IDEV
Independent Development Evaluation
Évaluation indépendante du développement

Evaluation of Counterpart Funding at the African Development Bank Group

INCEPTION REPORT

March 2023

AFRICAN DEVELOPMENT BANK GROUP

TABLE OF CONTENTS

TABLE OF CONTENTS 2
ACKNOWLEDGEMENTS 4
LIST OF ACRONYMS 5
1 INTRODUCTION AND RATIONALE 6
2 OVERVIEW OF THE IMPLEMENTATION OF THE COUNTERPART FUNDING POLICY PROVISION 6
3 EVALUATION OBJECTIVES, EXPECTATIONS, AND SCOPE 9
3.1 Evaluation purpose and objectives 9
3.2 Evaluation scope 9
3.3 Overview of initial consultations 9
3.4 Evaluation questions 12
4 EVALUATION AUDIENCE 14
5 EVALUATION METHODOLOGY 14
5.1 Theory of Change 14
5.2 Detailed data collection methodology 17
5.2.1 Portfolio analysis (with IDEV) 17
5.2.2 Literature review 17
5.2.3 Policy review 18
5.2.4 Institutional comparison 19
5.2.5 Country case studies 21
5.2.6 Linking all components 25
5.3 Data management and use of evaluation matrix 26
6 RISKS 26
7 KEY DELIVERABLES AND TIMELINE 26
7.1 Key deliverables 26
7.2 Milestones and Timeline 27
8 ORGANISATION 28
8.1 Evaluation team 28
8.2 Evaluation management and resources 28
9 References 29
10 Annex 1: Evaluation Matrix 30
11 Annex 2: Preliminary stakeholders' mapping and engagement plan 34
12 Annex 3 Institutional Comparison Analytical Framework 35
13 Annex 4 Country case study template 37
14 Annex 5 Questions for semi-structured interviews 39

15 Annex 6. List of people consulted during the inception phase..... 42
16 Annex 4. List of documents collected – Literature review 42
17 Annex 7 List of documents collected - MDBs..... 45

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LIST OF ACRONYMS

ADB	African Development Bank
ADF	Africa Development Fund
AfDB	African Development Bank Group
AsDB	Asian Development Bank
CFP	Country Financing Parameter
CODE	Committee on Operations and Development Effectiveness
CPPR	Country Portfolio Performance Report
CSP	Country Strategy Paper
DBSA	Development Bank of Southern Africa
DP	Development Partner
DRC	Democratic Republic of Congo
EQ	Evaluation Question
IADB	Inter-American Development Bank
IDEV	Independent Development Evaluation
IFAD	International Fund for Agricultural Development
KII	key Informant Interview
MDB	Multilateral Development Bank
PAGL	Office of the Auditor General
PCR	Project Completion Report
RDVP	Regional Development, Integration, and Business Delivery Vice Presidency
RMC	Regional Member Country
SNDR	Development Impact and Results Department
SNSP	Corporate Strategy and Policy Department
ToC	Theory of Change
ToR	Terms of Reference
WB	World Bank

1 INTRODUCTION AND RATIONALE

The Independent Development Evaluation (IDEV) of the African Development Bank Group (AfDB or the Bank) is undertaking an evaluation of counterpart funding at the AfDB. Counterpart funding or cost-sharing in Bank Group-financed public sector projects is addressed in the Policy on Expenditure Eligible for Bank Group Financing, which was approved by the Board in May 2008.[1]

The policy in line with current efforts within the Bank Group to focus more on results at all stages of the operations cycle. To that end, its aim is to cut transaction costs and better adapt expenditure that could be financed by the Bank to the development priorities of each regional member country, mainly through the use of Country Financing Parameters (CFP).

According to the policy, the African Development Bank (ADB) should be able to finance more than 50% of the total cost of a project/program, while the African Development Fund (ADF) should be able to finance more than 90% of the total cost of a project/program and more than 95% of the total cost of studies, up to a limit that does not exceed 100%. The percentage of costs financed by the Bank is assessed on a case-by-case basis, per project, using the CFPs. The CFPs are established according to the following criteria: (i) the country's commitment to implement its overall development program; (ii) the financing allocated by the country to sectors targeted by Bank assistance; and (iii) the country's budget situation and debt level.

Over 13 years of implementation of the policy, several challenges have arisen as highlighted in many reports and analytical works[2] from the Bank's Audit Department (PAGL), Strategy and Operational Policy Department (SNSP), Regional Development, Integration, and Business Delivery Vice Presidency (RDVP), and IDEV. These include, *inter alia*, the limited understanding and use of the CFPs and delay or non-disbursement of counterpart funds, leading to implementation delays, with negative effects on project beneficiaries and portfolio quality. The independent evaluation, requested by the Board, will assess the implementation of the counterpart funding provision of the policy on expenditure eligible for Bank Group financing and suggest areas for improvements. The evaluation is expected to inform decision-making regarding a revision of the Policy on Eligible Expenditure.

This inception report provides a final overview of the implementation of the counterpart funding component of the policy on expenditure eligible for the Bank's funding, the evaluation objectives, scope and questions, methodology, key deliverables, and timeline.

2 OVERVIEW OF THE IMPLEMENTATION OF THE COUNTERPART FUNDING POLICY PROVISION

Development partner (DP) practices vary with respect to the treatment of counterpart funds. Some DPs have a policy of exerting little or no control over counterpart funds, only requiring

[1] ADB/BD/WP/2007/106/Rev.2

[2] See for example IDEV (2020): Synthesis Report on the Validation of 2018 Project Completion Reports; IDEV (2019): Synthesis Report on the validation of the 2017 Project Completion Reports (PCRs); SNSP (2020): Counterpart Funding: Experiences and Lessons Learnt (PowerPoint Presentation).

that they be put into the recipient government's budget. Other DPs impose more or less stringent controls over the creation, accounting, and use of counterpart funds, including how they are to be generated and programmed (often earmarked for specific projects and programs). Paillage and Robe (2015) showed that mobilizing counterpart funds is less affordable for recipient countries during economic downturns, which leads to aid procyclicality.[3]

In the Bank, the institutional framework that guides counterpart funding or cost-sharing in sovereign operations (SO) is the Policy on Expenditure Eligible for Bank Group Financing approved in May 2008. The policy introduced three modifications as compared to the previous guidelines on loans and investments from 1999:

a) Certain expenditures, which were previously ineligible for Bank Group financing, became eligible under certain conditions (this is the case with taxes and duties, counterpart funds, and provisional expenditures for certain infrastructure projects);
b) For certain expenditures which were eligible, the Bank became more flexible in determining the proportion it can finance (this is the case with recurrent costs and local currency costs); and
c) Lastly, policy clarifications were proposed for certain expenditures on which eligibility decisions were previously determined by practice (this is the case with a set of other expenditures enumerated in the text of the policy).

According to the policy, the Bank can finance up to 100% of project costs on a case-by-case basis under both the ADF and ADB windows. Since expenditure eligibility depends on the context of each country, the CFPs establish the overall framework for Bank Group financing for public sector investment projects and propose the counterpart funds ceiling in a given RMC.

In terms of process, the policy indicates that the Regional Director, in coordination with the Sector Director, should seek Operations Committee (OpsCom) clearance before the Board approves the project. However, in December 2014, Bank Management issued guidance on implementing the Policy which clarified that cost-sharing flexibility is part of the policy and a justification should be included in the project appraisal report only in the cases where the Bank financing is a higher proportion of project costs than indicated by the principle of cost sharing. The ultimate authority for approval of the project financing plan lies with the Board.

At the early stage of the implementation of the policy, the AfDB relied on World Bank CFPs, and in the absence of CFPs, the Bank used the World Bank's operational memo which is not country-specific and thus applies to all countries without CFPs. Nevertheless, since 2019, the Bank started supplementing and/or updating the already existing World Bank CFPs. This is necessary to ensure that CFPs are reflective of important economic and political dynamics experienced by countries since the last CFPs were developed. This has resulted in many new CFPs (including for South Sudan, Sudan, Somalia, Eritrea, Tanzania, Uganda, Ethiopia,

[3] Paillage S. and Robe M. A. (2015) "Counterpart Funding Requirements and the Foreign Aid Procyclicality Puzzle," *Oxford Review of Economic Policy*, Volume 31, Numbers 3–4, 2015, pp. 462–480.

Cameroon, Kenya, etc.) and some updated CFPs (including for Tunisia, Morocco, Rwanda, etc.). The exhaustive list of new and updated CFPs will be established during the data collection phase.

Over the policy implementation period, flexibility in cost-sharing led to an increase in the ADB cost share in investment project lending while the ADF cost share remained stable with increased co-financing from other development partners. Data from SNSP show that the ADB financed an additional 25% of project costs on average for investment lending operations. The average ADF cost share pre-Policy stood at 47%. Annual data fluctuate, but the trend of Government cost sharing is downward both for ADF (from 32% in 2008 to 9% in 2019) and ADB-funded projects (from 43% in 2008 to 8% in 2019).

Despite the increased use of cost-sharing flexibility and lower Government cost-sharing in recent years, delays in releasing Government counterpart funds have caused project implementation delays. A note submitted by RDVP to the Board[4] in November 2020 stated that 25 of the 54 countries (46%) have reported counterpart disbursement issues as of June 2020. Out of the 25 countries, 22 (88%) are ADF countries, including 5 blend countries and 8 transition states. The three major categories of challenges reported are i) inefficient budget planning during the budget preparation at the beginning of the fiscal year[5]; ii) change in the country's overall fiscal position due to unforeseen shocks, and iii) lack of coordination between line ministries and the Ministry of Finance and/or Planning during the budget implementation cycle.

As of June 2020, the office of the Auditor General (PAGL) had finalized 27 portfolio and country audit reports for the years 2018 and 2019. It was reported that in 9[6] (33%) of the 27 countries, sampled ongoing projects audited experienced delayed disbursements or undisbursed counterpart funding issues, with a negative effect on project implementation and portfolio quality. Prior years' audit reports highlighted similar trends. It is worth noting that countries with a history of defaulting on the disbursement of counterpart funds are mainly ADF countries.

The IDEV Evaluation of Quality Assurance across the Project Cycle of the African Development Bank Group (2012–2017) also identified counterpart funding among the key factors affecting project implementation progress. Task Managers shared with the evaluation team their difficulties to attract Bank senior management's attention to proactively solving issues related to an inability to allocate counterpart resources in a timely manner, which requires high-level arbitration with national authorities. The evaluation recommended assessing the issue as part of the project appraisal and offering adequate support to address these constraints. Moreover, The Synthesis Report on the Validation of 2018 Project Completion Reports (IDEV, 2020) found that the issue could be associated with the over-optimism at the time of project/program preparation, or unexpected reallocations for unbudgeted expenditures in other areas by the government concerned, or even the establishment of new priorities following a change in government administration. One of the lessons drawn from the report

[4] RDVP (2020): "Addressing issues of delayed and undisbursed counterpart funds for ongoing and future Bank operations"

[5] This is due to the unsystematically inclusion of a specific budget lines for projects in the overall budget for a given fiscal year.

[6] Central African Republic, Kenya, Madagascar, Sierra-Leone, Angola, Cameroon, Republic of Congo, Sao Tome and Principe, Chad.

is that addressing upfront the issue of delays in the payment of counterpart funds is important, as delays can result in increased costs.

3 EVALUATION OBJECTIVES, EXPECTATIONS, AND SCOPE

3.1 Evaluation purpose and objectives

The evaluation is formative, and its purpose is to review the implementation of the counterpart funding component of the policy on expenditure eligible for Bank funding and draw lessons on the strategic, conceptual, and operational aspects of the counterpart funding policy provision of the Bank.

