Evaluation of the AfDB’s Transition Support Facility

Executive Summary

April 2022
IDEV conducts different types of evaluations to achieve its strategic objectives.
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Background

An evaluation of the African Development Bank Group’s (AfDB’s) Transition Support Facility (TSF) was introduced in the Independent Development Evaluation function’s (IDEV’s) 2021 work program, following a request from the Bank’s Committee on Operations and Development Effectiveness (CODE). The evaluation follows on from IDEV’s 2020 evaluation of the Bank Strategy for Addressing Fragility and Building Resilience in Africa (2014–2019), (hereafter the “2020 Fragility Strategy Evaluation”), and serves to inform further decision-making about the TSF.

The TSF was established in 2008 (initially as the Fragile States Facility) as an operationally autonomous entity within the AfDB and designed to complement the Performance-Based Allocation (PBA) of African Development Fund (ADF) resources, which tends to be low relative to the needs of states affected by fragility and conflict. The TSF targets a subset of ADF beneficiary countries that are also deemed eligible for TSF funding. The main objective of the TSF is to provide additional funding and operational flexibility for Bank operations in eligible countries to address fragility issues and build resilience. The TSF provides support through three financing windows: (i) the Supplemental Support Window (Pillar I); (ii) the Arrears Clearance Window (Pillar II); and (iii) the Targeted Support Window (Pillar III). It is managed and administered by the Bank’s Transition States Coordination Office (RDTs), in partnership with the Resource Mobilization and Partnerships Department (FIRM).

This TSF evaluation follows on closely from the evaluation of the Bank’s Strategy for Addressing Fragility and Building Resilience in Africa (2014–2019). This latter “2020 Fragility Strategy Evaluation” was broad, and appraised components and tools used to achieve the Bank’s Strategy. The role of the TSF was assessed in this regard, but the assessment of the TSF instrument was not comprehensive given the wide scope of the Evaluation. The 2020 Fragility Strategy Evaluation did, however, trigger a conversation within the Bank on the need to develop a deeper understanding of the TSF instrument.

Despite several positive results and achievements, the 2020 Fragility Strategy Evaluation noted that the Bank’s work on reducing fragility continued to face limitations. These include the challenge of translating strategic engagements into fragility-sensitive programming, identifying entry points for building resilience in public and private sector operations, and balancing selectivity with flexibility for increased responsiveness. This current evaluation aims to provide a better understanding of how the TSF instrument can address these challenges.

Purpose and Scope of the Evaluation

The objective of this evaluation, therefore, is to examine the TSF in-depth and to generate lessons that would feed into future Bank planning, programming and strategic frameworks. It has evaluated the TSF holistically as a core instrument in the Bank’s toolbox for addressing fragility and, in particular, it has assessed the relevance, coherence, effectiveness, efficiency, and sustainability of the TSF instrument.

The evaluation takes a deep dive into the TSF activities over the 2014–2019 period. This period allows the evaluation to cover the two most recently completed ADF funding cycles (ADF-13 and ADF-14), as well as the implementation period of the Operational Guidelines for the Implementation of the Strategy for
Addressing Fragility and Building Resilience in Africa (approved in January 2015), and of the TSF itself. The evaluation addressed the following core questions:

i. to what extent is the Transition Support Facility relevant to provide additional funding and operational flexibility in Regional Member Countries (RMCs) and regions in fragile situations?

ii. to what extent have TSF operations under the three pillars been effective in addressing fragility and building resilience?

iii. how efficiently and coherently have TSF-funded operations been managed and delivered?

iv. to what extent can the results generated by TSF-funded operations be considered sustainable?

v. what lessons can be learned to ensure the Bank optimises its use of the TSF to help RMCs and regions in fragile situations?

**Methodology**

The evaluation was guided by the Bank’s Independent Evaluation Policy, the international evaluation criteria, and the latest Evaluation Cooperation Group (ECG) Good Practice Standards for Public Sector Operations (ECG 2012). The evaluation was theory-based (see details in Technical Annex 1) and used both quantitative and qualitative methods. The evaluation benefitted from a substantial amount of relevant evaluation evidence generated by IDEV, together with other internal and external reviews.

