IDEV conducted an independent evaluation of the Program Based Operations (PBOs) of the African Development Bank Group (AfDB or "the Bank") for the period 2012 to 2017. PBOs, also known as budget support, are instruments that the AfDB uses to provide funds directly to a country’s treasury in support of the national budget. Furthermore, the Bank uses PBOs to support economic, financial or sector-specific reforms in the recipient country.

The purpose of the evaluation was to: assess how the Bank has been using the instrument since the PBO policy was approved (in 2012); identify factors that enable or hinder good performance; and draw lessons and recommendations to help the Bank to optimize its use of PBOs in the future. To this end, IDEV undertook a thematic evaluation and two cluster evaluations: a cluster evaluation of PBOs that focused on Energy, and a cluster evaluation of PBOs that focused on the Private Sector Environment (PSE).

The evaluation scope covers 91 PBOs that were approved in the period under review, with a collective approval value of UA 7.2 billion (USD 10.2 billion). The evaluation sought to answer three key questions: (i) To what extent is the Bank appropriately programming, designing and managing its PBOs? (ii) What is the evidence regarding the performance of PBOs, especially in the Bank’s priority areas of Energy and PSE? (iii) Looking forward, how can the Bank ensure it optimizes its use of PBOs, including helping the Bank to achieve the High 5s, the five priority areas of the Bank for transforming Africa? The High 5s are Light up and power Africa, Feed Africa, Industrialize Africa, Integrate Africa, and Improve the quality of life for the people of Africa.

What did IDEV find?

Relevance

The evaluation found that PBOs remain a relevant and useful instrument for the Bank and its clients, although challenging to design and to manage effectively. There is good alignment with the priorities of both the recipient countries and the Bank. In terms of the design of PBOs for results, the overall picture was satisfactory, though with some shortcomings. Over a third of the PBO results frameworks that were assessed did not meet the satisfactory bar due to weaknesses in the logic of the results chain. Also, the evaluation found that the Bank
has failed to invest in its own institutional infrastructure to obtain maximum value for money from the instrument, and has not always deployed PBOs as “package of support” comprising analytical work, technical input, policy dialogue and capacity support in addition to funding, in order to ensure that they influence and support reform agendas.

**Effectiveness**

The effectiveness of PBOs was deemed satisfactory, based on the areas that were covered in-depth, namely, PSE, Energy and Public Financial Management (PFM). Across the components that were assessed, two thirds were found to be satisfactory in terms of the achievement of “landmark reforms”. These are reforms that have the potential to drive change and contribute to transformative outcomes. However, it was much harder to find evidence of the Bank’s influence on the direction and speed of the reforms.

**Efficiency**

At portfolio level, time-efficiency in terms of implementation and disbursement of PBOs showed a broadly positive picture. However, the technical assistance or institutional support provided to support PBOs performed less well on efficiency and transaction costs. Such support - when it has been provided - has been slow, arriving towards the end, rather than at the beginning of a PBO series.

**Sustainability**

Overall, the prospects for sustainability of the PBOs in the two focus sectors (PSE and energy) and PFM were assessed as unsatisfactory. Only four of the ten in-depth assessments were found to have good prospects for sustainability. Almost all cases had good foundations for sustainability in terms of government ownership and leadership, but only a minority also had good prospects for institutional and financial sustainability.

**Policy Dialogue and Supervision**

The existence of the 2012 PBO Policy has helped the Bank to improve and make its approach to PBOs more consistent; however, there are areas where implementation has been wanting. These include the delay in delivering the supporting guidelines and training. Also, the evaluation found that some of the Bank’s institutional arrangements to support PBO design and management remain out of line with both its own policy and the practices in peer organizations (World Bank and European Union).

**Policy and Institutional Framework**

The existence of an established and well-structured sector national reform strategy (Tanzania energy; Nigeria, PFM). ADB’s responsiveness, flexibility and open approach (Egypt, Morocco, Seychelles), including possibility of streamlined procedures (Egypt). Strong political commitment to reform (Angola and Tanzania). Strong multi-sectoral appraisal teams (Egypt). Strong regular engagement of the country office (Egypt, Ghana) or individual task managers (Seychelles). Programmatic approach which allowed for engagement over the medium term in a few specific areas and at broad level (Egypt, Ghana). Close coordination with the IMF and the WB (Egypt, Ghana) or at least at initial stages (Seychelles). Efficient formulation and first disbursement (nine of ten cases). Strong ministry or agency with technical capacity to drive reforms. (Morocco).

