What did IDEV evaluate?

IDEV evaluated the quality at entry (QaE) of all sovereign and non-sovereign operations approved by the African Development Bank Group (AfDB, or “the Bank”) between 2013 and 2017, excluding emergency operations and equity operations. The evaluation defines QaE as the state of preparedness that makes a project likely to be implemented efficiently, likely to achieve its intended development outcomes, and, in the case of non-sovereign operations, likely to be repaid according to the agreed terms. The main objectives of the evaluation were to i) assess the QaE of the Bank’s operations against an evidence-based standard, ii) examine the extent to which the Bank’s conceptual and procedural framework for quality influenced the QaE of new operations as well as strategic decision-making, and iii) to derive recommendations that would inform the Bank’s forward-looking quality agenda. The evaluation approached the Bank’s QaE framework from both a conceptual and a procedural perspective, in view of the best practices gleaned from comparator Multilateral Development Banks (MDBs).

What did IDEV find?

Relevance

Is the Bank measuring the right things?

Previous IDEV evaluations had suggested that the AfDB’s existing tools might not be targeting the key issues underlying QaE. Using a Best Practice Validation Tool (Box 1), the evaluation established that the Bank’s Readiness Review process does not sufficiently address factors that are key for predicting the achievement of outcomes as well as the implementation progress of public investment projects, notably evaluability and implementation readiness.

Furthermore, the evaluation noted that the Bank’s conceptual framework does not systematically appraise three key contextual factors that could affect QaE as well as the achievement of outcomes, namely, i) the strength of the public investment management system of a regional member country; ii) the capacity of the project implementation unit; and iii) the project complexity of sovereign investment projects.

The evaluation found that the Bank’s existing conceptual...
Consultations with other MDBs established key factors that promote project performance, but the strongest predictor was an average of the two scores - named the QaE Composite Score. A project with a QaE composite score of at least 2.75 had a likelihood of 65% to be “high performing.” For the rest of the evaluation, the QaE composite score of 2.75 was used as the threshold to describe the QaE of investment projects. It was found that approximately half of projects approved each year meet the evidence-based threshold for QaE at entry. The analysis also suggested that the Bank’s existing QaE tools, namely the Readiness Review for sovereign operations, do not differentiate between high performing and lower performing projects. This analysis is only a start toward identifying an evidence-based standard for QaE at the AfDB.

**Effectiveness and efficiency**

**To what extent is the Bank’s preparation and appraisal process efficient, effective and fit-for-purpose?**

Consultations with other MDBs established key factors that promote the efficiency and effectiveness of project preparation and appraisal (see Figure 1). The evaluation found that the Bank’s project appraisal process has several sequential reviews and clearances, which mostly involve staff working in the same country or sector that proposed the operation. In contrast, other MDBs have mechanisms to promote contestability, through inclusive and cross-functional review mechanisms. Regarding independence, an independent and credible review exists for non-sovereign operations, but the Bank does not have an independent function to review and advise on the quality at entry of sovereign operations. The Bank also does not have a mechanism to ensure that the feedback on quality at entry provided throughout the preparation and appraisal process is addressed in a verifiable way, prior to the approval of both sovereign and non-sovereign operations. The Bank’s process does not differentiate among projects according to risk, except at the clearance stage. For non-sovereign operations, there is a gap between the credit risk and legal functions, such that the conditions precedent, recommended by the credit risk function, are not always reflected in the loan agreement.

**Impact and sustainability**

**To what extent does the Bank possess an enabling environment for quality?**

The evaluation observed that the Bank lacks integrated data management systems across the project cycle. Some key
information was only available from task managers and nearly all the projects reviewed lacked at least one milestone document from the preparation and appraisal process. The evaluation found that project briefs are not being enforced systematically, as part of the identification of sovereign operations, and are not being leveraged to manage resource allocation for project preparation and appraisal. Furthermore, Project Preparation Facilities and Technical Assistance are not being leveraged strategically to improve project design quality, contribute to pipeline development, and strengthen regional member country capacity for project preparation (for sovereign operations); nor to mitigate governance risks for non-sovereign operations.

