Evaluation of the AfDB Group
Non-Concessional Debt Accumulation Policy
Summary Report

September 2021
IDEV conducts different types of evaluations to achieve its strategic objectives.
**ACKNOWLEDGEMENTS**

<table>
<thead>
<tr>
<th>Role</th>
<th>Name</th>
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</thead>
<tbody>
<tr>
<td>Task manager:</td>
<td>Mirianaud Oswald Agbadome, Principal Evaluation Officer, IDEV.2</td>
</tr>
<tr>
<td>Team member:</td>
<td>Roland Akabzaa, Research Assistant, IDEV.2</td>
</tr>
<tr>
<td>Consultants:</td>
<td>BKP Economic Advisors: Jean-Luc Steylaers, Timothée Picarello, Alessandro Scipioni, Emmanuel Baudelet</td>
</tr>
<tr>
<td>Internal peer reviewer:</td>
<td>Clement Bansé, Chief Evaluation Officer, IDEV.1</td>
</tr>
<tr>
<td>External peer reviewer:</td>
<td>Marco Cangiano, Consultant</td>
</tr>
<tr>
<td>Internal Bank Reference Group:</td>
<td>Dominique Puthod, Principal Policy and Strategy Officer, Macroeconomist, SNSP; Alain Niyubahwe, Chief Policy Officer, SNSP; Stefan Muller, Lead Country Program Coordinator, RDVP; Kevin Lumbila, Chief Economic Governance Expert, ECGF; Toussaint Houeninvo, Chief Country Economist, ECCE; Lacina Balma, Senior Research Economist, ECMR; O’Neil Rane, Senior Resource Mobilization and Partnership Officer, FIRM; Benjamin Accam, Credit Risk Officer, PGRF; Elsa Le Groumellec, Principal Legal Counsel, PGCL; Faith Waniku Kamau, Regional Principal Counsel, RDVP; Nourredine Lafhel, Chief Quantitative Risk Officer, PGRF.</td>
</tr>
<tr>
<td>Knowledge management and communications officers:</td>
<td>Raky Maryse Gassama, Senior Knowledge Management Officer, IDEV.3; Cecilia Amaral, Knowledge Management Officer, IDEV.3; Olive Bonga, Communications Consultant, IDEV.3.</td>
</tr>
<tr>
<td>Other assistance/contributions provided by:</td>
<td>Yao Parfait Kouassi, Administrative Assistant, IDEV.2; Andrew Ajuang Anguko, Chief Quality and Methods Adviser, IDEV.0; Joseph Ribeiro, Deputy Director General, RDGW; Victoria Chisala, Acting Director, SNSP</td>
</tr>
<tr>
<td>Special thanks to:</td>
<td>Dominique Puthod, Principal Policy and Strategy Officer, Alain Niyubahwe, Chief Policy Officer, SNSP and all the colleagues from the RDVP Complex who contributed to the preparation of the report.</td>
</tr>
<tr>
<td>Division manager:</td>
<td>Madhusoodhanan Mampuzhasseril</td>
</tr>
<tr>
<td>Evaluator-General:</td>
<td>Karen Rot-Münstermann (Acting)</td>
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Evaluation of the AfDB Group Non-Concessional Debt Accumulation Policy – Summary Report
IDEV Corporate Evaluation, September 2021

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The overarching objective of the African Development Bank Group is to spur sustainable economic development and social progress in its regional member countries (RMCs), thus contributing to poverty reduction. The Bank Group achieves this objective by mobilizing and allocating resources for investment in RMCs and providing policy advice and technical assistance to support development efforts.

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The mission of Independent Development Evaluation at the AfDB is to enhance the development effectiveness of the institution in its regional member countries through independent and instrumental evaluations and partnerships for sharing knowledge.

**Independent Development Evaluation (IDEV)**

African Development Bank Group
Avenue Joseph Anoma, 01 BP 1387, Abidjan, 01 Côte d’Ivoire
Phone: +225 27 20 26 28 41
E-mail: idevhelpdesk@afdb.org
idev.afdb.org

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<td>ADB</td>
<td>African Development Bank</td>
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<td>ADF</td>
<td>African Development Fund</td>
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<td>AfDB</td>
<td>African Development Bank Group</td>
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<td>ALSF</td>
<td>African Legal Support Facility</td>
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<td>APA</td>
<td>Agreed Policy Action</td>
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<td>AsDB</td>
<td>Asian Development Bank</td>
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<td>CABEI</td>
<td>Central American Bank for Economic Integration</td>
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<td>CAGR</td>
<td>Compound Annual Growth Rate</td>
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<td>DLP</td>
<td>Debt Limit Policy</td>
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<td>DMF</td>
<td>Debt Management Facility</td>
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<td>DRC</td>
<td>Democratic Republic of Congo</td>
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<td>DRS</td>
<td>World Bank’s Debtor Reporting System</td>
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<td>DSA</td>
<td>Debt Sustainability Assessment</td>
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<td>DSF</td>
<td>Debt Sustainability Framework</td>
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<td>DSSI</td>
<td>Debt Service Suspension Initiative</td>
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<td>EADI</td>
<td>African Development Institute</td>
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<tr>
<td>EBRD</td>
<td>European Bank for Reconstruction and Development</td>
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<td>EC</td>
<td>European Commission</td>
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<td>ECAD</td>
<td>African Development Institute (former EADI)</td>
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<td>ECCE</td>
<td>Country Economics Department</td>
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<td>ECGF</td>
<td>Governance and Public Financial Management Coordination Office</td>
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<td>ECMR</td>
<td>Macroeconomic Policy, Forecasting &amp; Research Department</td>
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<tr>
<td>ECON</td>
<td>African Development Bank Group Chief Economist Office</td>
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<td>ECVP</td>
<td>Chief Economist Complex and Vice Presidency for Economic Governance and Knowledge Management (former ECON)</td>
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<td>EDRE</td>
<td>Development Research Department</td>
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<td>EIB</td>
<td>European Investment Bank</td>
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<td>ESTA</td>
<td>Statistics Department</td>
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<td>FIRM</td>
<td>Resource Mobilization and External Finance Department</td>
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<td>FNVP</td>
<td>Finance Complex</td>
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<td>FSF</td>
<td>Fragile States Facility</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>GIZ</td>
<td>Deutsche Gesellschaft für Internationale Zusammenarbeit</td>
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<tr>
<td>HIPC</td>
<td>Heavily Indebted Poor Countries Initiative</td>
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<td>IADB</td>
<td>Inter-American Development Bank</td>
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<td>IDA</td>
<td>World Bank’s International Development Association</td>
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<td>IDEV</td>
<td>Independent Development Evaluation</td>
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<td>International Fund for Agricultural Development</td>
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<td>International Financial Institution</td>
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<td>IMF</td>
<td>International Monetary Fund</td>
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<td>LDC</td>
<td>Least Developed Country</td>
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<td>LIC</td>
<td>Low-Income Country</td>
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<td>MDB</td>
<td>Multilateral Development Bank</td>
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<td>MDG</td>
<td>Millennium Development Goal</td>
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<td>MDRI</td>
<td>Multilateral Debt Relief Initiative</td>
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<td>MEFMI</td>
<td>Macroeconomic and Financial Management Institute of Eastern and Southern Africa</td>
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<td>MPA</td>
<td>IMF Multipronged Approach</td>
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<td>MVA</td>
<td>Modified Volume Approach</td>
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<tr>
<td>NCBP</td>
<td>IDA’s Non-Concessional Borrowing Policy</td>
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<td>NCD</td>
<td>Non-Concessional Debt</td>
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<td>NCDA</td>
<td>Non-Concessional Debt Accumulation</td>
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<td>NCDAP</td>
<td>Non-Concessional Debt Accumulation Policy</td>
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<td>NPC</td>
<td>Non-Paris Club Creditors</td>
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<td>ODA</td>
<td>Official Development Assistance</td>
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<td>OECD</td>
<td>Organisation for Economic Cooperation and Development</td>
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<td>OPSCOM</td>
<td>Operations Committee</td>
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<td>OSFU</td>
<td>Fragile States Unit</td>
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<td>Acronym</td>
<td>Description</td>
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<td>OSGE</td>
<td>Governance, Economic and Financial Management Department</td>
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<td>PBA</td>
<td>Performance-Based Allocation</td>
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<td>PBO</td>
<td>Program-Based Operation</td>
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<td>PCG</td>
<td>Partial Credit Guarantee</td>
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<td>PGCL</td>
<td>General Counsel and Legal Services Department</td>
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<td>PGRF</td>
<td>Risk Management Department</td>
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<td>PIM</td>
<td>Public Investment Management</td>
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<td>PPA</td>
<td>Policy and Performance Action</td>
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<td>RDVP</td>
<td>Regional Development, Integration and Business Delivery Vice Presidency Complex</td>
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<td>RMC</td>
<td>Regional Member Country</td>
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<td>SDFP</td>
<td>IDA’s Sustainable Development Finance Policy</td>
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<td>SDG</td>
<td>Sustainable Development Goal</td>
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<td>SNSP</td>
<td>Strategy and Operational Policies Department</td>
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<td>USD</td>
<td>United States Dollar</td>
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<tr>
<td>WAIFEM</td>
<td>West African Institute for Financial and Economic Management</td>
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<td>WB</td>
<td>World Bank</td>
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This report presents the findings, lessons, and recommendations of the evaluation of the Non-Concessional Debt Accumulation Policy (hereafter NCDAP or the Policy) of the African Development Bank Group (AfDB or ‘the Bank’), launched by the Independent Development Evaluation function (IDEV) of the Bank, and covering the period 2008–2020.

Debt Landscape in Africa

The build-up of sovereign debt can become a concern for countries if the debt is not, or insufficiently, used to finance growth-enhancing investments. African countries and the international aid community have long been aware that the growing debt levels of Low-Income Countries (LICs) could potentially constitute an impediment to development and contribute to perpetuating poverty. This issue first gained prominence in the mid-1990s and was addressed through the launch of debt relief initiatives, mainly the Heavily Indebted Poor Countries (HIPC) Initiative in 1996 and the Multilateral Debt Relief Initiative (MDRI) in 2005.

To support these initiatives, and with a view to helping LICs to balance debt levels with their need for development financing, the International Monetary Fund (IMF) and the World Bank (WB) developed a framework to help guide countries and donors in mobilizing the financing of LICs’ development needs, while reducing the chances of an excessive build-up of debt in the future. This new framework, called the Debt Sustainability Framework (DSF), was introduced in April 2005 and since then has been periodically reviewed.

The DSF acts as a complement to the HIPC Initiative and the MDRI and consists of a common approach to the challenges of debt distress and the re-accumulation of non-concessional debt by post-HIPC countries. Since its adoption by the African Development Fund (ADF) in 2005, the DSF has informed the terms of ADF financing, including grant eligibility, and has framed its broader dialogue with LICs and development partners.

The above mentioned debt relief initiatives have had an immediate impact in alleviating debt burdens of LICs, but debt, both in levels and as ratios to Gross Domestic Product (GDP), has started to rise again over the past decade. With respect to ADF countries, total external debt stocks have grown from USD139.0 billion in 2008 (18.2 percent of the countries’ combined GDP) to USD370.6 billion in 2019 (29.9 percent of combined GDP), accounting for a Compound Annual Growth Rate (CAGR) of 9.3 percent over the period.

Other factors driving debt accumulation in Africa include governance issues, large public investment programs, defence-related expenditures, and weak institutional capacity. The discovery of hidden debt has also caused a sudden surge in debt burdens in several countries. In addition, the current COVID-19 crisis is adding to debt vulnerabilities and contributing to a further deterioration of LICs’ debt trajectories.

Presentation of the NCDAP

The AfDB approved in 2008 an NCDAP with the view to mitigating the impact of the rapid accumulation of non-concessional debt on grant eligible post-HIPC/MDRI debt relief ADF countries, and to guiding the use of its concessional resources. The design of the NCDAP was explicitly informed by lessons learned from the review of the International Development Association’s (IDA) Non-Concessional Borrowing Policy (NCBP), which was approved in 2006, and its implementation.
The NCDAP was amended in 2011 to provide a more flexible and streamlined approach, and to reflect recent changes adopted by the IMF regarding its external debt limit policy and concessionality framework. The NCDAP is structured around four objectives articulated in four pillars:

**Pillar 1** – Deepen partnership and coordination with sister Multilateral Development Banks (MDBs) and bilateral donors on issues related to non-concessional borrowing.

**Pillar 2** – Strengthen borrowers’ reporting requirements on non-concessional debt accumulation.

**Pillar 3** – Enhance collaboration in capacity-building with other partners (especially IDA), specifically regarding actions aimed at improving debt data quality, recording, and reporting, and building institutional capacity in Regional Member Countries (RMCs).

**Pillar 4** – Apply compliance measures on a case-by-case basis.

### Evaluation objectives and scope

This evaluation aims to: (i) provide evidence-based information on the effectiveness of the NCDAP for the purpose of accountability; and (ii) identify lessons from its implementation to inform the development of a new sustainable debt policy by the Bank.

The evaluation covers the implementation of the NCDAP from 2008 to June 2020. It includes the 2008 Policy, the 2011 Amendments, and the Operational Guidelines approved by the Operations Committee (OpsCom) in November 2011. The assessment covers all measures implemented as part of this Policy, including its implementation measures and the coordination with other agencies.

The evaluation used the revised international evaluation criteria. The main criteria assessed were relevance, coherence, effectiveness, and efficiency, on a four-point rating scale ranging from “unsatisfactory” to “highly satisfactory” (see Annex 2). The evaluation of sustainability and the impact of the Policy were dropped during the evaluation process, due to the limited implementation of the Policy. The methods and tools included: statistical analysis; in-depth document review; interviews with selected internal and external informants; country case studies; and comparison with similar policies adopted by other multilateral development organisations.

### Key Findings

#### Relevance

The relevance of the Policy is rated as satisfactory.

**Objectives, approach, and key elements of the Policy:** The Policy’s four pillars are clearly defined. However, the Policy’s ultimate or overall objective could have been stated more explicitly and defined in a clearer way. In addition, one may wonder whether the policy objective of discouraging countries from contracting (unsustainable) non-concessional loans was realistic, given that AfDB resources only account for a small share of RMCs’ total development finance, limiting the Bank’s influence on RMCs’ borrowing behaviour.

**Operational framework:** The documents list those stakeholders that will be involved for each key element of the Policy, but do not clearly identify which entity will oversee or coordinate its overall implementation. Other related weaknesses include the lack of an appropriate monitoring framework against which implementation could be assessed and the absence of details regarding periodic reporting on the implementation of the Policy.

**Main changes between the 2008 Policy and 2011 Amendments:** The 2011 Amendments were intended to align the 2008 Policy with changes...
adopted by the IMF regarding its external debt limit policy and concessionality framework, and to bring the AfDB’s Policy up to date with IMF/WB policies in supporting LICs’ financing needs. However, the change in tone of the discourse that is reflected in the 2011 Amendments, with greater recognition for the Financing for Development agenda and emphasis on responding to countries’ needs, is perceived to be somewhat at odds with aspects of the original 2008 Policy, including the references to the issues of free-riding and cross-subsidisation, which have been kept intact in the amended version of the Policy. As a result, these amendments have blurred somewhat rather than clarified the main objective of the Policy.

Evolution of the debt of ADF countries since the inception of NCDAP: The NCDAP has remained relevant throughout the period. Debt levels in ADF countries have risen steadily since the inception of the NCDAP in 2008. Non-concessional debt has seen rapid growth over the period, growing at a slightly faster pace than concessional debt. This has led to an increase in debt vulnerabilities across ADF countries, which are now exacerbated by the COVID-19 crisis.

Changes in the lending landscape: Overall, the changes in the lending landscape over the period and the new challenges posed by the emergence of new creditors can be viewed as confirming the relevance of a policy addressing debt sustainability in ADF countries.

Coherence

The coherence of the Policy was rated as satisfactory. There is a substantial level of coherence of the NCDAP with: (i) the policies of sister organisations; (ii) internal Bank policies; and (iii) the overall development framework embodied by the 2030 Agenda for Sustainable Development Goals (SDGs).