Table 1 : Factors identified as either enabling or hindering Bank performance

<table>
<thead>
<tr>
<th>Hindering factors</th>
<th>Enabling factors</th>
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<tbody>
<tr>
<td>Gaps in policy dialogue in key target areas after PBO approval (Egypt, Ghana, Mali, Morocco &amp; Seychelles).</td>
<td>Programmatic approach which allowed for engagement over the medium term in a few specific areas and at broad level (Egypt, Ghana).</td>
</tr>
<tr>
<td>Little readily available technical assistance (Egypt, Ghana, Morocco, Seychelles) and limited mobilization of in-house sector expertise after PBO approval (Mali).</td>
<td>Strong multi-sectoral appraisal teams (Egypt).</td>
</tr>
<tr>
<td>Overly ambitious objectives in terms of breadth of reforms (Morocco, Seychelles) and insufficient attention to political economy of certain reform areas (Mali).</td>
<td>Strong and regular engagement of the country office (Egypt, Ghana) or individual task managers (Seychelles).</td>
</tr>
<tr>
<td>Weak focus on key reforms in parts of the results framework (Ghana, Seychelles).</td>
<td>ADB’s responsiveness, flexibility and open approach (Egypt, Morocco, Seychelles), including possibility of streamlined procedures (Egypt).</td>
</tr>
<tr>
<td>Lack of ambition in prior actions/triggers/indicators (e.g. PFM in Tanzania, energy in Nigeria).</td>
<td>Close coordination with the IMF and the WB (Egypt, Ghana) or at least at initial stages (Seychelles).</td>
</tr>
<tr>
<td>Lack of medium term timeframe to achieve medium or long term reform agendas (Angola, Nigeria).</td>
<td>Design building on government owned strategies (Burkina Faso, Angola, Nigeria, Tanzania).</td>
</tr>
<tr>
<td>Failure to provide full package of support – i.e. policy dialogue, in depth analysis and expertise and technical assistance. (All cases)</td>
<td>Efficient formulation and first disbursement (nine of ten cases).</td>
</tr>
<tr>
<td>Mixed degrees of ownership of the PBO by the country office (e.g. Nigeria, Tanzania).</td>
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<tr>
<th>Context factors</th>
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<tbody>
<tr>
<td>Unstable political or security situation (Mali).</td>
<td>Country ownership (all case-studies) and leadership in donor coordination (Morocco, Egypt).</td>
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<tr>
<td>Limited capacity to realize a broad set of reforms simultaneously (Seychelles).</td>
<td>Strong ministry or agency with technical capacity to drive reforms (Morocco).</td>
</tr>
<tr>
<td>Lack of clarity in institutional arrangements and lack of high level government leadership (Mali, Ghana).</td>
<td>The existence of an established and well-structured sector national reform strategy (Tanzania energy; Nigeria, PFM).</td>
</tr>
<tr>
<td>Weaknesses in capacity or commitment of agency or ministry charged with coordination and monitoring of reform agenda (Comoros, Morocco).</td>
<td>Strong political commitment to reform (Angola and Tanzania).</td>
</tr>
<tr>
<td>Decline in formal donor coordination especially in later stages (Ghana, Mali, Morocco, and Seychelles).</td>
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</table>
What Lessons Did IDEV Draw from the Cluster Evaluations?

From the Cluster Evaluation of Energy-related PBOs...

1. Structuring PBOs as medium-term operations, based on 3–4 tranches over the same number of years, and as part of a sequence of multi-year PBO operations, seems to be the best model.

2. The contribution to fiscal space is the most obvious benefit of PBOs and should therefore be used strategically to ease structural constraints in support of longer-term reforms. PBOs can usefully create a “bridge” between short-term macro relief and medium-to-long term structural reform.