The main objectives of the evaluation are the following:

a. Assess the relevance, coherence, effectiveness, and efficiency of the counterpart funding provision of the Bank's policy;
b. Assess the coherence of the Bank approach with other Multilateral Development Banks (MDBs) and suggest any good practice that can inform counterpart funding approach and practices at the AfDB;
c. Identify the factors that have enabled or hindered the effectiveness of the counterpart funding provision; and
d. Identify lessons learned from the implementation and suggest areas of improvement to inform the Bank's future orientations of the policy with regard to counterpart funding.

The findings, lessons, and recommendations of this evaluation will fill the knowledge gap on the counterpart funding instrument at the Bank and inform any required adjustments.

3.2 Evaluation scope

The evaluation will cover the period 2009-2022, to focus on the implementation of the current Bank Policy on Expenditure Eligible for Bank Group Financing approved in 2008. The evaluation will not review the entire policy but only the component related to counterpart funding.

The evaluation will involve five components, as follows:

- Literature review
- Portfolio analysis
- Policy review
- Institutional comparison
- Country case studies

3.3 Overview of initial consultations

The Terms of Reference (ToR) and approach paper for the evaluation were shared and discussed with key informants within the Bank through an initial consultation process. Participants were encouraged to share their expectations on the evaluation and their

experiences with counterpart funding, as well as to provide specific suggestions regarding the methodology of and approach to the evaluation. A full list of key informants can be found in Annex 3. The key inputs received during the initial consultations have been summarised below.

Relevance. Stakeholders reaffirmed the high relevance of the evaluation, a direct request from the Board. All highlighted the importance of counterpart funding (positively or negatively) affecting the Bank's contribution to development results.

Scope. The rationale for using counterpart funding as a tool for promoting country ownership was extensively discussed, with some stakeholders pointing to the importance of looking at alternative mechanisms. In the same vein, the evaluation team was also advised on the political sensitivity of the topic and the need for the evaluation to remain impartial and evidence-based – given the diverging perspectives and equally strong views on whether counterpart funding should be retained or dropped.

Importantly, the consultations also confirmed the limited shared understanding of the policy within the Bank, and, more specifically, diverging opinions on how the policy should be understood and implemented, in particular with regard to the validity of the justifications, and the role and relevance of CFPs. As such, many participants looked forward to the evaluation's recommendations on how the policy (and/or its implementation) can be strengthened.

Questions were also raised as to whether the evaluation would cover other aspects of the policy on eligible expenditures (including tax exemptions). These questions were confirmed as falling outside the scope of this evaluation.

Data collection: The evaluation proposes to collect data through five major components (literature review, portfolio analysis, policy review / institutional comparison, and country case studies) and no major points of objection were recorded during the initial consultations. Stakeholders confirmed their interest in investigating what other MDBs are doing. It was suggested to substantiate the policy review through an extensive interview process involving some Board members. There was also a unanimous wish for a diverse set of case studies with regional, linguistic, and ADB/ADF/Blend representation, as well as varying experiences and levels of success with counterpart funding flexibility. The use of counterpart funding in multinational projects and the use of counterpart funding in co-financed projects were specifically mentioned as potential interests.

Response from the evaluation team: To address stakeholders' expectations, the evaluation team has increased the emphasis on the issue of policy quality in its revised evaluation framework. In response to the initial consultations, the evaluation team also carefully considered how it could usefully feed into the ownership debate using impartial evidence. To do so, the team has begun the literature review early to capture how other evaluations and/or DPs define ownership and how they measure it. Key elements were then selected to frame the evaluation (See Box 1 overleaf).

Box 1. Defining / Measuring ownership – framing the evaluation

As part of the deliverables (see section 5.2), a literature review will be carried out first to reach a definition/set of characteristics of country ownership from a review of the literature and from understanding what ownership means to AfDB (through a review of strategic documents and interviews). The same approach was set in other evaluations.[7] It will then draw on frameworks developed by others to come up with a way to measure/assess ownership. Questions to consider will include: ownership by who and of what? Strength and weaknesses of the "proxy" indicators of ownership; key enabling and hindering factors to promoting ownership; ownership as a precondition of aid versus ownership as an objective.

While country ownership comes with multiple definitions and is addressed in multiple ways, a number of consensual hypotheses exist, which are woven into our approach to this evaluation:

- Ownership requires that DPs are aligned with government/country priorities. This in turn requires country leadership and engagement. Good proxy indicators to country ownership are (i) the extent to which government priorities have been defined through a participatory consultative process and (ii) the extent to which public resources have been allocated (through budget planning and execution) to support the government priorities.
- Country ownership is widely accepted as a key condition for successful interventions. All things being equal, when country ownership is strong (not only in the form of legitimacy and leadership but also with regard to capacity and accountability), interventions funded with the support of DPs have a stronger chance to achieve their objectives. They also tend to be more efficient, as resources (including counterpart funding) are mobilized for a successful delivery.
- The main reason/rationale for supporting country ownership is the expectation that results will be sustained, leading to greater developmental impact, as the country continues to implement its programmes and priorities, without external help.

On this basis, the team has formulated the EQs and sub-EQs to capture all main dimensions of country ownership. In addition, the team plans to use the literature review, benchmark study, and country case studies to:

(i) highlight how other MDBs and development partners use not just counterpart funding but also other mechanisms, to promote ownership

(ii) identify the main factors (including government commitment) behind successful counterpart funding mobilization

(iii) draw conclusions on whether counterpart funding (as a proxy for government commitment) has played an important role in making projects more effective and sustainable.

[7] E.g., Green Climate Fund (2019): Independent Evaluation of the Green Climate Fund's Country Ownership Approach. Final Report. Independent Evaluation Unit (IEU).

Finally, in its risk section (section 6), the evaluation team notes the key methodological and data challenges that they are likely to face when estimating the causal links between counterpart funding and ownership.

3.4 Evaluation questions

The evaluation will cover the period 2009-2022, to focus on the implementation of the current Bank Policy on Expenditure Eligible for Bank Group Financing approved in 2008. The evaluation will not review the entire policy but only the component related to counterpart funding. It will address a series of questions grouped along four main international evaluation criteria as shown in table 1.

Six EQs are proposed to reflect the new evaluation framework and expectations from the Bank. International evaluation criteria have been used to structure the EQs.[8]

Table 1. Main Evaluation Questions, sub-questions, and link with international evaluation criteria

Main Evaluation Questions	Sub-questions
Relevance	
EQ1. To what extent are the foundations underpinning the policy provision on counterpart funding supported by evidence and academic research, and aligned with international practices?	• What does the evidence from the literature say about counterpart funding as an effective mechanism to promote ownership?
	• How does the international community view counterpart funding as an effective mechanism to promote ownership?
	• What are the mechanisms used by MDBs and other development partners to promote country ownership?
EQ2. To what extent has the policy provision on counterpart funding (including through the use of CFPs) reflected the changing needs and priorities of RMCs?	• How relevant have the parameters that determine the level of counterpart funds and/or factors that trigger requests for flexibility been to RMCs' needs and priorities? Are some parameters missing?
	• To what extent have the regional member countries been consulted over the Bank's parameters (incl. CFPs) and the Bank's decision for counterpart funding?
	• To what extent has the policy provision on counterpart funding provided a flexible framework that adapts to changing country circumstances, including in situations of fragility and complex emergencies?
	• How does the above differ from other MDBs?
Coherence	
EQ3. To what extent has the policy on counterpart funding	• To what extent has the policy provision on counterpart funding been coherent with the Bank's institutional framework and other operational policies?

[8] International evaluation criteria are more appropriate when evaluating programmes and projects. In contrast, when these criteria are used for policies, the boundaries between effectiveness and efficiency shift: because policy objectives (such as the policy provision on counterpart funding) are often to generate more efficient processes.

Main Evaluation Questions	Sub-questions
been internally and externally coherent?	• To what extent has the policy provision on counterpart funding contributed (as intended) to the harmonisation of DP policies & practices?
	• How does the Bank's policy provision compare with that of other MDBs? How has the Bank been using CFPs compared to other co-financiers in joint operations?
Efficiency	
EQ4. How efficiently has the Bank's policy provision on counterpart funding been managed and delivered?	• Has the counterpart funding policy provision, as implemented by the Bank, been compliant, timely, and cost-effective?
	• To what extent do the Bank's Board, management and operational staff understand the policy provision on counterpart funding?
	• To what extent has the policy provision on counterpart funding reduced transaction costs for country teams?
	• Which main challenges (resources, policy, institutional framework, etc.) has the Bank encountered in-house in implementing its counterpart funding policy provision?
	• How does the above differ from other MDBs?
	• What does the above say about the quality of the policy provision (clarity, transparency, comprehensiveness, focus on results, adaptability)?
Effectiveness	
EQ5. To what extent and how has the policy provision on counterpart funding been effective in making funding more flexible and in sharing risk in its operations?	• To what extent has the policy provision on counterpart funding been effective in ensuring RMC's financial commitment?
	• To what extent has the policy provision on counterpart funds enhanced the Bank's ability to provide flexible funding, including in situations of fragility and complex emergencies?
	• To what extent has the policy provision on counterpart funding enhanced risk sharing between the Bank and RMCs?
	• What are the main differences in terms of the extent of counterpart funding, country types, and sectors?
	• How does the above differ from other MDBs?
	• What have been the *external* challenges faced by RMCs in meeting counterpart funding requirements?
EQ6. To what extent and how has the policy on counterpart funding been effective in enhancing country ownership in its operations? (see also EQ2)	• To what extent and how has the policy provision on counterpart funding affected the efficiency of (and risk(s) associated with) the Bank's projects and programmes in RMCs?
	• To what extent and how has the policy provision on counterpart funding affected the effectiveness of Bank projects and programmes in RMCs?
	• To what extent and how has the policy provision on counterpart funding affected the sustainability of the Bank's interventions in RMCs? Has the requirement of counterpart funding affected the budgeting processes in RMCs?

Main Evaluation Questions	Sub-questions
	• What are the main differences in terms of the extent of counterpart funding, country types, and sectors?
	• How does the above differ from other MDBs?
	• What does the above say about the causal links between counterpart funding and country ownership?
Lessons & Recommendations	
What lessons can be learned from the implementation of the counterpart funding policy provision at AfDB and the experience of other MDBs?	• What are the main strengths, weaknesses, opportunities, and challenges of the Bank's counterpart funding policy provision? • What are the main lessons and good practices emerging from the experience of the Bank and that of other MDBs on using counterpart funding as a mechanism to promote ownership? Which other mechanisms have been used?
What are the key aspects that could make the counterpart funding instrument more relevant, coherent, effective, and efficient?	• What recommendations can be made with regard to the policy framework? • What recommendations can be made with regard to policy processes and tools? • What recommendations can be made with regard to counterpart funding as a mechanism to promote ownership? Which other mechanisms can be used?

4 EVALUATION AUDIENCE

The key stakeholders of the evaluation are the Board, the Bank's Management and Operational Departments (sector and regional departments, SNSP, SNDR, etc.), the RMCs (funding contributors and Governments), contractors, and consultants. RDVP and SNSP jointly will be the Management counterpart for this evaluation. A detailed stakeholder mapping and a preliminary engagement plan are summarized in the matrix in Annex 2.

5 EVALUATION METHODOLOGY

5.1 Theory of Change

A main task during the inception phase has been to finalise the analytical framework for the evaluation. After discussion, the evaluation team (external and IDEV) decided to use two complementary analytical frameworks: one focusing on the policy and aid effectiveness paradigms; the other exploring the policy's causal links and assumptions in more detail.

