr>
<td>Data collection (interviews and macroeconomic data).</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Drafting of the technical evaluation report</td>
<td>Draft technical Evaluation report</td>
<td>February/March 2021</td>
</tr>
<tr>
<td>Comments on the draft report (peer reviewer and BDEV management).</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Comments by the evaluation reference group and peer reviewers on the report.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finalize technical Evaluation Report using comments from BDEV and ERG.</td>
<td>Final technical Evaluation report</td>
<td>March/April 2021</td>
</tr>
</tbody>
</table>

VIII. Consulting Firm’s profile

The consulting firm must demonstrate the following qualifications and staffing:

i. Proven background in evaluation of development assistance, multilateral development banks policies and strategies, public debt management policies, and experience working in Africa;

ii. Strong knowledge of multilateral development agencies’ interventions. Previous work for the AfDB would be an asset;

iii. Experience in the:
   a. analysis of macroeconomic data and the aid development landscape;
   b. evaluation of thematic issues such as public debt management policies in Africa, debt management policies of multilateral development institutions, cooperation activities in multilateral institutions, policy dialogue and Policy Based Operations (PBOs);
   c. research, analysis, consolidation, and compelling presentation of quantitative and qualitative data;

iv. Highly skilled and multidisciplinary evaluation team with proven technical experience in evaluating strategies and policies of multilateral development banks and institutions, fluency in both English and French with knowledge of Portuguese being an advantage.