The internal coherence of the NCDAP with other Bank policies mainly stemmed from a change in tone over time (with greater recognition for the Financing for Development discussions and emphasis on responding to countries’ needs) expressed in Bank policies (including the NCDAP) that gave more flexibility to ADF-Only countries to access non-concessional resources, subject to a number of conditions being met. This change of tone was partly justified by the relatively low risk of debt distress for ADF-Only countries at the beginning of the evaluation period.

However, as African countries’ indebtedness worsened in the second half of the period under evaluation, it became apparent that the aforementioned policies were less in line with the NCDAP objective of limiting the accumulation of non-concessional debt by ADF-Only countries.

Effectiveness

The effectiveness of the Policy was rated as unsatisfactory due to the limited level of implementation and results.

The evaluation found that only limited aspects of the NCDAP have been implemented. One major shortcoming found is that provisions requiring advanced reporting on planned new non-concessional borrowing, including negative pledge clauses against collateralised resources, were not included in Bank loan/grant agreements with RMCs due to the absence of political will.

In addition, the inter-departmental Committee to monitor regular reporting on the status of non-concessional borrowing foreseen by the NCDAP was not constituted. As a result, the evaluation found no evidence that non-concessional borrowing by ADF countries was monitored by the AfDB during the evaluation period. In the same vein, given the absence of reporting from countries, policy measures such as a hardening of terms or volume reduction linked to the contracting of non-concessional debt by ADF countries, were not applied.

On coordination efforts with sister organisations, the evaluation has found evidence of frequent workshops
and seminars having taken place between the Bank and sister organisations over the past two years in the context of the preparation of the new sustainable debt policy. However, this was undermined by the fact that there has been more limited coordination with respect to substantive policy measures, among others a more limited application by the AfDB, compared with IDA, of hardening of terms or/and volume reduction measures to ADF countries.

Finally, with regard to capacity building, the evaluation found scattered evidence that the Bank has provided capacity-building support in debt management to ADF countries during the evaluation period. While the evaluation found evidence that the World Bank/IDA has provided more substantial support, this has not translated into a tangible improvement of ADF countries’ debt management capacities.

**Efficiency**

The efficiency of the implementation of the Policy was rated as unsatisfactory. In the context of the limited implementation of the Policy, the evaluation found limited evidence of inter-departmental coordination linked to the implementation of the NCDAP. Rather, Bank departments seem to have mostly worked independently of one another. This is not to say that the individual departments have not performed some of their envisaged role as contained in the NCDAP.

In addition, the Policy did not comply with commonly accepted monitoring and evaluation principles, as exemplified by the fact that the Bank has not conducted/published reports on the implementation of the NCDAP. In sum, the absence of coordination and monitoring points to limited operational efficiency of the NCDAP.

**Lessons**

**Lesson 1:** The accumulation of non-concessional debt is an important factor driving debt distress on the continent. The issue of debt has grown beyond the original policy coverage and should be considered as a major topic for the foreseeable future.

There has been a sharp increase in debt vulnerability of ADF countries, and this is not limited to ADF-Only countries. The increased debt vulnerability of ADF countries is reflected in the increase in recent years of the number of African LICs assessed to be at high risk of, or already in, debt distress based on the Debt Sustainability Analyses (DSAs) under the Joint WB-IMF DSF. This concerns not only ADF-Only countries, but also Blend and Gap countries, which have been more heavily affected.

**Lesson 2:** A lack of clear objectives weakens the basis for collaboration and coordination.

When the overall objective of a policy is not clearly defined, this can lead to a lack of common understanding among Bank stakeholders. It is also important to ensure that a policy is broadly communicated internally and externally, to ensure awareness and ownership during the implementation period.

**Lesson 3:** Clear political will and consensus on the application of a policy are key factors for success.

Political will to support policies such as the NCDAP is vital. Their implementation should be supported by sufficient internal and external buy-in and a strong legal basis for the measures that could be difficult to implement. The absence of political will to apply the NCDAP within the Bank can be partly explained by the fact that ADF countries experienced relatively low debt levels and ratios at the beginning of the review period. The fact that crucial policy measures contained in the NCDAP were not implemented, however, remains problematic in hindsight, as the relevance of this policy remained high during the rest of the evaluation period.

**Lesson 4:** The absence of strong ownership of a policy by a “Champion” in the subject matter,
and of a strong coordination mechanism, can undermine effective policy coordination and implementation.

In the case of the NCDAP, for instance, several actions were not implemented due to the fact that no single entity was the real “owner” of the policy and could lead the Bank-wide efforts for the implementation of the planned actions.

**Lesson 5:** A strong capacity-building component can contribute to the success of a policy.

When designing a policy, capacity-building actions should be clearly defined. They should be reinforced by a coordination mechanism and have strong linkages with the objectives of the policy to ensure its overall effectiveness.

**Lesson 6:** Consistent monitoring and reporting are essential to ensure a policy remains relevant and pertinent.

Periodic reporting on the implementation of the policy could contribute to raising awareness, communicating with stakeholders, and improving relevance and effectiveness over time.

**Recommendations**

**Recommendation 1:** Ensure a robust design for the new sustainable debt policy.

It is recommended that the Bank’s new policy take into consideration the following elements:

a. **Particular attention for formulating clear policy objectives** to ensure that all internal and external stakeholders develop a shared and common understanding of the main goals of the policy, for example by developing monitorable and assessable indicators for each objective.

b. **Consider the current level of political will and legal feasibility.** The consultation process should ensure that any measure contained in the new policy is accepted and will be applied, including the legal basis needed for implementation.

c. **Ensure the coherence of the new Policy with IDA’s Sustainable Development Finance Policy (SDFP).** While it is encouraged that the new policy considers the specific African context, it is also recommended that the main features of the IDA policy be transposed to the Bank’s new policy in terms of overall objective and scope.

d. **Expand the coverage to additional countries.** The Bank should consider the possibility to enlarge the coverage of the future policy to Gap and Blend countries, due to the sharp increase in debt vulnerability of all ADF-eligible countries.

**Recommendation 2:** Place increased focus on data and transparency.

It would be beneficial for the new policy to contain a more substantial focus on data and transparency than IDA’s SDFP, since the accumulation of non-concessional debt is an important factor driving debt distress on the continent, but there are still few data available on the issue.

**Recommendation 3:** Ensure strong ownership of the policy and strengthen coordination within the Bank.

The Bank should define and ensure clear responsibility for overseeing, implementing, and monitoring the new policy in line with the One Bank approach. Roles should be clarified at the strategic, central, and country levels, including coordination with other partners. Arrangements should be made for operationalising the policy through specific activities and raising awareness of the policy within the Bank and with RMCs. Finally, it is recommended to establish a functional coordination mechanism to ensure: (i) a common understanding of the
new policy across all departments involved in its implementation; (ii) that these departments work in a synergetic way; and (iii) adequate monitoring and reporting of the policy.

**Recommendation 4: Clarify the approach to debt management capacity building**

The Bank is advised to implement debt management capacity building for RMCs and debt surveillance internal capacity building for Bank staff. The Bank needs a more focused approach to ensure that capacity-building actions linked to the new sustainable debt policy are explicitly articulated and implemented in a coordinated manner, including through coordination with sister organisations, to avoid gaps and duplications.
Management Response

Management welcomes IDEV's evaluation of the Non-Concessional Debt Accumulation Policy (NCDAP) of the African Development Bank Group. This evaluation aims to (i) provide evidence-based information on the effectiveness of the NCDAP for the purpose of accountability, and (ii) report on the results of the NCDAP and identify lessons from its implementation to inform the development of a new policy by the Bank. Overall, Management agrees with most of the evaluation's lessons, conclusions, and recommendations. These are timely as Management is developing a successor policy, the Bank Group Sustainable Borrowing Policy. This note presents Management's responses to key issues raised by the evaluation and provides ongoing and foreseen actions in line with IDEV's recommendations.

Introduction

Management welcomes the independent evaluation of the Non-Concessional Debt Accumulation policy. It provides guidance on areas that require attention by the Bank in a context marked by profound changes related to rising debt vulnerabilities in Africa and shifting dynamics within the development finance landscape. This evaluation provides key elements to prepare the successor policy, the Bank Group Sustainable Development Financing Policy, which is a GCI VII and an ADF 15 commitment.

Management therefore welcomes IDEV's evaluation and takes note of the lessons learnt, including the following:

- A lack of clear objectives weakens the basis for collaboration and coordination of Bank's policies.
- Clear political will and consensus on the application of a policy are key factors for success.
- The accumulation of non-concessional debt is an important factor driving debt distress on the continent, and the issue of debt has grown beyond the original policy coverage and will be a major topic for the foreseeable future.
- The absence of strong ownership of the NCDAP by a "champion" in debt related issues, and of a strong coordination mechanism undermined effective policy implementation.
- Consistent monitoring and reporting are essential to ensure a policy remains relevant and pertinent.
- A strong capacity building component can contribute to the success of a policy.

This advice will be duly considered in the new policy, which will be called "Bank Group Sustainable Borrowing Policy". Its primary objective will be to support debt sustainability in countries receiving ADF financing. The Bank will support these countries in the design and implementation of sustainable debt policies. A key feature will be the introduction of country specific “Agreed Policy Actions”, to support the objectives of the policy.

Ownership, of both ADF recipient countries and the Bank, will be key in the design and implementation of the policy. Therefore, the issue of political will and consensus will be reflected in the policy.
Key Findings

Relevance of the Policy

The policy’s relevance was rated satisfactory.

Management agrees with the evaluation concluding that the policy’s four pillars were well defined and were targeted to address a key developmental issue for the Regional Member Countries.

Looking forward, management also agrees that the evolution of the debt of ADF countries confirms that the policy has remained relevant, and the changes in the lending landscape over the period as well as the challenges posed by the emergence of new creditors should inform a policy that aims to address debt sustainability in ADF countries in the future.

Management also agrees with the evaluation conclusion that the overall goal was unclear and the specific orientation of discouraging countries from contracting non-concessional loans, might have been unrealistic, considering the weight of AfDB’s concessional resources in the overall financing landscape.

In the context of the preparation of the successor policy, Management will ensure that the policy objective responds to the Evaluation’s findings, with objectives that are realistic, achievable, and flexible to capture countries’ specific debt related environments.

The evaluation states that the policy was not sufficiently communicated internally and externally to ensure a large awareness and ownership. Looking forward the new policy will include extensive consultations with all relevant stakeholders. This should ensure that Bank regional hubs and countries acquire the capacity to effectively play a front-line role during the implementation of the policy.

Coherence

Management takes note of the fact that the evaluation rated the coherence as satisfactory.

We agree with the conclusion that the NCDAP is fully coherent with the non-concessional debt policies of other Multilateral Development Banks (MDBs) and the international development agenda. We also share the view that there was a “substantial level of alignment” with relevant Bank policies including the 2014 Credit Policy and the ADF Guidelines.

Indeed, the Bank NCDAP was strongly aligned with the IDA’s Non-Concessional Borrowing Policy (NCP) and was also anchored on the IMF Public Debt Limits in Funds-Supported Programs Policy.

It should be noted that the revision process is undertaken in consultation with these MDBs in order to remain coherent. The Bank is preparing a successor policy after the World Bank replaced its non-concessional borrowing policy with a broader Sustainable Borrowing Policy and after the International Monetary Fund revised its Debt Limit Policy. Both revisions took place in 2020 and will inform the new Bank’s policy.

However, IDEV notes that during the second half of the period under evaluation, both the 2014 Credit Policy and the ADF guidelines were less in line with the objective of limiting the accumulation of non-concessional borrowing. Management considers that this stance needs to be nuanced. In fact, the 2014 credit policy was explicitly and strongly anchored on the NCDAP both conceptually and at implementation level. A key aspect of the NCDAP, the compliance with the non-concessional borrowing as defined within agreed annual debt limits, is a key requirement for eligibility to the 2014 credit policy. In addition, the implementation of the 2011 Transition Framework, through creditworthiness assessments
of ADF countries put a strong emphasis on debt sustainability and track record of sound borrowing policies, both of which are fundamental to the NCDAP. Finally, the ADF-15 Resource Allocation Framework Operational Guidelines include key provisions in its resource allocation mechanism and encourage countries to follow sustainable debt policies.

Management believes that the related Bank policies did support sustainable debt accumulation, even as the debt situation of African countries worsened in the second half of the period under evaluation. For example, before the Covid-19 pandemic, countries that have been benefitting from the 2014 credit policy since its inception were the ones that have been maintaining a very strong debt sustainability position.

**Effectiveness**

IDEV's evaluation found that the NCDAP implementation effectiveness was unsatisfactory.

Management agrees with the fact that while the coordination with other MDBs was successful, there was limited implementation in terms of internal coordination, monitoring, transparency, and application of compliance measures to countries.

While the policy was partially successful in forging partnerships and ensuring donor coordination, as well as capacity building, Management agrees that the pillar on Strengthening Borrower Reporting and Donor Monitoring was not implemented.

The absence of legal reporting clauses in the ADF loan and grant agreements precluded this major aspect of the policy from being implemented. Therefore, there was a lack of legal basis to implement some of the hard measures contained in the policy.

This key aspect will be considered in the successor policy. Management will ensure that the proposed measures will be effectively implemented by the Bank. The policy will clearly consider how the Bank’s mandate and comparative advantage fit in the pressing questions of debt sustainability in ADF recipients.

To address this caveat, the successor policy will be driven by a One Bank approach ensuring adequate coordination within the Bank, and consistent monitoring mechanisms. More specifically, policy implementation will in a large part be driven by the Multidimensional Action Plan to mitigate debt vulnerabilities in Africa. The Action Plan defines a theory of change, the roles and responsibilities, a result measurement framework and a clear division of labour.

IDEV also noted that another key aspect challenging the effectiveness was the lack of a department within the Bank specifically responsible for the monitoring of ADF countries’ non-concessional debt.

The Bank will establish an internal coordination mechanism, through an inter-department committee, to oversee implementation. A Presidential Directive creating the committee will be elaborated and issued once the Sustainable Borrowing Policy is be approved. This regular monitoring will contribute to raising awareness, communicating with stakeholders, and improving effectiveness.

Lastly, Management agrees that a strong capacity building component would have helped increase the effectiveness of the policy. Management understands that the assessment of the effectiveness of capacity building actions was hindered by the fact that (i) the exact scope / focus of capacity building actions was not clearly defined in the policy; (ii) capacity building actions were scattered across the various Bank departments and were not well coordinated; (iii) the link between certain capacity building actions implemented and the NCDAP was not always very explicit. In addition to addressing these through the policy, specific measures are also indicated in the Capacity Development Strategy (2021-2025), the Strategy for Economic Governance in Africa (2021-2025) and their successors.
Efficiency

The efficiency in implementing the policy was rated as unsatisfactory.

The evaluation looked at the internal coordination of the policy through the actual roles of the main Bank departments. The evaluation analysed how implementation complied with the NCDAP operational guidelines.

Management recognises IDEV’s conclusion that weak monitoring and data keeping, as well as the absence of coordination and monitoring led to limited operational efficiency of the NCDAP. While individual departments performed some of their envisaged role as contained in the NCDAP, the main coordination mechanism - the permanent inter-departmental Committee - that was supposed to review non-concessional borrowing and grant the exceptions provided for in the policy, was never established. Moreover, responsible departments did not comply with the operational guidelines approved by the Operations Committee. In the absence of legal clauses to support the policy implementation, this committee did not have any strong reason to meet.

It is also clear that the beginning of the 2010s did not highlight debt issues as a high priority, as internal debt relief initiatives had considerably strengthened debt profiles of ADF countries.

Looking forward, Management stresses the importance of establishing a monitoring framework against which policy implementation would be assessed. Moreover, as a matter of good practice, Management should publish regular reports on the implementation of the NCDAP, or to the least a review after 5 years of implementation. The policy will ensure that these key items are included.

Way Forward

The overarching objective of the successor policy will be to support ADF recipients in following sustainable debt practices in development financing. In doing so, the Bank will use both its financial resources, but also its operational support and convening power. The scope of the new proposed policy will be broader than the NCDA Policy. It will cover not only the issue of cross subsidization of non-concessional debt with concessional debt but also key aspects of debt sustainability, notably debt management and transparency.

The policy will also include a broader set of countries. While the Non-Concessional Debt Accumulation Policy only targeted ADF countries, the Bank Group Sustainable Development Policy will include all ADF-only and Blend countries.

