African development institutions and IFIs venture into evaluation for reform

The International Financial Institutions (IFIs) are seemingly comprised of an alphabet soup of acronyms. This article first seeks to clarify and categorize IFIs. Against the backdrop of a global IFI evaluation network, the Evaluation Cooperation Group (ECG), and experience in harmonizing evaluation practices in IFIs, the article explores the interrelationships between evaluations, IFIs and reforms. Finally, it introduces a new evaluation network on the African continent, the Evaluation Platform for Regional African Development Finance Institutions (EPRADI), which has drawn inspiration from the ECG.

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Of Definitions – IFIs, MDBs and MFIs

Wikipedia defines an **International financial institution (IFI)** as a financial institution that has been established (or chartered) by more than one country, and hence is subject to international law. Its owners or shareholders are generally national governments, although other international institutions and other organizations occasionally figure as shareholders. The most prominent IFIs are creations of multiple nations, although some bilateral financial institutions (created by two countries) exist and are technically IFIs. The best known IFIs were established after World War II to assist in the reconstruction of Europe and provide mechanisms for international cooperation in managing the global financial system. Today, the world's largest IFI is the European Investment Bank, with a balance sheet size of $772 billion in 2015.[2] This compares to the two components of the World Bank, the IBRD (assets of $358 billion in 2014)[3] and the IDA (assets of $183 billion in 2014).[3]

International financial institutions (IFIs) play a major role in the social and economic development programs of nations with developing or transitional economies. Their role includes advising on development projects, funding them and assisting in their implementation. Characterized by AAA-credit ratings and a broad membership of borrowing and donor countries, they operate independently.

THE FOLLOWING ARE USUALLY CLASSIFIED AS THE MAIN IFIs:

- IMF
- World Bank
- International Fund for Agricultural Development (IFAD)
- European Investment Bank (EIB)
- Islamic Development Bank (IsDB)
- Asian Development Bank (ADB)
- European Bank for Reconstruction and Development (EBRD)
- Development Bank of Latin America (CAF)
- Inter-American Development Bank Group (IDB, IADB)
- African Development Bank (AfDB)
- Asian Infrastructure Investment Bank (AIIB)

IFIs achieve their objectives through loans, credits and grants to national governments. Such funding is usually tied to specific projects that focus on economic and socially sustainable development. IFIs also provide technical and advisory assistance to their borrowers and conduct extensive research on development issues. In addition to these public procurement opportunities, in which multilateral financing is delivered to a national government for the implementation of a project or program, IFIs are increasingly lending directly to non-sovereign guaranteed actors. These include sub-national government entities, as well as the private sector. ▶▶



There are also several "sub-regional" multilateral development banks. Their membership typically includes only borrowing nations. These banks lend to their members, borrowing from the international capital markets. Because there is effectively shared responsibility for repayment, the banks can often borrow at a cheaper rate than could any one member nation. These Development Banks are usually setup under special Acts passed by the government, unlike other financial institutions such as commercial banks.

Development Banks share the following goals and objectives:

- to reduce global poverty and improve people's living conditions and standards;
- to support sustainable economic, social and institutional development; and
- to promote regional cooperation and integration.

To add to this mix are several multilateral financial institutions (MFIs). The MFIs are similar to MDBs but have more limited memberships and often focus on financing certain types of projects. Among their advantages to the borrower countries are that they help promote entrepreneurship and foster trade within foreign markets. They also are the largest source of financial and technical assistance to developing countries stimulating economic growth and development. Also, they can play an integral role in the development of international activities for the private sector.

