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Independent Evaluation of AfDB Program Based Operations (2012-2017)

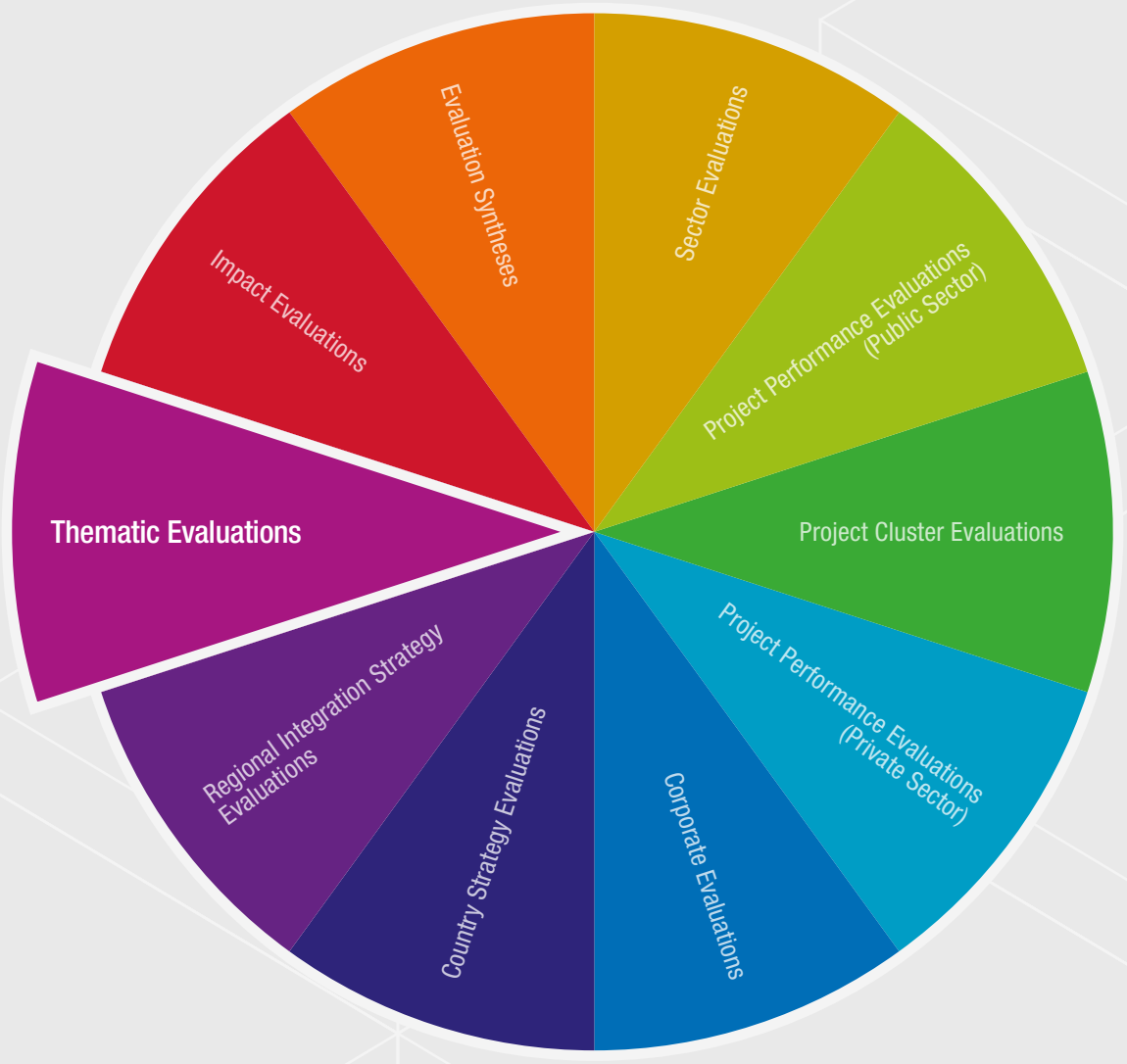
Summary Report

AFRICAN DEVELOPMENT BANK GROUP

October 2018

An IDEV **Thematic Evaluation**

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Summary Report

AFRICAN DEVELOPMENT BANK GROUP

October 2018

An IDEV **Thematic Evaluation**

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Independent Evaluation of AfDB Program Based Operations 2012-2017 — Summary Report
An IDEV Thematic Evaluation, October 2018

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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.

About Independent Development Evaluation (IDEV)

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.

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Design & layout: A Parté Design
Photography: AfDB Projects on Flickr
Original language: English – translation: AfDB language services department

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Abbreviations and Acronyms

AfDB	African Development Bank Group
ADB	African Development Bank window
ADF	African Development Fund
AHHD	Human & Social Development Department
BEE	Business Enabling Environment
CRBS	Crisis Response Budget Support
CSP	Country Strategy Paper
CSPE	Country Strategy and Program Evaluation
DBDM	Development and Business Delivery Model
DP	Development Partner
DPF	Development Policy Financing
DPL	Development Policy Lending
ECGF	Governance and Public Financial Management Coordination Office
ER	Energy Reforms
ESW	Economic and Sector Work
GBS	General Budget Support
G20	Group of 20 nations that represent 85% of the global economy
HQ	Headquarters
IDEV	Independent Development Evaluation
IMF	International Monetary Fund
IPR	Implementation Progress Report
ISPs	Institutional Support Projects
LIC	Low Income Country
MDB	Multilateral Development Bank
MIC	Middle Income Country
MIC TAF	Middle Income Country Technical Assistance Fund
MSME	Micro, Small and Medium Enterprises
MTR	Mid Term Review
OECD	Organisation for Economic Cooperation and Development
OECD-DAC	OECD's Development Assistance Committee
PAF	Performance assessment framework
PAR	Project Appraisal Report
PBO	Program Based Operation
PCN	Project Concept Note
PCR	Project Completion Report
PFM	Public Financial Management
PISD	Private Sector Development Department
PO	Programmatic Operation
PPDR	Project Portfolio Document Review
PPP	Public Private Partnership
PRA	Project Result Assessment
PSE	Private Sector Environment
PT	Programmatic Tranching
REEE	Review of Existing Evaluation Evidence
RMC	Regional member country
RMF	Results Measurement Framework
SBS	Sector Budget Support
SSO	Self-Standing Operation
TA	Technical Assistance
TS	Transition States
UA *	Unit of Account

* 1 Unit Of Account (UA) = 1.415 United States Dollars (USD) as of December 2017



Executive Summary

Background and Context

This report summarizes the findings, conclusions and lessons from the independent evaluation of African Development Bank Group (AfDB or the Bank) Program Based Operations (PBOs) 2012-17. The evaluation serves both accountability and learning purposes. It reports on how the Bank has been using the instrument since Board approval of the PBO Policy in 2012 and it also identifies factors which enable or hinder good performance, draws lessons for the Bank, and identifies recommendations to help the Bank to optimize effective use of the PBO instrument in future. The evaluation design was theory based and the findings are based on multiple complementary lines of evidence.

The evaluation scope covers PBOs approved between 2012 and 2017, with a collective approval value of UA 7.2 billion. To examine the Bank's use of the PBO instrument since 2012, the evaluation focuses on three overarching questions. The first question relates to how the Bank is programming, designing and managing its PBOs. The second relates to PBO performance particularly in the two focus sectors identified: (i) energy reforms (ER) and (ii) private sector environment (PSE), also sometimes referred to as business enabling environment (BEE). In addition, the evaluation looked at performance of public financial management reforms (PFM). The third question is forward looking and asks how the Bank can optimize its use of PBOs in future, including to support the High 5s.

Overview of Findings

The evaluation finds that PBOs remain a relevant and useful instrument for the Bank and its clients, although challenging to design and manage effectively. The evaluation finds a broadly satisfactory picture when it comes to the relevance of the PBOs in the Bank's portfolio – based on their programming and design and broad adherence to its own Policy and Guidelines and international good practice. With regards to achievement of reform objectives the overall picture is also satisfactory. However is much harder to evidence the Bank's influence on reform direction and speed. For sustainability, even in the presence of strong ownership, concerns regarding institutional and financial dimensions of sustainability indicate overall unsatisfactory prospects for sustainability in the sectors examined.

Despite deploying UA 7.2 billion as PBOs over 2012-17, the Bank has failed to invest in its own institutional infrastructure to obtain maximum value for money from the instrument. As is well reflected in the 2012 PBO Policy, PBOs are expected to form part of a "package of support" in order to ensure that they influence and support reform agendas, while also providing important funding. This package includes analytical work to inform technical input, policy dialogue and capacity support. In practice, while there is significant disparity by country, overall the Bank underperforms when it comes to policy dialogue, despite its strong position as a trusted partner. This is partly due to the institutional set up, the lack of clarity on who is responsible for policy dialogue, the structure of how it should be conducted and reported, coordination, as well as a lack of investment in relevant human resources to conduct it. In addition, the Bank underperforms in providing timely and adequate capacity support and specialized technical advice, partly due to the limited menu of instruments available to do so. These shortcomings have implications for how well the Bank is able to influence or add value to country reform paths.

Programming and Design

A range of programming issues are examined, and while the overall picture is assessed as broadly satisfactory, there are areas that could be strengthened. First, for the large majority (94%, excluding Crisis Response Budget Support – [CRBS]) of the PBOs reviewed, their use was envisaged in either the relevant country strategy paper (CSP) or mid-term review (MTR) – in line with the Policy. However, in the majority of cases the assessment against the eligibility criteria was made for the first time during PBO preparation phase. In terms of the type of PBO, there is scope for stronger justification for the type chosen, especially when not using the recommended programmatic approach. Second, in around two thirds of the operations reviewed, the analytical underpinnings used are clearly listed and relatively complete. However, how exactly this work has informed or underpinned the design of the operation is not made clear. Third, while risk assessment is assessed as satisfactory in two thirds of the operations reviewed, reputational risk is rarely explicitly considered; and identified risk mitigation measures – such as future capacity support to address current risks - are not convincing within the time-frame of a PBO.

Alignment with country priorities and Bank priorities is assessed positively both on the basis of document review and in terms of stakeholder perceptions. All the PBOs can be mapped to at least one of the High 5s or are considered to support crucial governance issues which cut across them. The Bank has also succeeded in expanding use of the instrument to support sector reforms in addition to economic and financial governance. Nearly 80% of survey respondents had positive views on alignment with country policy frameworks.