Conclusion

Management appreciates the constructive way the evaluation was undertaken. IDEV recommendations are aligned with the policy commitments of the GCI VII capital increase and the ADF-15 replenishment and strongly mirror Management’s views on debt sustainability issues in ADF countries.

The specific responses to the recommendations of the Evaluation are summarised in the Management Action Record below.
<table>
<thead>
<tr>
<th>Recommendation</th>
<th>IDEV’s Recommendation</th>
<th>Management’s Response</th>
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</thead>
<tbody>
<tr>
<td><strong>Recommendation 1:</strong></td>
<td>Ensure a robust design for the new sustainable debt policy.</td>
<td></td>
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<tr>
<td></td>
<td>a. Particular attention for formulating clear policy objectives</td>
<td>Agreed – Management fully agrees with this recommendation.</td>
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<td></td>
<td>b. Expand the coverage to gap and blend countries</td>
<td><strong>Further actions:</strong></td>
</tr>
<tr>
<td></td>
<td>c. Consider the current level of political will and legal feasibility</td>
<td>i. The successor policy will have clear policy objectives, will include all ADF recipients (this includes all Gap and Blend countries), and will consider the effectiveness and political will of the Bank in the design of the policy components. Management will ensure that any measure contained in the new policy is accepted and will be applied, including the potential legal basis needed for implementation. [SNSP, FIRM, Q4 2021].</td>
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<td></td>
<td>d. Ensure coherence of the new policy to IDA’s SDFP.</td>
<td>i. The policy will be aligned with the pillars of IDA’s SDFP, but key elements of the policy, such as the Agreed Policy Actions, will be in line with the Bank specific operational context. [SNSP, FIRM, Q4 2021].</td>
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<tr>
<td><strong>Recommendation 2:</strong></td>
<td>Place increased focus on data and transparency.</td>
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<tr>
<td></td>
<td>a. The new policy should contain a more substantial focus on data and transparency than IDA’s SDFP.</td>
<td>Agreed – Management fully agrees with this recommendation.</td>
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<tr>
<td></td>
<td></td>
<td><strong>Further actions:</strong></td>
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<td></td>
<td></td>
<td>i. The policy will contain a dedicated pillar to support debt management and transparency. [SNSP, RDVP, ECVP, Q4 2021].</td>
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<tr>
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<td></td>
<td>i. The Agreed Policy Actions, proposed in the policy, will essentially target data and transparency. [ECGF, ECST, Q4 2021].</td>
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</table>
### Management Action Record

<table>
<thead>
<tr>
<th>IDEV's Recommendation</th>
<th>Management's Response</th>
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<tbody>
<tr>
<td><strong>Recommendation 3:</strong> Ensure strong ownership of the policy and strengthen coordination within the Bank.</td>
<td><strong>Agreed</strong> – Management fully agrees with the recommendation.</td>
</tr>
<tr>
<td>a. The Bank should define and ensure clear responsibility for overseeing, implementing and monitoring the new policy.</td>
<td><strong>Further actions:</strong></td>
</tr>
<tr>
<td>b. Establish a functional coordination mechanism to ensure (i) a common understanding of the new policy across all departments involved in its implementation; (ii) that these departments work in a synergetic way; and (iii) adequate monitoring and reporting of the policy.</td>
<td>- The policy implementation will be largely defined by the Multidimensional Action Plan to mitigate debt vulnerabilities in Africa and the Strategy for Economic Governance in Africa (2021-2025). The Action Plan has defined a theory of change, the roles and responsibilities, a result measurement framework and a clear division of labour. [<em>ECVP, Q4 2021</em>].</td>
</tr>
<tr>
<td></td>
<td>- The Bank will establish an internal coordination mechanism- the Inter-Departmental Debt Monitoring committee- responsible for making proposals and recommendations to Senior Management and the Board regarding the application of the Bank policies on debt, as well as their associated action plans and operational guidance. The Chair of the Committee shall be selected by the Senior Management. [<em>ECVP, RDVP, FIRM, Q4 2021</em>].</td>
</tr>
<tr>
<td><strong>Recommendation 4:</strong> Clarify the approach to debt management capacity building.</td>
<td><strong>Agreed</strong> – Management fully agrees with the recommendation.</td>
</tr>
<tr>
<td>a. Implement debt management capacity building for RMCs and internal debt surveillance capacity building for Bank staff.</td>
<td><strong>Further actions:</strong></td>
</tr>
<tr>
<td>b. The Bank needs a more focused approach to ensure that capacity building actions linked to the new sustainable debt policy are explicitly articulated and implemented in a coordinated manner, including through coordination with sister organizations, to avoid gaps and duplications.</td>
<td>- The Multidimensional Action Plan to mitigate debt (2021-2023) and its successor versions provide a road map of Bank capacity building and technical assistance. Specific actions on debt transparency and public investment management will support RMCs, supporting the policy objectives, in close collaboration with World Bank and other partners. [<em>ECVP, RDVP, SNSP, Q4 2021</em>].</td>
</tr>
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Introduction and Background

This report presents the findings, lessons, and recommendations of the “Evaluation of the Non-Concessional Debt Accumulation Policy (NCDAP or “the Policy”) of the African Development Bank Group”. The evaluation was conducted by the Independent Development Evaluation function (IDEV) of the African Development Bank Group (“the Bank” or the AfDB) as part of its 2020–2021 work program. It was prepared in the context of growing concerns around debt sustainability in the world in general, but particularly in Africa, to account for the Bank’s performance since 2008 and inform the preparation of the Bank’s new sustainable debt policy.

The report is structured into three main sections. This section presents a brief overview of the debt background in Africa, the NCDAP, and the evaluation framework (purpose, scope, and evaluation questions). The second section encapsulates the evaluation findings around the criteria of relevance, coherence, effectiveness, and efficiency. Finally, the key takeaways, lessons and recommendations are presented in the third section. Additional evidence and information are presented in the annexes.

Debt Landscape in Africa

The build-up of sovereign debt can become a concern for countries if the debt is not, or insufficiently, used to finance growth-enhancing investments. African countries and the international aid community have long been aware that the growing debt levels of Low-Income Countries (LICs) could potentially constitute an impediment to development and contribute to perpetuating poverty. This issue gained prominence in the mid-1990s, when social and economic problems associated with developing countries’ growing levels of national debt led to mounting calls for creditors to forgive all or part of their loans.\(^3\)

In response to this situation, the International Monetary Fund (IMF) and the World Bank (WB) launched the Heavily Indebted Poor Countries (HIPC) Initiative in 1996, a debt relief program designed to ensure that no poor country should face a debt burden it cannot manage. Since then, the international financial community, including multilateral organisations and governments, have worked together to lower to sustainable levels the external debt burdens of the most heavily indebted poor countries. In 2005, to help accelerate progress towards the Millennium Development Goals (MDGs), the HIPC Initiative was supplemented by the Multilateral Debt Relief Initiative (MDRI), which allows for 100 percent relief on eligible debts by three multilateral institutions—the IMF, the World Bank’s International Development Association (IDA), and the African Development Fund (ADF)—for countries completing the HIPC Initiative process.

The fact that debt relief alone is insufficient to ensure long-term debt sustainability was, however, emphasised in the 2002 Monterrey Consensus on Financing for Development, which called for: (i) comprehensive strategies for reducing the vulnerability of debtor countries; (ii) shared debtor/creditor responsibility for preventing and resolving unsustainable debt situations; and (iii) strengthened technical assistance for debt management and debt tracking.

Against this background, and with a view to helping LICs to balance debt levels with their need for financing, the IMF and the WB developed a framework to help guide countries and donors in mobilising the financing of LICs’ development needs, while reducing the chances of an excessive build-up of debt in the future. This new framework, called the Debt Sustainability Framework (DSF), was introduced in April 2005 and has been periodically reviewed since then. The DSF acts as a complement
to the HIPC Initiative and the MDRI and consists of a common donor approach to the challenges of debt distress and the re-accumulation of non-concessional debt by heavily indebted poor countries. Since its adoption by the ADF in 2005, the DSF has informed the terms of ADF financing, including grant eligibility, and it has framed the ADF’s broader dialogue with LICs and development partners. Under the DSF, Debt Sustainability Analyses (DSAs) must be conducted, resulting in a classification of countries into three categories (red: high risk of debt distress; yellow: moderate risk of debt distress; green: low risk of debt distress).4

The abovementioned debt relief initiatives have had an immediate impact in alleviating debt burdens of LICs, but debt levels have started to rise again over the past decade due to weak macroeconomic fundamentals, the global economic and financial crisis, and the growing accessibility of non-concessional financing from the market and from non-traditional donors. With respect to ADF countries, total external debt stocks have grown from USD139.0 billion in 2008 (18.2 percent of the countries’ combined Gross Domestic Product [GDP]) to USD370.6 billion in 2019 (29.9 percent of combined GDP), accounting for a compound annual growth rate (CAGR) of 9.3 percent over the period (see Annex 1 for more details).

Other factors driving debt accumulation in Africa include governance issues, large public investment programs and defence-related expenditures. Debt levels are affected by the growing weight of domestic debt and structural factors, such as limited domestic revenue mobilisation capacities, and significant shocks such as falling commodity prices. Weak institutional capacity has also been responsible for the recent debt build-up in some countries. The discovery of hidden debt in several countries on the continent (for example, Mozambique, Cameroon, and Chad) has caused a sudden surge in debt burdens in these countries. Problems with economic governance, corruption and mismanagement have been identified as a culprit in the debt distress episodes that recently occurred in some countries such as The Gambia, Democratic Republic of Congo (DRC), and the Republic of Congo. Furthermore, increased defence-related expenditure to contain rising conflict and terrorism in the Sahel and some transition states has contributed to rising debt levels.5 The current COVID-19 crisis is adding to debt vulnerabilities and contributing to a further deterioration of LICs’ debt trajectories.9 The Bank estimates that African governments require additional gross financing of about USD484.8 billion between 2021 and 2023 to adequately respond to the crisis and support recovery.7

Following a call for action by the WB and the IMF, the G20 launched in May 2020 the Debt Service Suspension Initiative (DSSI), which aims to provide debt service relief to IDA and UN LDC countries to help them concentrate their resources on fighting the COVID-19 pandemic. A total of 73 countries (including 38 African countries) are eligible for a temporary suspension of debt-service payments owed to their official bilateral creditors. The G20 has also called on private creditors to participate in the initiative on comparable terms. The suspension period, originally set to end on 31st December 2020, was first extended through to June 2021, then for another six months to the end of December 2021. Since it took effect on 1st May 2020, 47 countries have made requests for the debt service suspension, including 32 African countries. In 2020, the DSSI delivered an estimated USD5.7 billion in debt service suspension to 43 countries (including 29 African countries) and the first six-month DSSI extension through June 2021 could provide an additional USD7.3 billion of debt service suspension for the participating countries (including USD4.1 billion for African countries).8

The Non-Concessional Debt Accumulation Policy

Against the backdrop of the HIPC Initiative, the MDRI and the DSF, the AfDB approved in 2008 a Non-Concessional Debt Accumulation Policy (NCDAP) with a view to mitigating the impact of rapid
accumulation of non-concessional debt on grant-eligible post-HIPC/MDRI debt relief ADF countries and guiding the use of its concessional resources.

The design of the NCDAP was explicitly informed by lessons learned from the review of IDA’s Non-Concessional Borrowing Policy (NCBP), which had been approved in 2006, and its implementation up to that point. The NCDAP was revised in 2011, with the introduction of Amendments that aimed to provide a more flexible and streamlined approach, and reflecting recent changes adopted by the IMF regarding its external debt limit policy and concessional framework. The NCDAP is structured around four pillars:

**Pillar 1 – Deepen partnership and coordination with sister Multilateral Development Banks (MDBs) and bilateral donors on issues related to non-concessional borrowing.**

**Pillar 2 – Strengthen borrower reporting and donor monitoring on non-concessional debt accumulation through the creation of an inter-departmental Committee to monitor regular reporting on the status of non-concessional borrowing by ADF-Only Regional Member Countries (RMCs) and the inclusion of specific provisions in AfDB grant/loan agreements, in particular the inclusion of a clause in all grant/loan agreements requiring advance reporting on planned new non-concessional borrowing.**

**Pillar 3 – Enhance collaboration in capacity building with other partners (especially IDA), specifically regarding actions aimed at improving debt data quality, recording and reporting, and building institutional capacity in RMCs in debt management, macroeconomic and fiscal management.**

**Pillar 4 – Apply compliance measures on a case-by-case basis: the Policy provides for a set of compliance measures to be applied on a case-by-case basis to countries that breach the Policy. The compliance measures involve the application of volume discounts and the hardening of terms to borrowers, considering the scale of the breach, but also the diversity of country circumstances based on (as per the 2011 Amendments) a “concessional matrix” that considers the countries’ debt vulnerability, as well as debt management capacity.**

**Purpose, Scope and Evaluation Questions**

**Purpose**

This evaluation aims to: (i) provide evidence-based information on the effectiveness of the NCDAP for the purpose of accountability; and (ii) report on the results of the NCDAP and identify lessons of its implementation to inform the development of a follow-up policy (the sustainable debt policy) by the Bank.

The evaluation of the NCDAP and preparation of the new policy comes at an opportune time as the last review of IDA’s Non-Concessional Borrowing Policy (NCBP)—which as mentioned above was a key reference point for the design of the NCDAP—was completed in September 2019. The findings of that review informed the design of IDA’s new Sustainable Development Finance Policy (SDFP), which has been in effect since July 2020.

**Scope**

The evaluation covers the implementation of the NCDAP from 2008 to June 2020. It includes the review of the 2008 Policy, the 2011 Amendments, and the Operational Guidelines approved by the Operations Committee (OpsCom) in November 2011. The assessment covers all measures implemented as part of this Policy, including its implementation measures and the coordination with other agencies.

**Evaluation Questions**

The evaluation provides evidence-based answers using the revised international evaluation criteria. The main criteria assessed were relevance, coherence, effectiveness and efficiency. The evaluation matrix,
including a detailed list of evaluation questions, is presented in Annex 2. The initially planned evaluation of sustainability and the impact of the Policy was dropped during the evaluation process, due to the limited implementation of the Policy.

**Approach and Methodology**

The detailed methodological approach, including the four-point rating scale ranging from “unsatisfactory” to “highly satisfactory”, is presented in Annex 3. The evaluation methodology relied on the use of mixed methods to ensure triangulation and the validity of the findings. The methods and tools included: statistical analysis; in-depth document review; interviews with key internal and external informants; country case studies; and benchmarking of the Policy with other multilateral development organisations.

The desk-based country case studies are composed of six ADF countries—Cameroon, Democratic Republic of Congo (DRC), Ethiopia, Ghana, Rwanda, and Zambia—selected as case studies, based on the following selection criteria: (i) diversity in terms of debt vulnerability and debt management performance; (ii) level of implementation of the NCDAP; and (iii) geographical balance (selection of a representative sample of countries from different regions across Africa).

The focus of the case studies was to verify the level of implementation of the NCDAP in these countries. Also, the RMC and MDB survey answers were used to triangulate the findings collected as part of the above tasks. Considering the context and initial consultations, as well as information available, the evaluation relied to a large extent on existing data and documentation from the Bank and external sources. Due to the COVID 19 crisis, all interviews and data collection activities were conducted remotely.

**Constraints and Mitigation Measures**

The evaluation was constrained by three main challenges: (i) the limited availability of stakeholders; (ii) the low level of institutional memory within the Bank; and (iii) delays in the transmission of documents by departments involved in the implementation of the Policy to the evaluation team. To address these challenges, frequent and regular progress/monitoring meetings took place, and external data and proxies were used. There was also collaboration with operational teams to deploy and use the results of a survey of Multilateral Development Partners and RMC authorities on the implementation of the NCDAP. A close follow-up with Bank stakeholders was also made by the evaluation team.

The statistical analysis in this report is based on officially reported debt statistics from the World Bank’s Debtor Reporting System (DRS), which may provide an incomplete picture, given that officially reported statistics do not account for “hidden debt”, which can potentially be very large. A recent study by Sebastian Horn, Carmen M. Reinhart, and Christoph Trebesch (Kiel Institute for the World Economy, June 2019) suggests convincingly that (+/-) 50 percent of Chinese overseas loans are not recorded by the World Bank and thus do not enter officially reported debt statistics.
Evaluation Findings

Relevance

Under the relevance criterion, the quality of the design of the NCDAP, its operational framework, the main changes between the 2008 Policy and 2011 Amendments, the evolution in the non-concessional debt of ADF-eligible countries and the changes in the lending landscape were assessed.

