Synthesis Report on the Validation of 2020-2021 Project Completion Reports and Expanded Supervision Reports

What did IDEV evaluate?

The African Development Bank (AfDB or “the Bank”) through its designated operations departments undertakes self-evaluations of its sovereign operations (SOs) through Project Completion Reports (PCRs), and Non-Sovereign Operations (NSOs) through Expanded Supervision Reports (XSRs) for projects that reach early operating maturity. The Independent Development Evaluation (IDEV) then reviews a sample of these PCRs and XSRs and produces a PCR Evaluation Note (PCREN) and an XSR Evaluation Note (XSREN) for each PCR and XSR, thereafter producing a validation synthesis report for the period in review. This year, IDEV for the first time prepared a single synthesis report on the validations of both PCRs and XSRs, due to the envisioned harmonization of evaluation practices and the “One Bank” approach.

The 2020-2021 synthesis report validated findings from 126 PCRs representing a total disbursement of about USD 6.193 billion, in all the Bank’s sectors and regions of intervention. The XSR validation covered all the 16 XSRs available at the time, representing a total disbursement of USD 1.440 billion, in the financial and agricultural sectors in four of the Bank’s regions, namely, West, East, North and multinational.

The PCR validation focused on the relevance, effectiveness, efficiency, and sustainability of the projects, as well as the performance of the Bank, the Borrower and other project stakeholders, while the XSR validation focused on the development outcome, investment performance, the Bank’s quality of work and its Additionality.

What did IDEV find?

Project performance of validated 2020-2021 PCRs and XSRs

On average, the overall project performance was found satisfactory with 94 percent (118) of the PCRs achieving a positive rating based on the combined core criteria of relevance, effectiveness, efficiency, and sustainability. The relevance of project development objectives and design was rated satisfactory, signaling good alignment with countries’ development priorities and with pertinent Bank strategies. It was noted that deficiencies in the project results frameworks, and the lack of adequate engineering designs for accurately determining
The overall quality of PCRs was found satisfactory based on a Synthesis Report on the Validation of 2020-2021 Project Completion Reports and Expanded Supervision Reports.

On average, project efficiency was found satisfactory, but limited by substantial project delays. Project sustainability was found satisfactory and rated higher in terms of institutional and strengthening capacity, ownership, and sustainability of partnerships, than for the environmental, social and financial aspects.

Overall, positive performance was exhibited under all four assessment criteria for the XSR operations reviewed. It was noted that 93.8 percent (15 of 16) of the XSRs received positive ratings on the four sub-dimensions of the overall development outcome: Business Success (87 percent), Economic Sustainability (94 percent), Environmental and Social Effects (63 percent), and Private Sector Development (94 percent). Good performance was attributed to the quality of the sponsor/structuring of the projects, the inclusion of technical assistance components aimed at improving governance, environmental management or risk management practices by the Borrower or Sponsor Company.

Quality of the validated 2020-2021 PCRs and XSRs

The overall quality of PCRs was found satisfactory based on a standard set of nine criteria: (i) Extent of quality and completeness of the PCR evidence and analysis to substantiate the ratings of the various sections; (ii) Extent of objectivity PCR assessment scores; (iii) Extent of internal consistency of PCR assessment ratings, inaccuracies; inconsistencies and (iv) Extent of identification and assessment of key factors (internal and exogenous) and unintended effects (positive and negatives) affecting design and implementation; (v) Adequacy of treatment of safeguards, fiduciary issues, and alignment and harmonization; (vi) Extent of soundness of data generating and analysis processes (including rates of returns) in support of PCR assessment; (vii) Overall adequacy of the accessible evidence (from PCR including annexure and other data provided); (viii) Extent to which lessons learned (and recommendations) are clear and based on the PCR assessment (evidence & analysis) and (IX) Extent of overall clarity and completeness of the PCR.

About 79 percent (99 of the 126 projects) achieved a positive rating, which suggests room for improvement mainly in regard to ensuring soundness of data generated to provide evidence to justify the PCR scores.

In terms of XSR quality, 15 of the 16 XSRs (93.8 percent) were rated satisfactory. Positive performance was also exhibited across the Bank’s Investment Profitability, the Bank’s Additionality, and its Quality of Work. Notwithstanding, the validation found room for improvement in identifying and formulating lessons for PCRs as well as XSRs, and the design and implementation of Monitoring and Evaluation systems.

What lessons did IDEV draw?

**PCRs validation for Sovereign Operations**

**Project preparation, design, and implementation:**
- Involving all stakeholders, including beneficiaries, in all steps of the project cycle is critical for ensuring high quality design, and for enhancing ownership and sustainability of project outcomes. Effective participation throughout the project cycle is essential even in a highly challenging operating environment.
- A failure to account for gender differences during project preparation, design, implementation, and monitoring and evaluation can lead to underlying inequalities and limitations persisting, and in some cases, being exacerbated.
- While most results indicators were measurable and aligned with indicators already being collected by the RMC authorities, some did not fully take into account the capacity of the RMCs and the feasibility of collecting data to assess progress. Beyond a robust results framework, the monitoring capacity of countries and the availability of timely and reliable data are of paramount importance to ensure interventions responsiveness to country needs and their effective delivery and reporting.

