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Promoting Inclusive Growth:

An Evaluation Synthesis

Executive Summary

AFRICAN DEVELOPMENT BANK GROUP

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An IDEV **Evaluation Synthesis**

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Background and Methodology

Africa is home to the 10 poorest countries in the world and is the third most unequal continent. Tackling poverty and reducing inequality in Africa are critical to achieving sustainable development and improving the quality of life of people across the continent. That is why the African Development Bank Group (AfDB or 'the Bank') identified "inclusive growth that targets all segments of society to ensure equality of treatment and access to economic opportunities, and that leads to deep reductions in poverty" as one of the two overarching objectives of its Ten-Year Strategy 2013-2022.

Data indicates that over the past two decades, progress in achieving inclusive growth and reducing inequality in Africa has been slow. In particular, poor and marginalized people are not sufficiently participating in the growth process and are not benefiting enough from growth. The COVID-19 pandemic worsened the situation, driving more people-especially women, children, youth, and workers in the informal sector- further into poverty. This makes addressing inclusive growth even more important and urgent.

As the AfDB develops its Ten-Year Strategy for 2023-2032, Independent Development Evaluation (IDEV) has conducted an evaluation synthesis of interventions supporting inclusive growth to capture the evolution of thinking and implementation over the past decade. Key findings on these interventions and approaches have contributed to IDEV's evaluation of the AfDB's Ten-Year Strategy 2013-2022 and will inform the design and implementation of the next strategy.

This evaluation synthesis brings together findings and lessons from evaluations, research, and documentation produced by the AfDB, multilateral and bilateral development institutions, and other partners from 2013 to 2021.

Evaluation synthesis questions: The synthesis set out to examine the following questions: (i) To what extent have inclusive growth strategies and approaches been relevant to the needs and priorities of poor, vulnerable, and marginalized groups and coherent with country policies and programs? (ii) Is there evidence that inclusive growth interventions are effective? (iii) Have inclusive growth interventions been implemented efficiently? (iv) To what extent have inclusive growth interventions had an impact on targeted groups? (v) How sustainable are the results of inclusive growth interventions? and (vi) What lessons emerge from the implementation of inclusive growth interventions?

Synthesis approach and methodology: The evaluation synthesis combined a theory-based and a realist synthesis approach to establish the effectiveness of selected interventions in inclusive growth. The interventions were selected in accordance with a theory of change developed to illustrate the pathways to achieving inclusive growth in Africa. The interventions cover nine domains: (i) agricultural development; (ii) financial inclusion; (iii) economic infrastructure (road transport, energy, and irrigation); (iv) the development of the private sector/small and medium enterprises (SMEs); (v) social services; (vi) education and skills development; (vii) social protection; (viii) governance; and (ix) the empowerment of women and youth.[1]

1 This evaluation synthesis recognizes that there are other interventions supporting inclusive growth not covered under this exercise. These include interventions on climate change, natural resources management and green growth, covered extensively by IDEV's recent evaluation of mainstreaming green growth and climate change into the AfDB's interventions.

Using a multi-stage screening process, the evaluation synthesis team selected and drew information from 67 studies (55 evaluations and 12 research papers) in the nine domains indicated above. The interventions had been implemented in Africa and in other areas of the developing world. Data was extracted, analyzed, and synthesized to generate findings and lessons.

Limitations and mitigation measures: The evaluation synthesis encountered the following limitations: (i) differences in the quality and comprehensiveness of the data in the evaluation and research documents; (ii) variations in the availability of documents for the interventions studied, which made it difficult to evaluate all interventions at the same level of depth; and (iii) potential biases resulting from the purposive sampling of documents, the choice of inclusive growth interventions, and the use of the frequency of occurrence of key words to identify documents. The team mitigated these limitations by strengthening the screening process and including additional documents, where possible, to supplement the evidence.

Findings

Despite development institutions' common commitment to addressing poverty and inequality, there is still no consistent definition of inclusive growth. Elements common to existing definitions include equitable access to opportunities and sharing the benefits of the growth process. But the evidence shows that the lack of a common definition has implications for the implementation, funding, and measurement of inclusive growth interventions. Clear frameworks to operationalize inclusive growth ambitions, among other things by specifying development outcomes for marginalized and excluded groups, could be helpful in achieving much-needed progress.

