From experience to knowledge...
From knowledge to action...
From action to impact

Independent Evaluation of the African Development Bank's Regional Integration Strategy Paper for Eastern Africa
Executive Summary

February 2017
Executive Summary

Introduction

This report provides a summary of the findings of the Eastern Africa Regional Integration Strategy Paper (RISP). This evaluation is timely as it will inform the preparation of the new Eastern Africa RISP. As such, the objective of the evaluation is two-fold: 1) assess the extent to which development results have been achieved in the context of the RISP; and 2) suggest potential improvements that will feed into and help guide the preparation of the next Regional Integration Strategy (RIS).

The evaluation findings are based on multiple lines of evidence including: i) a literature and document review; ii) key informant interviews; iii) a portfolio review; and iv) in-depth, field-based project results assessments (PRAs).

This report is structured in a way to present what the Bank has achieved and how the Bank has managed its regional and multi-country operations in Eastern Africa. The evaluation also proposes recommendations at both the strategic and operational levels in order to enhance the Bank’s contribution to regional integration.

Background

The East RISP focuses on two pillars: Pillar 1: investments in infrastructure, and Pillar 2: capacity building for Regional Economic Communities (RECs) and member governments engaged in regional operations.

According to the Eastern Africa Resource Center (EARC), 16 of the 24 reviewed operations directly relate to Pillar 1 of the RISP and eight mainly to Pillar 2. In terms of commitment amounts, the portfolio is dominated by transport (four projects), power (four), financial sector (five), and agriculture. Of the four agricultural projects, three are focused on successive phases of the Drought Resilience and Sustainable Livelihoods Program (DRSLP) in the Horn of Africa. The Bank’s total commitment to these 24 operations amounted to 1.41 billion UA (See Table 1).

Overview of Findings and Recommendations

- The Bank’s operations have made progress on results achievement. However, the Bank has missed an opportunity to further the strategic objective of regional integration in a sustainable manner. The next RISP requires a clear vision for the Bank cementing regional integration in Eastern Africa, supported by a clear theory of change.

- Capacity issues, particularly in RECs, have hampered effectiveness and sustainability. The critical importance of RECs as building blocks for continental integration could be underscored by strategically investing Bank resources in the institutional strengthening of RECs.

- The evaluation noted major weaknesses in efficiency and results-based management, including for example poor time efficiency, procurement delays, and a frequent disconnect between outputs and outcomes. Adequate monitoring and evaluation (M&E) systems that are appropriately resourced are required.

1. See Glossary of Terms for definition.
2. According to the Eastern Africa Regional Resource Center (EARC), 11 out of the 16 operations under Pillar 1 also include a capacity-building component, thus contributing to Pillar 2 as well.
Among the questions the evaluation examined are the four standard criteria (see below). The ratings of the core four evaluation criteria indicate two main areas of weakness: efficiency and sustainability.

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### The Bank’s Contribution to Regional Integration in Eastern Africa

The Eastern Africa RISP and the Bank’s operations were found to be aligned with: i) the needs of the Regional Member Countries (RMCs), and ii) the Bank’s strategic priorities. However, the RISP and the Bank’s operations did not integrate the broader objective of regional integration.

The Eastern Africa RISP focuses on regional physical infrastructure, the policy/regulatory framework of regional infrastructure systems, and strengthened institutions including RECs. The RISP is aligned with the Bank’s Ten-Year Strategy (TYS) and Medium-Term Strategy (MTS). All the operations funded under the strategy are high priority for participating RMCs (See Relevance). The evaluation found a satisfactory alignment between the RISP and the proposed lending program outlined by the Country Strategy Papers (CSPs) of member countries. 18 out of the 24 operations reviewed were consistent with the country CSPs in which the importance and necessity of regional integration were emphasized. (See Relevance).

On the other hand, no Bank regional integration-related policies and strategies have a clear and distinct definition of either regional integration or regionalism. The Bank has adopted regional economic integration as its ultimate goal without any analysis of the political economy aspects of regional integration (See Relevance). At the operational level, about 30 percent of the Bank operations reviewed serve as multi-country or single country operations\(^3\) that are likely to exert a limited regional impact or positive cross-border effect (See Relevance).