Figure 1 (policy and aid effectiveness paradigms) is based on two pillars (i) the policy landscape and (ii) the aid effectiveness paradigm. More specifically:

- In the left circle, the analytical framework describes the counterpart funding policy within the broader Bank policy and institutional context, with specific references being made to the policy's guiding principles; its main decision-making tools and processes (including CFPs); and its stated ambition to be flexible, clear, transparent, harmonised and *"remain competitive in a rapidly changing development aid market"* – all of which will be assessed as part of this assignment.

- In the right circle, the framework depicts the RMC context, and with it, the aid effectiveness principle that underpins the policy rationale: that counterpart funding (alongside other practices and mechanisms) can be used to support strong country ownership, leading to improved portfolio quality and reduced project risk, and eventually to better development results.
- The third circle looks at the policy and practice of other MDBs, with reference to harmonisation, another aid effectiveness principle that the policy is committed to.

This analytical framework adequately reflects the main issues highlighted during the inception phase consultations and includes all elements to be taken into consideration – from the Bank's policy and institutional framework, and its policy tools and processes, to what other MDBs are doing and have learned (including a reference to co-financing). It provides a useful reminder that evaluating a policy requires a tailored approach because the policy is equally driven by compliance considerations and results.

Figure 1. Analytical framework: focus on paradigms.

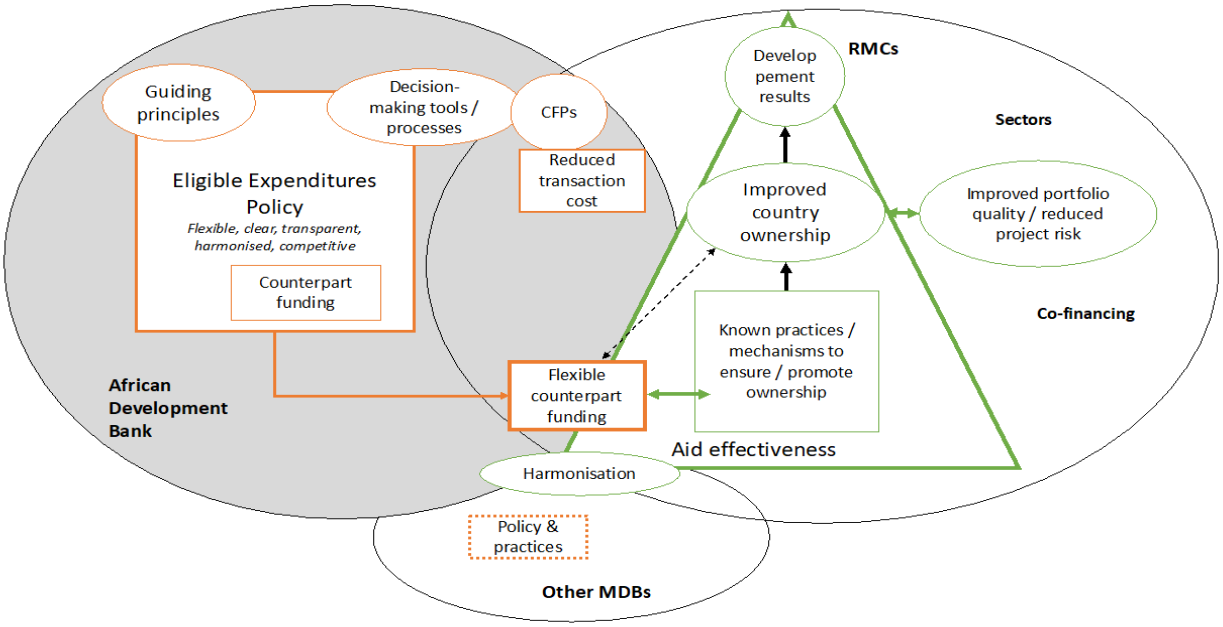
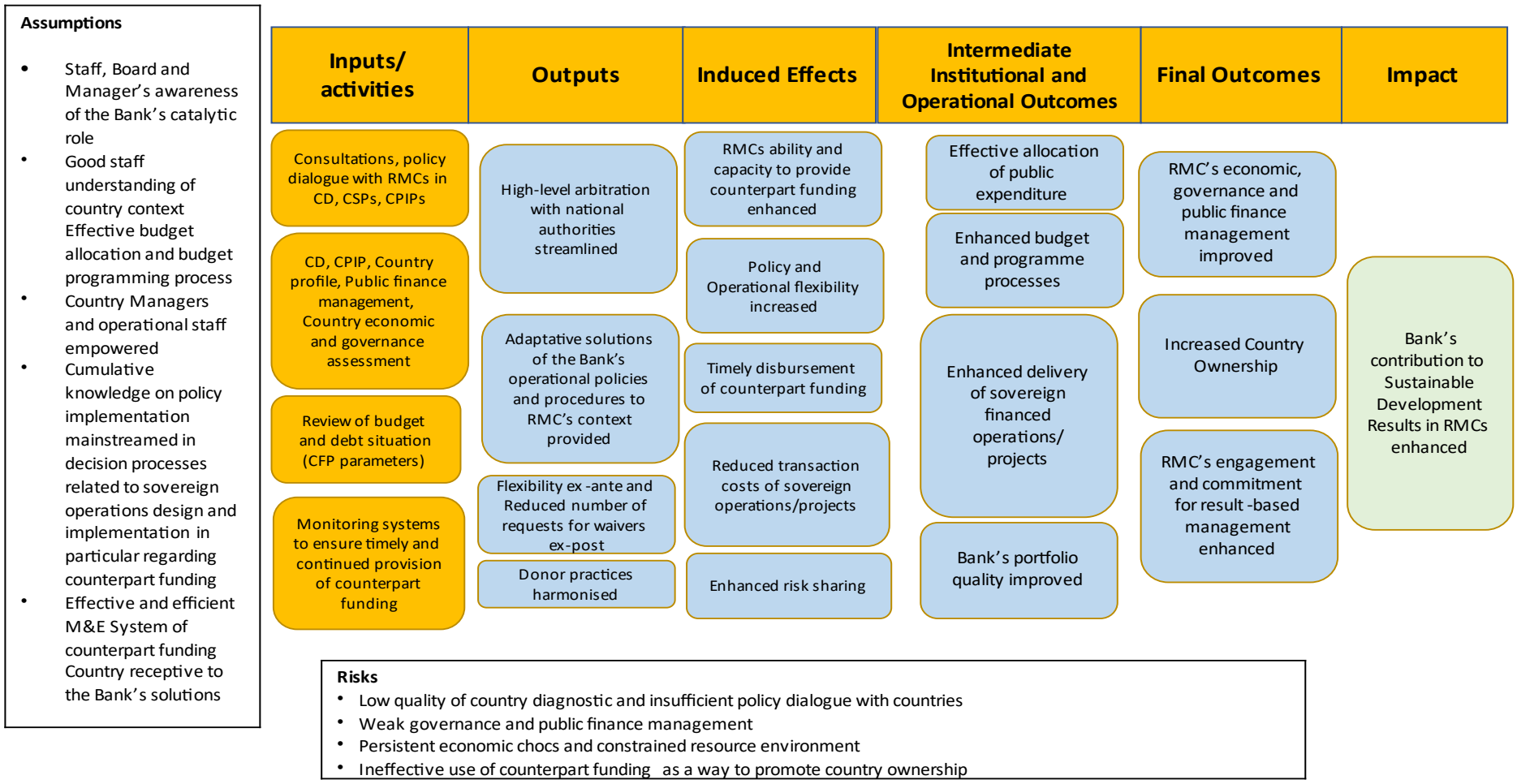


Figure 2 (the Theory of Change (ToC)) seeks to unpack the main activities, outputs, induced effects, and (intermediary and final) outcomes of the policy provision and their causal links. The impact in both Figures 1 and 2 is that the Bank's contribution to sustainable development results is enhanced. The ToC is used to provide more details about the Bank's activities (notably the use of CFP); it also introduces some preliminary definitions of country ownership (for example more effective allocation of public expenditure - see Box 1); key assumptions about the quality of the policy and the risks associated with counterpart funding are also made explicit.

It is envisaged that the two figures will be combined in the next phases of the evaluation to support its findings, lessons, and recommendations.

Figure 2. Theory of Change



5.2 Detailed data collection methodology

The five components of this evaluation are a portfolio analysis, a literature review, a policy review, an institutional comparison, and country case studies. The evaluation team proposes to split the policy review and institutional comparison into two separate components to take into account their distinct features and use of different data sources.

5.2.1 Portfolio analysis (with IDEV)

This component of the evaluation will involve a quantitative analysis of AfDB project data to identify trends and structure of counterpart funding. Specifically, a credible database of the Bank's sovereign operations from 2009 to 2021 will be developed based on the Bank's project system (SAP) and existing internal database (by SNSP). In addition to capturing data on sovereign operations with counterpart funding elements, the database will capture data on other non-counterpart funded operations over the evaluation period to allow for comparative analysis. Specific to counterpart-funded sovereign operations, data on total project cost, counterpart fund contributions, and bilateral and multilateral DP contributions (where applicable) amongst others will be captured and analyzed.

The portfolio analysis will also entail inferential analysis to explore the relationships between counterpart funding and overall project performance and to some extent development results. In particular, inferential statistics such as correlations as well as independent samples t-tests will be computed. The t-test will, for example, help establish whether average delays for counterpart-funded projects differed significantly from non-counterpart-funded sovereign operations. The country portfolio performance reports will be reviewed to capture information about counterpart funding implementation challenges. The project performance data will be extracted from validated Project Completion Reports (PCRs) and available ex-post evaluation documents.

5.2.2 Literature review

This component will involve a desk review of relevant academic and grey (including DP) literature related to counterpart funding.

Coverage. The main source of evidence for EQ1, the literature review will explore the rationale and principles behind the use of counterpart funding, both at the Bank and in other MDBs and other development partners. It will also capture lessons on what works and does not work in relation to flexible cost-sharing and counterpart funding mobilisation and with it, more broadly, other ways to promote ownership, building on the successes and challenges faced by other MDBs and relevant DPs. The link between the literature review and EQs is given in Annex 1.

Data source and methods. An initial search of the literature available on counterpart funding, the lessons learnt and the rationale behind it has been conducted. The list can be found in Annex 4. This has revealed only a relatively small number of academic papers on the theme of counterpart funding and evaluations and reviews of DP experience with counterpart funding. In contrast, the literature on ownership is extensive and the number of thematic,

country, and project-level evaluations that touch on counterpart funding is also large. In addition to evidence from existing research, the review will also draw on:

- evaluations generated internally by the AfDB's Independent Development Evaluation function.
- Grey literature from MDBs (see the section below on the Institutional Comparison component for the MDBs to be sampled) and other relevant development partners that use counterpart funding such as The Global Fund, IFAD, GAVI, and selected bilateral DPs will also be reviewed.

Deliverable. As the literature review will be a separate deliverable, a suggested table of contents is presented below.

Box 2. Table of content for the literature review

- Abstract
- List of acronyms
- Introduction
- Methodology
- Definitions of ownership
- The rationale underpinning the use of counterpart funding from MDBs and other development partners
- Overview of the main challenges and mechanisms used by MDBs and other development partners to promote ownership
- Key lessons on the use of counterpart funding as a mechanism to promote ownership
- Conclusions, lessons, recommendations
- Annex 1- bibliography
- Annex 2 – response to the EQs

Next steps: The evaluation team will review the available body of academic literature on the theme of counterpart funding. The evaluation team will work with IDEV to identify the relevant evaluation reports that are likely to have some evidence and analysis on counterpart funding (with a preference for cluster and thematic evaluations and country evaluations for our sampled countries). The evaluation team will coordinate with the institutional comparison component to identify and collect relevant documents (including grey literature) from MDBs.

