Independent Evaluation of General Capital Increase-VI and African Development Fund 12 and 13 Commitments: Overarching Review

Background

IDEV conducted an evaluation of the Bank’s delivery of its commitments agreed to under GCI-VI (the Sixth General Capital Increase) and ADF (African Development Fund) 12 and 13. Under both GCI-VI and ADF-13, the Bank agreed to an independent assessment to complement its own reporting on delivery of the commitments.

The commitments act as an agreement between the Bank and its shareholders in the case of GCI, and the Bank and ADF members and state parties in the case of the ADF. Both the Bank and its financial supporters are interested in understanding if this approach is working – both in terms of the extent to which the Bank is delivering as expected, and whether the Bank is indeed moving in the direction that it and its stakeholders intended. In terms of content, the commitments vary considerably from producing new policy documents establishing new functions or financial instruments, revising procedures, and instigating institutional reforms. Collectively, they touch on all facets of the Bank’s work.

IDEV produced three evaluations relating to these commitments, the first is an overarching review, the second focuses on policies and strategies and the third on budget management. This brief focuses on the first evaluation. The full report was published in September 2015. Box 1 sets out the scope and approach of the evaluation, the Summary report provides further information.
Main Findings

The evaluation looked at the relevance of the commitments, the processes involved in agreeing to them, it verified the delivery of each of the individual commitments, and examined the effectiveness of their implementation.

Relevance

Relevance was evaluated by assessing the alignment and selectivity of the three sets of commitments. The evaluation finds that the commitments are relevant and well aligned with the Bank’s strategic priorities – particularly the Medium-Term Strategy and more recently the Ten Year Strategy. However, it also noted that the commitments are many in number, including some assessed to be of an insufficiently strategic nature necessarily to require the attention of Governors and Deputies.

Efficiency

To evaluate the efficiency of the process for agreeing the commitments (which is part of a broader funding discussion), the team examined the number of meetings and their location, the gap between processes, and the internal management of the preparation process. The report highlights the potential to reduce transaction costs in these processes – most notably for the ADF, which takes place every 3 years and involves a large number of papers which go through various iterations before they are considered by Deputies. It should be noted however, that the evaluation did not find that the ADF processes are markedly less efficient than those of comparators. Many of the areas where efficiencies can be improved in the ADF process are also relevant for the comparable replenishment processes of other multilateral development banks (MDBs).

The Bank introduced changes to increase the efficiency of the process in time for ADF-13. This included reducing the number of meetings and shortening the period over which the formal replenishment meetings are held, as well as holding more of the meetings at Bank headquarters to save on travel costs. There are now also new initiatives under way including an ADF Working Group of Deputies. However, it is too early to see whether or not these contribute to a more efficient process.

Delivery

The vast majority of the commitments have been delivered. For GCI-VI and ADF-12, of a total of 67 commitments only two have not been delivered – and both relate to actions that are not wholly under Bank management control. For ADF-13 the process of delivery is ongoing, but of those due at the time the evaluation was finalized, the majority had been delivered.

However, around half of the commitments that have been delivered were delivered late, some more than one year after the due date. ADF 13 compares positively to the previous processes. In many cases there are good reasons for these delays: (i) target dates for delivery were simply unrealistic for about one-third of the commitments, (ii) commitments are heavily frontloaded - for each of the three processes at least two-thirds of the commitments were due to be delivered in the first 12 months after completion of the process. This means the Bank has to act on many fronts at once. In addition, before agreeing to the commitments, the Bank does not cost or fully plan out what delivery will take in practical terms or fully define lead responsibilities on cross-cutting areas. In some cases there is a disconnect between those agreeing to commitments – including their precise wording and target delivery dates – and those who need to deliver and implement. The Bank thus sets itself up to miss its target dates.

Effectiveness

The effectiveness of implementation of the commitments was
examined by clustering the commitments around five areas: (i) policies and strategies; (ii) operations; (iii) resources and financial management; (iv) institutional effectiveness; and (v) results measurement. Effectiveness was assessed against both (a) the degree to which change has been achieved to date, and (b) the direction of travel based on recent developments.

In terms of change achieved to date, the Bank has made progress between 2010 and 2014 in all the areas highlighted in ADF and GCI discussions, though to varying degrees. However, in some areas it is not yet possible to see that broader expected changes have been achieved: in some cases there have been delays in delivering the outputs associated with the commitments, or they have only recently been agreed (in ADF-13). In others it seems that while the Bank has been strong in delivering key outputs, it has not consistently followed through with the resources, tools, incentives and the will to implement in practice. Both Bank management and the Board, and as a result staff, are focused on delivery of outputs, with less attention paid to following through on ensuring implementation and therefore securing intended outcomes.