The relevance of the NCDAP was rated as satisfactory. The Policy’s four pillars were well defined and were targeted to address a key developmental issue for the RMCs. The evolution of the non-concessional debt of ADF-eligible countries confirms that the Policy has remained relevant over time, and the changes in the lending landscape over the period, as well as the challenges posed by the emergence of new creditors, can be considered to confirm the relevance of a policy addressing debt sustainability in ADF countries going forward. However, the overall goal of the Policy was not clearly defined, and the specific orientation of discouraging countries from contracting non-concessional loans might have been unrealistic, given the decreasing share of AfDB resources in the total development financing of RMCs.

Strategic Relevance

The NCDAP was approved by the Bank to address the relevant issue of debt sustainability and prudent debt management in RMCs. The Policy was aligned with the Bank’s and client countries’ priorities following the roll-out of the HIPC Initiative and the MDRI. In its overall approach, the Policy was well defined with clear pillars. However, the Policy’s ultimate or overall goal could have been stated more explicitly and defined in a clearer way. Based on the evaluation team’s understanding, the overall objective of the NCDAP is to mitigate the accumulation of unsustainable non-concessional debt in ADF countries—in other words, to discourage ADF countries from contracting unsustainable non-concessional loans with a view to ensuring these countries’ debt sustainability.

However, feedback received from stakeholders showed that interpretations can differ among stakeholders. In particular, the repeated references to the “free-rider issue” and cross-subsidy concerns in both the initial 2008 Policy and the 2011 Amendments confused some stakeholders in considering that the focus of the Policy was on addressing free riding and cross-subsidisation concerns, while others considered that the emphasis was on the wider issue of debt sustainability, in particular since the 2011 Amendments and the change in tone they introduced.

In any case, if the NCDAP indeed aims at addressing the free-rider issue, it can be noted that the Policy was not accompanied by a clear method for ascertaining free-riding situations, which makes it difficult to assess whether the Policy is effective in addressing this particular issue. It was also questionable that the policy objective of discouraging countries from contracting (unsustainable) non-concessional loans was realistic, given that AfDB resources only account for a small share of total development financing of RMCs.

Operational Framework

The policy documents list which stakeholders will be involved for each key element of the Policy, but do not clearly identify which entity within the Bank (a department, ad hoc committee, etc.) will be in charge of overseeing or coordinating the overall implementation of the Policy. Both the initial 2008 version of the NCDAP and the 2011 Amendments include in their annexes a “policy implementation
matrix" that specifies the entities in charge for each key element of the Policy, but no entity is designated for overall coordination or oversight. While the Policy provides for the creation of an inter-departmental Committee to monitor regular reporting on the status of non-concessional borrowing by the relevant RMCs, it is not stated if this Committee is expected to have a key role beyond the second pillar of the Policy (“Strengthen borrower reporting and donor monitoring”), for example, if the Committee will also have a role in overseeing the overall implementation of the Policy.

The two documents also refer in their annexes to a table specifying target dates for the implementation of all key actions foreseen under the Policy. However, in both documents, the timetables offer little differentiation between actions, which casts doubt on the usefulness of the timetables (since they do not provide any prioritisation between the various actions) but also calls into question whether the identified target dates were realistic. The policy documents were complemented by Operational Guidelines, which were approved in November 2011 by the OpsCom, but the guidelines do not clarify this aspect.

On a more general level, the lack of clarity as to which entity will oversee the overall implementation of the Policy highlights the lack of a clearly defined monitoring framework for the Policy, as evidenced by the fact that no details are provided regarding periodic reporting on the overall implementation of the Policy and achievements under each policy pillar.

**Changes between the 2008 and 2011 Policy**

The 2011 Amendments were intended to align the Policy with changes adopted by the IMF regarding its external debt-limit policy and concessionality framework, and to bring the Bank’s Policy up to date with IMF/WB practices in supporting LICs’ financing needs. The amendments focused on applying the IMF-World Bank framework, while allowing the AfDB to use informed judgment in responding to the specific development challenges that African countries face. The change in tone of the discourse, with greater recognition for the financing for development and emphasis on responding to countries’ needs, is also reflected in the 2011 Amendments. Based on the review of documents and interviews with stakeholders, the evaluation found mixed evidence that these changes were practical and useful.

**Among the positive aspects**, these changes can be considered as practical given that the Amendments did not require the Bank to define its own framework (rather, it focused on the application of the IMF-World Bank framework). In addition, these changes provided greater flexibility for green and yellow DSF-DSA traffic light countries.

**Among the negative aspects**, the 2011 Amendments remained silent on other aspects of the NCDAP that could have been addressed: re-committing to the establishment of the inter-departmental Committee foreseen in the 2008 Policy, re-committing to the insertion of legal clauses in Bank loan agreements, etc. Indeed, since some of these measures central to the Policy had not been implemented in the 2008–2011 period, it would have been useful for the revised Policy to address these issues. In fact, one could argue that, given the failure of the Bank to implement crucial policy measures during the 2008–2011 period (such as the inclusion of a clause in all AfDB grant/loan agreements requiring advanced reporting on planned new non-concessional borrowing, including negative pledge clause against collateralised resources), the Bank did not have any legal basis to implement the main policy element of the NCDAP (resource allocation cuts) by the time the Policy was amended in 2011. In addition, the change in tone of the discourse, with greater recognition of the Financing for Development agenda and emphasis on responding to countries’ needs, that is reflected in the 2011 Amendments, is perceived as somewhat at odds with aspects of the original 2008 Policy, including the references to the issues of free-riding and cross-subsidisation, which have been kept intact in amended version of the
Policy. As a result, these amendments have not led to a clarification of the main objective of the Policy.

Relevance over Time

The current situation shows an increase in debt vulnerabilities across ADF countries, which are now exacerbated by the COVID-19 crisis, whereby many ADF countries entered the crisis with high debt-to-GDP ratios and debt trajectories have since deteriorated further indicating the continued relevance of the Policy.

Evolution of ADF countries’ non-concessional debt stocks

The rise of ADF countries’ total external debt since 2008 (see Annex 1) was driven by an accumulation of both concessional and non-concessional debt by these countries. As shown in Figure 1, ADF countries’ non-concessional debt stocks have steadily increased since 2008 (from USD91.4 billion in 2008 to USD266.7 billion in 2019, a CAGR of 10.2 percent over the period).

The share of non-concessional debt in total external debt\(^{15}\) has increased over the period (from 65.8 period in 2008 to 72.0 period in 2019), which means that since 2008, non-concessional debt has grown at a faster pace than concessional debt in ADF countries. This trend may be explained by the fact that, in a context of continued decline in ODA (see, for example, the amounts mobilised during the previous three ADF cycles), countries were compelled to finance their development by increasingly resorting to non-concessional financing (the availability of which also increased over the period).

Growth of non-concessional debt stocks and the increased share of non-concessional debt were the most pronounced in: (i) ADF-Blend countries (the CAGR of non-concessional debt stocks was 19.5 percent over the period and the share of non-concessional debt in total external debt went from 56.9 percent in 2008 to 75.2 percent in 2019); and (ii) ADF-Gap countries (the CAGR of 10.2 percent over the period and the share of non-concessional debt went from 70.9 percent in 2008 to 82.8 percent in 2019).

External non-concessional debt stocks in ADF countries, 2000–2019

**Figure 1:** Non-concessional debt, ADF countries

**Figure 2:** Non-concessional debt, ADF-Only countries

Source: Authors’ calculations based on World Bank data (IDS database).
With respect to ADF-Only countries (Figure 2), the CAGR rate of non-concessional debt stocks was comparatively lower (6.8 percent over the period) and the share of non-concessional debt in total external debt has remained stable (62.5 percent in 2008 and 62.7 percent in 2019), which means that for this sub-group non-concessional and concessional debt have grown at roughly the same rate since 2008. As indicated, the aggregate picture provided above masks substantial variations across ADF countries as shown in Figures 3 and 4.

In terms of the evolution of non-concessional debt stocks over the period, while in Ethiopia the non-concessional debt stocks increased from USD1.1 billion in 2008 to USD15.7 billion in 2019 (a CAGR of 27.2 percent over the period), in Liberia they decreased from USD2.8 billion to USD0.6 billion over the same period (a CAGR of -12.6 percent).

The share of non-concessional debt in total external debt in 2019 ranged from 18.8 percent in Eritrea to 93.5 percent in Zambia. As far as the change over the period is concerned, in Chad the share of non-concessional debt in total external debt increased from 23.6 percent in 2008 to 83.3 percent in 2019, and in Liberia it went down from 88.9 percent in 2008 to 46.9 percent in 2019.

With respect to the six case-study countries, the evolution of non-concessional debt stocks since 2008 (Figures 7 to 12) shows that non-concessional debt has accumulated over the period in all case-study countries, except the DRC (where non-concessional debt stocks decreased from USD7.8 billion in 2008 to USD3.8 billion in 2019). The countries for which non-concessional debt stocks have grown the most since 2008 were Ethiopia, Zambia and Rwanda, with CAGRs over the period of 27.2, 24.5 and 22.9 percent, respectively; these three countries appear to be the ones that relied the most on borrowing to finance their development and are incidentally the three ADF countries for which total external debt stocks—including both concessional and non-concessional debt—have grown the most over the period.

The share of non-concessional debt in total external debt has increased in all case-study countries, except Cameroon (where it decreased from 81.7 percent in 2008 to 72.7 percent in 2019). This means that in five out of the six country case studies
non-concessional debt accumulated at a faster pace than concessional debt (or decreased at a slower pace than concessional debt in the case of the DRC). The most substantial changes in the share of non-concessional debt in total external debt over the period were found in Rwanda (from 37.4 percent in 2008 to 54.0 percent in 2019), Ethiopia (from 39.0 percent in 2008 to 55.6 percent in 2019), and Ghana (from 58.0 percent in 2008 to 80.4 percent in 2019).

The steady rise of debt levels over the past decade has led to an increase in debt vulnerabilities across ADF countries. The current COVID-19 crisis is adding to these debt vulnerabilities, as many ADF countries entered the crisis with high debt-to-GDP ratios and debt trajectories have deteriorated further since.

Furthermore, while the increase in debt vulnerability affected all ADF country lending categories, it can be noted that countries in the Gap and Blend categories experienced a more marked shift towards riskier external debt distress categories. Whereas by March 2014 only one of the 10 current Gap or Blend countries was assessed as being at high risk of debt distress (namely Djibouti), by February 2021 this figure had increased to seven (including one country considered as being already in debt distress, namely São Tomé and Príncipe).

Among case-study countries, five out of six experienced since 2014 a shift towards riskier external debt distress categories (Cameroon, Zambia—two Blend countries—as well as Ethiopia were downgraded from “Low” to “High” risk; Ghana—an ADF-Gap country—was downgraded from “Moderate to “High” risk; and Rwanda was downgraded from “Low” to “Moderate” risk). The only case-study country for which the risk of debt distress reduced over the period is the DRC (which shifted from “High” to “Moderate”).

Changes in the lending landscape since 2008

The most significant change in the lending landscape over the period is the emergence of new creditors. There has been in recent years a dramatic shift in the “official” creditors’ base, with various “non-traditional” creditors growing in importance, called Non-Paris Club (NPC) creditors. NPC creditors have become the dominant source of official bilateral financing, particularly to LICs.

NPC creditors, most prominently China but also including other major emerging markets such as India and the Gulf countries, have steadily increased their official lending over the past decade. During the same period, Paris Club creditors have shifted the composition of their support to LICs towards debt relief and grants, with much more limited debt disbursements since HIPC.

The result is that the largest part of official bilateral debt in many developing countries is now owed to NPC creditors. A similar trend, though less advanced, has occurred at the level of multilateral creditors, with so-called “plurilateral” institutions growing in significance. While the long-established multilateral creditors have continued to extend new loans to developing countries, debt relief granted under the HIPC Initiative and the MDRI have caused their shares of the debt stock to decline, further emphasising this shift.

With regard to ADF countries, external debt stocks owed to Paris Club creditors have grown over the 2008–2019 period (from USD33.4 billion to USD38.9 billion, accounting for a CAGR of 1.4 percent), but at a much slower pace than the debt stocks owed to NPC creditors, in particular debt owed to China, which has grown ten-fold over the period, from USD4.5 billion in 2008 to USD45.2 billion in 2019 (accounting for a CAGR of 23.3 percent).

Accordingly, as shown in Figure 5, since 2008 the share of ADF countries’ total external debt owed to Paris Club creditors has steadily declined (from 24.1 percent in 2008 to 10.5 percent in 2019), while the share of debt owed to China has increased substantially (from 3.2 percent in 2008 to 12.2 percent in 2019). Over the same period, the share of external debt stocks owed to multilaterals (namely the AfDB, the WB, the IMF, and others) decreased
slightly, from 40.2 percent in 2008 to 35.7 percent in 2019.

Another development worth highlighting is the sharp increase in the share of debt owed to bondholders, which rose from 2.0 percent in 2008 to 13.6 percent in 2019. These key trends are even more apparent when considering only non-concessional debt stocks (Figure 6).

This shift in the creditor base and the pronounced increase in borrowing from commercial sources and NPC creditors have led to the emergence of new challenges. While this shift has allowed LICs to tap additional sources of funding, it has also significantly increased borrowing costs and raised the exposure of countries to changes in investor behaviour.

Furthermore, credits from NPC creditors to LICs are not always transparent and it is usually difficult for outsiders to know what the tenor of a loan contract is. Two other aspects of NPC creditors are worrying: (i) their standards of governance and sustainable lending are not always at the same level as Paris Club creditors; and (ii) debtor countries’ room for manoeuvre when they negotiate the loan is very limited. On a more general level, this shift in the creditor base has the potential to create challenges for effective crisis resolution. While the Paris Club provides a well-developed framework for providing debt relief in a cooperative manner, there is no such framework for many of the new bilateral creditors and plurilateral institutions, increasing the risk of coordination problems, which could delay and complicate future restructurings.

Other aspects of the lending landscape that negatively impact debt sustainability of ADF members, and hence confirm the relevance of the NCDAP, include growth of collateralised debts and vulture funds, as well as new holdout behaviours.

Overall, the changes in the lending landscape over the period and the new challenges posed by the emergence of new creditors can be considered to confirm the relevance of a policy addressing debt sustainability in ADF countries.

**Coherence**

The coherence criterion assessed how the Policy was aligned with other related Bank policies, the policies of sister organisations, and the overall development framework during the period.
Evolution of case study countries’ debt structure per creditor type, 2000–2019

**Figure 7:** Cameroon’s external debt by creditor

**Figure 8:** DRC’s external debt by creditor

**Figure 9:** Ethiopia’s external debt by creditor

**Figure 10:** Ghana’s external debt by creditor

**Figure 11:** Rwanda’s external debt by creditor

**Figure 12:** Zambia’s external debt by creditor

Source: Authors’ calculations based on World Bank data (IDS database).
The coherence of the NCDAP was rated as satisfactory. The NCDAP is fully coherent with the non-concessional debt policies of sister organizations and the international development agenda. A substantial level of alignment with relevant Bank policies including the 2014 Amended Credit Policy was also found. While the Bank’s objective through these policies was in support of sustainable debts in RMCs while expanding their access to credit, as the debt situation of African countries worsened in the second half of the period under evaluation, it became apparent that they were less in line with the NCDAP objective of limiting the accumulation of non-concessional debt by ADF-only countries.

International Development Agenda

The NCDAP is in coherence with the MDGs and the subsequent Sustainable Development Goals. More specifically, the Addis Ababa Action Agenda (AAAA) provides the foundation for implementing the global sustainable development agenda. There is strong alignment between the NCDAP and the AAAA. For instance, in Section E of the Addis Agenda called “Debt and debt sustainability”, it is stressed that “borrowing needs to be managed prudently” and that “debt sustainability challenges facing many least developed countries and small island developing States require urgent solutions”.