The Bank has lacked a clear approach to engage the private sector. Although the importance of the private sector is frequently mentioned in the RISP, there is no cohesive plan for mobilizing private investment and engaging the private sector. The RISP identifies “improving the business climate” through reduced transport costs and “investment opportunities”. However, there is little discussion of the incentive/disenclent structure or the strengths and weaknesses of the sector. How to engage in policy dialogue with the private sector and how to draw the private sector into regional operations is a missing element of the RISP. (See Relevance).

At the strategic level, both the RISP and Regional Integration Policy and Strategy (RIPoS) have fully acknowledged the necessity of soft infrastructure\(^4\). At the operational level, 15 out of the 24 operations were designed to incorporate “soft” components\(^5\) in the project (See Effectiveness).

The achievement of the planned outputs and outcomes of the RISP varies across pillars. At output level, 80 percent are rated moderately satisfactory or higher for the regional infrastructure pillar operations compared to only 57 percent for the capacity building pillar operations. At output level, 60 percent are rated moderately satisfactory or higher for Pillar-1 compared to 43 percent for Pillar-2. Based on available information, institutional capacity building targets are less likely to be achieved, particularly with respect to support to the East African Community - Common Market for Eastern and Southern Africa - Southern African Development Community (EAC-COMESA-SADC) Tripartite Agreement and strengthening of RECs, all of which are the central outcome indicators stipulated under Pillar 2 of the Results Matrix.

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3. See Glossary of Terms for Bank’s definition.
4. The RIPoS recognizes both the importance of soft infrastructure and the necessity of supporting REC’s capacity through private sector involvement, by saying that: “while soft infrastructure investments require fewer resources, they have also proved harder to implement, and countries may want to proceed at their own pace. Therefore, the Bank will also support the RECs not only to monitor but also to help RMCs implement regional programs, using scorecards and involving private sector associations and other regional bodies.” (Source: RIPoS pp.4)
5. These include trade facilitation, regulatory framework for energy exchange, standards and procedures development including Sanitary and Phyto-Sanitary measures, labor mobility protocols, virtual education platform, integrated water resource management (IWRM), and regulation for corporate governance for banking institutions.
Limited information does not allow a comprehensive assessment of achievement of soft infrastructure. Out of the three projects that were mature enough to undergo a PRA, only one had a soft component (Mombasa-Nairobi Corridor). This PRA confirmed that trade facilitation between Kenya and Ethiopia through the Moyale border had not yet been fully observed due to severe delays in operationalizing the One-Stop Border Post (OSBP). It was originally planned to be opened immediately after the completion of road construction work (See Effectiveness). Yet delays in the provision of soft infrastructure are likely to be a serious constraint on the overall achievement of RISP objectives.

A key factor inhibiting results achievement is the weak capacity of executing agencies and RECs. Capacity challenges remain pervasive and cut across the RECs, the RMCs, and other institutions responsible for implementing regional operations. RECs and other multi-county steering committees are often charged with the responsibility to coordinate but lack the clear mandate and capacity to deliver effectively. Furthermore, they are reliant on donor funding, which raises questions about ownership of the RMCs and sustainability. The RMCs are responsible for implementation but their complementary capacity needs receive inadequate attention. The lack of immediate counterpart funding from RMCs is another external risk factor affecting project results (See Effectiveness).

Factors facilitating results achievement are the Bank’s institutional arrangements, including the expanded EARC and the revised Regional Operations Selection and Prioritization Framework. These arrangements provide a strong basis for sound implementation.

**Sustainability was generally a weak area with variations across sectors.**

Sustainability is considered from both a financial and institutional perspective. Technical soundness, environmental and social sustainability are not assessed due to the low disbursement nature of the operations under review and the resource constraints of the evaluation.

Financial sustainability is judged to be moderately satisfactory or better in the financial, transport and Information Communication Technology (ICT) sector operations. The recurring operational

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**Recommendation 1:** Consider to underpin the next RISP with a clear vision that focuses on regional integration, and one that is supported by a theory of change and a results-based framework.