5.2.3 Policy review

This component will assess the quality of the policy, the policy's tools (e.g., CFPs), the governance of the policy, and the coherence of the policy provision with the Bank's overall institutional framework and other operational policies and identify any gaps.

Coverage. This component will cover policy quality (EQ3) and policy compliance (EQ4). Evidence will be collected on the extent to which the policy provision provides a clear, coherent, and transparent framework; whether the policy provision is well understood by all

concerned; and whether the intended policy processes have worked well and policy tools (incl CFPs) have been well used. The main factors explaining the issues encountered during the implementation of the policy to date (some already known) will receive particular attention. A policy timeline and timeline of relevant institutional changes over the review period will also inform the analysis.

Data source and methods. The following data sources and data collection methods will be used:

- A review of all relevant policy and strategic documents over the review period with potential links with the policy provision on counterpart funding;
- A review of the Bank's organigrams over the review period, with a particular focus on the launch of the Bank's new Development and Business Delivery Model in 2016
- Semi-structured interviews and/or focus group discussions with some Board members; all Region Directors; and the policy and legal departments.

Deliverable. The main deliverable will be a combined report of the policy review and institutional comparison.

Next steps. The next steps after the finalisation of the Inception Report will be to set up interviews with Board members and relevant departments (with support from IDEV) and start collecting and reviewing all relevant documents.

5.2.4 Institutional comparison

This benchmarking study will compare the Bank's counterpart funding policy provision and practices with those of **four** other MDBs.

Coverage. The benchmarking study, by comparing the Bank's policies and practices with others, will feed into most EQs and play a key part in the evaluation's lessons learned and recommendations. While the literature review will explore deeper conceptual issues, the benchmark study will be more factual. This will include, in particular, how the MDBs address counterpart funding in their policies; their institutional framework; their internal approval /decision-making processes; their use of CFPs and link with the programming cycle; their achieved levels of flexibility/counterpart funding; their approach to monitoring counterpart funding; their approaches to ownership and mechanisms (beyond counterpart funding) to ensure greater ownership; and any significant changes effected over the review period. In addition, this component will identify areas to ensure greater harmonization when the AfDB and other MDBs are engaged in co-financing. The proposed analytical framework to guide the institutional comparison is presented in Annex 3.

Sampling. A preliminary desk-based search was carried out for the MDBs suggested in the ToR/approach paper: the World Bank (WB), the Asian Development Bank (AsDB), the Inter-American Development Bank (IADB), the Islamic Development Bank (IsDB) and the International Fund for Agricultural Development (IFAD)), and, four others (Asian Infrastructure Investment Bank (AIIB), European Bank for Reconstruction and Development (EBRD), European Investment Bank (EIB), and BRICS New Development Bank (NDB)). (see Annex 5)

The final selection of MDBs for the benchmark study has been driven by:

- Practical matters: whether any documents could be found to demonstrate that other MDBs use – or have previously used - counterpart funding; and whether the team (with support from IDEV) would be in a position to establish initial contacts with the relevant departments of these organisations on time.
- Harmonisation: the 2008 policy partly emanated from the Bank's commitment to follow the World Bank's footsteps and harmonise its policies and practices with other MDBs, including the WB, IADB, and AsDB; the benchmark study will be an opportunity to take stock of progress (or indeed divergence) on this front.
- Opportunities for learning and replication: while the AfDB, AsDB, and WB share similar mandates and functions, other MDBs operate differently. This includes IFAD, which is not *per se* a development bank and which focuses on a narrower range of sectors. In addition, IFAD's approach to counterpart funding is rather different, as it also covers counterpart funding from the local communities, not just the authorities.

The ToR/Approach Paper also specifies that one Africa-based Development Bank should be included in the final selection.[9] Little information could be found on whether these Banks use counterpart funding. In this instance, the evaluation team suggests that the benchmark study "piggy-backs" on the selected country case studies, to investigate the policies and practices of their national development banks (if such exist), using the Bank's country office to make initial contacts.

On this basis, the evaluation team proposes to focus on the following MDBs: WB, AsDB, IADB, and the Development Bank of Southern Africa (DBSA).

Data sources and methods. The main evidence for this component will come from the key documents (including grey literature) and interviews with MDBs counterparts. The AP envisaged a two-step process consisting of first, (i) reviewing secondary data and reports, in particular, strategic documents from other MDBs and program-specific evaluations then, (ii) organising interviews with key representatives of the selected comparator MDBs using semi-structured questionnaires. As already agreed with IDEV, the evaluation team (building on the documents collected so far) is now planning to interview key MDBs stakeholders at an earlier stage, so that any other documents (including internal) and other stakeholders to meet within their organisation (in effect using a snowball approach) can be identified during the interviews. The case studies will also be an opportunity to generate more evidence on MDBs (see below).

Deliverable. The main deliverable will be a combined report of the policy review and institutional comparison. A matrix detailing a number of elements of counterpart funding practices from the selected MDBs will also be used to summarize key findings.

[9] Africa-based development banks include the Development Banks of Botswana, Ethiopia, Kenya, Namibia, Nigeria, Rwanda, Southern Africa (South Africa), Uganda, and Mozambique (Banco national de Investimento) as well as the East African Development Bank (Uganda), the Eastern and Southern African Trade and Development Bank (Burundi), the Eritrean Investment and Development Bank, and the West African Development Bank.

Next steps. The next step for this component will be for IDEV to contact its peers in the evaluation departments of the selected MDBs so that the right informants can be identified and interviewed as early as January 2023.

5.2.5 Country case studies

The country case studies are an important component of the evaluation.

Coverage. The country case studies will account for the issue of differentiation in the application of the counterpart funding policy provision as well as help unpack exogenous factors associated with country contexts. They will review the Bank's approach to and practices of counterpart funding, including the process of drafting or updating the CFPs, the collaboration within the country team and the dialogue with governments during the process, the impact of cost-sharing flexibility on government commitment, the project implementation and quality of the portfolio. The review will help to identify factors enabling or hindering the use, effectiveness, and efficiency of counterpart funding. The link between the country case studies and the EQs is given in Annex 1 and the country case studies template in Annex 4.

Data sampling. Based on further consultations and the criteria identified in the Approach Paper, ten countries have been selected, using a sequenced approach involving four levels of criteria:

Level 1 criteria

- **Criteria 1)** A balanced coverage of the Bank's regions, including diversity of language, size, and geographical location
- **Criteria 2)** Coverage of all types of the country (ADF, ADB, Blend, and Transition States), with ADF countries receiving a slightly larger share of coverage to reflect the Bank's allocation of resources

Level 2 criteria

- **Criteria 3)** A combination of countries that use the World Bank CFP, AfDB's CFP, or no CFP, taking into account recent developments.[10]
- **Criteria 4)** An equal share of countries where mobilising counterpart funding has been a problem; and where it has not.
- **Criteria 5)** A balanced coverage of countries' level of counterpart funding (average share of counterpart funding in total costs, number of projects that received counterpart funding)

Level 3 criteria

- **Criteria 6)** A balanced coverage of ADF (non-fragile and fragile) countries, showing the varying level of country ownership (using the World Bank Governance Index as a proxy)
- **Criteria 7)** Inclusion of countries that have recently experienced some significant macro-economic shocks

[10] 12 countries have developed a CFP in 2021; followed by 17 in 2022

Criteria 8) At least one country with a National Development Bank[11]

Level 4 criteria

Criteria 9) Good coverage of sectors, instruments, types of operations, and sizes across all selected countries **(see next steps)**

Data was collected for all sampling criteria and consolidated in an excel table, made available separately to IDEV.

On this basis, the following ten countries were selected: Benin, Cameroon, Côte d'Ivoire, Democratic Republic of Congo (DRC), Ethiopia, Morocco, Kenya, Mozambique, South Africa, and South Sudan.[12]

Taken together, these ten countries provide good coverage of the Bank's regions *(2 in West Africa, Central Africa and Southern Africa, 3 in Eastern Africa, 1 in North Africa),* types (*6 ADF, 4 ADB/Blend),* languages *(5 French-speaking, 4 English-speaking, and 1 Portuguese-speaking),* and characteristics *(including 2 landlocked countries* and *1 island and/or small economies).* This list also includes three countries in transition (Mozambique, South Sudan, and DRC).

The rationale for selecting these countries is further explained in Table 3.

Table 3. main justification for individual country selection

	Justification
Benin	A small French-speaking economy, Benin, operated without a CFP until 2022. The country experienced disbursement issues in 2020. It has counterpart funding (as a percentage of total project cost) slightly below average (12.87% against 14.32%), with a satisfactory level of government effectiveness (44.2 in 2021). Part of the reason for selecting Benin is CODE's recent refusal to accept a management request for 100% funding, a good example to explore the differences of opinion on the policy.
Cameroon	A French-speaking, central African, blend country, Cameroon experienced a disbursement issue in 2020 yet it was one of the countries whose projects benefited the most from flexibility in 2016-21. Until 2021, Cameroon was operating without any CFPs.
Côte d'Ivoire	A French-speaking, west African, blend, country, Cote d'Ivoire has been operating with a World Bank CFP (2008) and has yet to replace it with an AfDB CFP. The country experienced disbursement issues in 2020 yet it was one of the countries whose projects benefited the most from flexibility in 2016-21.
Democratic Republic of the Congo	DRC has been selected as the second case study in Central Africa. The country, which has no CFPs, did not experience any disbursement issues in 2020 and was one of the countries to benefit from flexible funding for its projects in 2016-21. A

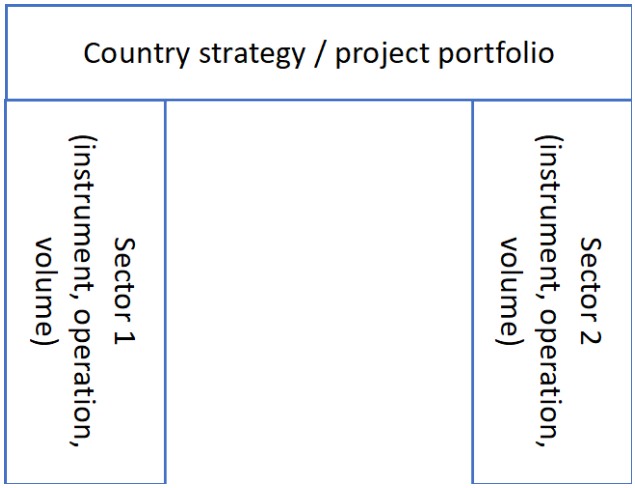
[11] See footnote 9

[12] Other countries also seen as potential candidates for becoming a case study included Guinea-Bissau, Kenya, Senegal, and Tunisia

	transition state, DRC scores very low in the World Bank's government effectiveness index (3.8 in 2021)
Ethiopia	Ethiopia (Eastern Africa) initially used a WB CFP (2006); it then piloted the use of an AfDB CFP in 2018, with a new CFP in 2022. At the same time, the country ranks quite highly in its percentage of mobilised counterpart funding (25% of the total project cost over the evaluation period). The country's scores were relatively high in the World Bank's government effectiveness index (31.2 in 2021).
Kenya	A blend country in East Africa, Kenya first used the World Bank CFP from 2007, before developing an AfDB CFP in 2021. The country is characterized by a relatively large number of projects that received counterpart funding over the review period (17 in 2016-21)
Morocco	Morocco was the first country to develop an AfDB CFP; it was also one of the top countries to benefit from flexible counterpart funding in 2009-15. The ADB country has also performed well in mobilizing 30% of counterpart funding in the total cost of its projects.
Mozambique	Mozambique (Southern Africa), a Portuguese-speaking country in transition, did not have a CFP until 2022. Its share of counterpart funding was 13% total project cost and the country (which scores quite well in the WB's government index (22.6)) did not experience any disbursement issues in 2020.
South Africa	An ADB country, South Africa mobilised counterpart funding for up to 34% of its projects. The country has not had any issues with disbursement and developed its first AfDB CFP in 2021.
South Sudan	South Sudan is the second country selected in East Africa. The country did not experience any disbursement issues in 2020. The country is known for its transition state and economic shock in 2018 when its real Gross Domestic Product (GDP) growth turned negative.