Progress towards inclusive growth in Africa is hampered by multifaceted constraints that limit the continent's ability to generate sufficient jobs, develop human capital, and create an environment that encourages growth and equal access to opportunities. These include structural constraints that limit faster growth and job creation, the low quality of human capital, as well as insufficient quality and quantity of infrastructure which hinders industrialization and social and economic development. In addition, weak governance, conflict and instability, and vulnerability to climate change, extreme weather events and other external events affect growth and access to opportunities for different groups. The magnitude of the constraints differs among countries.

Nevertheless, opportunities to enhance inclusive growth are numerous. First, the COVID-19 recovery process has given Africa and the rest of the world a chance to reflect on past policies and to work towards establishing more resilient economies that address the problems of the marginalized and under-served populations. Second, the African Continental Free Trade Area, once fully operationalized, will widen Africans' access to markets, facilitate equitable growth, and increase remunerative jobs. Third, the fourth industrial revolution, of which digitalization is a part, provides new opportunities for increasing access to finance and other basic services, particularly for the underserved. It can also stimulate enterprise growth, increase productivity, and create jobs, especially for youth. Fourth, if constraints regarding technology, productivity, and marketing are addressed, Africa's vast arable lands and labor force will enable the continent to become a global food producer and exporter. Last, Africa's youth-the continent's most untapped asset-will drive the continent to the next development frontier if they are properly skilled and provided with enough resources and an enabling environment.

The extent of the relevance, effectiveness, efficiency, and sustainability of inclusive growth interventions

Sectoral inclusive growth interventions were found to be relevant, but their targeting of

poor and marginalized populations was found weak. This reduced the likelihood of their impact. The interventions covered in the studies examined often aligned with national government policies and priorities and with international commitments. They sometimes addressed constraints to inclusive growth and the needs of marginalized and poorer populations. Corporate policies and organizational capacity were found to influence the extent to which interventions focused on certain vulnerable groups, particularly women and youth.

However, interventions were not always found to adequately target and pay attention to barriers for the poor, marginalized and/or underserved groups, thereby decreasing relevance and inclusive growth potential. This was evident in investments in economic infrastructure, in financial inclusion, in private sector development, and in Water, Sanitation and Hygiene (WASH) projects that sometimes did not focus on the groups, issues, and/or geographical areas with the greatest need. As for program approaches used, some demonstrated more success than others in reaching underserved groups. For example, the use of information and communications technology (ICT) made it possible to provide education to remote communities. The evaluation synthesis also found that embedded demand-side interventions-such as conditional cash transfers and health insurance-supported poor households and vulnerable groups to use health services. Other approaches, in contrast, were not found to pay attention to the different needs and capacities of different cohorts of project beneficiaries, and ended up locking out poorer populations. Designs that did not pay sufficient attention to the desired outcomes for target populations were found to diminish the relevance of agriculture, financial inclusion, private sector development, and institutional governance interventions.

Findings from this synthesis suggest that interventions were found more effective at delivering immediate outputs and outcomes than demonstrating impacts on poor, excluded, and other marginalized groups, including women and youth.

Economic growth interventions in agriculture, energy, transport, financial inclusion, private sector development, and support for SMEs were found to have achieved immediate outputs and short-term outcomes. Among other things, they improved skills and production, established critical infrastructure, and increased financial intermediaries' capacity to provide credit. But the related evaluations found the interventions to be less successful at improving productivity, competitiveness, access to jobs, and wellbeing among underserved and marginalized populations, because the interventions did not adequately address the barriers hindering access to economic opportunities for these groups. In addition, they did not sufficiently focus on or measure outcomes of interest for this target population.

The evaluations included in the synthesis found that the effectiveness of interventions to improve human and social capital varied. These interventions include health initiatives, WASH, education and skills development, as well as social protection initiatives to improve labor force quality and the resilience of the most vulnerable to participate better in growth process. Social protection interventions were deemed more relevant, targeted, and impactful than interventions in WASH, skills development, and health, which addressed issues of access but had difficulty targeting disadvantaged or excluded populations and measuring impact on utilization of services, employability, and poverty reduction.

Institution-strengthening and governance interventions were found to deliver outputs on building institutional capacity, developing relevant policies, and enabling citizen action, but these outputs were found insufficient to change the way systems operated. Effectiveness was hampered by low political will, low commitment, inadequate institutional capacity, and insufficient citizen action.

When designed and measured well, activities to empower women and youth were found to improve economic opportunities and the accumulation of assets. These improvements were more evident for women, since all portfolios paid more attention to gender than to youth and people living with disability.