International Organisations’ Non-Concessional Debt Policies

The NCDAP displays a high level of alignment with the non-concessional debt policies of sister organisations. IDA’s NCBP was closely replicated by sister organisations, such as the Bank, IFAD, and the Asian Development Bank (AsDB). These policies are based on the IMF Public Debt Limits in Fund-Supported Programs Policy. A detailed presentation of the policies of sister organisations is presented in Annex 4.

Other Internal Bank Policies

The internal coherence of the NCDAP with the Transition Framework for Countries Changing Credit Status (2011) and the 2014 Amended Credit Policy mainly stemmed from a change in tone over time expressed in all three Bank Policies that gave more flexibility to ADF-Only countries to access non-concessional resources, subject to a number of conditions being met.

This change of tone was partly justified by the context of relatively low risk of debt distress for ADF-only countries at the beginning of the evaluation period. The Bank’s objective through these policies was to maintain and promote sustainable debt in the RMCs while expanding their access to credit. However, the context changed in the second half of the period under evaluation as the debt situation of African countries worsened. Thus, it became apparent in this new context that the aforementioned policies were less in line with the NCDAP objective of limiting the accumulation of non-concessional debt by ADF-only countries, notably:

- **Transition Framework for Countries Changing Credit Status (2011):** Linked to possibility for an ADF-Only country (Category A) to graduate to Category B (blend of resources), the inherent risk of free-riding and cross-subsidisation by Blend countries increases in a context where the NCDAP only applies to ADF-Only countries (Category A).

- **2014 Amended Credit Policy:** The strategic decision by the Bank to allow certain ADF-Only countries to access the Bank’s non-concessional window, despite all the precautions contained in the Policy, carries an inherent risk of non-concessional debt accumulation, especially in a context where countries do not share information on the accumulation of non-concessional debt with the Bank. Under the 2014 Credit Policy, a total of eight ADF countries, namely Benin, Burkina...
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Faso, Côte d'Ivoire, Senegal, Ethiopia, Rwanda, Tanzania, and Uganda, were granted access to the ADB window. Out of these ADF-Only countries, Senegal and Côte d'Ivoire subsequently graduated to the Blend category. Under this policy, these countries have received a total of UA3.6 billion from the Bank’s ADB window since 2014.

**Effectiveness**

Under the effectiveness criterion, the evaluation assessed the level of implementation of the policy, including collaboration and partnership with sister MDBs and bilateral agencies, as well as the application of policy measures, and the underlying reasons for its limited implementation. The evidence collected through the country case studies was analysed to determine the improvement of non-concessional debt management capacities in borrowing countries.

The effectiveness of the implementation of the NCDAP was rated as unsatisfactory. While the coordination with other MDBs was successful, there was limited implementation in terms of internal coordination, monitoring, transparency, and application of compliance measures to countries. The evaluation also found limited evidence of direct engagement by the Bank in capacity-building actions linked to debt management in countries.

**Achievement of Results**

A first step of the evaluation consisted in verifying the actual level of the implementation of the NCDAP against the level of achievement reported in the 2020 Approach Paper “Revision of Bank non-concessional debt accumulation policy” developed by the Strategy and Operational Policies Department (SNSP) in March 2020 in the context of the preparation of the new sustainable debt policy. The verification process relied on the review of documents and interviews with key stakeholders to validate the content of the 2020 Approach Paper. Overall, the level of implementation described in the 2020 Approach Paper for each of the four policy pillars was confirmed, as follows:

i. **Deepen partnership and donor coordination:** This policy pillar was partially implemented. The evaluation found evidence that the Bank is working in partnership and coordination with sister MDBs and bilateral donors. Also, as foreseen in the NCDAP, the AfDB participated in forward-looking IMF/IDA DSA exercises (although the number of DSAs carried out jointly by the Bank is unclear). Finally, the evaluation found evidence that the AfDB participated in a limited number of joint outreach exercises with MDBs and bilateral donors.

ii. **Strengthen borrower reporting and donor monitoring:** This policy pillar was not implemented. First, the permanent inter-departmental Committee to monitor regular reporting on the status of non-concessional borrowing by ADF-Only RMCs has not been constituted. Second, the clause foreseen for all AfDB grant/loan agreements requiring advanced reporting on planned new non-concessional borrowing, including negative pledge clause against collateralised resources, has not been included in the grant/loan agreements. Finally, no specific clause has been added in grant agreements for recipients of Fragile States Facility (FSF) supplementary funds, indicating that volume discount will apply, or the supplementary funds cancelled in case there is non-concessional borrowing.
iii. Enhance collaboration in capacity building: The level of implementation of this policy pillar is difficult to establish. While the evaluation has found scattered evidence that the Bank collaborated with other partners in building institutional capacity in RMCs in debt management, macroeconomic and fiscal management, it was not always possible for the evaluation team to ascertain the coverage and effectiveness of these actions.

iv. Apply compliance measures on a case-by-case basis: These measures have not been implemented except in two cases (Ethiopia and Ghana). Since clauses were not included in loan agreements (see above), the application of compliance measures on countries breaching the AfDB’s NCDAP, as well as the application of compliance measures on countries breaching the reporting requirement of planned non-concessional borrowing, were never enforced.

Coordination and partnership with sister MDBs and bilateral agencies

This question concerns the policy pillar “Deepen partnership and donor coordination”, which is composed of three key elements. An assessment of the level of implementation of each policy element and its effectiveness based on stakeholder interviews and document review is presented below.

The evaluation found mixed evidence of coordination with sister MDBs and bilateral donors to adopt a common strategy in dealing with the free-rider issue:

- Positive elements. Throughout the period, the AfDB has been committed to the tools and framework of the IMF/IDA, for instance: (i) the IMF/IDA concessionality framework and (ii) the IMF/IDA DSA as a basis for rating the country’s risk of debt distress/vulnerability. In addition, there is evidence that the Bank has: (i) intensified engagement with key stakeholders in the international financial architecture; (ii) implemented good practices set in the G20 sustainable financing framework (the AfDB has been very active in elaborating the core principles for debt sustainability, along with the IMF and the WB); and (iii) enhanced collaboration with the Debt Management Facility (DMF). The evaluation noted that the review of the AfDB’s NCDAP takes place in a coordinated way with the review of the Debt Limit Policy (DLP) by the IMF and the review of the NCBP by IDA, which is a positive aspect. Finally, there is evidence of the attendance by the Bank of numerous workshops and seminars with other MDBs, especially towards the end of the evaluation period in the context of the preparation of the new sustainable debt policy. For instance, the WB and the IMF shared their views on debt vulnerabilities among recipients of concessional resources at a high-level workshop in Abidjan (16–17 May 2019).

- Shortcomings. However, there are some important shortcomings regarding coordination. The fact that IDA reports 10 cases of hardening of terms or/ and volume reduction against ADF countries versus two cases by the Bank might be indicative of low operational coordination between the Bank and IDA. As mentioned previously, the Bank has not set up the critical internal mechanisms needed to apply the compliance measures, while IDA appears to have established a functioning committee during the evaluation period. In addition, it is unclear to what extent the various workshops and seminars attended by the Bank were truly advocacy events, as most of the events were organised in the context of the preparation of the new sustainable debt policy.

The Bank’s participation in IMF/IDA DSA exercises and information sharing: The evaluation found limited evidence that the AfDB’s participation in forward-looking IMF/IDA DSA exercises, including information sharing on non-concessional borrowing, has been deepened during the review period:

- Regarding the first aspect, there has been limited participation of the Bank in the IMF/IDA DSA exercises. In the 2020 Approach Paper, the Bank
reports that SNSP and the Risk Management Department (PGRF) have recently joined two IMF/WB missions in Benin and Burkina Faso. No evidence has been found to suggest that the Bank has taken part in other DSAs during the period under review.30

Regarding information sharing on non-concessional borrowing, the evaluation established that no specific coordinated actions were taken by the Bank at the central level to promote/monitor country reporting in a systematic manner. At the level of the case studies, the evaluation found some evidence that IMF/IDA had shared information on an ad-hoc basis with the Bank, as in the case of Ethiopia.31

The Bank’s participation in joint outreach exercises with MDBs and bilateral donors: The evaluation sought to obtain information from departments of the Bank involved in sensitisation seminars and workshops held during the evaluation period, but information is scattered.

The African Development Institute (ECAD) reported having been involved with the IMF under the JPA program to implement some seminars that were geared at improving fiscal management in Africa until 2017. Some of the training areas include government finance statistics, fiscal institutions and fiscal discipline, balance of payments statistics, monetary and financial statistics, and financial programming and policies.

Unfortunately, no exhaustive list could be provided and most of the other events reported by the Bank took place in the past two years in the context of the preparation of the new policy. The absence of centralised and exhaustive information constitutes an important challenge for the assessment of the implementation of this specific policy element.

Capacity building on debt management

Pillar 3 of the NCDAP is entitled “Enhance collaboration in capacity-building” and refers to the need for the Bank to coordinate its actions with other partners (especially IDA), specifically regarding actions aimed at improving debt quality, recording and reporting, and building institutional capacity in RMCs in debt management, macroeconomic and fiscal management. The operationalisation of this pillar is described in Section 7 of the 2011 operational guidelines of the NCDAP (2011 Operational Guidelines).

The 2011 Operational Guidelines specify that “The design and implementation of the capacity building and advisory services shall be the responsibilities of the various departments/Bank Group initiatives including OSGE, OSFU (Fragile State Unit), FTRY, Making Finance Work for Africa, Africa Legal Support Facility, ESTA, EDRE and EADI, with ORMU playing a coordinating role.” A table of such actions is presented in the Operational Guidelines.

In practice, interviews with the Bank indicate that its capacity-building actions linked to debt management are scattered across various departments, which makes it difficult to present an overall assessment of capacity-building support in the area of debt management throughout the review period.32 In addition, most capacity-building activities are usually faced with the problem of attribution given the many players that may be involved in the field.33

The evaluation found limited evidence of direct engagement by the Bank in capacity-building actions linked to debt management in selected countries. There is limited information on the level of implementation of capacity-building actions, and no overall mechanism to monitor the effectiveness of the interventions in relation to the policy objectives of the NCDAP was established. Some of the support operations that were implemented are listed in Annex 5.

The evaluation identified only one capacity-building intervention, namely the “Governance reform support program” implemented from 2008 to 2012 in Cameroon,34 which had an initial budget of UA4,000,000 but only reached 35 percent of
disbursement (the low disbursement is indicative of limited effectiveness). During the same period, online research suggests that the World Bank/IDA implemented around 20 capacity-building actions in the five case-study countries, which might justify the Bank’s limited number of interventions in the name of donor coordination (in theory, if capacity building was already being provided by IDA, there might have been limited need for the Bank to implement its own actions). It is the opinion of many Bank stakeholders that the World Bank and the IMF have a comparative advantage over the Bank in terms of training on debt management. In addition, UNCTAD is also very active in this area.

The review of the WB’s Country Policy and Institutional Assessment (CPIA) and Public Expenditure and Financial Accountability Assessment (PEFA) scores of ADF countries during the period can potentially provide an indication of the effectiveness of capacity-building actions provided by MDBs regarding the debt management capacities of ADF countries. The findings are inconclusive regarding the effectiveness of the capacity building on ADF countries’ debt management capacity: (i) the average CPIA score of ADF countries has not improved in the past 15 years; and (ii) regarding PEFA scores, however, literature review is suggestive of a higher rate of improvement in Sub-Saharan Africa compared with other regions.

Application of policy measures

With regard to the application of policy measures, such as a hardening of terms or/and a volume reduction linked to the contracting of non-concessional debt by ADF countries, the Bank only reports two cases: (i) the hardening of terms for Ghana (see Box 1); and (ii) volume cuts for Ethiopia following the country transitioning into high risk of debt distress in 2018. However, in the case of Ethiopia, it appears that these measures were mainly attributable to the ADF Guidelines and not directly to the NCDAP.

Based on the review of Bank and IDA documents, the level of application of measures against countries under the NCDAP by the Bank appears to have been more limited than the application of the NCBP by IDA, despite a high level of coherence of the two policies reported above. Indeed, in the 2019 review of the implementation of the NCBP, IDA reports 10 cases of hardening of terms or/and volume reduction against ADF countries (versus only two cases by the Bank, as mentioned above).

Factors Affecting the Performance

The planned action of inserting provisions requiring advanced reporting on planned new non-concessional borrowing, including a negative pledge clause against collateralised resources, in the legal

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**Box 1: Moderate Measures taken against Ghana in 2008**

In October 2007, Ghana successfully issued a USD750 million Sovereign Eurobond to fund infrastructure development in the areas of road and railway transport, where the economic rates of return are very high and could have significant impact on economic growth and employment. Ghana’s non-concessional borrowing was assessed considering sector and country-specific circumstances as outlined in the 2005 Ghana Growth and Poverty Reduction Strategy, which had noted the insufficiency of domestic and concessional sources to finance the country’s development plan, particularly regarding energy and transport.

While the AfDB, along with the broader international donor community, had initially supported Ghana’s effort recognising the country’s need for and the capacity to initiate complex non-concessional borrowing to supplement limited concessional resources, the amount of debt eventually contracted by Ghana exceeded the level estimated in the 2007 joint IMF/WB DSA, leading to a deterioration of the country’s debt indicators and a DSF reclassification from Low (green) to Moderate (yellow). This deterioration was due to the rapid accumulation of external public debt contracted on commercial terms, and high current account and fiscal deficits. In this circumstance, while creditors had initially exercised some flexibility in accommodating Ghana’s non-concessional borrowing, the magnitude and extent eventually contracted by the country, its CPIA rating and green light status, and in view of its increased access to capital market financing, the AfDB and IDA decided to apply a moderate disincentive measure on Ghana.
agreements for AfDB grants and loans has not been implemented. Meanwhile, most stakeholders consulted for this evaluation point to the absence of political will as the main reason for limited implementation, while other stakeholders have pointed out to an internal compliance issue.

The evaluation found evidence that draft clauses have been developed by the legal department at the time of development/approval of the NCDAP. However, no decision was taken by appropriate management levels to include these clauses in loan/grant agreements, for reasons that were described by Bank stakeholders as the sensitive nature of these provisions, the lack of appetite by countries, and the lack of political will by the Bank to apply pressure on RMCs. Since the clauses were not included, the policy in fact lacked a legal basis for implementation. In addition, some Bank stakeholders pointed out that moderate measures taken against Ghana in 2008 (see Box 1) also “killed” the policy, as they signalled limited willingness on the part of the Bank to take hard measures against RMCs.

Based on interviews with Bank staff, the evaluation did not find evidence that the accumulation of non-concessional debt of ADF countries was monitored directly by the Bank under this policy until recently. The evaluation was unable to identify a department within the Bank specifically responsible for the monitoring of ADF countries’ non-concessional debt. In addition, no recent data on the issue were made available to the evaluation, which might suggest that no data are being collected.

At the level of the case studies, in the case of Ethiopia, according to interviews, no specific monitoring was done by the Bank country office. Prior to 2018 (at which point Ethiopia transitioned into the high risk of debt distress category), the Bank reported having limited information on the level of non-concessional debt accumulated by Ethiopia. This is due to two external debt indicators, the present value (PV) of external debt-to-exports and debt service-to-exports ratios that breach thresholds. The Bank reported that data on Ethiopia’s non-concessional debt was made available to the Bank by the IMF/WB in 2018, once the country’s debt status worsened.

Interviews with stakeholders also point to the limited influence of the Bank on borrowing countries’ behaviours. The Bank is not the only institution in this position, as there is a decreasing level of MDBs’ share in the debt structure of African countries in general. The influence on the borrowing behaviour of LICs is likely to be influenced by the size of the resource allocation from a partner. Therefore, with countries having more alternatives to mobilise resources, it could be concluded that applying hardening or disincentive measures to limit non-concessional borrowing was likely to be challenging, and would have limited impact, thus indicating the importance of coordination and harmonisation.

Efficiency

Under the efficiency criterion, the evaluation looked at the internal coordination of the Policy through the actual roles of the main Bank departments implementing it and assessed the level of compliance of the Bank with the NCDAP Operational Guidelines.

The efficiency in implementing the Policy was rated as unsatisfactory. Weak monitoring and data recording, as well as the absence of coordination, point to limited operational efficiency of the NCDAP. While individual departments performed some of their envisaged roles as set out in the NCDAP, the main coordination mechanism was not established and the working of the responsible departments was not compliant with the Operational Guidelines approved by the OpsCom in November 2011, which foresaw an important degree of coordination among departments.