In terms of coordination, strong examples of how the Bank coordinates with other development partners are highlighted, most notably in identification and appraisal periods. Bank staff are taking coordination seriously and investing in upfront work with other development partners. However, the in-depth assessment illustrates how difficult the Bank has found it to sustain initial high levels of coordination throughout the implementation phases. Moreover, following the 2017 G20 Principles for effective coordination between the IMF and MDBs, the bar for all MDBs to align behind the IMF - in countries facing macro-economic vulnerability - has been raised.

In terms of designing PBOs for results the overall picture is satisfactory, with shortcomings identified. Although two thirds of PBO appraisal reports examined stated there was an important role to be played by complementary inputs, only a handful developed how. All PBO results frameworks have defined baselines, targets and means of verification, and integrate prior actions and triggers. However, over a third did not meet the satisfactory bar due to weaknesses in how a convincing results chain was presented; high proportions of process and action based indicators; or lack of realism, particularly for single year operations. The use of conditions is suitably selective: in programmatic operations they link from one phase to the next in order to plot a medium term path, and link to broader dialogue frameworks. Weaknesses were noted where the number of prior actions was high; opportunities for identifying triggers were missed; or the level of ambition for prior actions was not appropriate.

The evaluation found that the Bank has missed valuable opportunities provided by PBOs to address gender equality and environmental reform issues at policy level. Just over a third of the PBO PARs assessed included gender related indicators and 7% environmental or climate sensitive indicators. The opportunity to push gender equality and environmental concerns is not equal in all types of PBO. However, particularly in the energy sector, PBOs can provide valuable opportunities to shift national policies– in support of the Bank's ambitions of inclusive and green growth.

Management of PBOs

Efficiency

At portfolio level, time-efficiency in term of disbursement and implementation of PBOs shows a broadly positive picture; though from the perspective of receiving countries, predictability is raised as an issue. In line with expectations for the PBO instrument, the evaluation finds that the Bank does disburse fully and – relative to investment projects – quickly. In addition, based on how the Bank monitors implementation progress, PBOs are very rarely identified as a cause for concern. Nine of the ten in-depth assessments are also found to be efficient in terms of transaction costs and time to disburse. However, perceptions –amongst staff and RMC officials - of timeliness and transaction costs were more mixed.

Where the efficiency and transaction cost story is negative is with the technical assistance (TA) or institutional support provided to support PBOs. Such support – when it has been provided – has been slow, arriving towards the end rather than beginning of a PBO series unless already in place. This relates both to the tendency to design capacity support in parallel rather than in advance, and to the limited set of instruments the Bank has available to provide small items of TA, all of which operate like full projects rather than rapidly deployable expertise.

Policy Dialogue and Supervision

The Bank is not fully utilizing its comparative advantage – and "African Voice" to ensure PBO results via policy dialogue. This finding is not dissimilar to that of the 2011 evaluation which described the Bank as "punching below its weight" when it comes to policy dialogue. Only three of the ten in-depth assessments found satisfactory frameworks for policy dialogue in targeted sectors. Policy dialogue is an important mechanism through which PBOs are expected to achieve results. Deficiencies that emerged in relation to policy dialogue are broadly categorized as: (i) lack of clarity over who is leading and responsible for policy dialogue, especially after approval; (ii) limited capacity to engage in in-depth technical dialogue in some areas; and (iii) lack of structured planning or reporting for policy dialogue efforts – including through the Bank's normal supervision channels; (iv) lack of medium term strategy to capitalize on doors that may be opened by a PBO after formal completion. In the survey, less than a third of respondents were clearly positive when asked about the extent to which the Bank mobilizes appropriate resources for policy dialogue. In the ten countries looked at in depth, five were found to have a satisfactory framework for policy dialogue.

Policy and Institutional Framework

The existence of the 2012 PBO Policy has helped the Bank to improve and make more consistent, its approach to PBOs; however, there are areas where implementation has been wanting. The Policy succeeded in providing clarity on the authorizing environment and on a range of important issues including type of instrument, when they should be employed, on what basis and with what objectives. It is broadly aligned with good practices. The Policy clearly set out activities or changes that would need to take place in order to facilitate implementation but not all aspects of implementation have gone as planned – for example the delay in producing the supporting guidelines, the glaring lack of training, and unfinished business in ensuring an enhanced role for Country Offices. The Guidelines - described as a living document - have not been updated. For example, there has not been additional guidance on reform areas newly entered into – such as energy; and there has not been an update following the G20 principles. The survey and focus groups both also highlighted staff demand for more guidance in areas such as policy dialogue, working in post-conflict contexts and results measurement.

In terms of institutional arrangements to support PBO design and management, some of the Bank's practices remain out of line with both its own policy and the practices in peer organizations (World Bank and European Union). First, in practice PBO design and management remains somewhat centralized, most often led by either the Governance and Public Financial Management Coordination Office (ECGF) or sector departments. The extent to which Country Offices have taken up ownership varies significantly. Second, in practice, there is no centralized unit that provides specialized support to PBO teams. Until now ECGF unit staff are task managing most of the Bank's General Budget Support (GBS). This lack of a central support, and limited guidance and training provided to staff is in stark contrast to the support available in the two peer organizations examined.

Performance

Overall, the assessment of PBO effectiveness - which is focused on the areas covered in depth of public financial management (PFM), energy and PSE - is broadly satisfactory. The breakdown of the dimensions on which the assessment is based, highlights areas where the Bank can focus attention in order to strengthen results and specifically how it can contribute to the direction and pace of reforms. Data from project completion reports (PCRs) and IDEV country strategy and program evaluations (CSPEs) indicate that the satisfactory assessment is likely pertinent for the broader portfolio.

- All of the cases achieved or partially achieved all or the majority of the reform actions listed in the results framework. Only in one of the cases were 25% of outputs considered not achieved. In all other cases, at least three quarters of the reforms were assessed as either fully achieved/partially achieved/achieved with significant delay. With regards to achievement ratios by sector covered, no clear pattern emerges with notably higher performance in one than another. At an aggregate level, in seven of the 10 countries with in-depth studies- the effectiveness overall – in terms of achievement of objectives stated in the Results Measurement Framework (RMF) – was considered satisfactory.

- Across the 21[1] individual components assessed, two thirds are assessed to be satisfactory in terms of achievement of "landmark reforms". Within a PBO RMF some actions can be much more important than others, with some including a large number of tick-box type items alongside more fundamental issues that have the potential to drive change and contribute to transformative outcomes. These latter types of indicators were identified as "landmark reforms". Where landmark reforms were not achieved, it is worth noting that this includes a transition state (Comoros); two cases where the principal focus of the PBO was in another area (Tanzania and Seychelles); and one where the second part of the planned series never took place (Nigeria).

- Influence of the Bank on achievement of landmark policy changes is not always evident. In one third of the components, the Bank's influence – on either the direction or pace of reforms – was evident. In those cases where influence was evident, it was through analytical work, technical input and policy dialogue. Perceptions of Bank staff gathered in the survey support the view that influence is limited, though strongest at appraisal stage.

Sustainability of PBOs in the two sectors and PFM (multi-sector) covered is assessed as unsatisfactory, particularly in relation to institutional and financial dimensions of sustainability. Only four of the ten in-depth assessments are found to have good prospects for sustainability. Almost all cases are assessed as having good foundations for sustainability in terms of government ownership and leadership – which should be at the core of the decision to proceed with a PBO. However, a minority are also assessed as having good prospects based on institutional and financial sustainability – which should be considered in PBO design and implementation. Indeed, a negative assessment on these two dimensions of

sustainability undermined positive assessments in terms of ownership. While the evidence base for this is strong and generalizable for the two sectors and PFM, other – more positive - evidence indicates that it is not possible to generalize this sustainability rating across the whole PBO portfolio.

Factors Affecting PBO Performance

Both context factors and elements of how the PBO is designed and managed influence performance. Looking across evaluation evidence not only from the Bank but other institutions providing budget support in Africa the most frequently identified factors relating to country context are: ownership, country capacity, having a "champion" for reforms, the country's socio-economic status, and country systems. The most frequent factors relating to the budget support mechanism are: quality of design, programming, development partner coordination, quality of monitoring and choice of indicators. The single most frequently cited mechanism enabling factor is the quality of design. In terms of hindering performance, the frequently highlighted mechanism factors comprise policy dialogue; efficiency and transaction costs; choice of indicators; quality of monitoring and poor predictability.

Analysis of the significance of certain factors and combinations of factors in achievement of results, also highlighted strong country technical governance, relations with development partners and the presence of an IMF program as the most significant factors associated with achievement of landmark changes[2] – stronger even than the country's socio-economic status. Programming, design, efficiency, TA, the operation being part of a series and the existence of a country office were also found to combine to underwrite landmark reform achievement.

Recommendations

IDEV makes the following six recommendations to Bank management. Not all of the recommendations are administrative-budget neutral, however, their implementation will increase the ability of the Bank to achieve value for money with the funds deployed through the PBO instrument.

1. **Update or complement the PBO guidelines in order to:**

   a. appropriately reflect the Bank's response to the 2017 G20 principles on coordination with the IMF; and

   b. provide detailed guidance to staff on the challenging areas of results frameworks, conducting effective and coordinated one Bank policy dialogue, post-conflict specific concerns, and examining PBOs for opportunities to push reforms in support of gender equality and environment/climate change.

2. **Fully enforce the provisions of the PBO Policy, this includes:**

   a. using non-programmatic operations, and operations that are not already programmed in the CSP or CSP MTR, only on an exceptional basis, as per the 2012 Policy; and if so ensuring that the reason for using this approach is convincing and based on sound analysis including against alternative options; and

   b. consistently conducting fiduciary risk assessments in the CSP context when first opting to use a PBO and updating the assessment at appraisal, while also ensuring proposed risk mitigation measures can address identified risks within the timeframe of the planned PBO.

3. **Design all future PBOs with a focus on medium-term support to a limited number of reform areas from within broader government**

reform plans identified on the basis of (i) what reforms have the potential to pave the way for landmark changes; (ii) multi-year reform paths; (iii) complementarity with other development partners and with the Bank's wider portfolio; and (iii) the ability of the Bank to add technical value in those areas - especially in terms of analytical work, expertise and policy dialogue. The tight focus should be combined with a strengthening of the medium-term dimension in the design: i.e. support through programmatic PBOs to a clearly defined multi-year reform path, as well as attention to how the Bank might accompany reform processes over the medium term over one or more PBOs.