In terms of direction of travel going forward the picture is more positive. Numerous recent developments indicate that despite initial problems and delays the Bank is moving in the right direction in all of the areas examined. For example, on people management, there have been a number of developments during 2014 which show a positive direction, even if progress was slow in the previous three years. However, bringing reforms to completion remains an ongoing challenge.

Conclusion

The evaluation finds a Bank that delivers on its commitments (albeit often late): it produces important documents and tools; established agreed structures; and launches exciting initiatives. But it is not able to conclude positively on the Bank’s ability to resource these initiatives, implement them effectively, and bring them to their full conclusion, thus realizing the intended final benefits. The evaluation therefore voices a note of caution to both the Bank and its stakeholders — any new major initiatives and reforms should be launched only after thorough planning and clear resourcing of their implementation.

Recommendations

Based on the findings and conclusions, the evaluation made four recommendations aimed at Bank Management, in summary these cover four main areas:

For both ADF and any future GCIs:

1. Focus on fewer and more strategic commitments, with realistic timelines and estimated costs for delivery. In future replenishment or capital increase processes, beginning with ADF-14, Bank management should: come to the table with a clear and coherent set of proposed commitments, seek to limit the number of commitments and discuss with Deputies whether all the issues raised are sufficiently strategic or high level to be included in these discussions and the agreed matrix of commitments; consult thoroughly with the parts of the Bank that will be responsible for delivering and implementing potential commitments to agree realistic timelines, estimate likely costs (and opportunity costs where relevant) as well as ensure unequivocally clear wording of the commitments themselves and ownership among the implementing department(s); avoid heavy frontloading of commitments, as far as possible; and make clear in the documentation the outcome or intended change expected from the delivery of a specific output, and where feasible how the change will be measured.

2. Enhance monitoring and managerial accountability for effective performance and results in terms of continued implementation, not only one-off deliveries. Build on existing monitoring of delivery to also focus on the
effectiveness of implementation. Ensure accountability and monitoring does not stop at delivery of a paper to the Board but covers implementation in practice. Integrate and align this monitoring with the monitoring taking place both for the Results Management Framework and the delivery and performance management function (as against introducing an additional system) – this also requires that the commitments themselves are relevant to these areas.

For the ADF specifically:

3. **Simplify the process.** Work with the governors, deputies and the Executive Board, in consultation with other MDBs, on a package of measures aimed at significant simplification of the replenishment process to be discussed at ADF-13 Mid-Term-Review and implemented in ADF-14 or ADF-15. This package should explicitly consider: moving to a longer replenishment cycle, drawing on the experience of AsDB; producing fewer background papers, drawing on the Bank’s experience with GCI; organizing fewer formal replenishment meetings, and continuing to hold the majority of them at Bank headquarters; and how the new ADF working group should be shaped to ensure that the time invested in it actually increases the overall efficiency and effectiveness of the process.

4. **Seek early Board ownership of commitments.** Build on existing efforts, including the existing informal Board meeting before each replenishment, to obtain Executive Directors’ early ownership of the commitments under the ADF (irrespective of whether Board members represent contributing or benefitting countries or both). To do this, the Bank will need to consider proactive ways to enhance communication and engagement.

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**About IDEV**

Independent Development Evaluation (IDEV) of the African Development Bank is an independent and autonomous function. It carries out independent evaluations of Bank operations, policies and strategies, working across projects, sectors, themes, regions, and countries. By conducting independent evaluations and proactively sharing best practice, IDEV ensures that the Bank and its stakeholders learn from past experience and plan and deliver development activities to the highest possible standards.

**Management Response**

Management welcomes IDEV’s evaluation of AfDB’s General Capital Increase-VI and ADF-12 and ADF-13 Commitments. It provides a timely assessment of the three resource mobilization processes providing conclusions that have been made in time to inform the ADF-13 Mid-term review (MTR) and the ADF-14 replenishment. It is also the first time that an evaluation focusing on commitments, delivery and implementation, examines together a capital increase and ADF replenishments. Management notes with satisfaction IDEV’s finding that “the Bank is on the road to positive reform, in the direction that both it and its stakeholders want to see.” It also agrees that the Bank will need to further streamline resource mobilization processes. Management agrees with three of the four recommendations, and partially agrees with one.