In addition, the Policy did not comply with commonly accepted monitoring and evaluation principles. At the policy formulation stage, no monitoring framework was defined against which policy implementation
would be assessed, and the Bank has not conducted/published reports on the implementation of the NCDAP, except in 2020 in the context of the preparation of the new Policy. It was concluded that a centralised effort did not materialise after 2011 due to the absence a key entity to champion the implementation of the Policy and an international context that rendered the debt issue a lesser priority.

Implementation in the Absence of the Interdepartmental Committee

To grant the exceptions provided for in the Policy, the Bank was expected to establish a permanent interdepartmental Committee to monitor regular reporting on the status of non-concessional borrowing by ADF-Only RMCs. This Committee, described in the terms of reference of the 2011 Operational Guidelines to the Policy, was never constituted. While an analysis of how the responsible departments worked towards granting waivers to ADF countries could have been useful in the context of answering this evaluation question, the evaluation was unable to gather information on the internal process that led to the granting of waivers to ADF countries. The absence of recorded, easily accessible information on the implementation of the NCDAP suggests limited operational efficiency in terms of inter-departmental coordination.

Since “hard” policy measures were only implemented in a limited number of cases (Ethiopia and Ghana), there is no information on actual coordination taking place between the various departments that can be directly related to the NCDAP. Interviews and documentary review provided the following information on work undertaken by individual departments:

- General Counsel and Legal Services Department (PGCL) reports having prepared/drafted the clause requiring advanced reporting on new planned non-concessional borrowing that was supposed to be inserted into AfDB grant and loan agreements. The clause was, however, never included in the agreements due to the absence of political will, as described in the effectiveness chapter.

- SNSP was mainly in charge of coordination with other MDBs and attended various events and workshops on behalf of the Bank.

- The Resource Mobilization and External Finance Department (FIRM) oversaw the monitoring of the DSF/DSA, as well as coordination with other partners, on the application of the policy measures, especially in the cases of breach of the policy by countries.

Finally, with regard to the capacity-building pillar of the Policy, and as mentioned above, the absence of a strong coordination mechanism is indicative of limited operational efficiency.

Compliance of the Policy with the Operational Guidelines

The evaluation has found mixed evidence that the working of the responsible departments was compliant with the Operational Guidelines approved by the OpsCom in November 2011. Key clauses of the policy requesting countries to report on their non-concessional debt were not inserted in loan agreements.

In addition, the inter-departmental Committee, whose main role should have been to monitor regular reporting on the status of non-concessional borrowing by ADF-Only RMCs, was never established. This jeopardised the most crucial aspects of the Operational Guidelines. This is not to say that some of the individual departments did not fulfil some of their roles as specified in the Guidelines, as described above, or did not perform their tasks efficiently.

There have been conflicting explanations from various Bank stakeholders to justify the limited implementation of the NCDAP: while certain stakeholders have pointed to the absence of political will as the main reason for failure to implement key policy measures, other stakeholders...
have suggested that SNSP was responsible for compliance with the Policy. While it is beyond the scope of the evaluation to conduct an internal audit of the reasons behind the failure of the Bank to implement the Policy, the evaluation was unable to review a paper trail documenting the motives and internal responsibilities for failure to act on certain key policy elements (inclusion of clauses in the loan agreements, constitution of the inter-departmental committee, etc.).

Compliance of the Policy with Monitoring and Evaluation Principles

Irrespective of the roles of the various departments, the Policy did not comply with commonly accepted monitoring and evaluation principles, as exemplified by the following observations:

- No monitoring framework against which policy implementation could be assessed was defined at the policy formulation stage.
- Unlike IDA, which carried out periodic (annual) reviews of its policy, the Bank has not conducted/published reports on the implementation of the NCDAP. The only document available on the implementation of the NCDAP dates from 2020, and this was in the context of the preparation of the new sustainable debt policy (as opposed to a proper implementation report of the NCDAP).
Conclusion

Key Takeaways

Relevance. The evaluation found mixed evidence of the relevance of the NCDAP, but on balance rates it as satisfactory. The Policy’s four pillars are clearly defined. However, the Policy’s ultimate or overall objective could have been stated more explicitly and defined in a clearer way. In addition, one may wonder whether the policy objective of discouraging countries from contracting non-concessional loans was realistic, given that AfDB resources only account for a small share of total development financing of RMCs, limiting the Bank’s influence on countries’ borrowing behaviour. At the same time, debt levels in ADF countries have risen steadily since 2008. Both concessional and non-concessional debt have experienced rapid growth over the period, with non-concessional debt stocks growing at a slightly faster pace. This has led to an increase in debt vulnerabilities across ADF countries, which are now exacerbated by the COVID-19 crisis. However, the current situation could not be attributable to the Policy, as it is the result of a combination of factors. Overall, the changes in the lending landscape over the period and the new challenges posed by the emergence of new creditors can be considered to confirm the relevance of a policy addressing debt sustainability in ADF countries.

Coherence. There is a substantial level of coherence of the NCDAP with: (i) the policies of sister organisations; (ii) internal Bank policies; and (iii) the overall development framework. The internal coherence of the NCDAP with other Bank policies mainly stemmed from a change in tone over time (with greater recognition for the Financing for Development agenda and emphasis on responding to countries’ needs) expressed in Bank policies (including the NCDAP) that gave more flexibility to ADF-Only countries to access non-concessional resources, subject to a number of conditions being met. This change of tone was partly justified by the relatively low risk of debt distress for ADF-Only countries at the beginning of the evaluation period. However, as the debt situation of African countries worsened in the second half of the period under evaluation, it became apparent that the aforementioned policies were less in line the NCDAP objective of limiting the accumulation of non-concessional debt by ADF-only countries.

Effectiveness. Only limited aspects of the NCDAP have been implemented. One major shortcoming is the fact that provisions requiring advanced reporting on planned new non-concessional borrowing, including negative pledge clause against collateralised resources, were not included in AfDB loan/grant agreements with RMCs due to the absence of political will. In addition, the inter-departmental Committee to monitor regular reporting on the status of non-concessional borrowing foreseen by the NCDAP was not constituted. As a result, the evaluation found that non-concessional borrowing by ADF countries was not monitored by the Bank during the evaluation period. In the same vein, given the absence of reporting from countries, policy measures such as a hardening of terms or volume reduction linked to the contracting of non-concessional debt by ADF countries were not systematically applied.

Efficiency. The absence of coordination and monitoring points to the limited operational efficiency of the NCDAP. In the context of the limited implementation of the Policy, the evaluation found no evidence of inter-departmental coordination linked to the implementation of the NCDAP. Rather, departments seem to have mostly worked independently of one another. This is not to say that the individual departments have not performed some of their envisaged role, as contained in the NCDAP, or did not perform their tasks efficiently. In addition,
the Policy did not comply with commonly accepted monitoring and evaluation principles, as exemplified by the fact that the Bank has not conducted/published reports on the implementation of the NCDAP.

**Lessons**

**Lesson 1:** The accumulation of non-concessional debt is an important factor driving debt distress on the continent. The issue of debt has grown beyond the original policy coverage and should be considered as a major topic for the foreseeable future.

There has been a sharp increase in debt vulnerability of ADF countries, and this is not limited to ADF-Only countries. The increased debt vulnerability of ADF countries is reflected in the increase in recent years of the number of African LICs assessed to be at high risk of, or already in, debt distress based on the DSAs under the Joint WB-IMF DSF. This concerns not only ADF-Only countries, but also Blend and Gap countries, which have been more heavily affected.

**Lesson 2:** A lack of clear objectives weakens the basis for collaboration and coordination.

When the overall objective of a policy is not clearly defined, this can lead to a lack of common understanding among Bank stakeholders. It is also important to ensure that a policy is broadly communicated internally and externally, to ensure awareness and ownership during the implementation period.

**Lesson 3:** Clear political will and consensus on the application of a policy are key factors for success.

Political will to support policies such as the NCDAP is vital. Their implementation should be supported by sufficient internal and external buy-in and a strong legal basis for the measures that could be difficult to implement. The absence of political will within the Bank to apply the NCDAP can be partly explained by the fact that ADF countries experienced relatively low debt levels and ratios at the beginning of the review period. The fact that crucial policy measures contained in the NCDAP were not implemented, however, remains problematic in hindsight, as the relevance of this policy remained high during the rest of the evaluation period.

**Lesson 4:** The absence of strong ownership of a policy by a “Champion” in the subject matter, and of a strong coordination mechanism, can undermine effective policy coordination and implementation.

In the case of the NCDAP, for instance, several actions were not implemented due to the fact that no single entity was the real “owner” of the policy and could lead the Bank-wide efforts for the implementation of the planned actions.

**Lesson 5:** A strong capacity-building component can contribute to the success of a policy.

When designing a policy, capacity-building actions should be clearly defined. They should be reinforced by a coordination mechanism and have strong linkages with the objectives of the policy to ensure its overall effectiveness.

**Lesson 6:** Consistent monitoring and reporting are essential to ensure a policy remains relevant and pertinent.

Periodic reporting on the implementation of the policy could contribute to raising awareness, communicating with stakeholders, and improving relevance and effectiveness over time.

**Recommendations**

**Recommendation 1:** Ensure a robust design for the new sustainable debt policy.

It is recommended that the Bank’s new policy take into consideration the following elements:

a. Particular attention for formulating clear policy objectives to ensure that all internal
and external stakeholders develop a shared and common understanding of the main goals of the policy, for example by developing monitorable and assessable indicators for each objective.

b. Consider the current level of political will and legal feasibility. The consultation process should ensure that any measure contained in the new policy is accepted and will be applied, including the legal basis needed for implementation.

c. Ensure the coherence of the new policy with IDA’s Sustainable Development Finance Policy (SDFP). While it is encouraged that the new policy considers the specific African context, it is also recommended that the main features of the IDA policy be transposed to the Bank’s new policy in terms of overall objective and scope.

d. Expand the coverage to additional countries. The Bank should consider the possibility to enlarge the coverage of the future policy to Gap and Blend countries, due to the sharp increase in debt vulnerability of all ADF-eligible countries.

**Recommendation 2:** Place increased focus on data and transparency.

It would be beneficial for the new policy to contain a more substantial focus on data and transparency than IDA’s SDFP, since the accumulation of non-concessional debt is an important factor driving debt distress on the continent, but there are still few data available on the issue.

**Recommendation 3:** Ensure strong ownership of the policy and strengthen coordination within the Bank.

The Bank should define and ensure clear responsibility for overseeing, implementing, and monitoring the new policy in line with the One Bank approach. Roles should be clarified at the strategic, central, and country levels, including coordination with other partners. Arrangements should be made for operationalising the policy through specific activities and raising awareness of the policy within the Bank and with RMCs. Finally, it is recommended to establish a functional coordination mechanism to ensure: (i) a common understanding of the new policy across all departments involved in its implementation; (ii) that these departments work in a synergetic way; and (iii) adequate monitoring and reporting of the policy.

**Recommendation 4:** Clarify the approach to debt management capacity building.

The Bank is advised to implement debt management capacity building for RMCs and debt surveillance internal capacity building for Bank staff. The Bank needs a more focused approach to ensure that capacity-building actions linked to the new sustainable debt policy are explicitly articulated and implemented in a coordinated manner, including through coordination with sister organisations, to avoid gaps and duplications.
Annexes

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Annex 1: Evolution of the Debt of ADF Countries since the Inception of the NCDAP

Following a strong decline due to the HIPC initiative and MDRI, debt levels in ADF countries have risen steadily again over the past decade. Since the inception of the NCDAP, ADF countries’ total external debt stocks have grown from USD139.0 billion in 2008 (18.2 percent of the countries’ combined GDP) to USD370.6 billion in 2019 (29.9 percent of combined GDP), accounting for a compound annual growth rate (CAGR) of 9.3 percent over the period (Figure A1.1). Debt servicing has also grown over the period, with ADF countries’ total debt service on external stocks increasing from USD7.0 billion in 2008 (0.9 percent of the countries’ combined GDP) to USD29.8 billion in 2019 (2.4 percent of combined GDP), accounting for a CAGR of 14.0 percent over the period (Figure A1.2).

Evolution of external debt and debt servicing in ADF countries, 2000–2019

**Figure A1.1:** Total external debt stocks, ADF countries

**Figure A1.2:** Total debt service on external debt, ADF countries

**Figure A1.3:** Total external debt stocks, ADF-Only countries

**Figure A1.4:** Total debt service on external debt, ADF-Only countries

Source: Authors’ calculations based on World Bank data (WDD and IDS databases).
Restricting the analysis to ADF-Only countries (Figures A1.3 and A1.4) shows similar trends, although growth has been slightly more measured for this sub-group: over the 2008–2019 period, the CAGR of ADF-Only countries’ external debt stocks was 6.8 percent (compared with 8.6 percent for ADF-Gap countries and 16.6 percent for ADF-Blend countries), while the CAGR of ADF-Only countries’ debt service was 9.4 percent (13.0 percent for ADF-Gap countries and 20.3 percent for ADF-Blend countries).44

This aggregate picture masks, however, wide differences across ADF countries. For example, while Ethiopia’s external debt stocks have grown nine-fold over the period (from USD2.84 billion in 2008 to USD28.3 billion in 2019, accounting for a CAGR of 23.2 percent over the period—the highest rate among ADF countries), Burundi’s external debt stocks were cut by more than a half (from USD1.39 billion in 2008 to USD0.58 billion in 2019, accounting for a CAGR of -7.7 percent over the period—the lowest rate among ADF countries).45

The analysis of the evolution of external debt stocks in the six countries selected as case studies for this evaluation46 (Figures A1.5 and A1.6) also illustrates the variety of situations across countries. While in value Ethiopia’s external debt stocks have experienced the strongest growth since 2008, four of the five other case study countries had a higher external debt-to-GDP ratio in 2019, namely Zambia, Rwanda, Ghana, and Cameroon, where external debt stocks accounted for 117.3, 60.0, 40.2 and 32.9 percent of GDP, respectively.

In five of the six study countries, external debt stocks have grown over the period, but in the Democratic Republic Congo (DRC) external debt stocks have in fact declined, from USD12.3 billion in 2008 to USD5.4 billion in 2019. It can be noted that the dramatic reduction of the DRC’s external debt over the period largely occurred in 2010 when, after reaching completion point under the HIPC Initiative, the country was granted substantial HIPC and MDRI debt relief from the World Bank’s IDA and the IMF,47 as well as from Paris Club creditors;48 DRC’s total external debt stocks dropped from USD13.1 billion in 2009 to USD6.1 billion in 2010.

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**Evolution of external debt stocks in case study countries, 2000–2019**

**Figure A1.5:** Total external debt stocks in USD billion

**Figure A1.6:** Total external debt stocks as % of GDP

Source: Authors’ calculations based on World Bank data (WDI and IDS databases).
## Annex 2: Evaluation Matrix

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Question</th>
<th>Indicator(s)</th>
<th>Methods and sources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relevance: The extent to which the policy objectives and design align with the needs of ADF countries considering the evolution of the lending landscape over the reviewed period.</td>
<td>What were the main changes between the 2008 and 2011 Policy? Were they useful and practical? How have these changes affected the countries affected by the Policy?</td>
<td>Number of changes made to the Policy between 2008 and 2011</td>
<td>Desk review of AfDB documents, Interviews with AfDB staff</td>
</tr>
<tr>
<td></td>
<td>How has the debt of ADF countries evolved since the inception of the NCDAP? To what extent has non-concessional debt accumulated in the concerned RMCs during the period?</td>
<td>Statistical analysis: NC debt / total external debt, NC debt / total public debt</td>
<td>Statistical analysis</td>
</tr>
<tr>
<td></td>
<td>What are the changes in the lending landscape over the period of implementation? How did they affect the policy’s relevance over time?</td>
<td>Evaluation of lending practices and market shares of main concessional and non-concessional lenders (including the evolution of the role of China during the review period)</td>
<td>Document review of literature on changes in the lending landscape</td>
</tr>
<tr>
<td>Coherence: The extent to which the policy was compatible with internal policies and the policies of sister organisations.</td>
<td>How coherent was the policy with other related Bank policies, the policies of sister organisations, and the overall development framework during the period?</td>
<td>Internal coherence: Level of alignment between NCDAP and other AfDB policies and strategies related to debt / lending and to development financing, External coherence: Level of alignment between NCDAP and other policies and strategies related to debt management of sister organisations, External coherence of NCDAP with respect to the evolution of the overall development framework during the period (transition from MDG to SDG, Addis Agenda on Alternative Financing for Development, etc.)</td>
<td>Desk review of AfDB policies and strategies, policies of sister organisations, and the overall development framework, Interviews with AfDB staff and sister organisations, MDB Survey</td>
</tr>
</tbody>
</table>
## Effectiveness: The extent to which the policy provisions were implemented and achieved its expected objectives and results. The factors that enabled or hindered the implementation, explaining the results.