4. **Reflect in practice the vital role of policy dialogue in PBOs by:**

   a. Making it unequivocally clear at design stage what the policy dialogue will entail, what mechanisms will be used, what will be the priorities, how it will be underscored by relevant technical expertise, and who will be responsible for conducting and reporting it. This could be done by including a standard annex on policy dialogue priorities and responsibilities in all PBO's PAR technical annexes, for example, which would provide a starting point but could also be adapted over time to respond to new policy needs as they arise.

   b. Aligning practices with plans in the PBO Policy and DBDM by more clearly allocating responsibility for PBO design and management to the country offices and regions – ensuring they have the resources and necessary reporting structures to take up the responsibility, and strong technical support from HQ teams. (Or, alternatively, if the Bank prefers to operate a centralized model, the Policy and DBDM documents should be adjusted to reflect this approach to remove any confusion).

   c. Ensuring that budget lines for PBO appraisal and supervision take account of the need to involve the appropriate range of expertise especially in the case of PBOs that cover a range of areas.

5. **Back PBOs with appropriate and timely expertise and capacity support, this will necessitate:**

   a. Examining how to refine and expand the Bank's menu of options for providing expertise and technical assistance. This should include reviewing the MIC Trust Fund and other relevant trust funds with a view to make them more nimble so as to improve their relevance; investigating other instruments including short terms options – such as framework contracts with specialist companies that can provide quick and high quality technical expertise – and longer term solutions such as a fast-track TA scheme; and

   b. Requiring clear justification where relevant capacity support or expertise is not already in place or at least being appraised by the time approval for any PBO is sought.

6. **Invest in PBO supporting infrastructure by:**

   a. Investing in continuous training for staff involved in PBO design and implementation. Such training could take the form of an accreditation scheme and draw on the rich experience that has been gained internally, while also drawing on lessons from elsewhere.

   b. Investing in upfront analytical work to support PBO design and the focus of policy dialogue and capacity support, which will require forward planning and resources to allow teams to conduct or commission it.

   c. Reviewing the extent to which the Bank's quality assurance processes are appropriate for PBOs, in particular (i) the readiness review; and (ii) expectations for supervision and reporting of supervision.





Management Response

Management welcomes the Independent Evaluation of AfDB Programme-Based Operations (PBOs) 2012-2017. The Bank and its clients consider PBOs to be effective instruments to support macro-fiscal stability and advance wide-ranging policy reforms in Regional Member Countries (RMCs). The evaluation comes at a time when there is a great deal of interest in and debate around the use of the PBO instrument. It examines how the Bank has been using the instrument since 2012, when the Board approved the PBO Policy, and focuses on the performance of PBOs in three sectors (energy, private sector environment (PSE) and public financial management (PFM)) while drawing lessons and providing recommendations to optimise the effective use of the PBO instrument in the future. Overall, Management agrees with the findings and recommendations of the evaluation, which it considers to be useful in further improving the Bank's important work in providing PBOs.

Introduction

The evaluation provides a fair assessment of the PBOs the Bank approved from 2012 to 2017. Management considers the evaluation to be timely; the five years that have passed since the PBO Policy was approved have allowed adequate time to use it in a range of circumstances, and assess its use. Furthermore, there has been much welcome discussion about the relevance and use of PBOs within the Bank and among its stakeholders. The independent evaluation was therefore considered useful in clarifying how PBOs are best used.

Overall, the evaluation finds that the PBO is a relevant and useful instrument for Bank support to clients, which effectively contributes towards advancing landmark reforms, including within the High 5 areas. Management fully agrees that the PBO is an indispensable instrument for supporting clients and achieving the High 5s. The cases examined through the evaluation showed that when appropriately designed, and coordinated with the budget support operations of other development partners, PBOs advance the achievement of important policy reforms and provide a crucial platform for dialogue with RMCs.

Some of the areas of PBO weakness that the evaluation identifies—such as results frameworks, policy dialogue, in-house technical capacity, analytical work and sustainability—are generally not unique to the PBO instrument and need to be addressed across the Bank in the preparation of its projects and programs.

These are challenging issues that can only be resolved through sustained attention and resources over time. A number of the reforms the Bank has carried out over the past five years, culminating in the institutional re-organisation under the Development Business Delivery Model (DBDM), have sought to address some of these issues.

The transfer of all country economists, governance and economic reform experts, and natural resource specialists from Operations Complexes to the new Economic and Knowledge Management Vice-Presidency (ECVP) Complex was a deliberate action to enhance the Bank's position as a knowledge provider and to strengthen linkages and cross-fertilisation among the Bank's knowledge work, operations and country-level policy dialogue. Furthermore, as the delivery of PBOs now falls under the purview of ECVP, research findings, real-time knowledge and best practices should be strongly brought to bear on the design of PBOs for optimal impact and results.

These important developments notwithstanding, Management agrees that more needs to be done to optimise the use of PBOs, in particular considering

their potential to effectively support the achievement of the High 5s, as has been demonstrated for the High 5 of *Light up and power Africa.* This response discusses some of the critical areas where attention is needed, the challenges in addressing them, and the actions Management proposes to take.

Evaluation Approach

The evaluation seeks to address three overarching questions.

1. To what extent is the Bank appropriately programming, designing and managing its PBOs?
2. What is the evidence regarding PBO performance, particularly in the priority areas of energy and PSE, as well as PFM?
3. Looking forward, how can the Bank optimise its use of PBOs, including in working to achieve the High 5s?

The evaluation's scope covers the 91 PBOs approved between 2012 and 2017, with a collective approval value of UA 7.2 billion.

Management finds the approach and focus of the evaluation questions to be appropriate. In particular, the inclusion of PBO performance in the energy sector has provided specific examples of the relevance of PBOs to advance the High 5 *area Light up and power Africa.*

The design of the evaluation was theory-based, and the findings were based on multiple complementary lines of evidence. Management considers the methodology to be appropriate.

Programming and Design of PBOs

Overall, the evaluation rates the way the Bank programmes and designs PBOs as satisfactory. The areas examined include programming in the context of the Country Strategy Paper (CSP); PBO eligibility; PBO justification, type and size; PBO focus; alignment of PBO priorities; coordination with other development partners; designing PBOs for results; and cross-cutting issues at design.

Programming in the CSP Context

According to the evaluation, the vast majority of PBOs were adequately planned for in CSPs or their midterm reviews. However, during CSP preparation less attention was given to assessing the country's eligibility for PBOs and the risks associated with the provision of PBOs. Management agrees on the importance of initially assessing the country's needs for PBOs as part of the CSP preparation process—as is required by the PBO Policy. Particularly important in preparing the CSP is the assessment of fiduciary risks, which is also useful in determining both the type and focus of PBO interventions. Most, if not all, recent CSPs include a fiduciary risk assessment, and Management agrees that all CSPs should respect this requirement. Management also agrees that the use of non-programmatic PBOs should be the exception, as they provide very limited scope and time for engaging governments in effective policy dialogue and ensuring results. The Bank will address this area further by ensuring the involvement of relevant departments, such as the Procurement and Fiduciary Services Department and the Governance and Public Financial Management Coordination Office (ECGF), in the CSP preparation exercise, and by ensuring that the requirements of the PBO Policy are adequately reflected in revisions to the CSP format.

Through its African Development Institute (ECAD), the Bank will also target specific sectoral policy issues to enhance capacity to implement PBOs. Interventions will be based on lessons learned with a view to enhancing the RMCs' preparedness/readiness for optimal delivery of PBOs. In the course of implementation, progress reports will be scrutinized to address gaps that may impede the achievement of

targets. Other interventions include capacity building for development evaluation. This will contribute to a balanced culture of accountability and learning in the RMCs, including effective monitoring of development results during implementation. These efforts will be supported by Communities of Practice to support peer learning and best practices.

PBO Eligibility

The evaluation finds that the quality of analysis underpinning the PBO design stage was satisfactory, while highlighting certain challenges. With regard to macroeconomic analysis, the evaluation points to variations in the timeframe used to analyse recent trends and in the completeness of the economic outlook. Management is aware of this shortcoming and, in response, has increased the involvement of the Macroeconomic Policy, Forecasting and Research Department (ECMR) to provide complementary economic analysis when required. The evaluation also refers to weaknesses in eligibility analysis for the use of PBOs in crisis and transition states. Going forward, Management will give more attention to strengthening the rationale around eligibility, including a justification for waiving eligibility when appropriate. Regarding PBO risks, the evaluation indicates that overall risk assessments are done satisfactorily, but mentions reputational risk as an area rarely discussed or assessed. Management believes, however, that reputational risk is inherent or implicit in all risk assessments: when Bank resources are at risk, the Bank's reputation is also at risk (especially as far as the rating agencies are concerned). With regard to fiduciary risk, the evaluation states, "In a small number of cases, the presentation in the main report was found to read more optimistically than the Fiduciary Risk Assessment Framework (FRA) technical annex". Management fully agrees that there must be consistency between the risk assessment annex and the appraisal report, and will reinforce this as part of the quality review process.

PBO Justification, Type and Size

The evaluation finds that only 52% of the PBOs provided a convincing justification for the use of the PBO instrument, the choice of a programmatic or self-standing operation, and the size of the operation. Management agrees on the need to strengthen the justification provided in these areas.

PBO Focus

Management agrees with Independent Development Evaluation Department that sector budget support is neither less risky nor more effective than general budget support. The evaluation also shows that some PBOs are spread over a broad range of reform areas, without due consideration of multi-year reform paths and the Bank's ability to add value through analytical work, expertise and policy dialogue. Management agrees that focusing more on multi-year reform paths would yield better results, and therefore will aim to reinforce the use of a programmatic approach for PBOs (currently as many as two-thirds of PBOs are programmatic). Specifically, ECGF will collaborate with ECMR to develop a multi-year pipeline of analytical work and monitor its implementation.

Coordination with other Development Partners

The evaluation finds strong examples of the Bank's good coordination with other development partners. On a related matter, the evaluation raises the issue of aligning with the 2017 G20 principles for effective coordination between the IMF and the multilateral development banks (MDBs), and recommends that the Bank revise or complement its PBO guidelines to reflect these principles, which the Bank already fully embraces. Staff working on PBOs have been made aware of the MDBs' understanding about coordinating with the IMF in preparing PBOs. Coordination with the IMF is a key requirement of the 2012 PBO Policy, and in the wake of the 2017 G20 meeting the Bank was very much involved in drafting the EBRD-sponsored IMF-MDBs Coordination Stock-

taking Paper, which presented the MDBs' modalities of coordination with the IMF. In addition, Management has acted to regularly track the coordination principle by defining a key performance indicator (KPI) that requires that all PBOs be aligned with IMF country assessments. ECGF reports quarterly on this KPI.