For each selected country, a tabletop approach (see figure 3) is proposed whereby each case study will first explore the issue of counterpart funding at the country level (strategy, portfolio, and institutional framework), as well as review the quality of the CFP and exploring the issue of ownership, before focusing on two sectors. This is further explained in the next steps.

Figure 3. table top approach – country case studies.



Data source and methods. While the other components will seek to go as far back as possible to cover the review period, it is proposed that country case studies only cover the previous and current country strategies (approx. 5 to 7 years instead of 15). The data sources for the evaluation will include the key documents (CSP, Project Appraisal Reports, Memo requesting clearance for cost-sharing flexibility, Project Supervision reports, Portfolio performance review reports, Project completion reports, Project completion evaluation notes), project data from SAP the Bank's information system (financial data, sectors, country type) and relevant audit reports, and data from other MDBs.

A mix of key informant interviews (KIIs) and focus group discussions (FGDs) will be conducted, targeting persons knowledgeable about AfDB's counterpart funding practices. Thus, three main stakeholders will be targeted:

i. AfDB Regional or Country Team (including country economist, implementation manager, country program officers, project staff, procurement, and disbursement specialists);
ii. RMC Government Officials (Ministry of Finance, Ministry of Development Planning, Sector ministries, and project implementation unit coordinators);
iii. Relevant AfDB Headquarters Staff;
iv. Regional or Country Teams from other MDBs;
v. (if relevant) Relevant departments from the National Development Bank (see institutional comparison)

The evaluation team will carry out visits to the following countries: **Cameroon, Kenya, Ethiopia, Morocco, Mozambique** (with the support of a translator), **South Africa** – with Benin, DRC, Côte d'Ivoire, and South Sudan selected as desk-based case studies. The main criteria for doing so were the risk of "consultancy fatigue" in countries that have been subject to multiple evaluations and likely access to documentation.

Desk-based case studies will draw on an analysis of available documentation, complemented by a small number of remote KIIs to clarify and confirm findings.

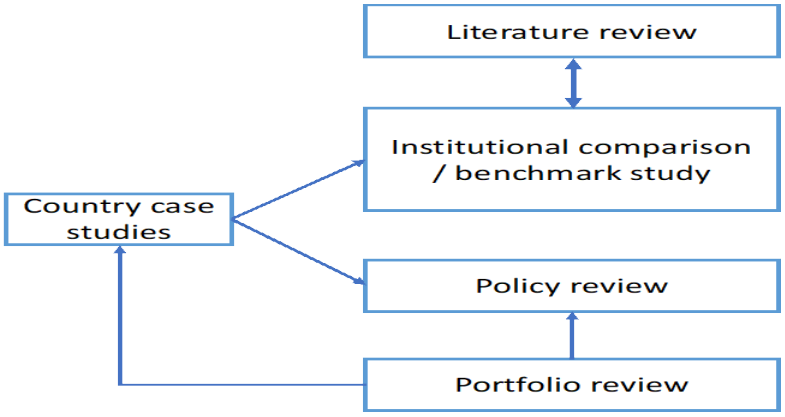
Deliverable. A short report will be prepared to summarize information collected in each country and will feed into the overarching country case study report.

Next steps. Once the selection of countries has been finalised in consultation with IDEV, the evaluation team will scrutinise their portfolio in terms of sectors, instruments, types of operations, and size – with a view to selecting two sectors per country and achieving portfolio diversity across 10 (see criteria 9). Multinational interventions and co-financed interventions will also receive some emphasis.

5.2.6 Linking all components.

As shown in Figure 4, the evaluation will follow an approach allowing relevant data to be shared across all components.

Figure 4. Data collection, as shared across all components.



The main links are as follows:

1) The country case studies will be used as an opportunity to collect data for the benchmark study, and in so doing, capture the practices of the selected MDBs' practices in the selected countries. As mentioned before, the selected Africa-based development bank will also be in one of the sample countries (provisionally South Africa). Such an approach will have the benefit of comparing MDBs practices in a given country context.
2) The country case studies will also provide an important source of data on the policy review, as Bank staff perceptions on the quality of the policy are explored.
3) The portfolio review will provide the main trends and patterns for the country's case studies and aggregated data for the policy review.
4) Data collection for the literature review and benchmark study will be closely coordinated: while the benchmark study will be more factual and provide an overview of MDBs policies and practices, the literature review will explore the conceptual foundations that characterise other MDBs' use of counterpart funding, what has worked and not worked. This proposed approach (a slight departure from the AP) will ensure that there is no duplication and good complementarity between the two components, even though they will both rely on information coming from the MDBs.

5.3 Data management and use of evaluation matrix

The evaluation matrix in Annex 1 summarizes the evidence sources for the EQs. The evaluation team will develop interview guides, and a report template, and establish preliminary information needs (data, documents,…) as part of finalizing the inception phase.

6 RISKS

The main risks pertaining to this evaluation are (i) the limited availability of key informants; (ii) lack of data (iii) limited documentary evidence and (iv) an unusually tight and ambitious evaluation calendar.

The lack of data relates particularly to the evidence base available to measure country ownership. While the evaluation will seek to collect evidence that counterpart funding promotes ownership, counterpart funding is not the only instrument to promote ownership. The other challenge, as discussed in Box 1, is how to measure ownership. There is no common definition, and the evaluation will mostly rely on qualitative indicators.

Limited documentary evidence is likely to be a main constraint for the desk-based country case studies, where the number of stakeholder interviews will be small. As a risk mitigation measure, the evaluation team proposes to start with the desk-based country case studies, so that any evidence gap can be identified and possibly addressed at an early stage.

Regular communication with IDEV; a dedicated, unified, evaluation team; close monitoring of the calendar; and a robust data collection and management system will help mitigate these risks. The evaluation team will also endeavour to build its documentary evidence throughout the assignment, liaising closely with the evaluation manager.

A research assistant / junior consultant has been recruited by the lead evaluator to provide support throughout the assignment.

7 KEY DELIVERABLES AND TIMELINE

7.1 Key deliverables

Three main reports will be delivered out of this evaluation: the literature review report, the technical report, and the summary report.

1. **Literature Review Report:**

   This report will provide information on the alternative approaches to counterpart funding in the context of development assistance and draw lessons from a meta-analysis of existing evaluations on what is working or not working and the main success factors.

2. **Evaluation technical report:**

   In addition to the literature review report, three working documents will be prepared to feed into the technical report: (i) A portfolio analysis note; (ii) a note on the Bank's policy and institutional comparison; and (iii) a note on the finding from the case studies. The

technical report will encompass all the evidence to support the evaluation findings, lessons, and recommendations.

3. **Evaluation summary report:**

A summary report of about 25 pages, and a focus on the main findings, lessons, and recommendations, will be prepared for CODE based on the technical report.

7.2 Milestones and Timeline

The calendar overleaf lists the key milestones, deliverables, and dates for this evaluation. This calendar takes into account the links between the components (see as explained in 5.2), and the availability of the team.

Table 4: Key milestones of the evaluation

Milestones	Deliverables	Dates
Inception Phase		
Initial consultation and document review	<u>Final draft</u> - Approach Paper <u>First draft</u> - Portfolio review	January 2022
Review the proposed methodology		
Develop data collection tools		
Portfolio review		
Desk-Based Phase		
Desk-based data collection - Literature review - Desk-based case studies - Benchmark and policy review - Portfolio review (continued)	<u>First draft</u> - Literature review - Desk-based case studies - Benchmark matrix - policy review <u>Final draft</u> - Portfolio review	February 2023
Stakeholder Consultation Phase		
Bank HQ main consultations (virtual)		20th-24th February 2023
Consultations in MDBs (Virtual)		6th-17th March 2023
Field missions		April 2023
Synthesis Phase		
Annexes (literature review, policy review and institutional comparison, desk-based country case studies)	<u>First draft and final draft</u> - Technical Report (with the external team)	End-March 2023
Annexes (field country case studies)		End-April 2023
Technical report – DRAFT		Mid-May 2023
Workshop emerging findings		Mid-May 2023
Technical report – FINAL		End-May 2023
Summary report (Draft)	Summary report (with IDEV)	End-December 2023
Reference Group and Peer reviewers' comments		
Final Summary report		

8 ORGANISATION

8.1 Evaluation team

The evaluation team is composed of the following team members:

Names	**Position / Main Responsibilities**
Samson Houetohossou	Principal Evaluation Officer
Ali Compaoré	Evaluation analyst
Raky Gassama Coly	Senior Knowledge management and communication officer
Charlotte Vaillant	Lead consultant; policy review and institutional comparison; (2) country case studies
Deborah Mansfield	Literature review; (2) country case studies
Abdelouahab Ghzala	(6) Country case studies
Leon Janauschek	Junior Consultant

8.2 Evaluation management and resources

The evaluation will be task-managed by a Principal Evaluation Officer at IDEV supported by an evaluation analyst, knowledge management and communication officers, and a Consultant team.

The Team will work under the leadership of IDEV.2 Manager. The quality assurance will include internal and external peer reviewers, an Evaluation Reference Group (ERG), and guidance from IDEV Management. The ERG will be composed of representatives from SNSP, Development Impact and Results (SNDR), RDVP, and Sector and Regional Departments.

9 References

Asian Development Bank (2011). Cost Sharing and Expenditure Eligibility: Policy Implementation Review

Green Climate Fund (2019). Independent Evaluation of the Green Climate Fund's Country Ownership Approach. Final Report. Independent Evaluation Unit (IEU).

IDEV (2018). Evaluation of Quality Assurance across the Project Cycle of the African Development Bank Group (2012–2017)

IDEV (2019). Synthesis Report on the validation of the 2017 Project Completion Reports (PCRs).

IDEV (2020). Synthesis Report on the Validation of 2018 Project Completion Reports.

Paillage S. and Robe M. A. (2015) "Counterpart Funding Requirements and the Foreign Aid Procyclicality Puzzle," *Oxford Review of Economic Policy*, Volume 31, Numbers 3–4, 2015, pp. 462–480.

RDVP (2020): "Addressing issues of delayed and undisbursed counterpart funds for ongoing and future Bank operations"

SNSP (2008). Policy on Expenditure Eligible for Bank Group Financing,

SNSP (2020). Counterpart Funding: Experiences and Lessons Learnt (PowerPoint Presentation).