The report’s evidence comes from a triangulation of data-collection methods to answer the evaluation questions. The evaluation was informed by five main lines of evidence: (i) a desk review, including collecting, organising and synthesising available relevant evaluations, internal audits, Bank policy and strategy documents, and documentation on TSF systems and procedures; (ii) interviews with Bank resource persons involved in the design, management or review of the TSF; (iii) online surveys, with three groups targeted for tailored questionnaires, namely the Board of Directors, Bank Management and Bank Staff; (iv) case studies of selected projects, with a purposive sample of Pillar I, II and III operations drawn from 13 TSF beneficiary countries for in-depth analysis; and (v) benchmarking with comparator institutions, with the evaluation reviewing TSF-like facilities used by three comparator institutions, namely the Asian Development Bank, the International Fund for Agricultural Development and the World Bank.

**Limitations and Mitigation Measures**

Data collection and analysis for the evaluation were desk-based due to the COVID-19 pandemic, and interviews with key stakeholders were conducted remotely. Limitations in the methodology include a low response rate in the online survey and gaps in the availability of relevant data to effectively assess the achievement of outcomes. The low response rate was mitigated by widening the scope of semi-structured interviews with key resource persons, while the limited availability of data for the outcome analysis was mitigated by the use of case studies. The use of triangulation further helped in mitigating these limitations.

**Main Findings**

**Relevance:** The evaluation assessed to what extent the TSF is relevant to provide additional funding and operational flexibility in RMCs and regions in fragile situations.

The TSF was found to be highly relevant to the RMCs and regions in fragile situations. It was especially important for Transition States receiving limited funding from the Bank’s PBAs. The TSF also performed well in terms of its flexibility, rapidity and responsiveness. Within the Bank, the TSF is the flagship instrument for supporting countries and regions in fragile situations and has grown in financial importance during the ADF-13 and ADF-14 period, despite the overall decrease in ADF resources.
However, the evaluation identified some concerns regarding the scale of funding in relation to the needs, the limited degree of leverage being achieved, the effectiveness of the targeting and, to a lesser extent, the level of ownership of the TSF among Bank staff.

The TSF is deliberately structured to be flexible, as evidenced by the reserve of unallocated resources under Pillar I, which makes it possible for new initiatives to be financed without a prior adjustment of country allocations, as would be the case with PBAs. Pillar II operations support the clearance of long-standing debt arrears to restore credit-worthiness and thus enhance the development potential of fragile states. Pillar III supports critical capacity-building interventions and technical assistance that cannot be adequately supported through the Bank’s traditional instruments. It enables the Bank to meet the specific needs of RMCs, especially through the annual call for proposals, to provide tailor-made and country-driven initiatives. Furthermore, the TSF is programmed in such a way as to permit transfers between the three pillars, where priorities have changed and/or resources have remained undisbursed. For example, during ADF-14, there was a transfer of UA$ 89 million from Pillar II to Pillar I.

The TSF eligibility criteria have remained largely unchanged during both the ADF-13 and ADF-14 periods. The 2020 Fragility Strategy Evaluation found the eligibility criteria for TSF funding to be insufficiently flexible. Furthermore, the benchmarking study also identified similar challenges across the comparators. Nevertheless, the benchmarked International Financial Institutions (IFIs) have revised their eligibility criteria. Such a revision of the eligibility criteria by the TSF would serve to increase selectivity and transparency, while promoting further harmonisation and coordination with other multilateral and bilateral development partners.

Finally, although it has clearly defined objectives, the TSF does not have a robust results framework comprising appropriate performance indicators with baselines and specific targets to enable effective measurement, tracking and reporting on results, especially for outcome-level results, and the Bank’s contribution to development impacts in supported regions and RMCs.

Coherence: The evaluation examined the synergies and interlinkages between TSF-funded operations across the three pillars and other interventions of the Bank, as well as the consistency of TSF-funded operations with the interventions of other actors in the same context.

The performance on coherence was found to vary significantly by pillar and type of project. Overall, Pillar I and Pillar II operations scored well on coherence, whereas Pillar III operations did not.

The evaluation found the following:

i. Pillar I operations perform well on coherence, although this is mainly limited to those operations with co-financing from ADF PBAs.

ii. Pillar II operations had the highest level of coherence compared with the other two pillars. The Pillar II case studies in Somalia and Sudan provide strong evidence of close collaboration and coordination with IFIs and other development partners.

iii. The coherence of Pillar III operations, based on the selected sample of projects, is somewhat mixed. For example, the requirement to adhere to specific themes for each call for proposals may have contributed to the fragmentation of projects in some instances.