Effectiveness was found to be enabled by several cross-cutting practices:

- Multi-sectoral and/or complementary interventions that addressed multiple constraints were associated with wider benefits for affected populations.
- Targeting relevant population groups was critical to achieving the inclusive growth outcomes intended.
- Engaging beneficiaries in programs' design and implementation was associated with positive outcomes as it enhanced participation, ownership and implementation of more responsive interventions.
- Private sector engagement was both an opportunity and a limitation to reaching out to underserved populations and addressing their needs. On one hand, when private sector engagement was successful, it yielded additional resources, expertise, and earnings for enterprises. On the other hand, it was found to divert efforts away from the target population, thereby lessening interventions' impact on inclusive growth.

Differences in measurement made efficiency difficult to establish. Efficiency was found to have been measured inconsistently across the interventions and/or organizations studied. Indeed, efficiency was measured in only half of the stand-alone evaluations reviewed here. Differences in measurement approaches and criteria also made it hard to draw conclusions within groups of interventions. Where innovative ICT options were applied in education, social protection and governance interventions, benefits were observed in efficiency and achieving greater access to populations, including those hard to reach. In contrast, design weaknesses, inadequate resources, and weak monitoring systems emerged as common constraints to achieving outcomes related to efficiency.

In the absence of evidence of the achievement of critical outcomes and impacts on poor, disadvantaged, and/or excluded groups, the sustainability of interventions and benefits was difficult to establish. Nevertheless, an analysis of the likelihood of sustainability revealed common trends and factors. The evaluations that assessed institutional sustainability prospects yielded a mixed record on this element. Positive examples of strengthened capacity, policies and regulatory reforms were found across all interventions, as well as persistent capacity gaps. The synthesis reconfirmed that political will and commitment to implementing programs and reform processes, establishing relevant structures and systems, and allocating resources affects the reliable provision of services and the delivery of benefits to recipients. Programs that strongly engaged the community were more likely to have sustainable outcomes, but this did not necessarily translate into sustainable institutions.

The appropriateness of designs and the extent to which interventions addressed constraints and provided lasting solutions for underserved groups was found to affect the technical soundness of infrastructure development, financial inclusion, private sector development, and agriculture programs. Weak financial sustainability was found prevalent across all intervention types, as individuals, organizations, and government institutions lacked sufficient capacity to mobilize financial resources. Approaches for improving access to finance and generating revenue were often unsuccessful. Finally, the synthesis found that the effect of private sector engagement on the likelihood of sustainability varied among agriculture, energy, WASH, finance, and private sector development interventions.

Lessons

Lesson 1: Intentionally targeting populations that are excluded from participating in or benefiting from growth processes is crucial to achieving inclusive growth outcomes.

- **Achieving inclusive growth requires intentionally targeting excluded and underserved populations and addressing specific barriers that cause these populations to remain poor.** Several social protection interventions and other programs demonstrated successful mechanisms for segmenting and tailoring interventions to different income groups, according to their needs and capabilities. Conversely, agricultural value-chain interventions and financial inclusion activities that did not adapt their approaches to poorer and under-served populations could not demonstrate impacts on income and job creation. Failure to recognize and/or address heterogenous needs within specific groups also undermined outcomes. Therefore, targeting excluded or underserved populations should not be assumed to occur automatically, but should be intentional. Selecting those implementation approaches and instruments that best address constraints to inclusive growth can contribute to success.

- **Integrated approaches that address multiple barriers can be complex but can also produce promising results.** This was evident in infrastructure projects that were complemented by activities addressing access to markets and other basic services. Most marginalized groups face multiple barriers at different levels-the levels of the individual, the household, the community, the economy, and institutions. These barriers hamper their access to basic services and economic opportunities, their ability to develop critical skills and capacities, and/or their freedom to make choices about their lives. Multipronged efforts to address the different barriers open up access to opportunities, increase incomes, and build resilience.

- **Maintaining and/or scaling up the engagement of excluded or marginalized groups in inclusive growth activities increases the chance of achieving positive outcomes.** Examples from the World Bank water and sanitation activities, International Fund for Agricultural Development pro-poor value-chain activities, and women and youth economic empowerment activities, showed that projects that used community-driven development and/or community-based approaches were more successful than projects that did not. Engaging affected groups in decision-making can make service delivery more responsive, improve visibility on the needs and constraints of affected persons, and build networks and social capital.