Designing PBOs for Results

The evaluation points to the need to strengthen the results chain. Management fully supports the conclusions and recommendation of the evaluation on strengthening Bank staff's capacity in this area. With the support of the Operations Committee Secretariat and Quality Assurance Department, ECGF will arrange trainings for its staff by Q4 2018 and will include designing for results as part of a more comprehensive accreditation scheme/training programme around PBOs.

The evaluation also highlights the constraint the Bank faces in terms of the types of complementary support—such as capacity development or short-term expertise—it can provide with the PBO. The main instruments being used are Institutional Support Projects or MIC-Grants, but the evaluation found them not to be very effective in providing timely support. Management agrees that the types of support the Bank is able to provide very quickly are limited. ECGF and the Resource Mobilisation and Partnerships Department (FIRM) will examine this issue with a view to proposing more responsive alternatives and better guiding staff on more efficient use of the existing instruments.

Cross-cutting Issues at Design

Management also takes note of the evaluation's findings and recommendations on the mainstreaming of policy-level cross-cutting issues. The Bank has developed guidelines and a training package on mainstreaming gender into governance work, with a focus on PBOs. To also improve the Bank's work in the areas of environment and climate change—especially in view of the anticipated increased focus on the High 5 sectors of energy and agriculture—the development of similar guidance or staff training by ECGF in collaboration with the Climate Change and Green Growth Department and the Safeguard and Compliance Department will be considered.

Management of PBOs

The evaluation finds a broadly positive picture of the Bank's time efficiency in disbursing and implementing PBOs. However, this efficiency was jeopardised when technical assistance (TA) was required to support the implementation of reforms, but the Bank was unable to provide it in a timely manner. Management agrees that the Bank's lack of flexibility to respond quickly in providing TA or other expertise affects the Bank's ability to always engage effectively, and it will look into how to enhance/expedite responsive TA provision.

The evaluation examines the Bank's engagement in policy dialogue and concludes that the Bank is not fully using its comparative advantage to ensure PBO results through policy dialogue. Issues affecting the quality of policy dialogue included lack of clarity on responsibility for policy dialogue, what policy dialogue entails, and how it is planned and reported. Management takes note of these findings and fully agrees with the recommendations put forward to strengthen the central role of policy dialogue in PBOs, with governments and development partners (MDBs, bilateral donors, etc.).

Supervision and reporting compliance is another issue raised by the evaluation. While supervision and monitoring are taking place, the evaluation noted as an issue the lack of systematic documentation on these key activities. Management shares the concern that lack of documentation undermines internal knowledge-sharing and reporting and will monitor compliance with the Bank's standard reporting requirements.

The evaluation also examines the institutional framework for the management of PBOs, contrasting the level of support, guidance and training provided to Bank staff managing PBOs with that provided to colleagues in two peer organisations. It points out that the responsibility for PBOs has remained relatively centralised although the PBO Policy and DBDM envisage a stronger role for country offices. It highlights the important role of country offices in ensuring smooth dialogue, while noting that the extent to which country offices have actually taken up ownership of the dialogue varies significantly. The evaluation emphasises the need for a strong technical team to provide guidance, support and qualitative input during PBO preparation. Bearing in mind the need for urgency in effective High 5s implementation, Management sees that the Bank needs to invest more resources to support technical staff development; hence it plans to develop an accreditation scheme/training programme to begin addressing the shortfalls in staff capacity.

Performance of PBOs

The evaluation concludes that PBO effectiveness in PFM, PSE and energy is broadly satisfactory, especially in terms of achieving "landmark" reforms. However, it also highlights the difficulty of determining the Bank's influence, noting that the degree of influence varies by sector and area of focus and providing positive examples from the energy sector. Management takes note of these findings, which support its view that PBOs are relevant instruments to effectively support critical reforms, including for the High 5 areas.

Management also agrees with the lesson on the importance of carefully identifying the appropriate areas of focus of the operation and ensuring active engagement with countries and partners.

The evaluation examines the sustainability of the reforms PBOs supported in energy, PSE and PFM, and found that it was assured in just 40% of the cases. Management takes particular note of this finding. Sustainability is critical, and achieving it is a perennial challenge faced not only by the Bank, but also by its peer MDBs that provide PBOs. It requires, first and foremost, strong and long-term country commitment to reform implementation. To address this issue, Management agrees with the evaluation recommendation—that increased use of the programmatic approach is beneficial not only to achieving reforms, but also to sustaining them. Management is also of the view that sustainability is an issue that should feature regularly in development partners' in- country consultations. It considers the lessons provided in this regard to be pertinent and useful.

Conclusion

This is a timely evaluation that provides useful lessons and recommendations for Management's consideration and implementation. The evaluation reinforces Management's position that PBOs should continue to constitute an integral part of the services available to Bank clients. It also points out some of the areas where there is need for improvement.

Management broadly agrees with the recommendations, and it proposes response actions in the following Management Action Record.

SUMMARY OF MANAGEMENT ACTIONS	
RECOMMENDATION	**MANAGEMENT'S RESPONSE**
Recommendation 1: Update or complement the PBO Guidelines in order to:	
a. Appropriately reflect the Bank's response to the 2017 G20 principles on coordination with the IMF; and *b. Provide detailed guidance to staff on the challenging areas of results frameworks, conducting effective and coordinated one Bank policy dialogue, post-conflict specific concerns, and examining PBOs for opportunities to push reforms in support of gender equality and environment/climate change.*	**a.AGREED** - Management has already acted to track the G20 principles on coordination with IMF by defining a KPI that requires all PBOs to be designed in alignment with IMF country assessments. The Bank, through ECGF, will continue to implement and report on this KPI as part of its annual performance reporting. **b.AGREED** – Management agrees on the need to provide additional guidance to staff on the different themes outlined in the recommendation. The preparation of guidance on some of these themes has already started, and, in coordination with the relevant departments, ECGF will finalise complementary guidance papers on the remaining topics. Furthermore, to ensure that staff make better use of the guidelines in preparing PBOs, ECGF will develop a training module on PBO design and implementation as part of the Operations Academy (see the Action in response to Recommendation 6). Regarding gender equality, the Women, Gender and Civil Society Department has worked with ECGF to develop guidelines for mainstreaming gender in governance operations, including highlighting opportunities for promoting gender equality through PBOs. The guidelines are being edited and are planned for dissemination in 2018. Regarding post-conflict specific concerns, the Country Resilience and Fragility Assessment Tool, which was launched in 2018, also provides a framework to guide and inform a fragility sensitise approach to our policy work in fragile states. **Action:** ▮ ECGF, in coordination with the relevant departments, will update and disseminate the PBO Guidelines to address results frameworks, one-Bank coordinated policy dialogue, post-conflict concerns, and the use of PBOs to push reforms in support of gender equality and environment/climate change issues, by **Q3 2019.**
Recommendation 2: Fully enforce the provisions of the PBO Policy, this includes:	
a. Using non-programmatic operations, and operations that are not already programmed in the CSP or CSP MTR, only on an exceptional basis as per the 2012 Policy; and if so ensuring that the argument is convincing and based on sound analysis including against alternative options; and *b. Consistently conducting fiduciary risk assessments in the CSP context when first opting to use PBO and updating the assessment at appraisal, while also ensuring proposed risk mitigation measures can address identified risks within the timeframe of the planned PBO.*	**a.AGREED** - Management strives to ensure full compliance with the PBO policy. Non-programmatic operations are and should remain the exception, as they provide less scope for engaging governments in effective policy dialogue and ensuring results, and also less flexibility, which can be crucial in rapidly changing environments. PBOs that are not programmed in the CSP or CSP MTR need to be strongly justified. To this effect, the preparation of CSPs will require active involvement of ECGF, particularly in the analysis required to determine the appropriateness of PBOs vis-à-vis alternative options. **Action:** ▮ ECGF to monitor and track, in line with the provisions made in the new Delegation of Authority Matrix, the implementation of the PBO policy with regards to ensuring that PBOs are justified in all new CSPs from **Q2 2019**. **b.AGREED** - We agree that this work needs to be strengthened to ensure that fiduciary risk assessment (FRA) is always prepared as part of the CSP and updated at the CSP midterm review. There is ongoing work to revise the CSP format and the FRA Framework in line with the new PEFA that entered into force in January 2016. This recommendation relating to ensuring updated and timely country FRA will be taken into account in the discussions. Management will also reinforce the "best practice" of ensuring that the PBOs results frameworks and policy dialogue should always aim at addressing the "substantial to high risk" areas identified in the FRA. Furthermore, the proposed additional risk mitigation measures, such as provision of technical assistance or an institutional support program, should be done within the timeframe of the PBO. **Action:** ▮ The Procurement and Fiduciary Services Department, in coordination with ECGF and RDVP, will ensure that proposed risk mitigation measures can address the critical risks "during the timeframe of the PBO", as part of the CSP template revision exercise scheduled for completion by **Q2 2020**.