### Effectiveness:

<table>
<thead>
<tr>
<th>Question</th>
<th>Methodology</th>
</tr>
</thead>
<tbody>
<tr>
<td>Was the policy implemented as specified in AfDB internal documents?</td>
<td>Comparison between documentary evidence on policy implementation and the status of implementation as described in the AfDB’s 2020 Approach Paper.</td>
</tr>
<tr>
<td>Why has the bank not implemented the planned action of inserting provisions requiring advanced reporting on planned new non-concessional borrowing, including negative pledge clause against collateralised resources in the legal agreements for grants and loans?</td>
<td>Reasons / quality of justifications for non-implementation</td>
</tr>
<tr>
<td>Given that the clause of required reporting of non-concessional borrowing has not been inserted into grants and loans agreements, to what extent were the countries monitored under this Policy? To what extent was the information on the external debt of these countries known?</td>
<td>Actual level of monitoring of ADB countries debt by the AfDB</td>
</tr>
<tr>
<td>Given the limited implementation of the Policy, is there any evidence that the issue of subsidising non-concessional financing with concessional financing has decreased during the evaluation period?</td>
<td>Qualitative analysis between the level implementation and statistical data (non-concessional debt / total external debt, non-concessional debt / total public debt)</td>
</tr>
<tr>
<td>How was coordination and partnership among sisters MDBs and bilateral agencies carried out? To what extent was it effective? How could coordination with other organisations be improved?</td>
<td>Actual level of coordination with sisters MDBs during the period</td>
</tr>
<tr>
<td>Adequacy / quality of capacity building provided</td>
<td>Interviews with Bank staff and sister organisations</td>
</tr>
<tr>
<td>Adequacy / quality of working mechanisms of departments / internal collaboration including case studies that involved policy waivers – Rwanda and Zambia)</td>
<td>Documentary review</td>
</tr>
<tr>
<td>Interviews with Bank staff and beneficiaries in case study countries</td>
<td>“Bank Technical assistance and policy dialogue” section of the RMC survey</td>
</tr>
</tbody>
</table>

### Efficiency:

The extent to which the Policy was implemented timely with adequate resources and processes.

<table>
<thead>
<tr>
<th>Question</th>
<th>Methodology</th>
</tr>
</thead>
<tbody>
<tr>
<td>How have the responsible departments worked in the absence of committee?</td>
<td>Adequacy / quality of working mechanisms of departments / internal collaboration including case studies that involved policy waivers – Rwanda and Zambia)</td>
</tr>
<tr>
<td>Adequacy / quality of working mechanisms of departments / internal collaboration including case studies that involved policy waivers – Rwanda and Zambia)</td>
<td>Document review of the Bank’s operational standards and guidelines</td>
</tr>
</tbody>
</table>

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**Annexes**

**An IDEV Corporate Evaluation**
<table>
<thead>
<tr>
<th>Sustainability: The likelihood of the continuation of the benefits, if any, generated by the Policy.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Did this Policy generate any sustained benefits?</td>
</tr>
<tr>
<td>Are these benefits likely to endure without the continuation of the Policy?</td>
</tr>
<tr>
<td>Evidence that any of the benefits identified as part of the other evaluation questions are likely to continue yielding positive effects in the long-term based on the above.</td>
</tr>
<tr>
<td>Documentary review</td>
</tr>
<tr>
<td>Case studies</td>
</tr>
<tr>
<td>Interviews with Bank staff and beneficiaries in case study countries</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Impact: The extent to which the Policy has generated significant positive or negative, intended, or unintended, higher level effects.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Has the AfDB contributed to capacity building to support economic and debt management capacity?</td>
</tr>
<tr>
<td>Number of positive / negative effects identified. More precise indicators will be fine-tuned once the impact objective has been clarified during the inception phase.</td>
</tr>
<tr>
<td>For positive effects:</td>
</tr>
<tr>
<td>Evidence of improvement of debt sustainability of RMCs</td>
</tr>
<tr>
<td>Evidence of improvement in debt management capacity in RMCs</td>
</tr>
<tr>
<td>For negative effects:</td>
</tr>
<tr>
<td>Evidence of negative impact of the Policy on RMCs’ capacity to access needed development finance</td>
</tr>
<tr>
<td>Evidence of negative impact of the Policy on the Bank’s relationship with RMCs</td>
</tr>
<tr>
<td>Documentary review</td>
</tr>
<tr>
<td>Interview with key informants</td>
</tr>
<tr>
<td>Portfolio analysis</td>
</tr>
</tbody>
</table>
Annex 3: Details of the Methodological Approach

Areas covered

In line with the ToR, the key concerns that this evaluation covers are the following:

- The policy design and alignment with the Bank’s policy framework and the evolving needs of the ADF countries from 2008 to 2020.
- The extent of the implementation, the results achieved, and the factors affecting the performance.
- The elements of a relevant and practical policy in the new context (a decrease of Official Development Assistance [ODA], and the increased access to the market financing solutions for ADF countries); and
- Recommendations to support the revision of the Policy / the development of a new Policy.

Evaluation questions

The evaluation will provide evidence-based answers using the revised international evaluation criteria.

- Relevance: To what extent was the design and revision of the NCDAP appropriate and relevant? To what extent have the debt and lending landscape context affected the relevance of the Policy during the period?
- Coherence: To what extent is the Policy compatible with internal policies and the policies of sister organisations?
- Effectiveness: To what extent were the policy provisions implemented and to what extent did they achieve their expected objectives and results? What are the factors that enabled or hindered the implementation of the Policy?
- Efficiency: To what extent was the Policy implemented in accordance with the Bank’s operational standards and guidelines?

We note that the evaluation of sustainability and impact of the Policy was dropped during the evaluation, because of the limited implementation / effectiveness of the Policy.
Approach and methodology

The evaluation methodology relied on the use of mixed methods to ensure triangulation and validity of the findings. The methods and tools involved in this evaluation are:

- Statistical analysis: data from the World Bank’s International Debt Statistics (IDS) database, which itself is based on data from the World Bank’s Debtor Reporting System (DRS), was used to compute a number of indicators linked to overall debt, including non-concessional debt of ADF countries (see Chapter 5).

- In-depth document review: Internal Bank documents (policies, strategies, implementation reports, etc.), as well as documents linked to sister organisations were systematically reviewed.

- Interviews with key internal and external informants: Information gathered through desk review were triangulated by interviews with AfDB staff at the central level, interviews with stakeholders at the national (country case study) level, as well as interviews with sister organisations at the central level.

- Country case studies: Six ADF countries—Cameroon, Democratic Republic of Congo (DRC), Ethiopia, Ghana, Rwanda, and Zambia—were selected as case studies, based on the following selection criteria: (i) diversity in terms of debt vulnerability and debt management performance; (ii) level of implementation of the NCDAP (selection of countries that have been impacted by the Policy, either through the application of measures or policy waivers); and (iii) geographical balance (selection of a representative sample of countries from different regions across Africa). The focus of the case studies was to verify the level of implementation of the NCDAP in these countries.

- Benchmarking of the Policy with other multilateral development organisations: This consisted in verifying the degree of coherence of the NCDAP with the policies of sister organisations, as well as to compare the level of implementation across MDBs.

- Utilisation of the RMC and MDB surveys: Finally, the RMC and MDB surveys answers were used to triangulate the findings collected as part of the above tasks.

Rating scale

The following rating scale presents the scores used for the evaluation criteria. It has four levels, from 1 “unsatisfactory” to 4 “highly satisfactory”. This scale ensures a credible assessment based on the evidence gathered from the various sources of evidence. The table below shows the final evaluation criteria and sub-criteria and the scores applied.
<table>
<thead>
<tr>
<th>Evaluation Criteria</th>
<th>Sub-criteria</th>
<th>Scores</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relevance</td>
<td>- Strategic relevance</td>
<td>4- Highly satisfactory</td>
</tr>
<tr>
<td></td>
<td>- Operational relevance</td>
<td>3- Satisfactory</td>
</tr>
<tr>
<td></td>
<td>- Changes between the 2008 and 2011 policies</td>
<td>2- Partially unsatisfactory</td>
</tr>
<tr>
<td></td>
<td>- Relevance over time</td>
<td>1- Unsatisfactory</td>
</tr>
<tr>
<td>Coherence</td>
<td>- Alignment with international development Agenda</td>
<td>4- Highly satisfactory</td>
</tr>
<tr>
<td></td>
<td>- Alignment with other MDBs and organisations’ policies</td>
<td>3- Satisfactory</td>
</tr>
<tr>
<td></td>
<td>- Alignment with Bank’s internal policies</td>
<td>2- Partially unsatisfactory</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1- Unsatisfactory</td>
</tr>
<tr>
<td>Effectiveness</td>
<td>- Achievement of results</td>
<td>4- Highly satisfactory</td>
</tr>
<tr>
<td></td>
<td>- Outcomes of the policy</td>
<td>3- Satisfactory</td>
</tr>
<tr>
<td>Efficiency</td>
<td>- Internal coordination</td>
<td>2- Partially unsatisfactory</td>
</tr>
<tr>
<td></td>
<td>- Monitoring and evaluation of the policy</td>
<td>1- Unsatisfactory</td>
</tr>
</tbody>
</table>
Annex 4: Presentation of the Policies of Sister Organisations

The policies of sister organisations are presented below:

- **IDA’s Non-Concessional Borrowing Policy (NCBP).** This policy, which was introduced in 2006, is part of IDA’s toolkit to help countries improve debt sustainability. It aimed at addressing situations in post-MDRI and grant-eligible IDA-only countries in which IDA’s debt relief and/or grants could potentially: (i) cross-subsidize creditors that offer non-concessional loans to recipient countries; or (ii) create incentives for these countries to overborrow, thereby eroding the gains to debt sustainability obtained from debt relief. The policy is pursued through a two-pronged strategy involving: (i) enhancing creditor coordination; and (ii) encouraging appropriate borrowing behaviour through borrower disincentives to discourage external non-concessional borrowing (NCB) by grant eligible and post-MDRI countries.

  Under the policy, NCB is reviewed either based on loan-by-loan or on borrowing ceilings. In cases of breaches, IDA could either issue waivers or respond by reducing allocated IDA volumes, hardening terms, or a combination of both. The policy focused on external non-concessional PPG central government debt, consistent with the fiscal coverage under the DSF. Concessionality was established in terms of a minimum grant element requirement set at 35 percent. The NCBP has evolved over time, with adjustments proposed in various reviews and updates. While initially the focus was on “free-riding”, this later evolved to emphasize the need to protect debt sustainability and exercise IDA’s fiduciary responsibility.

  Various adjustments were proposed, in different reviews, mainly to enhance flexibility and transparency, and to align it to internal and external changes, including to the IMF’s DLP. IDA’s NCBP implementation experience shows that the establishment of debt limits/ceilings was informed by the joint IMF-World Bank’s LIC DSF, as intended. As the policy intended, countries at high risk of debt distress had a zero NCB ceiling but could borrow non-concessionally under exceptional circumstances on a loan-by-loan basis (a waiver was required before borrowing). Those at moderate and low risk of debt distress had the option to request NCB ceilings in addition to exceptions on a loan-by-loan basis. The nature of these borrowing ceilings also depended on the level of capacity, as discussed in detail in the 2015 Review. IDA’s experience shows that countries’ risk of debt distress as assessed under the LIC DSF has informed NCBP implementation, including the setting of debt ceilings.

- **The IMF Public Debt Limits in Funds-Supported Programs Policy** (‘Debt Limits Policy’, DLP), which dates to the 1960s, establishes the framework for using quantitative conditionality to address debt vulnerabilities in IMF-supported programs. Debt conditionality is an important instrument in the IMF’s toolkit, intended to complement other conditionality to help achieve macroeconomic sustainability.

  The DLP and the World Bank’s NCBP have broadly similar objectives and design. The DLP applies to all IMF members covered by an IMF program, while the NCBP applied only to IDA-only eligible countries, yet both policies aim to help countries contain debt vulnerabilities while providing incentives for countries with access to concessional financing to seek it. Both institutions use Debt Sustainability Assessments (DSAs) to inform the design of conditionality and set limits on non-concessional external borrowing, or on external debt in present value terms.
The Asian Development Bank’s Concessional Assistance Policy, introduced in 2016, refers to the IDA policy and stipulates that the AsDB will adopt a similar approach if beneficiaries of Asian Development Fund grants begin to accumulate non-concessional debt, and that related procedures were put in place before the end of 2018.55

The Inter-American Development Bank (IADB) does not have an equivalent of IDA’s NCB Policy, or a formal NCB Policy. Instead, it has selectively applied the frameworks of IDA and the IMF. The IADB policy is harmonised with the joint World Bank–IMF Debt Sustainability Framework for Low Income Countries and with the IDA’s Grant Allocation Framework of varying the level of concessionality according to the risk of debt distress (referred to as the “traffic light” system).56

The International Fund for Agricultural Development (IFAD) approved a NCBP Policy in December 2018, and it came into force in January 2019. IFAD has adopted the principles underlying IDA’s policy as the basis for its own policy, but has retained the ability to differentiate its approach, based on the unique project, country, and financing contexts of each borrower, allowing for exceptions to be granted. Similar to the AfDB, IFAD mentioned that “An inter-departmental committee will be established to review non-concessional borrowing and application measures”. However, considering that IFAD finances sometimes just one project per country, it is difficult for this organisation to apply a volume discount.57
Annex 5: Capacity Building under the NCDAP

The African Development Institute (ECAD) reported having been involved with IMF under the JPA program to implement some seminars that were geared at improving the fiscal management in Africa until 2017. Some of the training areas include government finance statistics, fiscal institutions and fiscal discipline, BOP statistics, monetary and financial statistics, and financial programming and policies. Moreover:

- The Macroeconomic and Financial Management Institute of Eastern and Southern Africa (MEFMI) and the West African Institute for Financial and Economic Management (WAIFEM) have also provided not only training but also technical assistance to select countries as part of the Bank’s institutional support to ACBF. The latest ACBF PCR notes that “Skills and knowledge for conducting debt sustainability analysis using the IMF/World Bank Debt Sustainability Framework for low income and market access countries were enhanced in 19 RMCs (five in WAIFEM and 14 MEFMI). Courses provided by WAIFEM and MEFMI had covered the following topics: debt, budgeting, planning, and performance. More than 100 participants attended the various training programs.”

- The 2020 Approach Paper reports that ECGF has helped enhance capacity on debt management and reporting to 31 RMCs since 2010, through technical assistance, institutional support projects and policy-based operations, although this information could not be independently verified by the evaluation. Unfortunately, the effectiveness of this support could not be verified either by the evaluation team.

- The African Legal Support Facility (ALSF), to which the Bank is a major contributor, has been operational since 2010 and provides among others support to ADF countries in litigation cases against vulture funds.

- The Bank is still contributing to the Debt Management Facility (DMF) launched by the World Bank (and implemented jointly by the World Bank/IMF since 2014). DMF is funded by 11 partners. The Bank has contributed USD1 million to DMF I, II and DMF-III, respectively. It is also a member of the Implementation Partners Council (IPC).