Lesson 2: Evidence-based program designs and measurement systems that specifically address outcomes for underserved and marginalized groups can increase interventions' impacts for inclusive growth. The synthesis revealed several instances in which inadequate analysis of constraints and barriers and definition of development outcomes and impacts for disadvantaged groups diminished interventions' potential to boost inclusive growth. Underlying evaluations found that the absence of clear frameworks for translating the inclusive growth or shared prosperity theory into action and inadequate specification of targeted outcomes affected the operationalization of the inclusive growth portfolios of the Asian Development Bank and the World Bank. In almost all the interventions, weaknesses in the monitoring and evaluation systems limited access to important information on the interventions' processes and outcomes. This underlines the importance of defining clear results chains and frameworks at the design stage, and monitoring them throughout the lifespan of the intervention.

Lesson 3: Political support and institutional capacity are prerequisites for initiating and sustaining reform programs for inclusive growth. The presence or absence of political will was found to affect the achievement and the sustainability of outcomes in interventions in accountability and transparency, in national policies on social protection, and in reforms of energy and water tariffs designed to ensure the continued delivery of services. The synthesis found positive examples of strengthened institutional capacity, better policies, and regulatory reforms alongside persistent gaps in institutional capacity. Better use of political economy analysis to understand and respond to political realities, incentives, and the role of structural issues in policy reforms could improve buy-in and commitment and enhance the sustainability of services.

Lesson 4: Developing and/or amplifying the use of alternative financial products for poor and underserved groups can increase access to social and economic opportunities. Lack of finance was found to perpetuate exclusion by making it harder for the members of underserved groups to engage in more productive economic activities, diversify their assets, and build resilience to shocks. The predominant use of lines of credit and limited innovations in other financial products did not sustainably address the lack of access to finance for the poor and under-served populations. Exploring other options for addressing financial barriers, including widening the instruments used by multilateral development banks and investing more in alternative financial services and products like digital services, insurance, savings, and different payment options, may increase financial inclusion.

Lesson 5: To promote inclusive growth through private sector engagement, it is essential to balance profitability goals with targeting the underserved. Experiences from agricultural value chains and financial inclusion projects demonstrated that when the private sector's priorities do not align with an intervention's goals of inclusion, underserved and riskier populations can be left out. Achieving impactful private sector engagement in inclusive growth is more likely when guided by a focus on outcomes for reaching the poor, a set of meaningful incentives for private sector participation, strong government commitment, and appropriate mechanisms for measuring impact. ■

An IDEV **Evaluation Synthesis**



About this evaluation

This summary report presents the findings and lessons of an evaluation synthesis of interventions and approaches supporting inclusive growth. The synthesis focused on 55 evaluations, 12 research papers, and other documentation produced by the African Development Bank ("AfDB" or "the Bank"), multilateral and bilateral development institutions, and other partners on inclusive growth from 2013 to 2021.

The overall purpose of this evaluation synthesis was to capture the evolution of thinking and approaches to inclusive growth, inform the design and implementation of the Bank's next long-term strategy (2023–2032), as well as advance the implementation of AfDB policies and strategies. It also contributed to IDEV's recently completed evaluation of the Bank's Ten-Year Strategy 2013–2022.

Regarding relevance, the evaluation found that the interventions analyzed were relevant and aligned with the government priorities and poverty reduction objectives, although the adequacy of targeting affected populations varied among and within the types of interventions. Infrastructure investments sometimes failed to focus on the groups and geographical areas with the greatest need. Effectiveness was found to vary across the different interventions, with more success observed at the output and short-term outcome levels, than demonstrated impacts on employment, business profitability, income, improved wellbeing, and quality of life for the disadvantaged. Differences in assessments and variance in measures and rubrics made it difficult to assess efficiency within and among groups of interventions. Nonetheless, the observed commonalities in efficiency drivers included: innovative information and communication technology (ICT) options, the complexity of program/project design, and the adequacy of resources and monitoring systems. It was challenging to establish the sustainability and benefits of the interventions given the absence of evidence of the achievement of critical outcomes and impacts on the poor, disadvantaged, and/or excluded groups. However, the record on institutional sustainability was mixed, while weak financial sustainability was found prevalent across all intervention types. Nonetheless, positive examples of strengthened capacity, policies, and regulatory reforms were found across all interventions.

Some of the key lessons from this synthesis evaluation include intentionally targeting of groups excluded from participating in and benefiting from growth processes is crucial to achieving inclusive growth outcomes; political support and institutional capacity are prerequisites for initiating and sustaining reform programs for inclusive growth; balancing the profitability outcomes and targeting of underserved is essential for inclusive growth through private sector engagement.



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