SUMMARY OF MANAGEMENT ACTIONS	
RECOMMENDATION	**MANAGEMENT'S RESPONSE**
Recommendation 3: Design all future PBOs with a focus on a limited number of medium-term reform areas from within broader government reform plans	
Design all future PBOs with a focus on a limited number of medium-term reform areas from within broader government reform plans identified on the basis of (i) what reforms have the potential to pave the way to landmark changes; (ii) multi-year reform paths; (iii) complementarity with other development partners and with the Bank's wider portfolio and (iii) the ability of the Bank to add value in those areas - especially in terms of analytical work, expertise and policy dialogue. The tight focus should be combined with a strengthening of the medium-term dimension in the design: i.e support through programmatic PBOs to a clearly defined multi-year reform path, as well as attention to how the Bank might accompany reform processes over the medium term over one or more PBOs.	**AGREED** – The Bank will make more effort to improve performance in the critical areas of PBO design, with renewed emphasis on undertaking programmatic operations that are clearly focussed for tangible results in the medium term. The current PBO guidelines also emphasise the importance of supporting multi-year reform paths, ensuring complementarity with others and focussing on areas where the Bank can add value. These design features will be covered by the training that will be developed (see the Action in response to Recommendation 6). Management will also put more emphasis on knowledge products/ analytical works to inform both programme design and accompany policy dialogue, along the lines it set out in response to IDEV's 2016 Comprehensive Evaluation on Development Results (see below). The placement of ECGF in the Complex of the Chief Economist, which also houses the Research Department, is helping to facilitate this renewed focus. Management has already committed to align programme design and policy dialogue to ESWs in the Management Response to IDEV's 2016 Comprehensive Evaluation on Development Results. In particular, it agreed to "Ensure that economic and sector work (ESW) is guided by a clear definition and that more attention is given to aligning ESWs with the Bank's new operational priorities and client needs". To enhance complementarity with other development partners, Management will increase efforts beyond working with other MDBs and bilateral donors to expand the scope of collaboration with the African Economic Research Consortium (AERC) and the African Capacity Building Foundation (ACBF). These institutions provide economies of scale approach towards knowledge generation and dissemination thereby providing the Bank with a wholesale approach towards PBO effectiveness in Africa. Due diligence will be exercised in identifying such partners to improve results and increase development effectiveness.
Recommendation 4: Reflect in practice the vital role of policy dialogue in PBOs by:	
a. Making unequivocally clear at design stage what policy dialogue will entail, what mechanisms will be used, what will be the priorities, how it will be underscored by relevant technical expertise, and who will be responsible for conducting and reporting it. This could be done by including a standard annex on policy dialogue priorities and responsibilities in all PBO's PAR technical annexes, which would provide a starting point but could also be adapted over time to respond to new policy needs as they arise.	**a. AGREED** - Policy dialogue is an integral part of every PBO, but we acknowledge that more needs to be done. In order to assure that the roles and responsibilities for policy dialogue are made clearer at the PBO design stage, Management agrees with the proposal to develop and introduce in the PBO PAR template, a standard Annex on Policy Dialogue. This would ensure better planning and facilitate monitoring of the Bank Group's engagement in policy dialogue with RMCs. The Bank's current PBO guidelines emphasise the importance of policy dialogue and how it should be conducted, as well as the importance of identifying additional ESWs or other complementary support to be provided when appropriate. Furthermore, the New Country Resilience and Fragility Assessment Framework also provides a tool to outline policy priorities. As indicated under Recommendation 6, the provision of ESWs will be reinforced. More will also be done to assure that staff know and apply the guidelines. In addition to the development of a dedicated training module on PBOs as part of the Operations/ Task Manager Academy, actions will be taken in the short-term to assure a better dissemination of the existing guidelines and sharing of best practices on design of PBOs across the Bank. This will build staff capacity to improve policy dialogue in PBOs. Management also notes the need to leverage on partners (MDBs, bilateral donors, etc.) efforts and networks in policy dialogue particularly in areas where they have a comparative advantage. Together with the Bank, AERC and ACBF have proven convening authority to disseminate the outputs of research to enhance the policy discourse and engrave the PBO footprint. These institutions are already benefiting from financial support from the Bank. **Action:** ▮ Update the Bank's PBO guidelines- specifically the PAR template to include a standard annex on policy dialogue by **Q4 2019.**

SUMMARY OF MANAGEMENT ACTIONS	
RECOMMENDATION	**MANAGEMENT'S RESPONSE**
b. Aligning practices with plans in the PBO Policy and DBDM by more clearly allocating responsibility for PBO design and management to country offices and regions – ensuring they have the resources and necessary reporting structures to take up the responsibility, and strong technical support from HQ teams. (Or, alternatively, if the Bank prefers to operate a centralized model, the Policy and DBDM documents should be adjusted to reflect this approach to remove any confusion). *c. Ensure budget lines for PBO appraisal and supervision take account of the need to involve the appropriate range of expertise in the case of PBOs that cover a range of areas.*	**b. PARTIALLY AGREED** – Under the DBDM, RDVP is responsible for the programming of all Bank operations in a given country. Decentralised ECGF staff, under the management of ECVP, lead the preparation and implementation of PBOs (GBS and Governance PBOs), in line with the DBDM. Sector budget support operations are led by the sector complexes, and supported by ECVP on the PFM and macro-economic dimensions of the PBO. The Country/ Regional Offices through the Country Managers, DDGs and DGs are responsible for leading policy dialogue, including around PBOs. They are technically supported on a daily basis by the decentralised ECVP staff, in particular the Country Economist and the Governance Expert, as well as decentralised sector specialists when relevant. The Bank agrees that Country Managers, DDGs and DGs need to be adequately supported in order to lead dialogue on PBOs. A number of the actions proposed under other Recommendation 6 will address this, meanwhile Management will also expand the training provided to Country Managers as part of the on-boarding process to include policy dialogue on PBOs, to ensure that they understand what this entails. Furthermore, Management agrees with the recommendation to enhance the technical support provided and reinforce the quality assurance of PBOs by allocating clear responsibility to ECGF, considering its in-house expertise, and ensuring that it is resourced with adequate budget and staff. **Actions:** ▮ ECGF to work with CHHR to expand the Country Manager On-boarding programme to include a session on policy dialogue and PBOs by **Q2 2019**. ▮ Establishment of a PBO technical support team within ECGF.0 by **Q3 2019**. Responsibilities will include Bank- wide quality assurance, monitoring and reporting, and maintaining relations with external partners on PBOs. **c. AGREED** – Management agrees that it is important to ensure that the appropriate skills mix is provided throughout the design and implementation stages of a PBO. In cases where PBOs address a range of sectors and issues, the appraisal and supervision teams should include the required experts in those areas. In cases where the expertise is not already available within the country office, steps will be taken to assure sufficient budget is allocated to bring the required staff on missions or deploy consultants. In the Management Response to the Quality Assurance Evaluation, Management has committed to use standard budget coefficients based on the previous year's delivery and projected change for the new year to better align the budgeting process with strategic directions. **Action:** ▮ ECGF will work closely with RDVP and the Budget Department towards ensuring that budget provisions are made at country level to mobilise staff or consultants to support PBO processing and implementation, from 2019.
Recommendation 5: Back its PBOs with appropriate and timely expertise and capacity support, this will necessitate:	
a. Examining how to refine and expand the Bank's menu of options when it comes to providing expertise and technical assistance. This should include reviewing how to make the MIC Trust Fund and other Trust Funds more nimble so as to improve their relevance; investigating other instruments including short terms options – such as framework contracts with specialist companies that can provide quick and high quality technical expertise that are not available internally – and longer term solutions such as a fast-track TA scheme; and	**a. AGREED** – Management is aware of these issues, which also affect investment operations, and agrees with the recommendation. It is important to maintain a variety of options of support to cater to the needs of our RMCs. An evaluation of the MIC TF is underway, and is expected to provide recommendations towards ensuring its relevance. ECGF will explore the feasibility of entering into framework contracts with specialist companies that can respond quickly with high-level technical expertise for the benefit of RMCs. The African Development Institute (ECAD) is the Bank's focal point for capacity building efforts in RMCs. Capacity building efforts have centred on individual capacity building of mid-level policymakers, institutional support and some technical assistance. The Institute is thus poised to support the Bank become Africa's knowledge partner with a view to enhancing implementation of PBOs. **Action:** ▮ By Q4 2019, FIRM and ECGF to engage in a dialogue with partners interested in providing complementary input to support PBOs with expert technical advice and capacity support

SUMMARY OF MANAGEMENT ACTIONS	
RECOMMENDATION	**MANAGEMENT'S RESPONSE**
b. Requiring clear justification where relevant capacity support or expertise is not already in place or at least planned by the time approval for any PBO is sought.	**b. AGREED** – Management agrees that greater attention should be given at appraisal stage to identifying the capacity needs that left un-addressed could constitute a risk to the implementation of a policy reform/action supported by the PBO. When there are critical needs, the PAR should provide specific detail on how and when this will be addressed through ISP, TA, ESW, etc. provided by the Bank or other Development Partners. ECGF will monitor this more closely as part of its quality control of future PBOs, and examine whether this needs to be reinforced by the PBO guidelines (see action for recommendation 1b).
Recommendation 6: Invest in PBO supporting infrastructure by:	
a. Investing in continuous training for staff involved in PBO design and implementation. Such training could take the form of an accreditation scheme and draw on the rich experience that has been gained internally, while also drawing on lessons from elsewhere. *b. Investing in upfront analytical work to support PBO design and the focus of policy dialogue and capacity support, which will require forward planning and resources to allow teams to conduct or commission it.* *c. Review the extent to which the Bank's quality assurance processes are appropriate for PBOs, in particular (i) the readiness review; and (ii) expectations for supervision and reporting of supervision.*	**a. AGREED** – While the evaluation clearly concludes that PBO design and implementation are overall satisfactory, Management nonetheless fully agrees with the recommendation to bolster the supporting infrastructure around PBOs: this would further improve quality of design and implementation, and enhance performance in PBOs contribution to development results. **Action:** ▮ Management will initiate the development of a Task Manager Academy before the end of 2018 with a view to training all Task Managers with a compulsory certification. Additional details on this initiative will be provided in the forthcoming management response to the evaluation on quality assurance. **b. AGREED**. Adequate resources should be allocated to ESW that informs policy-making. The creation of the ECVP Complex, which brings together the Country Economics Department, ECMR, and ECGF in the same complex reflects this need. Meanwhile, Management will also assure that other operations complexes and in particular RDVP are involved in the planning process, as well as ensure ESWs are well disseminated beyond HQ level, to ensure they are better utilised for country level policy dialogue. The African Development Institute will support the dissemination of ESWs to inform the policymaking process. **Action:** ▮ ECVP to develop multi-year ESW delivery plans in close concertation with RDVP and other complexes so that ESW can effectively support PBO preparation and adequate policy dialogue by Q4 2018. **c. AGREED** – Management agrees that quality assurance processes need to be better aligned with the PBO guidelines and address some of the areas of weakness found by the evaluation, especially with regards to design. There are already plans to review quality assurance processes in the Bank: an evaluation is under way, and the Quality Assurance Department (SNOQ) is planning to revise the readiness review next year. The case for PBOs will be examined as part of this process.



Introduction and Background

Introduction to the Evaluation

This report provides the summary findings, conclusions and lessons from the independent evaluation of African Development Bank Group (AfDB or the Bank) PBOs (2012-17). It is based on 17 background reports, as well as a series of additional focus groups and reference group discussions. The report identifies priority themes for Bank management and Board consideration. The evaluation is timely both because it was envisaged in the Bank's 2012 PBO Policy[3] and because it comes at a time when there is much debate on the Bank's use of the PBO instrument inside the institution and amongst its stakeholders. The evaluation seeks to provide evidence to inform that discussion and future decisions about use of the PBO instrument. This summary report is structured to provide introductory information, findings and conclusions, lessons and recommendations.