The evaluation found that the Bank has a high and variable project-to-task manager ratio, compared to other MDBs. This limits the time that staff can devote to enhancing the quality at entry of operations. Staff throughout the project preparation ecosystem were found to have heavy workloads.

The evaluation noted that the Bank has an “approvals culture”, with Key Performance Indicators driven by the volume of approvals rather than pipeline development, project QaE and implementation progress. With pressure to fast-track projects toward approval, task managers have insufficient resources for project preparation.

What did IDEV recommend?

The evaluation recommended that the Management of the Bank should:

1. Enhance the relevance and effectiveness of the Readiness Review and Peer Review by embedding in them factors shown to influence project performance; increasing their independence; and defining selection criteria and terms of reference for the technical reviewers.

2. Increase the effectiveness of the review process by differentiating the approval ‘tracks’ for operations on the basis of risk; reducing the number of steps into one review meeting for QaE inputs; and specifying the resources required to back preparation.

3. Improve the readiness and capacity for public investment management of the regional member countries, by identifying the mechanisms and programs of support to address them to complement the development of the Indicative Operational Program.

4. Strengthen the Bank’s Indicative Operational Program and resource allocation for project preparation, by enforcing the project brief and refining it to include clear criteria for the inclusion of projects in the preparation pipeline, and to allocate resources for preparation.

5. Increase the use of the Project Preparation Facility to promote project quality at entry, by increasing its total funds and maximum allocations, diversifying its approved use, and encouraging staff to use the funds to identify and implement the Indicative Operational Program, as well as Economic Sector Work.

6. Improve staff capacity for effective project management through training and adequate staffing.

7. Strengthen the incentives for portfolio quality by including indicators of QaE and pipeline development among the Bank’s corporate Key Performance Indicators; and monitoring QaE indicators over time.

8. Identify and adopt a framework for reinforcing the evaluability of non-sovereign operations, especially for the projects that demonstrate weak evaluability.

9. Strengthen mechanisms for identifying and mitigating corporate governance and credit risks of non-sovereign operations.

10. Increase emphasis on corporate governance risks among non-sovereign operations.

What was the methodological approach?

The evaluation used a mixed-methods design that was both formative and theory-based. Evaluation findings drew from several sources of information (document reviews, interviews of Bank staff, clients and comparator MDBs, site visits) and applied both qualitative and quantitative analytical methods. The evaluation team also developed an innovative tool (Best Practice Validation tool) which represents an evidence-based standard for QaE based on the best practices of other MDBs and which can predict the likelihood of projects achieving their expected outcomes.

Limitations

The evaluation’s main limitations and challenges pertain to the availability of documents and data and the low response rate to the staff survey. Some key documents were not available on the Bank’s platforms. This was exacerbated by the lack of integrated data systems. The limitations were addressed through broad consultations with various Bank departments, and verifying with other data sources including interviews.
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 practice, IDEV ensures that the Bank and its stakeholders learn from experience and plan and deliver development activities to the highest possible standards.

What did Management Respond?

Management welcomed IDEV’s efforts to assess the quality at entry of the AfDB’s operations, and to provide lessons that can improve operational quality and enhance the Bank’s effectiveness in achieving the goals of its Ten-Year Strategy (2013–2022) and the strategic objectives of the High 5s. The High 5s are the AfDB’s priority areas for transforming Africa - **Light up and power Africa, Feed Africa, Industrialize Africa, Integrate Africa, and Improve the quality of life for the people of Africa.** From its own assessment of the Bank’s quality management systems, Management has identified several reform areas that provide a framework for considering IDEV’s evaluation recommendations. These pertain to staff skills, streamlining and resourcing the review process, and an integrated operations portal, among others.