World Bank (2013). Investment Project Financing - Country Financing Parameters Guidance Note

10 Annex 1: Evaluation Matrix

Main Evaluation Questions	Sub-questions	Evaluation components				
		Portfolio Analysis	Literature Review	Policy Review	Benchmark Study	Country Case Studies
Relevance						
EQ1. To what extent are the foundations underpinning the policy provision on counterpart funding supported by evidence and academic research, and aligned with international practices?	• What does the evidence from the literature say about counterpart funding as an effective mechanism to promote ownership?		X			
	• How does the international community view counterpart funding as an effective mechanism to promote ownership?		X		X	X
	• What are the mechanisms used by MDBs and other development partners to promote country ownership?		X		X	X
EQ2. To what extent has the policy provision on counterpart funding (including through the use of CFPs) reflected the changing needs and priorities of RMCs'?	• How relevant have the parameters that determine the level of counterpart funds and/or factors that trigger requests for flexibility been to RMCs' needs and priorities? Are some parameters missing?			X		X
	• To what extent have the regional member countries been consulted over the Bank's parameters (incl CFPs) and Bank's decision for counterpart funding?			X		X
	• To what extent has the policy provision on counterpart funding provided a flexible framework that adapts to changing country circumstances, including in situations of fragility and complex emergencies?					X
	• How does the above differ from other MDBs?				X	
Coherence						
EQ3. To what extent has the policy on counterpart funding	• To what extent has the policy provision on counterpart funding been coherent with the Bank's institutional framework and other operational policies?			X		

Main Evaluation Questions	Sub-questions	Evaluation components				
		Portfolio Analysis	Literature Review	Policy Review	Benchmark Study	Country Case Studies
been internally and externally coherent?	• To what extent has the policy provision on counterpart funding contributed (as intended) to harmonising development partner policies & practices?			X	X	X
	• How does the Bank's policy provision compare with those of other MDBs? How has the Bank been using CFPs compared to other co-financiers in joint operations?			X	X	X
Efficiency						
EQ4. How efficiently have the Bank's policy provision on counterpart funding been managed and delivered?	• Has the counterpart funding policy provision, as implemented by the Bank, been compliant, timely, and cost-effective?	X		X		X
	• To what extent do the Bank's Board, management and operational staff understand the policy provision on counterpart funding?			X		X
	• To what extent has the policy provision on counterpart funding reduced transaction costs for country teams?	X		X		X
	• Which main challenges (resources, policy, institutional framework, etc.) has the Bank encountered in-house to implement its counterpart funding policy provision?	X		X		X
	• How does the above differ from other MDBs?				X	X
	• What does the above say about the quality of the policy provision (clarity, transparency, comprehensiveness, focus on results, adaptability)?	X		X	X	X
Effectiveness						

Main Evaluation Questions	Sub-questions	Evaluation components				
		Portfolio Analysis	Literature Review	Policy Review	Benchmark Study	Country Case Studies
EQ5. To what extent and how has the policy provision on counterpart funding been effective in making funding more flexible and in sharing risk sharing in its operations?	• To what extent has the policy provision on counterpart funds been effective in ensuring government financial commitment?	X				X
	• To what extent has the policy provision on counterpart funds enhanced the Bank's ability to provide flexible funding, including in situations of fragility and complex emergencies?	X				X
	• To what extent has the policy provision on counterpart funds enhanced risk sharing between the Bank and RMCs?	X				X
	• What are the main differences in terms of the extent of counterpart funding, country types, and sectors?	X				X
	• How does the above differ from other MDBs?				X	
	• What have been the *external* challenges faced by RMCs in meeting counterpart funding requirements?		X			X
EQ6. To what extent and how has the policy on counterpart funding been effective in enhancing country ownership in its operations? (see also EQ2)	• To what extent and how has the policy provision on counterpart funding affected the efficiency of (and risk(s) associated with) the Bank projects and programs in RMCs?	X				X
	• To what extent and how has the policy provision on counterpart funding affected the effectiveness of Bank projects and programs in RMCs?	X				X
	• To what extent and how has the policy provision on counterpart funding affected the sustainability of the Bank's interventions in RMCs? Has the requirement of counterpart funding affected the budgeting processes in RMCs?					X
	• What are the main differences in terms of the extent of counterpart funding, country types, and sectors?	X				X
	• How does the above differ from other MDBs?				X	

Main Evaluation Questions	Sub-questions	Evaluation components				
		Portfolio Analysis	Literature Review	Policy Review	Benchmark Study	Country Case Studies
	• What does the above say about the causal links between counterpart funding and country ownership?	X			X	X
Lessons & Recommendations						
What lessons can be learned from the implementation of counterpart funding policy provision at AfDB and the experience of other MDBs?	• What are the main strengths, weaknesses, opportunities, and challenges of the Bank's counterpart funding policy provision? • What are the main lessons and good practices emerging from the Bank and the experience of other MDBs on using counterpart funding as a mechanism to promote ownership? Which other mechanisms have been used?	X	X	X	X	X
What are the key aspects that could make the counterpart funding instrument more relevant, coherent, coherent, effective, and tl efficient?	• What recommendations can be made with regard to the policy framework? • What recommendations can be made with regard to policy processes and tools? • What recommendations can be made with regard to counterpart funding as a mechanism to promote ownership? Which other mechanisms can be used?	X	X	X	X	X

11 Annex 2: Preliminary stakeholders' mapping and engagement plan

Knowledge products	Audience	Communication Channels	Communication products
Approach paper	IDEV Management Evaluation Reference Group and Peer reviewers SNDR SNSP RDVP Operations Complexes Bank Regional & Country offices RMC authorities Other MDBs (WB, IADB, AsDB, IFAD) General audience	*Email* *briefing meetings* *IDEV Website*	Approach paper document (PDF) Webtext on the evaluation
Draft/Final Technical Report	IDEV Management Reference Group and Peer reviewers RDVP and SNSP (management counterpart) SNDR Operations Complexes Bank Regional & Country offices	*Email* *Reference group meetings* *Workshop on emerging findings*	Draft technical report Workshop Final technical report
Draft Summary report	IDEV Management Reference Group and Peer reviewers RDVP and SNSP	*Email* *Reference group meeting*	Draft summary report Presentation Final Summary report (pdf) Webtext on the evaluation
Summary Report (laid out)	CODE Bank Senior management and staff (HQ, regional & Country Offices) Other MDBs (WB, IADB, AsDB, IFAD) General audience	*CODE meeting* *IDEV Website* *IDEV social media* *Electronic and printed copies* *Workshop through videoconference*	Published summary report Executive Summary Briefs or Highlights with infographics Presentation Tweets Blog or short video (animation) that could also include best practices from country cases studies

12 Annex 3 Institutional Comparison Analytical Framework

Units of analysis		AfDB	WB	AsDB	IADB	DBSA
1. Counterpart Funding Policy Provision(s) *(EQ2)* *<u>To consider:</u>* - *Rationale for max / min counterpart funding threshold* - *Overall policy landscape* - *Commitment to donor alignment* - *Approach to co-financing*	Current state					
	Developments during review period					
2. Institutional framework *(EQ3, EQ4)* *<u>To consider:</u>* - *Main departments with lead responsibilities* - *Overview of decision-making processes / workflows* - *Staff ownership and understanding of counterpart funding policy*	Current state					
	Developments during review period					
3. Counterpart funding parameters / diagnosis tools *(EQ2)* *<u>To consider:</u>* - *Main criteria used to assess counterpart funding*	Current state					

Units of analysis		AfDB	WB	AsDB	IADB	DBSA
/ obtain requests for waiver - *Approach to consultations with authorities* - *Flexibility of CFP/diagnosis tools / requests for waiver*	Developments during review period					
4. Availability of data on the use of CPF/ Monitoring *(EQ4, EQ5)* <u>To consider:</u> - *Availability, quality and frequency of data on the use and levels of counterpart funding and other relevant data (co-financing, risk sharing, transaction costs etc);* - *Integration of counterpart funding and other relevant data into performance management* - *Integration of counterpart funding and other relevant data into monitoring and evaluation*	Current state					
	Developments during review period					
	Benchmark score					
5. Documented evidence on the effects of counterpart funding on project performance *(EQ4, EQ5, EQ6)* *(Literature review)*	Current state					
	Developments during review period					

Units of analysis		AfDB	WB	AsDB	IADB	DBSA
6. Approaches to promoting ownership *(EQ1, EQ6)* *(Literature review)*	Current state					
	Developments during review period					
Relevant documents		•	•	•	•	•

13 Annex 4 Country case study template

A - INTRODUCTION

1. **Country Context (Focus on CFP Parameters)**
2. **Overview of the Bank's Country Strategy Papers**

(last 2 only)

3. **Overview of the Bank's Portfolio & choice of sectors**

(data only – no analysis)

(selection of 2 sectors for the case studies (see methodology) and rationale (incl. choice of instruments / level of counterpart funding / inputs from Bank's country economist etc)

4. **Use of request for waivers / CFPs etc over the last 2 CSPs**

(timeline)

5. **Country data from IDEV Portfolio Review**

B - KEY FINDINGS

1.1. Relevance

EQ2. To what extent has the policy provision on counterpart funding (including through the use of CFPs) reflected the changing needs and priorities of RMCs'?

SUMMARY OF MAIN FINDINGS

- How relevant have the parameters that determine the level of counterpart funds and/or factors that trigger requests for waivers been to RMCs' needs and priorities? Are some parameters missing?
- To what extent have the partner countries been consulted over the Bank's parameters (incl CFPs) and Bank's decision for counterpart funding?

- To what extent has the policy provision on counterpart funding provided a flexible framework that adapts to changing country circumstances, including in situations of fragility and complex emergencies?
- How does the above differ from other MDBs in the selected country?

1.2. Internal and External Coherence

EQ3. To what extent has the policy on counterpart funding been internally and externally coherent?
SUMMARY OF MAIN FINDINGS

- To what extent has the policy provision on counterpart funding been coherent with the Bank's institutional framework and other operational policies?
- To what extent has the policy provision on counterpart funding contributed (as intended) to harmonising donor policies & practices?
- How does the Bank's policy provision compare with those of other MDBs? How has the Bank been using CFPs compared to other co-financiers in joint operations?

1.3. Efficiency

EQ4. How efficiently have the Bank's policy provision on counterpart funding been managed and delivered?
SUMMARY OF MAIN FINDINGS

- Has the counterpart funding policy provision, as implemented by the Bank, been compliant, timely, and cost-effective?
- To what extent do the Bank's management and operational staff understand the policy provision on counterpart funding?
- To what extent has the policy provision on counterpart funding reduced transaction costs for country teams (including through the reduced number of waivers)?
- Which main challenges (resources, policy, institutional framework, etc.) has the Bank encountered in-house to implement its counterpart funding policy provision?
- How does the above differ from other MDBs?
- What does the above say about the quality of the policy provision (clarity, transparency, comprehensiveness, focus on results, adaptability)?

1.4. Effectiveness (flexibility)

EQ5. To what extent and how has the policy provision on counterpart funding been effective in making funding more flexible and in sharing risk sharing in its operations?
SUMMARY OF MAIN FINDINGS

- To what extent has the policy provision on counterpart funds been effective in ensuring government financial commitment?
- To what extent has the policy provision on counterpart funds enhanced the Bank's ability to provide flexible funding, including in situations of fragility and complex emergencies?
- To what extent has the policy provision on counterpart funds enhanced risk sharing between the Bank and RMCs?
- What are the main differences in terms of the extent of counterpart funding, country types, and sectors?
- How does the above differ from other MDBs?
- What have been the external challenges faced by RMCs in meeting counterpart funding requirements?

1.5. Effectiveness (ownership)

EQ5. To what extent and how has the policy on counterpart funding been effective in enhancing country ownership in its operations?
SUMMARY OF MAIN FINDINGS

- To what extent and how has the policy provision on counterpart funding affected the efficiency of (and risk(s) associated with) the Bank projects and programs in RMCs?
- To what extent and how has the policy provision on counterpart funding affected the effectiveness of Bank projects and programs in RMCs?
- To what extent and how has the policy provision on counterpart funding affected the sustainability of the Bank's interventions in RMCs? Has the requirement of counterpart funding affected the budgeting processes in RMCs?
- What are the main differences in terms of the extent of counterpart funding, country types, and sectors?
- How does the above differ from other MDBs?
- What does the above say about the causal links between counterpart funding and country ownership?