- In addition, a selection of other completed capacity building activities that could be identified at country level are presented in a tabular format below.
<table>
<thead>
<tr>
<th>Year</th>
<th>Operations</th>
<th>Products</th>
<th>Objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>Cameroon - Partial Credit Guarantee for Currency Risk Hedging</td>
<td>PCG EUR 375 million 10 years</td>
<td>To enable Cameroon to hedge USD-EUR currency risk arising from its first Eurobond (USD750 million notional).</td>
</tr>
<tr>
<td>2016</td>
<td>Morocco: Financial sector development supports - PBO</td>
<td>PBO USD157 million.</td>
<td>To strengthen the stability and role of the insurance, pension, banking, and capital markets sectors. Public debt management and domestic debt capital markets development focused reforms included: (i) building a sovereign yield curve on the Treasury’s Bloomberg platform; (ii) revising the securities lending law to boost activity notably for non-resident investors; and (iii) Casablanca Stock Exchange’s joining the West Africa Capital Markets Integration Council as an associated member to increase regional integration.</td>
</tr>
<tr>
<td>2016 &amp; 2019</td>
<td>Tunisia PAMSFI I and II</td>
<td>PBO EUR 268 million PBO (I) and EUR 114 million PBO (II)</td>
<td>To modernize the financial sector, in the areas of financial inclusion, microfinance, mobile financial services, financial sector resilience and capital markets. Public debt management and domestic debt capital markets development focused reforms included: (i) building a sovereign yield curve and reviewing primary market makers guidelines (guidelines review supported by a Bank technical assistance); and (ii) operationalisation of the electronic platform for sovereign bonds issuance.</td>
</tr>
<tr>
<td>2018</td>
<td>Senegal, Partial Credit Guarantee for Currency Risk Hedging - PCGRH</td>
<td>PCG EUR 470 million 15 years partial credit guarantee</td>
<td>In support to Senegal’s public debt management policy, to hedge with international and regional banks the USD-EUR currency risk arising from two USD denominated Eurobonds (cumulative USD1.4 billion) mobilized to fund investments needs under the Plan Senegal Emergent, aligned with the High 5s and Senegal’s CSP 2016–2020. The operation was part of a package of Bank’s operations planned over 2018–2019 to consolidate macro-economic stability in Senegal. The latter included a Policy Based Operation (PBO) for public finance management reforms and an Institutional Support Project to improve domestic resource mobilisation.</td>
</tr>
</tbody>
</table>

# Annex 6: List of Persons Interviewed

<table>
<thead>
<tr>
<th>No</th>
<th>Name and Function</th>
<th>Organisation</th>
</tr>
</thead>
<tbody>
<tr>
<td>01.</td>
<td>Kevin Lumbila</td>
<td>AfDB</td>
</tr>
<tr>
<td></td>
<td>Chief Economic Governance Expert ECGF</td>
<td></td>
</tr>
<tr>
<td>02.</td>
<td>Toussaint Houeninno</td>
<td>AfDB</td>
</tr>
<tr>
<td></td>
<td>Chief Country Economist ECCEO</td>
<td></td>
</tr>
<tr>
<td>03.</td>
<td>Victoria Chisala</td>
<td>AfDB</td>
</tr>
<tr>
<td></td>
<td>OIC Director Strategy and Operational Policy SNSP</td>
<td></td>
</tr>
<tr>
<td>04.</td>
<td>Mohamed Coulibaly</td>
<td>AfDB</td>
</tr>
<tr>
<td></td>
<td>Principal Country Program Officer, COCM</td>
<td></td>
</tr>
<tr>
<td>05.</td>
<td>Sebastien Mangele</td>
<td>AfDB</td>
</tr>
<tr>
<td></td>
<td>Macroeconomist, COCM</td>
<td></td>
</tr>
<tr>
<td>06.</td>
<td>Claude N’Kodia</td>
<td>AfDB</td>
</tr>
<tr>
<td></td>
<td>Principal Country Economist, ECSA0</td>
<td></td>
</tr>
<tr>
<td>07.</td>
<td>Sandeep Jain</td>
<td>AfDB</td>
</tr>
<tr>
<td></td>
<td>Division Manager PGRF2</td>
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<tr>
<td>08.</td>
<td>Paul Mpuga</td>
<td>AfDB</td>
</tr>
<tr>
<td></td>
<td>Chief Economist, ECCE</td>
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<tr>
<td>09.</td>
<td>Annemarie Mecca</td>
<td>AfDB</td>
</tr>
<tr>
<td></td>
<td>Division Manager, PGCL1</td>
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<tr>
<td>10.</td>
<td>Muriel Laurence Kei-Boguinard</td>
<td>AfDB</td>
</tr>
<tr>
<td></td>
<td>Chief Counsel PGCL1</td>
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<tr>
<td>11.</td>
<td>Kevin Chika Urama</td>
<td>AfDB</td>
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<tr>
<td></td>
<td>Senior Director ECAD</td>
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<tr>
<td>12.</td>
<td>Desire J. M. Vencatachellum</td>
<td>AfDB</td>
</tr>
<tr>
<td></td>
<td>Director FIRM0</td>
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<tr>
<td>13.</td>
<td>Dominique Puthod</td>
<td>AfDB</td>
</tr>
<tr>
<td></td>
<td>Principal Policy and Strategy Officer, Macroeconomist – SNSP</td>
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</tr>
<tr>
<td>14.</td>
<td>Mary Manneko Monyau</td>
<td>AfDB</td>
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<tr>
<td></td>
<td>Country Manager COZM</td>
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</tr>
<tr>
<td>15.</td>
<td>O’Neil Rane,</td>
<td>AfDB</td>
</tr>
<tr>
<td></td>
<td>Senior Resource Mobilization and Partnership Officer, FIRM</td>
<td></td>
</tr>
<tr>
<td>16.</td>
<td>Hammed Adedeji Adetokunbo Amusa</td>
<td>AfDB</td>
</tr>
<tr>
<td></td>
<td>Principal Research Economist</td>
<td></td>
</tr>
<tr>
<td>17.</td>
<td>Alain Niyubahwe</td>
<td>AfDB</td>
</tr>
<tr>
<td></td>
<td>Chief Policy Officer SNSP 1</td>
<td></td>
</tr>
<tr>
<td>18.</td>
<td>Agnes Surry,</td>
<td>Asian Development Bank</td>
</tr>
<tr>
<td></td>
<td>Senior Planning and Policy Specialist</td>
<td></td>
</tr>
<tr>
<td>19.</td>
<td>Ruth Farrant</td>
<td>IFAD</td>
</tr>
<tr>
<td></td>
<td>Director, Financial Management Services Division</td>
<td></td>
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<tr>
<td>20.</td>
<td>Doerte Doemeland</td>
<td>World Bank</td>
</tr>
<tr>
<td></td>
<td>Practice Manager for Global Macro and Debt Analytics in the Macroeconomics, Trade, and Investment (MTI) Global Practice</td>
<td></td>
</tr>
</tbody>
</table>
Annexes
An IDEV Corporate Evaluation

References

2014. Diversifying the Bank’s Products to Provide Eligible ADF-Only Countries Access to the ADB sovereign window. May. COSP Department.
2021. Diversifying the Bank’s Products to Provide Eligible ADF-Only Countries Access to the ADB sovereign window. Revised addendum. April. SNSP/PGRF Departments.
2020. Debt Limit Policy. October
IFAD. 2018. Non-Concessional Borrowing Policy. Rome
Endnotes

2. Diversifying the Bank’s products to provide ADF-only countries access to the ADB sovereign window, ADF/BD/WP/2014/31/Rev.2.
3. At that time, heavily indebted poor countries were, on average, spending slightly more on debt service than on health and education combined, according to the IMF.
6. See Chapter on Relevance of this report for more details on the evolution of the risk of debt distress in African Low-Income Countries.
9. From its onset, the NCBP framework included periodic implementation reports to IDA’s Board of Executive Directors. The 2019 review was the last one to be carried out, but previous reviews and updates were completed in 2007, 2008, 2010 and 2015.
10. The Policy mentions that the accumulation of new debts on non-concessional terms by ADF countries introduces the risk of free-riding—a situation in which grants, and debt relief provided by one or more parties cross-subsidize new borrowing from third-party lenders on non-concessional terms. The Policy notes that this risk is particularly high in resource-rich countries in which non-concessional borrowing may be secured against future export receipts.
11. For example, in both versions: (i) the opening paragraph of the Executive Summary highlights the risk of free riding and cross-subsidisation, as if to suggest that the Policy was specifically adopted in response to this issue; and (ii) the first key element under Pillar 1 refers to partnerships and coordination with sister MDBs and bilateral donors to “adopt a common strategy in dealing with the free rider issue”.
12. See Section 5.1.2.4. According to officially reported statistics, debt owed to the African Development Bank (both concessional and non-concessional) only accounts for 6.0 percent of ADF countries’ total external debt. Considering the issue of “hidden debt”, which is not recorded in official statistics, the actual share is likely to be lower.
13. To be chaired by the Vice-President of the department for country and regional programmes and policies – ORVP (now RDVP).
14. Amendments to the AfDB’s policy on non-concessional debt accumulation, Revised version, 30th May 2011.
15. In other words, the percentage of external debt that is non-concessional.
16. The dramatic increase of Ethiopia’s non-concessional debt stocks over the period is due to Ethiopia contracting significant volumes of non-concessional loans to finance large infrastructure projects in transport and agriculture, in the context of the Government’s Growth and Transformation Plan.
17. The term “plurilateral creditor” refers to official lenders with more than one shareholder that extend non-commercial credit to other sovereigns and that do not have universal/open memberships, unlike established multilaterals such as the African Development Bank, Asian Development Bank, European Bank for Reconstruction and Development, Inter-American Development Bank and World Bank.
19. As mentioned earlier, a recent study by Horn, Reinhart and Trebesch (2019) suggests convincingly that (+/-) 50 percent of Chinese overseas loans are not recorded by the World Bank and thus do not enter officially reported debt statistics. Therefore, the share of debt owed to China is likely to be much higher than indicated here.
20. The phenomenon of typical vulture funds seems to have somewhat faded away, at least in Africa, where very few new interventions (if any) have been recorded since 2011-2012 according to the “Study on Specific Investment Funds Focused on Buying Distressed Public Debt (“Vulture Funds”)” financed by the European Union. However, some vulture funds still exist and are well known to continue to take advantage of institutional weaknesses of distressed Sovereigns.
21. Given the low interest rate environment conducive to cheap money, almost all the large investment funds are “chasing yield”, and consequently almost all of them have a specific department dedicated to emerging markets.
24. The Approach Paper is not publicly available but was discussed with Senior Management in May 2020.
25. The absence of a coordination mechanism for capacity building actions has been a challenge for the evaluation in terms of evidence gathering.
Evidence of capacity building was provided on an ad-hoc basis to the evaluation team by various Bank departments.

26. The AfDB is involved in the WB-IMF Debt Management Facility. The Bank is planning to play a more involved role as a key stakeholder on the continent and provider and coordinator of debt management technical assistance on the continent, in the framework of DMF-III. The Bank will be part of the proposed Implementing Partners Council and is also discussing the possibility to be identified as an Implementing Partner of the Facility.

27. In March 2017, the Group of Twenty (G20) devised “Principles for effective coordination between the International Monetary Fund (IMF) and Multilateral Development Banks (MDBs) in case of countries requesting financing while facing macroeconomic vulnerabilities”. The AfDB is prominent member of this Group.

28. See Table 1 of IDA’s 2019 NCBP. For instance, IDA reports hardening of terms of Ethiopia in 2015, 2016, and 2018. It also reports volume reductions against Mozambique in 2017 and 2018, as well as Chad in 2010. In addition, it reports both measures (Hardening and Volume reduction) for Mozambique in 2016 and Ethiopia in 2014.

29. See for instance the 2019 IDA Review, paragraph 21.

30. The evaluation team has requested several times to receive information on additional DSAs that the Bank might have taken part in but did not receive an answer.

31. Interview with the Bank’s Ethiopia country office.

32. The Bank is currently developing a Debt Action Plan to address this issue.

33. ECVP comments on the draft final report.

34. The project objective is to contribute to the promotion of good governance by building the capacities of the institutions, agencies, and bodies to play a lead role in the formulation and implementation of judicial, administrative, public finance control, and anti-corruption strategies and policies.

35. Based on consultants’ calculation of average ADF country scores during the evaluation period (2005-2019) using the following source: Source: https://cpia.afdb.org/?page=data&subpage=database


37. According to FIRM, “The volume cut for Ethiopia was due the DSA deterioration. This is a 20% discount on grants applicable on all grant portion for all ADF countries. Hence, attributable to ADF Guidelines”

38. See Table 1 of IDA’s 2019 NCBP. For instance, IDA reports hardening of terms of Ethiopia in 2015, 2016, and 2018. It also reports volume reductions against Mozambique in 2017 and 2018, as well as Chad in 2010. In addition, it reports both measures (Hardening and Volume reduction) for Mozambique in 2016 and Ethiopia in 2014.

39. Based on interviews.

40. According to the 2020 Approach Paper, “The 2008 NCDA Policy has provided waivers on 2 cases related to borrowing by SOEs in Rwanda and Uganda” and “The 2011 NCDA Policy has waived a reporting case for Zambia on loans contracted between June 2011 and December 2012.”

41. During the period, ORPC has been renamed Strategy and Operational Policies Department (SNSP).

42. In this section, the consolidated data for ADF countries was computed based on the current list of ADF countries, even though the composition of the list has evolved during the period. Furthermore, it does not include South Sudan, for which no data were available in World Bank’s International Debt Statistics (IDS) database.

43. I.e., the sum of principal repayments and interest actually paid.

44. Access to ADF resources is guided by the classification of RMCs under the Bank’s credit policy. The credit policy classification determines each RMC’s eligibility for either (i) concessional resources (category A – ADF countries, which is split into two sub-categories: “ADF-Only” countries that are “only eligible for ADF grants and loans”, and “ADF-Gap” countries that are “only eligible for ADF loans on hardened terms”), (ii) non-concessional resources (category C – ADB countries), or (iii) a combination of both concessional and non-concessional resources (category B, or Blend countries).

45. The reduction of Burundi’s debt burden over the period can essentially be traced back to the delivery of substantial HIPC and MDRI debt relief in 2009, following the approval of the country’s completion point under the HIPC Initiative on January 29, 2009. Burundi’s external debt stocks went from USD1.39 billion in 2008 to only USD0.60 billion in 2009. Since then, Burundi’s external debt stocks have remained relatively stable, falling slightly to USD0.58 billion in 2019.

46. Three ADF-Only countries (DRC, Ethiopia, and Rwanda), one ADF-Gap country (Ghana), and two ADF-Blend countries (Cameroon and Zambia).

47. https://www.imf.org/en/News/Articles/2015/09/14/01/49/prl0274


49. The presentation of the AsDB, IADB and IFAD policies that follow are based on extracts of the Approach Paper “Revision of bank non-concessional debt accumulation policy” dated March 2020 (AfDB).


52. IDA, id.

53. IDA’s Non-Concessional Borrowing Policy: 2019 Review.


56. Ibid.

57. Ibid.

58. Self-reported by ECVP.
About this Evaluation

This report presents the findings, lessons and recommendations of the independent evaluation of the AfDB’s Non-concessional Debt Accumulation Policy (NCDAP) covering the period from 2008 to 2020.

The objective of this evaluation was to assess the Bank’s performance in implementing the NCDAP, since its approval in 2008 and amendment in 2011, for the dual purpose of accountability and informing the development of a successor sustainable debt policy. The report examined all measures implemented as part of the Policy and presents its findings under the four criteria of relevance, coherence, effectiveness, and efficiency.

The evaluation found the relevance and coherence of the NCDAP to be satisfactory, due to its alignment with other Bank and sister organizations’ policies, a well-defined overall approach and clear pillars. However, given the limited influence of the Bank on countries’ borrowing behavior and with the worsening debt situation of African countries over the evaluation period, the Policy’s ultimate goal could have been more realistically stated and defined in a clearer way to avoid differing interpretations among stakeholders as well as lack of ownership. Despite improved coordination with other IFIs, the effectiveness and efficiency of the Policy were found unsatisfactory, due to its limited implementation. The evaluation found multiple challenges, among which weaknesses in internal coordination, monitoring, data recording and transparency, application of compliance measures to countries, and scattered engagement of the Bank in capacity-building actions linked to debt management in African countries.

The evaluation recommends the Bank to ensure a robust design for the new sustainable debt policy, with a more substantial focus on data and transparency and a clearly defined responsibility for overseeing, implementing, and monitoring the new policy in line with the One Bank approach. The Bank should also clarify the approach to debt management capacity building for regional member countries and internal debt surveillance capacity building for Bank staff.