Effectiveness: The effectiveness of the TSF was assessed by examining the extent to which TSF operations under the three pillars delivered the planned

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1 The Bank uses a unit of account (the “Unit of Account” or “UA”) as its reporting currency. Conversions to United Stated Dollars (USD) in this report are done at the December 2019 rate of UA$ 1.00 = USD 1.37.
results (outputs and outcomes), and how these have contributed to enhanced resilience and reduced vulnerability in RMCs and regions in fragile situations.

Overall, the available evidence on the effectiveness of TSF operations points to a mixed performance across the three pillars, with Pillar II operations being most effective after concluding arrears clearance operations in Somalia (2020) and Sudan (2021) and contributing to reduced vulnerability and increased resilience. The performance of Pillar I and Pillar III operations was mixed but generally poorer than that of non-TSF-funded projects.

The evaluation found the following:

i. The available documentation shows a relatively low percentage of Pillar I projects achieving a satisfactory or higher rating on effectiveness - 57 percent as assessed from Project Completion Reports (PCRs) and only 33 percent as assessed from Project Performance Assessment Reports (PPARs).

ii. Pillar II operations were the most effective, especially in terms of development outcomes, concluding arrears clearance operations in Somalia (2020) and Sudan (2021), in collaboration with other IFIs. These have resulted in a major change in the credit-worthiness, and thus the development potential, of these two countries. This success is partly attributable to complementary Pillar I and Pillar III projects that helped create a positive enabling environment, and the requisite capacities to manage the arrears clearance process.

iii. Two-thirds of the Pillar III projects assessed had satisfactory ratings for effectiveness, but this was mainly the result of achieving planned output targets, with limited evidence of progress against outcomes and impacts.

iv. The contribution to reducing fragility and increasing resilience by Pillar I and Pillar III operations was hampered by the weak design of programmes and projects, as well as inadequate results monitoring and reporting frameworks at the project and facility levels.

The evaluation findings suggest a number of reasons for limited effectiveness. First, there are indications that the design of Pillar I and Pillar III projects does not adequately address the complexity of customising projects to the difficulties of operating in situations of fragility. The Bank’s strategy aims to address this concern through the systematic application of the fragility lens, but the 2020 Fragility Strategy Evaluation noted deficiencies in the coverage of training on fragility issues, particularly regarding sectoral and operations staff. Second, the modest scale of funding seems likely to limit the effectiveness and sustainability of impacts, most particularly in relation to Pillar III, the impact of which is further reduced by the short timeframes for which funding is made available. Third, as noted in the previous section, the Pillar III case studies indicate shortcomings in the coherence of projects with other initiatives, and deficiencies in the structures and mechanisms of collaboration.

Efficiency: The evaluation examined the TSF operations’ efficiency in terms of timeliness of implementation and completion, disbursement times and rates, and perceptions on the level of transaction costs involved in TSF implementation.

Overall, the findings indicate that while TSF projects were more efficient than non-TSF projects during the design and start-up phases, they experienced more delays in completion due to various difficulties of the implementation context in fragile situations.

The evaluation found the following:

i. Timeliness: Although TSF projects performed better than non-TSF projects in terms of time to signature and entry into force, they performed worse than non-TSF projects in terms of timeliness of completion. Only 71 percent of
TSF-funded projects had a completion time rated at least satisfactory, compared with 91 percent of non-TSF-funded projects in fragile countries. In addition, TSF projects experienced significant delays. On average, there was a delay of more than two years (24.6 months) between planned and actual completion dates, while the delay for non-TSF-projects in fragile countries averaged 16 months.

ii. Disbursement: The Portfolio Review indicated that, compared with non-TSF projects, the time to first disbursement was lower for TSF projects by 2.3 months during ADF-13 and by 1 month during ADF-14. Unfortunately, the efficiencies in time to first disbursement were not reflective in the disbursement ratios, which depend on implementation progress of projects started in each funding cycle. Consequently, the disbursement ratio for ADF-12 of 94.8 percent was higher than that of ADF-13 at 74 percent, with the ADF-14 having the lowest ratio of 36.5 percent as of May 2021. With regard to Pillar II operations, allocations were not disbursed as foreseen, requiring a partial roll-over of allocations from ADF-13 to ADF-14, and a full roll-over from ADF-14 to ADF-15.