1.6. Lessons & Recommendations

1. Lessons

1.1. What lessons can be learned from the implementation of counterpart funding policy provision at AfDB and the experience of other MDBs?
1.2. What are the main strengths, weaknesses, opportunities, and challenges of the Bank's counterpart funding policy provision?
1.3. What are the main lessons and good practices emerging from the Bank and the experience of other MDBs on using counterpart funding as a mechanism to promote ownership? Which other mechanisms have been used?
1.4. What are the key aspects that could make the counterpart funding instrument more relevant, coherent, coherent, effective, and efficient?

2. Recommendations

2.1. What recommendations can be made with regard to the policy framework?
2.2. What recommendations can be made with regard to policy processes and tools?
2.3. What recommendations can be made with regard to counterpart funding as a mechanism to promote ownership? Which other mechanisms can be used?

14 Annex 5 Questions for semi-structured interviews

1. Bank staff (for both HQ and country staff (see separate document on Bank stakeholder mapping)

(focus on Bank's policy and institutional framework)

- What is your role / involvement in the implementation of the Bank's policy provision on counterpart funding?
- Which other departments (from your complex or another complex) are involved? and how do you work with them?
- What is your understanding / do you have a view on how the Bank makes decisions on counterpart funding eligibility?

- How has the practice on counterpart funding and the implementation of the policy changed since its inception in 2008?

(get overall response to this question, then move to specifics "as far as you can tell":)

  - Is there a good understanding of the policy provision amongst Bank staff?
  - Is there a clear division of roles and responsibilities across the Bank's departments on who does what?
  - Is the Bank's policy on counterpart funding coherent with the Bank's other operational policies?
  - Any other challenges *(not already mentioned)* that the Bank has encountered in-house in implementing its counterpart funding policy provision?

(focus on tools and practices)

- In your view, can the various tools and processes in place (AfDB/World Bank Country Financing Parameters, request for waivers) be used adequately reflect the needs and priorities of member countries?
- Do you think the policy and processes in place are flexible enough to adapt to (i) different modalities / different sectors (ii) different country circumstances (including in fragile situations) (iii) changes in individual country circumstances (incl external shocks)?
- Can you share any examples of flexible approaches being used by the Bank to implement the policy?
- Do you think that some key parameters / factors to determine the level of counterpart funds, are missing?
- How are counterpart funding commitments monitored and followed-up?

(focus on results)

- In your experience, to what extent have RMCs been able to meet their financial commitments? Why is this so (key drivers/ constraints)?
- Any success stories you could share that demonstrate that the use of counterpart funding has:
  - (i) made the Bank's funding more flexible?
  - (i) improved the performance of the Bank's programmes (efficiency, effectiveness)?
  - (ii) helped towards achieving more sustainable results (by influencing the country budget processes)??
- In your view, is counterpart funding an effective way to demonstrate – and (taking it even further) - promote country ownership?
- What other mechanisms is the Bank using to promote country ownership?

(Benchmark study)

- What is your knowledge of other MDBs counterpart policy and practices? How do they differ from those of the Bank?
- As far as you know, have practices on counterpart funding diverged or converged between the AfDB and its peers?
- Any discussion / consultation you have had with them on counterpart funding? (explain + contact)
- How does the Bank approach counterpart funding when co-financing projects together with other donors?

(wrap-up / Follow-up)

- Any lessons and/or recommendations you would like to share?
- Any documents, including for the literature review?

2. MDBs (for both HQ (starting with IDEV focal points, then using a snowball approach) and MDB country offices

The questions might evolve as knowledge about the CF practices of other MDBs grows throughout the data collection phase

(focus on policy)

- What is your Bank's policy provision on counterpart funding practice?
- Where can the policy provision be found?
- How does it link with your Bank's overall policy landscape?
- What is the rationale behind your counterpart funding policy?
- Has your policy evolved over the years? And why? (incl. challenges)
- How is your policy harmonised with that of other development partners?

(focus on institutional framework)

- Which key departments are involved in delivering the policy?
- What is being done to ensure staff ownership and understanding over the policy and its delivery?
- Has the institutional framework evolve over the years? And why? (incl. challenges)

(focus on tools)

- What tools are used to determine counterpart funding parameters and based on what information?
- Does it involve some consultation with recipient governments in member countries? If so, how? And how important is it?
- Does it involve some consultation with other development partners (in particular during co-financing)? If so, how? And how important is it?
- How flexible are your tools? How do they allow for (i) different modalities / different sectors (ii) different country circumstances (including in fragile situations) (iii) changes in individual country circumstances (incl external shocks)?
- Can you share any examples of flexible approaches being used by your Bank to implement the policy?

(focus on data)

- How are counterpart funding commitments monitored and followed-up?
- Do you have information or data on the actual levels of counterpart funding observed in your bank's lending portfolio that you could share with us?

(focus on documented evidence)

- Do you have any evidence (or personal experience) on how member states are being able to meet their financial commitments? And what are the key drivers/constraints they experience?
- Do you have any evidence (or personal experience) on how counterpart funding has affected project/portfolio performance (both positive and negative)?
- Do you have any evidence (or personal experience) on how counterpart funding has contributed to lasting development outcomes ?

(focus on country ownership)

- Do you have any evidence (or personal experience) on whether counterpart funding is an effective way to demonstrate and/or promote country ownership?
- What other mechanisms does your bank use to promote country ownership? Do these mechanisms work alongside counterpart funding or do they substitute for it?

(wrap-up / follow-up)

- Could you share with us relevant documents (policies, evaluations, internal reviews, raw data, etc.)?
- Who else should we talk to within your bank regarding this topic?

15 Annex 6. List of people consulted during the inception phase

Name	Department	Position
Gassia Assadourian	RDVP	
Niels Breyer	CODE	CODE Chair; Executive Director Germany, Luxembourg, Portugal, and Switzerland
Madhusoodhanan Mampuzhasseril	IDEV	Division Manager IDEV.2
Susan Mpande	SNSP	Senior Strategy and Policy Officer
Alain Niyubahwe	SNSP (formerly)	
Karen Rot-Münstermann	IDEV	Evaluator-General
Laura Rutishauser	CODE	Senior Advisor
Saloua Sehili	SNSP	Chief Strategy Officer
Edward Sennoga	RDGE	Lead Economist Eastern Region

16 Annex 4. List of documents collected – Literature review

1. Academic

- "Splitting the cheque": counterpart commitments in World Bank Projects. Winters and Streitfeld 2011
- Splitting the Check: bargaining over counterpart commitments in World Bank Projects. Winters and Streitfeld 2013
- Matthew S. Winters & Jaclyn D. Streitfeld (2018) Splitting the check: explaining patterns of counterpart commitments in World Bank projects, Review of International Political Economy, 25:6, 884-908, DOI: 10.1080/09692290.2018.1490328
- Counterpart funding requirements and the foreign aid procyclicality puzzle. Pallage, S. and Robe, M. Oxford Review of Economic Policy, Volume 31, Numbers 3–4, 2015, pp. 462–480
- Effect of local counterpart funding delay on procurement of donor funded projects. Kotey, S. November 2014
- The effect of local counterpart funding delay on procurement of donor funded projects. Kotey, S. and Nani, G. African Journal of Applied Research, Volume 2, Number 2, 2015, pp. 31-39.

- **The aftermath of the withdrawal of the World Bank counterpart funding for the Ogun State Agricultural Development Programme (ADP) in Nigeria.** Adebayo, K. and Idowu, IA. Journal of Sustainable Agriculture, Volume 17, Issue 2-3, 2001, pp. 79-98
- **Rethinking the Challenges of a Multilateral Development Bank in African Society: The African Development Bank in Nigeria, 1986-2015**. Igwe, AU and Onuegbu, FC. *http://dx.doi./org/10.4314/ujah.v20i2.1*
- DIETRICH, Simone Susanne, WINTERS, Matthew. **Foreign Aid and Quality of Governance.** In: *The Oxford Handbook of Quality of Government*. Oxford: 2021.
- Stephen, MJ **Counterpart Funding and Sustainable Rural development in Nigeria**. Journal of Business and Organizational Development Volume 4, December 2012
- **Ownership and Effectiveness of China's Aid projects in Africa**. Chuanhong Zhang, Xiaoyun Li, Dawit Alemu. IDS Bulletin Vol. 52 No. 2 November 2021 'China and International Development: Knowledge, Governance, and Practice'
- Malin Hasselskog & Isabell Schierenbeck (2017) **The Ownership Paradox: Continuity and Change,** Forum for Development Studies, 44:3, 323-333, DOI:10.1080/08039410.2017.1384530
- David Booth (2012) **Aid effectiveness: bringing country ownership (and politics) back in**. Conflict, Security & Development, 12:5, 537 558, DOI: 10.1080/14678802.2012.744184David Booth 2012
- Sissoko, Manda Dite Mariam and Toschi, Natalia and Martin, Lisandro, IFAD Research Series 37 - **Determinants of Cofinancing in IFAD-Funded Projects: A Call to Rethink Development Interventions** (April 1, 2019). IFAD RESEARCH SERIES 37 - 2019, ISBN 978-92-9072-891-7, Available at SSRN: https://ssrn.com/abstract=3383423
- Wagstaff, A. and Yu, S. (2007) **Do health sector reforms have their intended impacts?: the World Bank's Health VIII project in Gansu province, China.** Journal of Health Economics, Volume 26, Issue 3, pp. 505-535.
- Albert, CO and Deekor B. (2014) **Impact of International Fund for Agricultural Development (IFAD) in rural and agricultural development in Southern Nigeria.** Agricultura, Volume 89, Number 1-2, DOI: https://doi.org/10.15835/arspa.v89i1-2.10081
- Graham, Vaughn F. (2017): **Towards a Conceptual Expansion of Ownership and Post-2015 Global Development Policy. Illustrations from the Jamaican Experience.** Development Policy Review, Vol. 35 (3), pp. 373-395.
- Killick, Tony (1998): **Aid and the Political Economy of Policy Change**. London and New York. Routledge.