3. Sustainable results are achieved by building upon a well-established program of reform, to which the Bank has contributed over a number of years through investment lending, technical assistance and policy dialogue.

4. For successful medium-term operations, the corresponding staffing and technical assistance infrastructure also need to be in place.

From the Cluster Evaluation of PBOs supporting the Private Sector Environment….

1. Creating a conducive private sector environment starts with ensuring a stable macroeconomic context, strengthening public sector governance (including procurement rules) and improving access to key (e.g. energy) infrastructure.

2. The medium to long-term nature of deep structural economic transformation has not been sufficiently taken into account in PBO design and programming.

3. The case studies show tangible evidence that the AfDB has managed to seize opportunities created by the PBO instrument in key areas of reform.

4. All case studies highlighted the importance of collaborative efforts to help governments to implement complex reforms in key structuring areas.

What did IDEV recommend?

IDEV made the following recommendations to the Management of the Bank:

**Recommendation 1: Update or complement the PBO guidelines.**

Appropriately reflect the Bank’s response to the 2017 G20 principles on coordination with the IMF and provide detailed guidance to staff on the challenging areas of results frameworks.

**Recommendation 2: Fully enforce the provisions of the PBO Policy.**

As per the PBO Policy, only in exceptional cases should the Bank use non-programmatic operations or operations that are not already programmed in the country strategy (or the mid-term review). In addition, the Bank should consistently conduct fiduciary risk assessments, while ensuring that the risk mitigation measures can address the identified risks in the timeframe of the planned PBO.

**Recommendation 3: Focus on medium-term support.**

Design all future PBOs with a focus on medium-term support to a limited number of reform areas from within the broader government reform plans. Provide support through programmatic PBOs to a clearly defined multi-year reform path, noting how the Bank might accompany reform processes over the medium term through one or more PBOs.

**Recommendation 4: Reflect in practice the vital role of policy dialogue in PBOs.**

Clearly set out the priorities, processes and requirements for policy dialogue at the design stage and ensure that the budget lines for PBO appraisal and supervision cater for the appropriate range of expertise. There is also need to allocate responsibility for the design and management of PBOs to the country offices and regions as per the Bank’s PBO Policy and its Development and Business Delivery Model.

**Recommendation 5: Back PBOs with appropriate and timely expertise and capacity support.**

Examine how to refine and expand the Bank’s menu of options when it comes to providing expertise and technical assistance; and require clear justification where relevant capacity support or expertise is not already in place, or at least planned, by the time the approval for any PBO is sought.

**Recommendation 6: Invest in PBO supporting infrastructure.**

Invest in continuous training for staff and in upfront analytical work to support PBO design and the focus of policy dialogue and capacity support. Review the extent to which the Bank’s quality assurance processes are appropriate for PBOs.

What was the methodological approach?

The evaluation was theory based and the findings drew from multiple lines of evidence including portfolio and document reviews, a comparator review, country visits, and interviews with both staff and clients of the Bank. The evaluation was further informed by two cluster evaluations: a cluster evaluation of eight energy-related PBOs implemented in five countries (Angola, Burkina Faso, Comoros, Nigeria and Tanzania) and a cluster evaluation of nine PBOs focused on the Private Sector Environment which were implemented in five countries (Egypt, Ghana, Mali, Morocco and Seychelles).
**What did Management Respond?**

Management welcomed the independent evaluation of AfDB PBOs over 2012-2017. The Bank and its clients consider PBOs to be effective instruments to support macro-fiscal stability and advance wide-ranging policy reforms in Regional Member Countries. The evaluation comes at a time when there is a great deal of interest in and debate around the use of the PBO instrument. Overall, Management agreed with the findings and recommendations of the evaluation, which it considers to be useful in further improving the Bank’s important work in providing PBOs.

**Limitations**

The evaluation was subject to a number of limitations, including the extent to which the Bank's contribution to results was assessed; the focus of primary data collection on performance within the two sectors (energy, PSE) and PFM; and the lack of secondary data (project completion reports and validations). The limitations were taken into account in the design and reporting of the evaluation.