iii. Transaction costs: Available evidence on Pillar I operations indicated that transaction costs were reasonably controlled. However, Pillar II operations scored poorly on transaction costs. In particular, the process of programming and committing Pillar II allocations was characterised by a number of challenges. Transaction costs also emanated from the legal impediments preventing the use of ADF resources to clear ADF arrears (Article 15.8 of the ADF Charter), as well as protracted collaborative arrangements with other IFIs to reach consensus before the process of clearing areas commenced. Pillar III projects also scored poorly on transaction costs. The evaluation points to the small scale of Pillar III projects vis-à-vis the wide variety of objectives that Pillar III projects address as being the main issue. Given their small scale, only limited resources could be dedicated to design and management, but because many Pillar III projects were complex they actually required significant time and resources.

Sustainability: The evaluation assessed to what extent the results generated by TSF-funded operations could be considered sustainable and the extent to which the Bank’s procedures promote and ensure the sustainability of results. This assessment covers financial and institutional sustainability and the sustainability of operational results.

Overall, as an instrument, the TSF’s sustainability was found to be satisfactory, although there is room for improvement in terms of ownership and leverage of external funding. At the operational level the performance among the pillars is mixed.

Ninety-five percent of the respondents of the online survey indicated that they were aware of the TSF and that they felt a sense of ownership of TSF operations. However, this observation is only considered as indicative, owing to the limited number of respondents. In contrast, resource persons interviewed expressed the view that Bank staff and potential beneficiaries were not sufficiently aware of the TSF. In terms of financial sustainability, the Bank and its ADF partners’ decision to increase the ADF-13 and ADF-14 allocations to the TSF in a context of declining overall ADF resources demonstrated the Bank’s commitment towards increasing its support to Transition States. However, to remain financially viable, the TSF needs to improve its capacity to leverage external funding, which was considered very modest during the period under review. At the institutional level, the TSF has a clear institutional anchoring, being managed by RDTS in collaboration with FIRM and other departments of the Bank’s finance complex.

Evidence on the sustainability of Pillar I projects shows mixed performance, with less positive case study results which may be a result of a small sample size while the Portfolio Review based on Project
Completion Report Evaluation Notes (PCRENs), indicated that 90 percent of co-financed TSF-funded projects and 80 percent of projects only funded by TSF resources were rated as satisfactory or better.

While it is still too early to assess the sustainability of the results achieved through Pillar II operations, there are concerns relating to the lack of sufficient legal assurance and a structured programme post-arrears clearance phased to prevent countries from falling back into arrears. The Bank’s Legal Service is currently drafting a new policy aimed at reducing this risk.

The Pillar III case study indicates that the performance with respect to sustainability appears to be generally satisfactory, although the findings can only be considered as indicative given the small purposive sample of projects. Four out of six projects assessed achieved satisfactory ratings for sustainability due to positive ratings for institutional capacity development and project ownership by stakeholders during the design step. Pillar III projects are initiated through a call for proposals, which enhances the ownership of projects. However, there are concerns over the involvement of key coordinating ministries, inadequate sustainability plans, and the sustainability of a PIU-based model of implementation. The findings are also less positive regarding the practicality of the Bank’s procedures to promote and ensure the sustainability of TSF results. Although improvements were consistently introduced by the Bank during the ADF-13 and ADF-14 periods, evidence points to a number of areas where greater investment is needed in order to plan more effectively for sustainable results, and to monitor progress towards this goal.

Conclusion

The evaluation finds the TSF to be a highly relevant instrument that has enhanced the level and rapidity of the support provided by the Bank to countries and regions in fragile situations. It also notes significant challenges in the design and implementation of the facility that have affected its effectiveness, coherence, efficiency and sustainability. The evaluation outlines a structured set of lessons, as well as recommendations, to strengthen future Bank support to countries and regions in fragile situations.

Lessons

The following are the key lessons from this evaluation:

Lesson 1: The unique and multifaceted design of the TSF, which also embodies flexibility, has enabled the Bank to respond effectively to the multidimensional needs of Transition States.

Lesson 2: Success in reducing the structural drivers of fragility requires a continuous commitment over time and significant financial resources.