**ADB’s support to its RMCs in response to the COVID-19 pandemic:**
- Provision of rapid, flexible, and responsive support by the Bank was critical for countries’ timely national responses to the COVID-19 pandemic, to minimize its health, economic, and social adverse effects.
- Harmonizing support from development partners to align interventions to the country’s specific needs, improves complementarity and avoids duplication.
- Regular and sustained policy dialogue around agreed reform measures is key to the success of a crisis response operation.
- Accompanying the implementation of reforms with complementary support in the form of technical assistance and institutional support is important to achieving success and a long-lasting result.
- Building and expanding national capabilities for data collection and early detection, laboratory investigation, and deployment of Science, Technology, and Innovation (STI) is quintessential to preventing epidemic-prone disease outbreaks.

**XSRs validation for Non-Sovereign Operations**

- The Bank should ensure that its clients understand that they must abide by all their contractual obligations – reporting obligations, as well as meeting credit repayment deadlines.
Local Currency Financing is better suited to both a wider range of financial intermediaries and small and medium-sized enterprises (SMEs) than foreign currency financing. It also improves SME targeting of Bank projects for women and youth entrepreneurs. Non-lending assistance is correlated with higher rates of project success and improvement of client capacity for reporting results. Improvements also included more effective general management, and higher governance, environmental and social standards.

Well-designed Technical Assistance packages that accompanied lending or investment operations were associated with higher levels of overall project success, and/or improvement in the performance and asset quality of the client company.

Innovation is crucial in the Banks use of risk management instruments. Although the Bank still places strong emphasis on financing via wholesale lines of credit, which channel large volumes of funds via financial intermediaries (FIs) mainly in foreign exchange, in one case, it convinced its FI client to enter into a currency swap agreement with the Central Bank of the member country, and both the FI company as well as the benefitting sub-projects enjoyed a solid cushion from foreign exchange risks. The Bank could pursue such innovations more often.

What was the methodological approach?

The **2020-2021 PCR validation** process adopted the evaluation approach prescribed by the Bank’s 2012 Staff Guidance on Project Completion Reporting and Rating. This guidance establishes how to assess (i) project performance using the international evaluation criteria of relevance, effectiveness, efficiency, and sustainability, as well as, (ii) the performance of the Bank, the Borrower and other project stakeholders. The guidance sets out a four-point rating scale: Highly Satisfactory (3.50-4.00), Satisfactory (2.50-3.49), Unsatisfactory (1.50-2.49) and Highly Unsatisfactory (1.00-1.49).

The validation of the XSRs was guided by the Bank’s 2012 Guidelines for the Preparation of Expanded Supervision Reports and Expanded Supervision Report Evaluation Notes. The guidelines outline the Good Practice Standards for Evaluation of Private Sector Investment Operations, which focus on: (i) Development Outcome (business success, economic sustainability, environmental and social effects, and contribution to private sector development); (ii) Investment Performance (profitability of investments for the AfDB); (iii) the Bank’s Work Quality (screening, appraisal, structuring and supervision); and (iv) the Bank’s Additionality (the Bank’s unique input and/or value added as a Development Finance Institution). The same four-point rating scale as for the PCRs was applied, except for the criterion “project development outcome” which was rated on a six-point scale ranging from Highly Successful to Highly Unsuccessful.

### Box 1: Additional insights for achieving a good quality Project Completion Reports and Expanded Supervision Reports

The overall quality of PCRs has improved over time, from 59% of PCRs rated as satisfactory in 2016 to 79% rated satisfactory in 2021, with a major increase in 2017 of 81% of PCRs rated as satisfactory. The recurrent weaknesses deterring the achievement of a good quality PCR include inaccurate ratings and evidence of the ratings, sometimes not based on relevant data; confusion between the formulation of lessons and recommendations, their relevance and prioritization. Regarding the overall quality of XSRs, there is a substantial improvement, with 43 of the 46 XSRs, from the 2014-2019 period, found highly satisfactory or satisfactory, while 15 of the 16 XSRs for the 2020-2021 period were found satisfactory. This attests to the increasing knowledge within the Bank about the XSR reporting tool. The ratings for the PCRs and XSRs over the years suggests there is considerable scope for improvement particularly in identifying and formulating lessons.

**Some key insights have been suggested to improve the quality of the PCRs and XSRs development processes:**

- There is a need for a clear and comprehensive understanding of the PCRs/XSR guidelines, evaluation criteria and rating methodology.
- The internal PCRs/XSRs peer review process needs to be improved, allowing different experts in the project implementation team to validate findings and enrich results reported in the PCRs/XSRs.
- The Bank could develop data collection tools to support the process of development outcome reporting in its RMCs.
- The focus of accountability needs to be on PCR/XSR quality, while the focus for learning relates more to project and stakeholder performance.
- To strengthen the feedback loop from lessons learned, there is a need to encourage the use of the Evaluation Results Database administered by IDEV, where lessons are collated and searchable.
Independent Development Evaluation (IDEV) at the African Development Bank 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 results to the highest possible standards.

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