Evaluation Purpose and Objectives

The purpose of the evaluation is twofold. It serves an accountability role in reporting on the management and performance of Bank PBOs during the period. However, it was designed also to identify factors which enable or hinder good performance, draw lessons for the Bank, and identify specific recommendations to help the Bank to optimize effective use of the PBO instrument in future. Specifically, the objectives of the evaluation were to provide credible evidence on (i) how the Bank is programming, designing and managing its PBOs in accordance with its 2012 PBO Policy and other elements of good practice;[4] (ii) the performance of Bank PBOs in specific areas; (iii) the factors that have enabled or hindered achievement of PBO objectives; and (iv) lessons to inform the Bank's future use of PBOs to ensure consistent good practice and to support achievement of the High 5s.

Evaluation Scope and Questions

The evaluation scope covers the 91[5] PBOs approved between 2012 and 2017, with a collective approval value of UA 7.2 billion (Annex 1). In 2012, the Bank approved a new PBO Policy. That Policy in turn explicitly drew on the findings and recommendations of a previous evaluation of the Bank's PBOs, published in 2011.[6]

The evaluation seeks to address three overarching questions. These three questions are further broken down into eight sub-questions, addressed through over 40 criteria (Annex 2).

A. To what extent is the Bank appropriately programming, designing and managing its PBOs?

B. What is the evidence regarding PBO performance, particularly for the Bank in the priority areas of Energy and the Private Sector Environment (PSE)?

C. Looking forward, how can the Bank ensure it optimizes its use of PBOs, including helping it to achieve the High 5s?

Design and Methods

The evaluation is theory based. The starting point is the reconstructed theory of change, which was drawn up based on Bank documentation, consultation and reference to international evaluation guidance for budget support. The theory of change helped to identify important evaluation questions based on understanding how the PBO instrument is expected to work, as well as to clarify how results are understood. The overall theory of change, and more information about the methods applied, is included in Annex 2.

The evaluation comprises seven interlinked components: (i) review of portfolio data; (ii) project portfolio document review of a representative stratified sample ("desk review"); (iii) an institutional comparative review (focused on the European Union and the World Bank); (iv) an online survey of Bank staff and RMC officials engaged with PBOs; (v) a cluster of five in-depth assessments of PBOs including a focus on energy; (vi) a cluster of five in-depth assessments of PBOs including a focus on private sector environment (PSE); and (vii) a review of existing evaluation evidence.

The synthesis took place in three stages. Synthesis reports were produced for each of the two clusters[7], by building into each of them a consistent approach that draws on the principles of Realist Synthesis. Then IDEV analyzed findings across them. Finally, information from the cases was coupled with findings from the other five components, as well as emerging findings from two focus groups, and synthesized using the evaluation matrix as the guiding framework. Ratings were made against three of the traditional evaluation criteria: relevance, effectiveness and sustainability. Other issues were also assessed, but not given a formal rating.

Limitations

The evaluation is subject to a number of limitations. Each of these groups of limitations were taken into account in how the evaluation was designed and how it is reported.

- First, at design, the team explicitly limited the extent to which question B – on results – would be addressed.[8] This limitation relates both to how far up the results chain the evaluation could go in assessing the Bank's contribution to results and in the decision to focusing primary data collection on performance within the two sectors and PFM covered by the two clusters of in-depth assessments, giving strong internal validity. Other data has been used to establish whether the patterns observed have validity beyond those sectors.
- Second, secondary data was not always available. For example, low project completion report (PCR) completion and validation and the limited number of IPRs available, plus the fact that the Bank does not systematically record its policy dialogue with countries, all constrained document review. This was mitigated by using other data sources where possible.
- Third, given resource constraints, the balance between depth and breadth was identified based on stakeholder information needs. The ten in-depth cases were chosen to maximize learning in the specific areas of energy and PSE, nine of the ten also included PFM. The survey (see Annex 4) sought to bring in broader staff and RMC views, as did focus groups for staff. The Project Portfolio Documentation Review (PPDR) or "desk review" used a representative stratified sample, it did not include an assessment of the quality of analytical work.
- Fourth, the evaluation period included up to the end of 2017 and recent cases were included to ensure that the evidence is contemporary, which also helped with availability of informed interlocutors. On the other hand, it means expectations regarding results, where many reforms are medium term, had to reflect the reality of the timeline.

Background on the PBO Instrument

The PBO Instrument in the AfDB Context

Since the introduction of the 2012 Policy,[9] the term PBO has covered four types of lending: General Budget Support (GBS), Sector Budget Support (SBS), Crisis Response Budget Support (CRBS) and Import Substitution. In practice, IDEV found no cases of the use of import substitution during the period. Budget support can be delivered in three ways: self-standing operations (SSO); as programmatic operations (PO); and programmatic tranching (PT). These are defined in Box 1.

The Policy served the purpose of consolidating the policy framework, clarifying key issues, and also setting out clear directions for the PBO instrument in the Bank.[10] In particular, the Policy supports more programmatic or multi-year use of the instrument as well as use within sectors in addition to use in economic and financial governance. It also set out a generic results chain for the expectations of how PBOs should work. At the core of this results chain is the concept that the Bank provides a set of inputs, one of which is funds, in order to contribute to reforms and budgetary changes, which in turn are expected to contribute to outcomes in targeted sectors.

In 2014, the Bank backed the Policy with Operational guidelines on the programming design and management of PBOs. The guidelines provided more information on a range of aspects most notably on the decision to use PBO, design fundamentals, and good practices on aid effectiveness principles.

Box 1: Bank PBO terminology

The Bank uses certain terminology in relation to PBOs. Prior actions are actions which the beneficiary government must take in order for the Bank to take the proposed PBO to the Board for approval. Triggers are actions which must be completed to ensure release of subsequent tranches or to allow approval of a new phase in a series. Both are usually integrated into an overall results framework which includes other indicators.

Self-standing operations (a single disbursement and not part of a series) remain "an option" under the 2012 Policy, despite an overall shift to programmatic approaches. The two types of programmatic approach are programmatic operations (PO) where individually approved operations constitute phases of a series; and programmatic tranching (PT) where a multi-year operation is approved upfront with future tranche triggers already pre-defined. Variable tranches are tranches for which the amount to be disbursed depends on performance or progress made in a number of pre-defined areas.

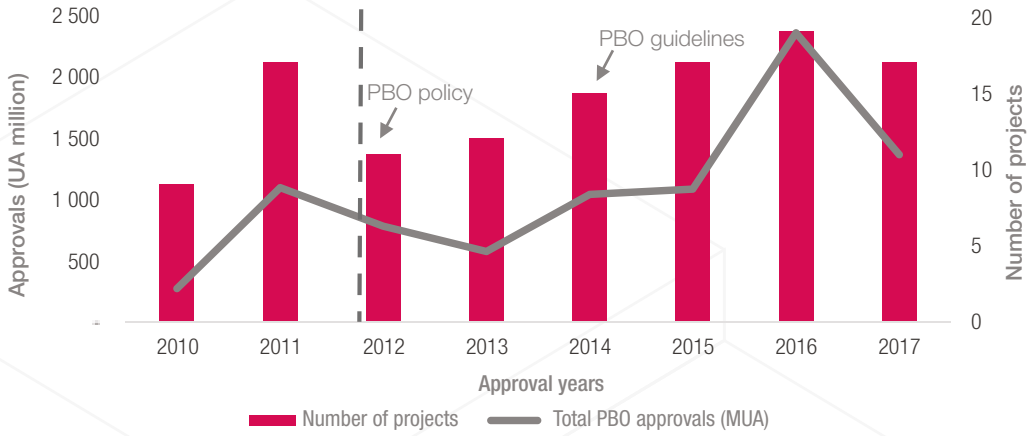
Source: PBO Policy and guidelines

The Bank's PBO Portfolio

During the period 2012-17 the Bank approved 91 PBOs with an approval value of UA 7.2 billion.[11] Of the 91 approved operations, 68% were part of a series of operations. This represents an increase on the earlier period covered in the previous evaluation (1999 -2009) in terms of both average annual approval volumes[12] and the average number of operations approved per year[13]. It also includes an increase in the share of 78% currently compared to a previous 59% from the ADB window. For 2012-17, disbursement stood at 95% of approvals at the time of writing with undisbursed funds relating to 2017 approvals. More descriptive data on the portfolio is provided in Annex 3; where and how the validity of the data was confirmed is also explained.

Since the approval of the 2012 Policy there was a steady increase in the number of operations approved until 2016 (Figure 1).[14] In 2016 approval volumes spiked.[15] In this context, the Board and Senior Management agreed to introduce a 15% ceiling for the ADB window in 2017, which led to some PBOs planned for approval in 2017 to be delayed or reconsidered. The decrease in 2017 can be seen in this context.[16] The ADF has had a 25% PBO ceiling in place for the full evaluation period, which applies to the ADF three year cycle, so the window's annual approvals fluctuate. In terms of other key portfolio trends as they relate to the direction pushed by the 2012 Policy, there has been an increase in the proportion of PBOs which support sector governance, as opposed to only core PFM issues. Although programmatic or multi-year operations now make up the majority (66%) of operations approved since 2012, a minority (34%) is still comprised of SSOs.

Figure 1: Evolution of the PBO Portfolio



Note: The evaluation period is 2012-17, the previous two years are added for context and to complete the story of the evolution of the portfolio since the 2011 evaluation which covered 1999-2009 approvals.

Over three quarters of the volume of PBOs approved since 2012 has been for operations in MICs, although this translates to about one third in terms of the number of operations. The average size of PBOs is larger in MICs than in either LICs or transition states and the average is larger in 2012-17 than in 2010-11. The same comparison for LICs and transition states show a slight decrease in average PBO volume. Accordingly, the volume of PBOs provided as grants has also decreased - accounting for just 6.1% in 2012-17. In total, the Bank provided PBOs to 34 countries in Africa between 2012-17. Of these, Morocco is the country that has made most use of the Bank's PBO instrument, with 10 operations in the period.

Programming and Design of PBOs

The evaluation's assessment of the programming and design of PBOs provides a satisfactory rating on the relevance criteria - based on the desk review, the ten in-depth assessments, and the stakeholder survey. The relevance rating is based on the key programming and design aspects identified in the theory based design of the evaluation and the relevant Policy and guidelines. This satisfactory rating reflects strengths but also room for improvement on crucial aspects – in order to ensure a consistently high bar for PBO quality at entry.

Programming According to Guidance

Programming in the CSP Context

The 2012 Policy stipulates that planning of PBOs should begin within the country strategy paper process (CSP) or, if not, in the mid-term review of the CSP. The Policy sees "un-programmed" PBOs as exceptional, and CRBS then being the appropriate modality. Therefore, except in the case of CRBS, the initial analysis against the Bank's five main eligibility criteria as well as an assessment of the relative benefits and risks of a PBO, and explanation of the resource allocation is expected within the CSP or MTR, and then updated in the project appraisal report.