IFIs, Reform and Evaluation

Though the earliest financial crisis dates further than the 1340 default of England, due to setbacks in its war with France, research on international financial institutions prior to England's financial crisis is patchy. The end of the Second World War marked a new era in which IFIs assumed greater prominence and a more

EXAMPLES OF SUB-REGIONAL MDBs	EXAMPLES OF MFIs
Caribbean Development Bank (CDB)	International Finance Facility for Immunisation (IFFIm)
Central American Bank for Economic Integration (CABEI)	International Fund for Agricultural Development (IFAD)
East African Development Bank (EADB)	Nordic Investment Bank (NIB)
West African Development Bank (BOAD)	OPEC Fund for International Development (OFID)
Black Sea Trade and Development Bank (BSTDB)	Nederlandse Financieringsmaatschappij voor Ontwikkelingslanden NV (FMO)
Economic Cooperation Organization Trade and Development Bank (ETDB)	International Investment Bank (IIB)
Eurasian Development Bank (EDB)	Arab Bank for Economic Development in Africa (BADEA)
New Development Bank (NDB) (formerly BRICS Development Bank)	

important role in international finance and development. From this period to date IFIs have survived numerous global financial crisis and arguably thrived as they learnt and adapted to changing situations.

IFI governance challenges include issues of transparency, accountability and democracy/participation, with each of these feeding into one another. Accountability for example, depends upon transparency. Reforms have invariably been conducted to enable IFIs to better perform their mandates. Internal reforms involve IFI governance, and may either lay the groundwork for external reforms, or themselves be a result of successful external advocacy. These reforms are largely in response to the international community, and the uncertain state of the world economy with its ongoing shifts in global power. External reforms address the broader political and environmental landscape where IFI lending, interventions, projects and programs all have a degree of impact.

Some of the reforms can be narrowed down to specific cause-effect relationship exemplified by reforms aimed at improving the resilience of their members. The Bank for International Settlements (BIS), when conducting its task of developing international standards for the regulation and supervision of banks, took several years to introduce new capital requirements for banks, the so-called "Basel II", which incorporates credit risk of assets held by financial institutions to determine regulatory capital ratios.

In recent years, IFIs have made considerable progress in harmonizing the way they procure goods and services. In many cases, they are now using similar policies and procedures, although the interpretation of these approaches may still vary at the level of the individual institution. Evaluation has not been left out in this bid for harmony.

To set the stage, independent evaluation is at the center of the operations of most of these IFIs, with most of them having departments dedicated to evaluation (i.e. the Independent Evaluation Group of the WB; the Independent Evaluation Office of the IMF; the Office of Evaluation and Oversight of the IADB; the Independent Evaluation Department of the ADB; the Independent Development Evaluation of AfDB; etc.)

In a 2016 presentation, Ruben Lamdany, Deputy director of the Independent Evaluation Office of the IMF, highlighted specificities of evaluations in IFIs. He termed these specificities "special elements". They were:

1. The audience is made up of non-borrowing member countries (i.e. donors), parliaments and tax payers, donor agencies and representatives at the IFI Board.

2. The systems for gathering evidence present uneven availability. IFIs are mostly dependent on borrowers to gather information and there is weak monitoring systems of projects and programs. All of these impact the selection of evaluation topics.

3. Modalities for adopting recommendations are sometimes unclear as they often involve many agents (e.g. Board, Management).

4. Systems for tracking implementation are weak as they often depend on borrowers and other beneficiaries.

5. Evaluation work analysis is less quantitative and model-based. Evaluations are focused on the quality on inputs, outputs and IFI performance (difficult to assess outcomes and sustainability). Random control trials are difficult to design and implement due to


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Ruben Lamdany, Deputy director, Independent Evaluation Office of the IMF

- wide coverage and heterogeneous counterfactuals, metrics and ratings.

It was in this vein that following an assessment of the five major MDBs (the African Development Bank, the Asian Development Bank, the European Bank for Reconstruction and Development, the Inter-American Development Bank and the World Bank) in 1996, the Evaluation Cooperation Group (ECG) was established to promote a more harmonized approach to evaluation methodology. At that time the Working Group on Evaluation Criteria and Ratings for Public Sector Evaluation thinking was that a "determined effort needed to be made to harmonize performance indicators and evaluation criteria, taking into account the differing circumstances of each institution". One of the principles of the ECG was that the heads of the five MDB evaluation units should meet on a regular basis to exchange experience. A concrete achievement from this effort was the development and online publication of the ECG Big Book on Good Practice Standards in 2012 as an online document which addresses overlaps noted in the individual Good Practice Standards, and resolves differences in terminologies, without compromising the original intent of the four individual reports.

