BANK’S ADOA FRAMEWORK AND TOOLS

by

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Mandate of ADOA

• Independent *ex-ante* additionality and development outcome assessment of PSOs → *Decision making tool*;

• Advisory function in project design → *Quality at entry*;

• Lay a foundation for *ex-post* monitoring and evaluation → *Bank’s Result Measurement Framework*. 
What is ADOA?

**Additionality**
- What does the Bank, along with other participating DFIs, bring to an operation that commercial investors cannot?

**Development Outcomes (DOs)**
- What are the development outcomes that can be expected from the operation?
Additionality Assessment

**Political Risk Mitigation**
- Reduction of exposure to governments’ adverse actions
- Direct agreements between DFIs and Governments
- Guarantees and insurance

**Financial Additionality**
- Funding terms (tenor, currency, affordability)
- Catalytic role
- Bankability
- Market failure (liquidity constraint, missing market)

**Improved Design and Standard**
- Project design to maximize DOs or likelihood of achievement,
- Environmental and social safeguards
- DO monitoring and tracking system
- Capacity building through technical assistance
Assessment of financial Additionality: e.g. Project Finance - Energy

To assess the additionality of DFIs’ participation in the project, the following information is required:

- DFIs’ evidence in crowding in other private investors and provision of concessional funding,
- Evidence for a longer tenor and hard currency if required,
- Evidence that DFIs participation will mitigate political risks...,
## Development Outcomes categories

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
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<tbody>
<tr>
<td>Household Benefits &amp; Job Creation</td>
<td>Jobs; new/improved goods &amp; services; price reduction; etc.</td>
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<tr>
<td>Infrastructure</td>
<td>Improved: capacity; access; reliability; affordability; diversity of energy sources; etc.</td>
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<tr>
<td>Governance &amp; Fiscal Effects</td>
<td>Taxes; royalties; dividends; license fees; tax on payment of interest;</td>
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<tr>
<td>Environmental Effects &amp; Contribution to Green Growth</td>
<td>GHG emissions/savings; adoption of green technologies; reforestation; waste management; etc.</td>
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<tr>
<td>Regional Integration &amp; Economic Resilience</td>
<td>Net forex generation/savings; sector diversification; regional integration; etc.</td>
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<tr>
<td>Gender &amp; Social Effects</td>
<td>Mainstreaming gender equality; support to underserved sectors/segments/areas; transition states; CSR; etc.</td>
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<tr>
<td>Private Sector Development &amp; Demonstration Effects</td>
<td>Alleviation of financing constraints; SME support; domestic value addition; local linkages; etc.</td>
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Assessment of DOs: e.g. Project Finance

- Energy

Request information on project sponsor’s track record, including SPV, EPC and M&O’s experience

Other required information include:

- Additional generation capacity,
- Number and location of beneficiaries,
- Total project cost,
- Job creation (by gender & youth),
- Revenue, taxes, export, capacity building, ...,
ADOA in PSO Project Cycle

Concept Stage
- Issue preliminary ADOA note with overall ratings
- Request missing information for full assessment
- Provide guidance for potential rating upgrade

Appraisal Stage
- Issue DD questionnaire
- Participate in DD mission
- Issue updated ADOA with both overall and category ratings

Board Approval
- Issue final ADOA note with final ratings
- Issue DO tracking and reporting template to be included in the legal agreement

Monitoring, Supervision & Evaluation
- Establish baseline for DO indicators
- Annual updates on DO indicators
- Calculate & report incremental DOs
- Provide recommendations
LESSONS LEARNED
Lack of a close feedback-loop between Ex-ante and Ex-post assessment

ADOA assessment only ends at Board stage, and little visibility at implementation and operation stages,

- ADOA team need to know how well its indicators are collected, monitored and documented,
- Lessons learned from ex-post need to feedback to ex-ante assessment stage to improve ADOA quality,
- Improved interaction with other result measurement units within the Bank is paramount.
Educate stakeholders/ ecosystem due to High turnover

- The Board is one of the key stakeholders of ADOA.
  - Due to high Board turnover, regular sensitization activities are paramount to adequately inform new Board members about ADOA’s roles and responsibilities.
    - Sensitization should be extended to new investment officers.

**NB:** Not a major issue for management since those personnel tend to be relatively stable over time. But regular updating of management on ADOA activities is also important.
Build information system to maintain institutional memory

- Staff turnover at the ECMR2 can be high sometimes
  - Put in place an information system that documents and archive information on ADOA activities,
    - This will make it easy to preserve institutional memory and have a system that is resilient to unanticipated staff turnover,
    - Such a system will also make it easy to on-board new staff members,
      - ECMR2 is currently developing an ADOA platform that will address most of these challenges.
Close collaboration with other MDBs/DFIs is needed

- To ensure awareness about latest thinking and new methodologies on proper measurement of development impact.

- To share experiences and identify new development outcomes indicators.

- General knowledge sharing to improve staff capacity.

NB: ADOA team already plays an active role in HIPSO activities and this has helped the unit to sharpen its assessment work.
THANK YOU!

Microeconomic, Institutional & Development Impact Division (ECMR.2)