For the large majority of the PBOs reviewed (94%, excluding CRBS) use of the PBO instrument is envisaged in either the relevant CSP or its mid-term review. This pattern is reflected in the in-depth cases – with eight of the ten assessed programmed in the CSP or MTR. However, in around 70% of cases the assessment against the eligibility criteria was made for the first time during appraisal.[17] Although, there are limits to the depth of analysis on PBO use within the context of a CSP given sometimes due to resource constraints, parking analysis until appraisal stage can lead to missed opportunities:

- *Linkages between PBOs and the wider portfolio.* Less than half (44%) of Bank staff[18] responding to the survey thought the PBO's they were familiar with were well linked to the rest of the AfDB's portfolio.

- *Consultation under the broader CSP consultation process.* Within the ten in-depth assessments, strong consultation with government was confirmed, although in cases not planned within the CSP context civil society and private sector representatives felt left out of the loop. (e.g. Nigeria).

- *Country team ownership.* As the principal guiding document for the country team, inclusion of the PBO in the CSP process can support wider buy-in and ownership on the part of the country team.

PBO Eligibility

In around two thirds of cases, the quality of the analysis underpinning the design stage assessment of the five eligibility criteria is assessed as satisfactory. The five eligibility criteria are: government commitment to poverty reduction, macro-economic stability, satisfactory fiduciary risk assessment, political stability and harmonization.[19] In addition, over two thirds of survey respondents viewed the assessment of the eligibility criteria conducted by the Bank positively, though Bank staff were less positive (63%) than RMC officials (75%). The document review and in-depth assessments highlight the following strengths and weaknesses:

- The analytical underpinnings used are clearly listed and relatively complete - including sector specific studies and diagnostic tools and Economic and Sector Work (ESW) conducted or commissioned by the Bank[20]. However, the documents do not systematically explain how the listed analytical work informs or underpins the precise design of the operation.[21]

- Most PBOs contain the core elements of sound macro-economic analysis, namely the recent trends in macroeconomic aggregates and the government's past fiscal record. All make reference to the country's relationships with the IMF. The timeframe used to analyze recent trends and the completeness of the economic outlook tend to vary, however.

- With regards to the use of PBOs in crisis and transition situations, while most of those reviewed note budget support's role in ensuring macro-economic stability, only one case alludes to possible negative macroeconomic impacts.[22] In addition, only two of the five CRBS cases reviewed took the approach advised in the 2012 Policy of transparently waiving certain criteria.[23]

- The assessment of eligibility criteria for PBOs in MICs and those that were part of a programmatic series tended to be rated slightly better, although the difference is not statistically significant. No notable difference was observed over the six year period.

Around two thirds of PBOs reviewed are considered to have a satisfactory risk assessment. Development and operational risks are generally considered, although rarely is reputational risk discussed explicitly in the design documents. The Fiduciary Risk Assessment (FRA) is updated at appraisal in 80% of cases.[24] Mitigation measures are outlined using a combination of conditions for disbursement, complementary capacity building, and direct safeguards to mitigate the fiduciary risk. However, assuming that the country's government will remain committed to reforms and that a set of mitigation measures identified around the four pillars[25] would be adequate, can look optimistic with hindsight - given the time it takes to implement such measures (such as notably capacity development) versus the quick disbursing nature of a PBO. In a small number of cases, the presentation in the main report was found to read more optimistically than the FRA technical annex.

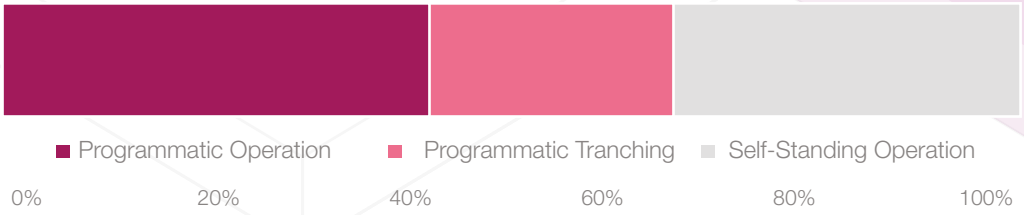
PBO Justification, Type and Size

About half (52%) of the PBOs were found to provide a convincing justification of the use of the PBO instrument, the choice of programmatic or self-standing operation, and the size of the operation. A large majority of PBOs directly or indirectly refer to potential benefits from country ownership, dialogue and coordination. Alignment to budget cycles and use of country systems are also often referred to, and to a lesser extent aid predictability and reduced transaction costs. However, listed benefits are not systematically evidenced.

Despite the stated preference for programmatic operations, single standing operations (SSO) still account for a third of approved projects (Figure 2). Programmatic models are the preferred option for the Bank (as in peer organizations), because (i) reforms are medium term in nature and (ii) they allow development partners more leverage to support reforms. In the case of the two peer organizations examined, the focus is on 3 year programmatic operations (sometimes 4-5 years for the EU, The EU also makes significant use of variable tranches). However, available data illustrates that in Africa as much as 20% of World Bank Development Policy Lending (DPL) were standalone operations (2005-15).[26]

With regards to the choice to use an SSO or the preferred programmatic approach, there is scope to strengthen the justification. The PBO guidelines specifically require PBOs to justify why a

Figure 2: Share of programmatic versus self-standing operations (2012-17)



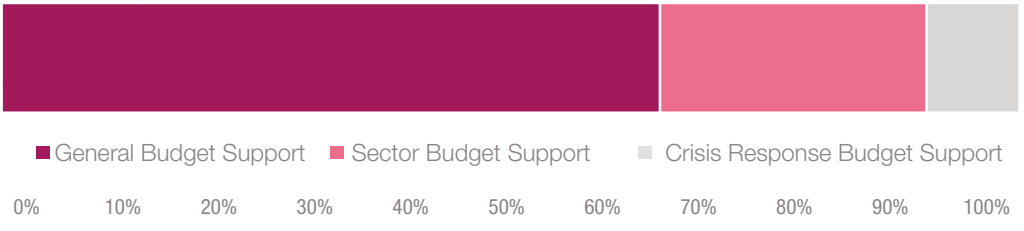
programmatic approach was not chosen, if adopting SSO, and the evaluation found that nearly all (86%) provide a justification. Exceptional circumstances are the main reasons given. However, in 14% of cases the justification was found to be unconvincing.[27] Two PBOs (in Malawi and Tunisia) were found to articulate very well both the choice of PBO and the type of PBO.

With regards PBO financial value, some operations have stronger justifications than others. The country's financial gap and other development partners' contributions, are the main elements used to justify the size of PBOs. Debt sustainability is generally analyzed (an exception is in Namibia). There are isolated examples of the Bank using estimated costs of reforms (Malawi, Burkina Faso, Côte d'Ivoire). There is rarely (only once) reference to the country's absorptive capacity. In addition, the case studies highlight missed opportunities regarding analysis of the fiscal space that a PBO will provide and how this might be used strategically to advance reform objectives (for example in Nigeria, Angola, Tanzania). Nevertheless, around 60% of survey respondents fully agreed that, in their opinion, the size of the PBOs with which they were familiar was consistent with those PBOs' objectives.

PBO Focus

In line with the spirit of the 2012 Policy, the Bank is making greater use of PBOs to support governance reforms in the sectors, in addition to core work in economic and financial governance. Although about 65% of PBOs in the period are officially listed as GBS (Figure 3) the proportion of SBS represents an increase on previous years. In addition, closer mapping of the content of the PBOs reveals that 59% – whether listed as GBS, SBS or CRBS - include a focus on sector governance as opposed to full concentration on core economic governance areas such as PFM; compared to 31% for the two years preceding the Policy. At the same time 75% of PBOs in the 2012-17 period also include PFM components.

Figure 3: Share of operations classed as GBS, SBS or CRBS (2012-17)





The evaluation did not find evidence to support the view that SBS is less risky or more effective than GBS, however, there is a risk associated with spreading too thinly. Covering many sectors at once has implications for the range of expertise the Bank requires to design and implement. For example, in the case of the Nigeria PBO – which as well as various sub-sectors within the economic governance area covers energy, agriculture and social protection – the logic informing the spread was a perceived need to reflect the volume of the loan, but the Bank's ability to actively engage in all those areas simultaneously was not factored in. Most of the GBS operations reviewed do not exhibit this thin spread, with many focused on sub-sectors within the economic and financial governance area. In the peer institutions examined the preoccupation with SBS versus GBS has been replaced in recent years with attention to focus and selectivity.[28]

Alignment of PBO Priorities

Alignment with country priorities and Bank priorities is assessed positively both on the basis of document review and in terms of stakeholder perceptions. Most notably:

- All PBOs can be mapped to at least one of the High 5s, or, are considered to support governance issues which cuts across them, as identified in the Ten Year Strategy and the Governance Strategy and Action Plan II (2014-18). Mapping of PBO objectives shows the top supported High 5s during the period to be (i) Industrialize Africa (mainly through private sector environment reforms); (ii) Quality of Life (including education and social protection); and (iii) Light up and Power Africa (the fastest growing area with almost all approved in the last three years). The Bank's New Deal on Energy in Africa highlights the importance of addressing deficiencies or constraints in country policy and regulatory frameworks. PBOs with a focus on helping governments to provide an environment conducive to doing business is relevant to the Bank's existing governance and private sector development strategies as well as the Industrialize Africa High 5.

- Nearly 80% of respondents had wholly positive views on alignment with country policy frameworks. As per good practice and Bank guidelines, the reforms that PBOs seek to support are usually part of a government led reform program. Alignment with government priorities is also confirmed by the use of country owned indicators, including indicators from joint performance assessment frameworks (PAFs) in some countries.

- Alignment with other stakeholders' priorities – established through interviews with civil society and business association representatives – was harder to confirm. However, it should be noted that PBOs often support reforms that may not always be popular, such as removal of subsidies. In two cases, the Bank pushed electricity tariff reform in such a way that the poorest segments of society were not negatively affected (Angola, Egypt).

Coordination with other Development Partners

Harmonization is one of the 2012 Policy's five PBO eligibility criteria, and is also considered core to international good practice. Nevertheless, it is clear from the Guidelines that "*the criterion of harmonization does not prevent the Bank from providing PBOs when no other DP is doing so*" indeed in such cases the team are expected to consider the potential of the PBO to leverage other support and influence. With regards to coordination with the IMF in particular, expectations have recently changed (Box 2).

