The Management of Resources in African Development Fund (ADF)-Funded Projects: Lessons from IDEV’s Project Cluster Evaluation

Background

The African Development Fund (ADF) is the concessional window of the African Development Bank Group (AFDB or “the Bank”) and was established in 1972, becoming operational in 1974. The Fund is administered by the AfDB and currently comprises, 32 contributing countries and 37 beneficiary countries. The 37 ADF-eligible countries include both those that are increasing their economic capacities and heading toward becoming new emerging markets and those that remain fragile and in need of special assistance for basic levels of service delivery. Over its 44 years of operations, the Fund has cumulatively invested 29.4 billion Units of Account (UA, equivalent to US$45 billion1), across Africa. Given that the ADF targets the least developed countries in the continent, it’s essential that its resources are managed as effectively and efficiently as possible, thus calling for strong resource management.

To fill a gap in evaluative evidence that specifically addresses the effective management of ADF resources in the projects, the Independent Development Evaluation (IDEV) recently conducted a cluster evaluation of the quality of the resource management in projects funded by ADF. This evaluation was conducted when the Bank was about to embark on the 16th ADF cycle (ADF-16), which later saw the ADF Donors agree to commit a total package of US$8.9 billion to its 2023 to 2025 financing cycle.

This lesson note draws out the key lessons and good practices from the evaluation to inform initiatives geared towards improving/enhancing the resource management of ADF-funded interventions, and allow it to respond more proactively to the needs of its Regional Member Countries (RMCs), ultimately contributing to the Bank’s development effectiveness.

1 As of 28 February 2022: 1 Unit of Account (UA) = 1.39486 United States Dollars (USD)
What did IDEV evaluate and find?

This project cluster evaluation assessed 10 ADF-funded projects from a total portfolio of UA 169 million (US$260 million) from the past two completed cycles of the ADF (ADF-13 and ADF-14), covering the period from 2014 to 2019. The evaluation assessed the relevance, effectiveness, efficiency and sustainability of the ADF resources.

On relevance, the evaluation found that overall the project cluster met the Bank’s standards in terms of rationale and justifications, although challenges were experienced during the management processes aimed at ensuring that projects are ready for efficient implementation to achieve the expected development outcomes. In terms of effectiveness, the Bank had good performance measurement and results-based management (RBM) tools, but there were issues with supervision and incentives related to commitments and disbursements. The implementation of the project cluster was found to be broadly in line with the Bank’s fiduciary management procedures and business processes, with some shortcomings highlighted by the audits.

Regarding efficiency, at entry, cost-effective and cost-efficient measures were considered to improve project development across the cluster in line with the Bank’s efforts to improve portfolio performance and streamline its processes, however, shortcomings were identified in trying to ensure the timely fulfilment of conditions precedent, and in assessing trade-offs between administrative costs and implementation delays. At supervision and exit, overall, the project cluster efficiency was found to lag behind good practices in terms of management of development projects, with challenges faced by the evaluation in quantitatively assessing the efficient use of ADF resources, in particular a lack of information to calculate project value-for-money (VfM). Managing for sustainability was found to be one of the greatest challenges faced across the project cluster.

The evaluation identified some factors that enhance or undermine the effective management of resources in the selected ADF-funded projects as; budget and financial management, technical expertise among the implementing team, effective risk management, good coordination between stakeholders, strong communication between all stakeholders, and real political commitment.

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What lessons did IDEV draw?

Lesson 1: Strong stakeholder awareness and engagement throughout the entire process, through effective co-creation, is crucial for successful ADF project management.

Regular stakeholder participation through co-production was found to lead to cost-effective development results. The examples of more and less successful results in the project cluster highlight the need to use a combination of demand-driven and supply-driven approaches in project design and implementation.

Lesson 2: Effective supervision including a risk-based approach that identifies and promptly addresses critical bottlenecks can contribute to ensuring the quality of ADF project implementation, especially in ADF-recipient countries in fragile situations.

