What did IDEV evaluate?

IDEV evaluated the Bank’s 2014-2019 Financial Sector Development Policy and Strategy (FSDPS) with a focus on the role of the Bank in increasing access to finance and financial inclusion in Africa. The evaluation builds on: (i) a review of the 2014 policy and strategy; (ii) a portfolio review covering 226 operations approved over the 2011-2018 period, for a total value of USD 13,164 million representing 19.9% of the total amount approved for all operations by the Bank over the period; and (iii) a synthesis of cluster evaluations covering 32 financial sector development (FSD) operations financed in Burkina Faso, Cameroon, Kenya, Namibia, Nigeria, and Tunisia. Egypt was also selected since it hosts the headquarters of the African Export-Import Bank (Afreximbank). The evaluation assessed the relevance and the quality of the FSDPS, as well as the relevance, quality of design, effectiveness, efficiency, and sustainability of FSD operations financed through available instruments to support access to finance.

What did IDEV find?

The evaluation found that the policy and strategy were relevant, and remain critically important to Africa’s development. While the document reflected a state-of-the-art in financial sector knowledge, there was a limited clarity on the relationship between the policy and the strategy and the definitions of the concepts used in the document combining both a policy and a strategy.

The structure and evolution of the portfolio had many positive points:

- The share of FSD operations in the total amount approved by the Bank increased from 17.4 to 21.6 percent from the pre-FSDPS period to the FSDPS period;
- The number of countries reached went from 19 to 31;
- The volume and the number of operations doubled;
- The exposure to the public sector went from 19% to 32% of the volume;
- Innovative deals doubled but stayed at only 2% of the amount approved; and
- Local currency operations grew from 2.4% to 10% of the volume.

Within Africa, the increase of the share of adults (15 years and older) with access to a basic transaction account with a financial institution or mobile wallet was, on average, almost 20 percentage points between 2011 and 2017 for all categories of countries. During this period, countries supported by the Bank have achieved the same increase. The Bank’s operations were found to be in line with the FSDPS’s objectives and relevant to their respective client and country contexts.
However, the majority did not necessarily serve the underserved as intended by the FSDPS. Although about half of the Bank’s FSD operations were found to be efficient in terms of respecting timelines, overall efficiency was deemed only partially satisfactory due to inefficient communication, the lack of an automated procurement system, and overly prolonged processes. The AfDB provided much needed long-term funding, but its operations tended to provide temporary solutions and did not address underlying constraints to access to finance. The evaluation found no evidence on the sustainability of effects on the targeted beneficiaries and underserved populations.

Despite increased internal capacity to deliver, there was weak coordination of Financial Sector Development activities in the Bank.

**What did IDEV recommend?**

- Clarify the Bank’s role in financial sector development by focusing more on its strategic priorities, which are broadly defined in the current FSDPS. It can be more explicit on how operations contribute to financial sector development.
- Position the Bank as a key player in financial sector development by better engaging in policy and regulatory dialogue aimed at strengthening the financial sector environment.
- Improve benefits for the intended target groups by moving from a pipeline approach to a portfolio approach, focusing on increasing the relevant target portfolio.

**About IDEV**

Independent Development Evaluation (IDEV) at the African Development Bank carries out independent evaluations of Bank operations, policies, and strategies, working across projects, sectors, themes, regions, and countries. By conducting independent evaluations and proactively sharing best practices, IDEV ensures that the Bank and its stakeholders learn from past experience and plan and deliver development results to the highest possible standards.

**What did Management respond?**

Management welcomed IDEV’s evaluation of the Bank’s 2014-2019 Financial Sector Development Policy and Strategy, focusing on the Bank’s role in increasing access to finance and financial inclusion in Africa. Overall, Management agreed with most of the evaluation’s findings and recommendations, which are useful in developing a new Financial Sector Development Strategy for 2021-2026.

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