Enter the debutant- EPRADI

The experience of the ECG was not lost on some African financial institutions. In October 2013 at a symposium hosted by the Banque Ouest Africaine de Developpement (BOAD), gaps in the "monitoring and evaluation of development results" function of Regional African Development Institutions were highlighted. Participants raised the issue of providing the necessary financial and human resources to achieve effective M&E and also took cognizance of the lack of homogeneity in their methodological approaches, which resulted in an inability for institutional comparisons across the interventions in the continent. They also identified a fundamental need to improve accountability in projects and programs.

Building on the evaluation practice harmonization in ECG, a select group of Regional Development and Financial Institutions met on the sidelines of the annual meeting of the Evaluation Cooperation Group, and in April 2014 the Pretoria declaration heralded the launch of the Evaluation Platform for Regional African Development Institutions (EPRADI). On the premise that the ultimate goal of international Financial Institutions and Regional African Development Institutions interventions is to promote inclusiveness and reduce poverty and inequality in Africa, the members committed to harmonize evaluation methods and practices among Sub-Regional Development Institutions.

The founding members of EPRADI were: Banque d'Investissement et de Développement de la Communauté Economique Des Etats de l'Afrique de l'Ouest (BIDC); Banque Ouest Africaine de Développement (BOAD); Common Market for Eastern and Southern Africa (COMESA); Commission de l'Union Economique et Monétaire Ouest Africaine (UEMOA); Development Bank of Southern Africa (DBSA); East African

Community (EAC); and Eastern and Southern African Trade and Development Bank (known as "PTA Bank"). The Independent Development Evaluation (IDEV) of the African Development Bank is the only permanent observer and plays a catalytic role.

Progress so far

Since the 2014 Pretoria declaration, EPRADI has developed a concept note to guide its establishment and formed a core group to discuss issues related to coordination, planning and budgeting for the operationalization of the platform. The current team leader is DBSA having taking over from BOAD. The core group has been duly implementing the concept with EPRADI holding its first face-to-face meeting in Abidjan in November 2016. At this meeting members adopted their governance structure and action plan.

Given the different levels of capacity in the among EPRADI members, technical assistance has been provided to EPRADI members on evaluation methodologies and approaches by AfDB staff including a three-day workshop in October 2016 on "Quality at Entry of Projects

NEEDS IDENTIFIED BY EPRADI

- Develop the evaluation function among regional integration and development organizations/institutions by scaling up financial and human resources capacities to facilitate the use of evaluation for greater effectiveness, efficiency and accountability.
- Harmonize performance indicators and evaluation methodologies, practices and approaches.
- Share evaluation lessons and experiences including from other regional organizations/institutions as well as IFIs for enhanced to developmental results.
- Enhance evaluation professionalism within Regional Economic Communities and Development Finance Institutions.
- Collaborate with the Evaluation Cooperation Group of the IFIs to improve the evaluation culture.
- Create a platform for sharing evaluation knowledge and experience.

EPRADI AGREED ACTIONS

- Establishment of an Evaluation Platform for the Regional Economic Communities and Development Institutions.
- Constitution of an evaluation community comprised of the Heads/Representatives of Regional Economic Communities and Development Institutions in charge of the evaluation function.
- Promotion of an evaluation culture within our Organizations/Institutions to foster quality and professionalism and increase the contribution of the evaluation function to the achievement of our development objectives and results.
- Fostering collaboration with the Evaluation Cooperation Group in strengthening the evaluation function.
- Provision of a platform to share experiences and good practices in evaluation, leading ultimately to adoption of efficient and cost-effective evaluation methodologies and to undertaking joint evaluations.

and Monitoring Systems" which was hosted by the ECOWAS Bank for Investment and Development.

African regional developmental institutions have recognized and responded creatively to observed developmental gaps. If EPRADI members follow through on their declaration, EPRADI will serve to reveal unique challenges and solutions to contribute to the evaluation body of knowledge. EPRADI now requires active participation, commitment and cooperation from within and also externally from governments, civil society and Sub-regional development institutions. There is an important and rare opportunity for African IFIs and Sub-regional development institutions to advance its interests and the interest of Africa.

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