Lesson 3: Strong partnerships and collaboration among the Bank, RMCs and other multilateral and bilateral development partners are critical for the success of TSF operations.

Lesson 4: Greater flexibility of eligibility criteria would allow the TSF to address a wider range of drivers and pockets of fragility in non-Transition States, and to control against the risks of new countries or regions from falling into fragility.

Lesson 5: A robust monitoring, evaluation and reporting framework is critical, not only to enhance the Bank’s accountability and learning in its support to regions and countries in fragile situations, but also to ensure more effective implementation and to increase the likelihood of sustainability.

Recommendations

IDEV makes the following recommendations:

Recommendation 1: Enhance the quality of project design, implementation, monitoring, and the reporting of results of TSF operations, tailoring them better to the difficult implementation context of
fragile situations. The Bank is advised to put in place adequate mechanisms to monitor and track TSF results throughout the project cycle to: (i) improve TSF project designs with clear results frameworks that are adequately funded and last long enough to achieve the envisaged development results; (ii) promote continued attention for TSF operations during project implementation; and (iii) improve measurement and reporting on the results achieved.

Recommendation 2: Increase the scale of funding for the TSF through greater leverage of external funding, as well as through the use of other Bank financial instruments. The Bank is advised to develop an appropriate and proactive strategy to attract additional “leveraged” resources through: (i) establishing the right balance between flexibility and selectivity; (ii) focusing on developing a programme with clearer linkages between funding and targeted results; and then (iii) promoting these TSF intervention packages to potential traditional and non-traditional partners across the Humanitarian, Development and Peace nexus.

Recommendation 3: Review the eligibility criteria of the TSF and if necessary, its pillar structure. This should be undertaken with a view to enabling the TSF instrument to better address structural issues, pockets of conflict, emerging fragility, and crisis-related issues in Transition States and non-Transition States.

Recommendation 4: Improve the efficiency and the sustainability of the Bank’s support for arrears clearance. The Bank is advised to explore ways to enhance the programming and utilisation of Pillar II resources and to reduce the transaction costs for Pillar II operations. With regard to sustainability, points for attention include legal assurance and post-arrears clearance support programmes to minimize the risk of countries falling back into arrears.
About this evaluation

This report summarizes the findings of an independent evaluation of the African Development Bank Group’s Transition Support Facility (TSF) over the 2014–2019 period. The TSF is an instrument that provides additional funding and operational flexibility for Bank operations in eligible countries to address fragility issues and build resilience, under its three pillars: Pillar I, Supplemental Support Window; Pillar II, Arrears Clearance Window; and Pillar III, Targeted Support Window. The objective of the evaluation was to examine the TSF in-depth and to generate lessons that would feed into future Bank planning, programming, and strategic frameworks. It assessed the relevance, coherence, effectiveness, efficiency, and sustainability of the TSF instrument.

The evaluation found the TSF to be a highly relevant instrument that has provided operational flexibility and enhanced the level and rapidity of the support provided by the Bank to countries and regions in fragile situations. However, it did identify some concerns regarding the scale of funding in relation to the needs, the limited degree of leverage being achieved, and the effectiveness of the targeting. Both the coherence and effectiveness of the TSF varied across the three pillars of support: Pillar I and Pillar II operations scored better on coherence than Pillar III, while Pillar II operations were found more effective than Pillar I and Pillar III operations.

Overall, the evaluation found that while TSF projects were more efficient than non-TSF projects during the design and start-up phases, they experienced more delays in completion due to various difficulties of the implementation context in fragile situations. There were also challenges with timely disbursement (in all pillars) and transaction costs (particularly in Pillars II and III). Finally, as an instrument, the TSF’s sustainability was found to be satisfactory, although there is room for improvement in terms of ownership and leverage of external funding.

In terms of recommendations, the evaluation points to enhancing the quality of project design, implementation, monitoring, and the reporting of results, tailoring them better to the context of fragile situations; increasing the scale of funding for the TSF through greater leverage of external funding and using other Bank financial instruments; and improving the efficiency and the sustainability of support for arrears clearance. It is also recommended to review the eligibility criteria of the TSF to enable the instrument to better address structural issues, pockets of conflict, emerging fragility, and crisis-related issues in both Transition States and non-Transition States.