The mechanisms by which the implemented project activities would lead to the expected results have not always been sufficiently clarified, creating an obstacle to effective supervision, monitoring, and evaluation of program/project results. The Bank uses a compliance-based approach to supervising projects implemented in ADF-recipient countries, which focuses heavily on the extent to which rules, requirements, and directives are followed, including a focus on disbursement. Since many ADF countries are in fragile situations, it may be advisable for the Bank to take a more risk-based approach.

Lesson 3: Successful project implementation depends on factors such as commitment, capacity and resources of implementers, the use of qualified and experienced staff, and good coordination.

There were different implementation modalities across the project cluster (project implementation units (PIUs) embedded in public sector agencies staffed with officials, embedded PIUs staffed with external consultants, and independent PIUs), and the evaluation found no evidence that one type of arrangement works better than others. However, the commitment, capacity, and resources of implementers, the use of qualified and experienced staff, and good coordination with implementing agencies were all found to be key to effective project execution. It is also important to note that project implementation-specialized human resources, such as financial management and procurement experts, may become exposed to overload and diminishing productivity when they are shared across several projects.

Lesson 4: The optimal use of economic assessment tools for ADF-funded interventions depends on the availability of rich data to assess VfM at the project level.

At the corporate level, as committed (in ADF-14 and to some extent ADF-13), the AfDB adopted and is implementing a VfM framework to improve the Bank’s effectiveness and cost-efficiency, and to guide its reforms. However, at the project level, the evaluation points to insufficient data to calculate a meaningful approximation of the overall cost-effectiveness of interventions.

Lesson 5: Focusing on the hard and soft technical aspects of project implementation and knowledge generation, dissemination, and utilization, rather than on training and seminars, is more appropriate to support the sustainable development of RBM and VfM projects in Africa.

The evaluation found that the risk of a project/program becoming ill-defined, and therefore producing unsustainable results, was increased by the fact that without ex-ante and ex-post analyses of the additionality and cost-effectiveness informed by lessons learned from best practice, most complex programs and projects were operated on a needs basis, rather than on a sustainable business basis. In addition, over-emphasis on training and seminars, rather than on the hard and soft technical aspects of project implementation and knowledge generation from experience, dissemination, and utilization, limited sustainability.

Following a capitalization workshop with key internal Bank stakeholders, additional considerations to improve the management of ADF-funded projects emerged as shown in Box 1.

**Box 1: Additional considerations to improve the management of ADF-funded projects**

- **Quality-at-entry and results planning**: Enhanced use of the ADF Project Preparation Facility (PPF) to ensure that appropriate processes and studies are conducted before project commencement, and integration of the new theory of change to ensure a logical and realistic pathway of change, will help improve the management of project quality-at-entry. The use of a combination of demand-driven and supply-driven approaches in project design and implementation are likely to yield more successful results.

- **Results framework**: Addressing the shortcomings related to missing key baselines, and inadequate indicators, coupled with the Bank enhancing its efforts to support data generation, would contribute to improving the tracking of results, reporting on the results framework, and ultimately facilitate the design of effective policies and programs.

- **Capacity development of the PIUs**: Continuous strengthening of the Monitoring and Evaluation (M&E) capacity of the PIUs could be included during the design of future Program-Based Operations. Mainstreaming the assessment of PIUs throughout the project cycle could supplement the capacity development efforts. Dialogue with the governments is essential for garnering political will, and support for hiring the right composition of technical teams in the PIUs, which could then be tagged to performance-based contracts.

- **Fragility and resilience issues**: Inclusion of a programmatic fragility lens grounded in the theory of change, with a deliberate focus on crisis prevention and peacebuilding in the project proposals is essential for addressing most fragility issues. Economic empowerment of women and youth should be given due attention in project design and implementation. This calls for innovative and tailor-made implementation arrangements for each project, such as mainstreaming fragility and resilience expertise in the PIUs.

- **Value for Money**: Leveraging the Bank’s comparative advantage through partnerships may help to achieve better VfM, scale up impact and address sustainability issues.
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.