- The theory of change would be instrumental to identify the logical linkages on how the Bank operations lead to regional development, support regional public goods and then contribute to regional integration.
- The theory of change would guide the formulation of a balanced portfolio of the Bank operations that addresses priority regional integration objectives, the TYS priorities of inclusive and green growth. The High 5s should guide selectivity, with particular emphasis on "soft infrastructure", including policy reforms and mobilizing private sector participation and investment.
- Future changes related to the eligibility framework for the Regional Operations Envelope (ROE) is expected to reflect the above-mentioned considerations.
- The results-based framework would track relevant outcomes related to regional integration.
- A solid theory of change would need to be based on strong analytical knowledge work. The analytical work could consider the following key areas: political economy analysis, regional analysis of sectors, power and transport systems, agricultural and manufacturing value chains, spatial development, industrialization along the development corridors, financial and private sector development, and markets around border posts.

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6. Source: Portfolio Reviews
7. This issue is frequently cited in the PARs.
8. This framework is aimed at selecting the most relevant Bank operations eligible for the regional operation incentive mechanism (which is a ROE), based on cost-sharing financing where the countries contribute to a portion of project costs from their Performance-Based Allocation (PBA) and the Bank finances the remaining portion.
costs are likely to be secured through road funds. Necessary measures for cost recovery have already been or are likely to be taken for the financial sector operations. The one ICT project is financially backed by a project company through a public-private partnership (PPP). However, the power, agriculture and institutional building operations are rated as moderately unsatisfactory or lower. For regional power interconnection, there is no guarantee that the funds will be allocated to the maintenance of the Bank financed transmission lines. The prevailing fragility is bound to affect the financial sustainability of the agriculture sector’s operations. Furthermore, no clear provisions were made to cover ongoing operating costs in four out of five capacity building operations. An assessment of institutional sustainability gives almost the same picture: agriculture and institutional building operations are the weakest.

The Bank systematically identified the factors that might facilitate or constrain continuing performance after project completion (13/22 operations). Based on available information, it has however taken measures to address these factors in only three (all financial sector) of the above 13 operations so far (See Sustainability).

**The Bank’s Management of Regional and Multi-Country Operations**

The weak results management framework undermines the Bank’s ability to manage effectively regional operations.

The Results Matrix of the RISP, despite improvements at mid-term review, remains weak. The Bank’s system for managing for development results is not being implemented robustly enough to help guide costs are likely to be secured through road funds. Necessary measures for cost recovery have already been or are likely to be taken for the financial sector operations. The one ICT project is financially backed by a project company through a public-private partnership (PPP). However, the power, agriculture and institutional building operations are rated as moderately unsatisfactory or lower. For regional power interconnection, there is no guarantee that the funds will be allocated to the maintenance of the Bank financed transmission lines. The prevailing fragility is bound to affect the financial sustainability of the agriculture sector’s operations. Furthermore, no clear provisions were made to cover ongoing operating costs in four out of five capacity building operations. An assessment of institutional sustainability gives almost the same picture: agriculture and institutional building operations are the weakest.

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**Recommendation 2:** Strengthen the institutional capacity of RECs by underscoring their importance as the key building blocks for continental integration

The following considerations can help guide the Bank in addressing this recommendation:

- Revisiting the role assigned to RECs and taking into account the RMCs’ ownership and mandate of the RECs and other implementing institutions.
- Properly resourcing the RECs through technical assistance (TA).
- Systemic attention to capacity development during project design would also facilitate a timely launch and more effective implementation.

**Recommendation 3:** Support RECs and/or RMCs to develop solid mechanisms to handle commercial, financial and institutional sustainability risks associated with asset management of regional public goods

In order to address this recommendation, the Bank can consider:

- Prioritizing the asset protection and maintenance of regional public goods in the Bank’s regional operations project cycle.
- Systematically involve RECs and RMCs in the planning and implementation of projects with an emphasis on both resource mobilization and the absorption capacity of RECs/RMCs.
- Project planning and implementation should be supported by non-lending activities such as policy dialogue and capacity building.