2. Grey literature

1. AfDB

- **Information note on counterpart funding and recurrent costs,** AfDB 2016
- **Policy on eligible expenditure**, AfDB 2008
- **Guidelines on local and recurrent local costs,** AfDB 1997
- **Presentation to the Board on Counterpart Funding**, AfDB SNSP 2018
- **Note on addressing issues of delayed and undisbursed counterpart fund or ongoing and future Bank operations**. RDVP AfDB November 2018

2. Other

- Country Ownership in International Development: Toward a working definition. Working paper. USAID 2016. Stephanie Watson-Grant, DrPH, Khou Xiong, MPH, James C. Thomas, PhD MEASURE Evaluation.
- Three countries, three different applications of co-financing in Global Fund Grants in Sub-Saharan Africa. Inconsistent application of co-financing policy across countries. Amendah, D. January 15th 2019 https://www.aidspan.org/fr/c/article/4827 accessed 29/11/22
- Sustainability, Transition and Co-financing policy, The Global Fund to Fight AIDS, Tuberculosis and Malaria 2016
- Cost sharing expenditures approach. Asian Development Bank, 2005
- The Global Fund's New Funding Model, The Global Fund to Fight AIDS, Tuberculosis and Malaria Fourth Replenishment, April 2013
- Guinea's Global Fund Grant implementation yields challenges and lessons: Program integration, and strengthening supply chain, infrastructure, and logistics must be prioritized Amendah D December 10 2018 https://aidspan.org/en/c/article/4800 accessed 29/11/22
- Eligibility of expenditures in World Bank Lending : A new policy framework. World Bank, 2004
- Operational Memorandum: Specific Expenditure Eligibility and Cost Sharing Requirements for Investment Projects in Countries Without Approved Country Financing Parameters. World Bank, 2007
- Cost Sharing and Eligibility of Expenditures for ADB Financing: A New Approach. Asian Development Bank, 2005
- Operations Manual Bank Policies: Cost Sharing and Eligibility of Expenditures for ADB Financing Asian Development Bank 3 January 2012
- IFAD's Cofinancing Strategy and Action Plan. IFAD, 2018
- The Caribbean Development Bank's Basic Needs Trust Fund Operations Manual Updated 2021.
- Arrangements for Cost Sharing Between Donors and Clients. European Bank for Reconstruction and Development (EBRD), 2011
- Gavi, the Vaccine Alliance Co-financing Policy Version 2.0 23 June 2016
- Gavi Alliance Eligibility and Transition Policy Version 3.0 7 June 2018
- Paolo de Renzio, Lindsay Whitfield, and Isaline Bergamaschi. Reforming Foreign Aid Practices: What country ownership is and what donors can do to support it. Briefing Paper. University of Oxford. Department of politics and international relations, Global Economic Governance programme. June 2008
- Metrics for implementing country ownership Modernising Foreign Assistance Network (date unknown)
- David Booth. Aid effectiveness: bringing country ownership (and politics) back in. Working Paper 336, Africa Power and Politics. ODI 2011
- Counterpart Finance for Loan Projects. Asian Development Bank Project Administration Instructions revised in December 2018

- **Borrower Ownership of Adjustment Programs and the Political Economy of Reform.** World Bank Discussion Papers. John Johnson and Sulaiman Wasty (1993).**The Use and Utility of US Government Approaches to Country Ownership. New Insights from Partner Countries.** Sarah Rose (CGD), Jared Kalow (CGD), Bradley Parks (AidData), Takaaki Masaki (AidData) (2016). Center for Global Development (CGD)
- **Country Ownership.** World Bank (2008). http://web.worldbank.org/archive/website01013/WEB/0__CO-89.HTM

3. Evaluations/reviews

1. AfDB

- **Evaluation of the AfDB's Country Portfolio Review and Restructuring Policy (2011-2019).** AfDB IDEV March 2021
- *Country case study evaluations to be added*

2. Other

- **Instruments and Development: An Evaluation of IDB Lending Modalities.** Inter-American Development Bank, 2004
- **The evaluation of the New Lending Framework, 2005 – 2008**. Office of Evaluation and Oversight, OVE Inter-American Development Bank Washington, D.C. September 2008
- **Cost Sharing and Expenditure Eligibility: Policy Implementation Review**. Asian Development Bank, 2011
- **Corporate Level Evaluation: IFAD's Financial Architecture**, Independent Office of Evaluation IFAD 2018
- Dimitrios Gouglas, Klara Henderson, Jens Plahte, Christine Årdal, John-Arne Røttingen. 2014. **Evaluation of the GAVI Alliance Co-financing Policy.** Report commissioned by the GAVI Alliance. Norwegian Institute of Public Health, Oslo
- **Evaluation of Gavi's Eligibility and Transition and Co-financing Policies,** 26th November 2019
- **Seeking balanced ownership in changing development cooperation relationships.** Evaluation of ownership in the Swedish aid portfolio. Niels Keijzer, Stephan Klingebiel, Charlotte Örnemark, Fabian Scholtes (August 2018). Expert Group for Aid Studies (EBA)
- **Independent Evaluation of the Green Climate Fund's Country Ownership Approach. Final Report.** Green Climate Fund. Independent Evaluation Unit (IEU). October 2019
- **The Evaluation of the Paris Declaration. Phase 2. Main Report.** B. Woods, J. Betts, F. Etta, J. Gayfer, D. Kabell, N. Ngwira, F. Sagasti, M. Samaranayake. May 2011
- *To be added to the following MDB interviews*

17 Annex 7 List of documents collected - MDBs

1. World Bank (WB):

- OP/BP 6.30, Local Cost Financing and Cost Sharing (1993)
  - Defined WB policy on cost sharing from 1993 to 2004
  - Replaced OMS 1.22, Local Cost Financing and Cost Sharing
  - Replaced by OP/BP 6.00, Bank Financing in 2004

    - BP demands regional reports on cost sharing as part of the Annual Review of Portfolio Performance
        - Are quite old but could be potentially of interest if the evaluation team could obtain them
- Eligibility of Expenditures in World Bank Lending: A New Policy Framework (2004)
    - Section III. A on Cost Sharing
    - Suggests revisions to established policy OP 6.30
    - Introduces flexibility on a project basis
    - Look at cost sharing and commitment of the country through the overall development programme or sector concerned, not through individual projects
- OP/BP 6.00, Bank Financing (2004)
    - Based on the eligibility of expenditures policy framework
    - Replaced OP/BP 6.30
    - This only applies to investment projects in countries with approved CFPs
    - OP/BP 6.00 are not listed among WB's current policies anymore but they also do not seem to have been replaced by anything. Not clear when or why they were discontinued.
- Operational Memorandum: Specific Expenditure Eligibility and Cost Sharing Requirements for Investment Projects in Countries Without Approved Country Financing Parameters (2007)
    - Clarification of policy for countries without CFPs
- Neither the bank's current Investment Project Financing Policy, Co-Financing Policy, nor the Financial Terms and Conditions of Bank Financing Directive make any reference to cost-sharing/counterpart funding
- No evaluations found

2. Asian Development Bank (AsDB)

- 'A Review of Lending Foreign Exchange for Local Currency Expenditures on Projects' (1983)
    - Defined cost-sharing limits before the 2002 policy revision
    - Unable to locate document so far
- A Graduation Policy for the Bank's DMCs (1998)
    - Section V.A on cost-sharing (also Appendix 3)
    - Didn't change the prevailing policy on cost sharing
- 'Review of Cost-Sharing Limits for Project Financing as an Element of ADB's 1998 Graduation Policy' (2002)
    - Policy update to the 1998 policy
    - Increased project cost-sharing limits established in 1983 policy
    - Unable to locate document so far
- Cost Sharing and Eligibility of Expenditures for ADB Financing: A New Approach (2005)
    - Review of policy on cost sharing and expenditure eligibility
    - Revised previous policy from 1998 (2002)

    - Following the 2004 WB policy
- 'Review of the 1998 Graduation Policy of the ADB' (2008)
    - Unable to locate document so far
    - Only able to find the chair's summary of a board meeting about it
    - Unclear how much cost-sharing features are in the review since the policy was already updated in 2005
    - Also accompanied by a 2008 policy paper on the review, for which also only a chair's summary is available
- Cost Sharing and Expenditure Eligibility: Policy Implementation Review (2011)
    - Review of implementation of 2005 policy during 2006-2009
- Enhancing Operational Efficiency of the ADB (2015)
    - Policy paper making small adjustments to cost-sharing policy
    - In section II.C, No. 3
- Operational Manual (OM) Section H3
    - Bank policy on Cost Sharing and Eligibility of Expenditures for ADB Financing
    - The latest version from January 2017 is still valid today
    - The prior version from January 2012 is also available online
    - There is also a 2006 version based on the 2005 policy changes but I can't find it online

3. Inter-American Development Bank (IADB)

- OP-311 Eligible Expenditures in Investment Loans (2006)
    - Still listed among the currently valid operational policies
    - Establishes rules of counterpart funding and use of CFPs to determine cost sharing
- Instruments and Development: An Evaluation of IDB Lending Modalities (2004)
    - Includes discussion on counterpart funding
- Initiative for the Promotion of Regional Public Goods (RPG)
    - The last call for proposals is in May 2022
    - General Guidelines call for limitations in eligible expenditure and requirement of counterpart funding
    - Information about CF requirements can also be found in FAQs
- Cofinancing can be used to substitute for local counterpart financing
- Non-Sovereign Grant Financing requires counterpart financing
- Article explaining IADB financing, incl. CF

4. Islamic Development Bank (IsDB)

- Little relevant information on CF at the IsDB could be found. CF as a practice does seem to exist, as it is mentioned in the attached bank profile as well as in the 2019 Disbursement Handbook. However, there are no relevant policy documents available online and there is no mention of CF in the 2020 Policy Compendium.

5. International Fund for Agricultural Development (IFAD)

- Corporate-Level Evaluation on IFAD's Financial Architecture (2018)
    - Section III.D evaluating co-financing and counterpart funding
- IFAD's Cofinancing Strategy and Action Plan (2018)

    - New policy resulting from the 2018 evaluation
    - Section III.C No.1 (Articles 28-32) on domestic cofinancing
- Determinants of cofinancing in IFAD-funded projects (Sissoko et al. 2019)
    - In-depth analysis of IFAD cofinancing (both domestic and international) based on 20 years of project data to identify drivers of cofinancing
- Recent Nigerian news article (Sep 2022) about 7 states losing access to IFAD funding over unpaid counterpart payments

6. Asian Infrastructure Investment Bank (AIIB)

- Little information on CF at AIIB is available online.
- Neither the General Conditions for Sovereign-backed Loans nor the Operational Policy on Financing makes any reference to CF or cost-sharing
- That doesn't mean CF doesn't exist at the AIIB, though. There are several mentions in reports of CF agreements in certain projects, e.g. with the Government of Gujarat and the Government of Tamil Nadu
- The COVID-19 Crisis Recovery Facility of the AIIB included a reduction in CF for already approved financings

7. European Bank for Reconstruction and Development (EBRD)

- A Guide to EBRD Financing (2005)
    - "The EBRD typically funds up to 35 percent of the total project cost for a greenfield project or 35 percent of the long-term capitalization of the project company. The Bank requires significant equity contributions from the sponsors, which must equal or be greater than the EBRD's investment. There must be additional funding from the sponsors, other co-financiers or generated through the EBRD's syndications programme." (p.4)
- 'Arrangements for Cost Sharing Between Donors and Clients' (2011)
    - Policy on cost-sharing approved by the board of directors in January 2011
    - Reference to it in an EBRD Shareholder Special Fund Interim Evaluation(2014; p.6)
    - unable to find the policy online
    - The cost-sharing policy was revised in 2014 (source) but no further information was found on that either

8. European Investment Bank (EIB)

- EIB typically covers up to 50% of a project's total cost. This is true for loans to both the public and private sectors, as well as framework loans. Here is another guide illustrating their financing parameters (p.9)
- No relevant information was available online beyond that.

9. BRICS New Development Bank (NDB)

- NDB devises Country Partnership Plans (CPPs) to determine counterpart resources. For technical assistance, cost sharing and governments' counterpart resources are determined through project technical assistance (PTA). Financing plans for projects have to, among other things, confirm the timely availability of adequate counterpart resources.

- Not clear how high their cost-sharing levels are (in a project from Russia NDB financed <30%).

10. Development Bank of Southern Africa (DBSA)

Counterpart funding component of DBSA's projects selection process (see criterion 5). The link to the page



11. West African Development Bank

> **6.5 Participation d'une banque locale**
> La participation d'une banque locale ou d'un établissement financier au financement d'un projet privé dans lequel intervient la BOAD est requise.
>
> **6.6 Apports en fonds propres**
> Au titre du financement du projet, la BOAD exige des apports en fonds propres. Pour les projets en création, ces apports devront être au minimum de 35% à 40% du total des investissements y compris le fonds de roulement, selon les secteurs.
> Pour les projets en développement, l'apport minimum sera apprécié en tenant compte de la structure d'endettement de l'entreprise et du risque-projet. Il ne peut en tout état de cause être inférieur à 15 % du total des investissements projetés.

Link to the practical guide p.8