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9. It is too early to judge the sustainability of the Lakes Edward & Albert Integrated Fisheries and Water Project due to the low disbursement. The Policy Research Capacity Development Project cannot be assessed due to lack of available information and evidence.

10. Including TA through the Fund for African Private Sector Assistance (FAPA) and additional equity contributions.

Recommendation 4: Design and implement results-based M&E systems so they provide valuable management tools for assessing and managing for results

The Bank should consider:

- Solid results frameworks which would focus the contribution made by Bank operations compared with changes that result from GDP growth. This would also allow for overt logical linkages in the results chain with clear differentiation between outputs and outcomes.
- M&E systems need to be adequately resourced to marshal the skills and relevant data collection required to yield useful accountability and learning information. Costs or rates of return are expected to be monitored through the project implementation documents.

Implementation or serve as a basis for supervision. The Results Matrix in Annex 1 of the RISP lacks a detailed explanation of the causal linkages that would be included in a robust theory of change. The problem was that the “Expected Final Outcomes” stipulated in the matrix were not direct measures of the outcomes; instead they are measures of outputs. (See Managing for Development Results).

Similar weaknesses are evident in the logframes for the respective RISP projects, which often lack baselines. This reflects a confusion between outputs and outcomes and incorporate targets that are not related to the Bank’s operations. Out of the 24 operations reviewed, one operation has no baselines. Three additional operations lack baseline for a number of outcomes. The outcome indicators were well beyond what was achievable through project activities (16 projects). Only three projects had meaningful outcome indicators (See Managing for Development Results).

The portfolio review points to serious project delays and a lack of data on rates of return. The average delay of the 16 operations eligible for the analysis was 13 months, with a standard deviation of 6.2 months. There is a weak positive correlation between the Bank’s net commitments per project and delays at project start-up ($R^2=0.28$). Large-scale regional infrastructure projects in the transport and power sectors have encountered severe delays (15 to 23 months). There is no distinct difference between operations under Pillar 1 and Pillar 2 in terms of project start-up delays.

Substantial delays in handling procurement (Pillar 2 operation) stemmed from weak institutional capacity of RECs/RMCs with 71 percent of the Pillar 2 operations facing delays in the procurement process. The reasons include difficulties in finding appropriate consultants, unfamiliarity with the Bank procurement policy and procedures, a lack of procurement expertise.

Recommendation 5: Improve procurement process by supporting RECs and/or RMCs through Recommendation 2 and 3 above.

- (Recommendation 2-1) The Bank needs to revisit the role routinely assigned to RECs. It should take into account the RMCs’ ownership and mandate of the RECs and other implementing institutions and aim to ensure the provision of the required recurrent financial support.
- (Recommendation 3-3) Non-lending activities, such as policy dialogue and capacity building, should support both the planning and implementation stage of the Bank’s regional operations project cycle.

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11. Two PPP projects do not have impact indicators. The others have no indicators that are project specific; the logframe needs to be updated, based on changes in project components.
12. First disbursement have not yet been completed for eight operations.
13. Source: Portfolio Review and the PRA.
in RMCs and the complexity of the project. In addition, analyses on costs or rates of return were absent in the majority of the project implementation documents, making it difficult to conclude if the operations were or would be efficient once implemented (See Efficiency).
About this Evaluation

This evaluation assesses the Eastern Africa Regional Integration Strategy Paper (RISP) of the African Development Bank. It focuses on two pillars: Pillar 1: investments in infrastructure; and Pillar 2: capacity building for Regional Economic Communities (RECs) and member governments engaged in regional operations. Overall, the evaluation found that the Eastern Africa RISP and the Bank’s operations were aligned with the needs of the Regional Member Countries (RMCs), and the Bank’s strategic priorities. However, the evaluation also underlined the fact that the RISP and the Bank’s operations did not integrate the broader objective of regional integration. These findings aim to inform the preparation of the new Eastern Africa RISP. The evaluation draws on multiple lines of enquiry to assess the extent to which development results have been achieved in the context of the RISP. They include document review, literature review, portfolio review, key informant interviews, and project results assessments.