Box 2: Shifting expectations for coordination between MDBs and the IMF on budget support

The Bank's 2012 policy and guidelines outlined that while an on-track IMF program is considered sufficient assurance that the country's macroeconomic outlook is stable and policies are appropriate; the absence of an IMF program does not necessarily mean that the Policy's macroeconomic criterion is not met. The Policy states: *"In ADF and Blend countries, the Bank Group will rely on the presence of an on-track IMF program or a positive letter of assessment from the IMF to help determine eligibility up front and to use as an important monitoring tool. In ADB countries, while the IMF will be consulted and a positive letter of assessment sought, it will not be a formal eligibility requirement subject to the Bank's own assessment of macroeconomic stability using indicators as available."* It also states that in the case of crisis response budget support the macroeconomic criteria can be waived if well justified.

However, the *"G20 Principles for effective coordination between the IMF and MDBs in case of countries requesting financing while facing macroeconomic vulnerabilities"* agreed in March 2017 propose that neither budget support nor emergency response budget support should be provided by an MDB without assurance from the IMF that an appropriate macroeconomic policy framework is already in place. The principles do not make clear if this requirement also applies to countries emerging from conflict requiring emergency assistance to stabilize peace. Nevertheless, the document also states that: *"In the end, it should however be clear that each institution should remain responsible for its lending decisions and be independent in reaching them."*

Source: 2012 PBO Policy and G20 Principles

At identification and appraisal stages, Bank efforts to coordinate with other development partners is well documented, and rated satisfactory in 82% of cases covered in the desk review. Such coordination is most strongly evidenced in those PBOs which make use of joint performance assessment frameworks (PAF) (23%). Where PAFs did not exist and even in cases where the Bank was the only partner to provide assistance in the form of budget support, sound justifications and evidence of coordination were found. For example, in Chad the Bank worked closely with the EU and World Bank including through joint missions during PARFIP I (though the practice was not fully sustained under PARFIP II). In Ghana, the joint budget support framework had broken down by the time that Public Financial Management and Private Sector Competitiveness Support Programme (PFMPSC) was appraised; but, the Bank's decision to provide a PBO and work closely with IMF and World Bank was well justified.

In the context of the in-depth PBO assessments, a consistent theme on coordination emerged – at identification and appraisal stage coordination was usually strong, and often strongest where the concerned government took up its leadership role, though this level of coordination was not always maintained throughout implementation. Around two thirds of survey respondents also had a positive view of the Bank's coordination with other development partners, though views were slightly more positive amongst Bank staff than RMC officials. The case of Egypt has been identified as one of good practice in terms of coordination between the AfDB and the World Bank – since the coordination that began at identification and appraisal also continued into implementation.[29] Although the IMF program was not in place by the time the AfDB approved the first in the series, the program followed soon after and there was regular liaison between the three institutions during planning stages. In Seychelles, appraisal for the first PBO in the series for both the AfDB and the World Bank was closely linked to the IMF's assessment, and the government took leadership in bringing the development partners together to support related reform programs, but this coordination was not sustained in later years.

There are cases where the Bank has proceeded with a PBO in the absence of an on track IMF program before the G20 principles were adopted. Three of 10 countries did not have an IMF program - two are MICs (Nigeria and Angola) and one a transition state (Comoros, though not CRBS).[30] In addition to the in-depth PBO assessments, the desk review highlighted that in Mauritania; Comoros and Algeria IMF programs were not on track but IMF letter of comfort and/or notes on the country's relationship with IMF through Article IV consultation was included in the appraisal package. Details on the Nigeria case are provided Box 3.

Box 3: The coordination controversy in the case of the 2016 Nigeria PBO

- The Bank's 2016 US$600m GBS to Nigeria was approved as a programmatic operation, with a second phase of US$400m envisaged for 2017. Identification of the PBO was in close consultation with the World Bank. However, while the AfDB went to the Board which approved the first in the series in November 2016, the World Bank decided to shelve their operation. Through interviews with team members from both institutions and review of documentation from AfDB, WB and IMF, the evaluation was also able to establish that:
- The initial coordination between the AfDB and the World Bank was very strong – this is evidenced by comparison of the two draft PARs, conversations with team members from both institutions and examination of mission documentation. However, the point in time when the AfDB team were informed that the World Bank operation was not postponed but shelved, has not been possible to verify, indicating initial high levels of communication were not sustained.
- In its letter of assessment, the IMF identified an urgent need for an "appropriate and coherent set of policies" to rebuild confidence in the near term and foster economic recovery over the medium term." The Bank gave Nigeria credit for reforms undertaken, notably in relation to multiple exchange rates and fuel prices, and chose to proceed with the first phase with a view to addressing the fiscal crisis. However, the team added a "General Overriding Trigger" for the second phase of the planned PBO as "Prepare a Medium-Term Economic Recovery Plan". Other issues raised by the IMF such as broadening VAT collection were also reflected in the Bank's choice of indicators.
- The fact that the AfDB did proceed with the budget support, contributed to further strengthened relations between the AfDB and the Federal Ministry of Finance. However, it also used up fiscal headroom – as warned in the credit risk note. Appraisal for the second phase never took place, following discussion around outstanding triggers for the second tranche and agreement with the government that funds would be redeployed to investment projects.

Source: Nigeria case study report; Interviews with AfDB, World Bank, Federal Government of Nigeria officials, and IMF officials, and review of AfDB, WB, IMF and G20 documents

Designing PBOs for Results

PBO Design within a Package of Support

Budget support operations - in the AFDB and elsewhere - rest on the same principle that in addition to providing funding, other complementary assistance is usually needed in order to ensure the operation's contribution to achieving reform objectives. This is well reflected in the 2012 Policy which refers to a "package of support" and is elaborated in the Guidelines which names the following channels through which PBO objectives are achieved: (i) the flow of funds, (ii) policy dialogue, (iii) complementary capacity development; and (iv) ESW.

Two thirds of appraisal reports in the desk review explained there was an important role for policy dialogue and other complementary inputs. However, in few cases (17%) was this assessed as sufficiently well developed. For example, there was limited information included on how different mechanisms or opportunities for policy dialogue would be exploited, including how responsibilities for dialogue would be divided between the Task Manager, their sector departments and the Country Office. In addition, less than half of survey respondents have positive views on the extent to which policy dialogue mechanisms were clearly defined (48% for staff and 37% for RMC officials). Similarly, while specific capacity gaps and possible capacity development projects are frequently mentioned in PARs, outside of a few examples (such as Central African Republic), little detail is given on how specific activities are underway or planned to support the achievement of selected PBO measures.

In comparison with the peer organizations examined, AfDB staff are more constrained in terms of the type of complementary support they can provide as capacity development or temporary expertise. Bank staff predominantly rely on Institutional Support Projects (ISPs) in ADF countries and the MIC Technical Assistance Fund for ADB Countries. Furthermore, at the time of writing, the MIC TAF on which staff had relied for almost all TA support to MICs was not replenished. In the

case of the European Union, significant TA is often built into their budget support operations, aimed to support capacity development in areas directly related to the broader operation. In the case of the World Bank, staff have access to a range of financing tools allowing support to TA for capacity, funding of major studies; in addition to the reimbursable technical assistance option for MICs. In Egypt, the Bank's limitations in providing complementary TA was identified by all the main stakeholders – Bank staff, government officials and other development partners – as its principal shortcoming. **The timing of complementary support has also not been ideal**[31]. For both MIC TAF grants and ISPs, the funds are accessed by designing a whole project, which follows Bank procedures and procurement rules. In this context, designing and approving the PBO first and the capacity support later, undermines the potential synergies. Only in a minority of the (2 out of 10) in-depth assessments did the evaluation find the Bank able to provide sufficient, appropriate and well timed support to back its PBOs. In Mali and Ghana, ISPs were already planned before the PBO series, providing well timed inputs relevant to the PBO's main objectives. In Comoros, the Bank also had experience with institutional support projects, some of which were relevant to the PBOs.

Logic of the Intervention and Use of Conditions

Results Frameworks

The quality of results frameworks specifically, and the overall logic of the intervention more generally, have been assessed to have some weaknesses. Based on examination of the chain of causality linking key activities, outputs, outcomes and impacts and the use of appropriate indicators, the desk review assessed nearly 60% of results frameworks as satisfactory. All were found to have defined baselines, targets and means of verification. All also included the prior actions and triggers and/or implicit objective in the results framework –in line with guidance. However, weaknesses were identified in (i) how convincing a results chain was presented, though relative strength was noted on the PFM components of the PBO results frameworks; (ii) high proportions of process and action based indicators, as opposed to results based indicators; and (iii) lack of realism in indicators (breadth or depth) particularly for the single year operations. Box 4 provides examples from amongst the in-depth assessments.

Box 4: PBO results frameworks' logical leaps and drops in the ocean

In the Seychelles, a small PFM component was included in a PBO mainly focused on PSE. The component touched on a small number of specific PFM related deliverables – including adopting new procurement regulations, Civil Society Organizations (CSO) involvement in budget preparation, increasing the period given to the national assembly to review the budget. These were achieved or partially achieved. However, performance against the outcome indicators (from Public Expenditure and Financial Accountability (PEFA) and Country Policy and Institutional Assessment (CPIA) which measure many more aspects) was less positive.

In Tanzania, the focus was on relevant energy reforms; but a link in the chain was missing between achieving reforms that would improve the financial situation of the state power company – such as a switch to prepaid meters, detection of system losses, unbundling, revaluation of State Owned Entreprises (SOE) assets, training on renewable energy, % women in management & gender policy for SOE - and the outcome indicators of increasing nationwide electricity connection. In practice the outcome indicator was achieved but this was also related to increased generation capacity and parallel efforts on expanded transmission and connection networks.

Source: case studies reports and Bank PARs

Less than half of all respondents to the survey expressed a positive view with regards the extent to which the Bank adheres to good practices in terms of results frameworks having realistic and measurable indicators. In focus group discussion, Bank staff reflected that defining the results chain is an area where they saw weaknesses and were interested in developing new tools, tailored to PBOs, to help more clearly articulate and therefore correctly plan for (and later monitor and measure) the pathways by which the PBO can contribute to results. Some also question the continued use of the standard RMF in PBO PARs, despite indication in the Policy that the guidelines would lead to development of "a results framework for PBOs".[32]

Use of Conditions

Overall the use of conditions is considered appropriate, in the majority of cases. The theory of PBOs – is that the main leverage the lender has to ensure results are obtained is through use of an appropriate degree of conditionality and linking disbursements to key conditions. The desk review found 88% of PBOs were found to be satisfactory or higher – this means they were suitably selective, in programmatic operations they linked from one phase to the next, to plot a medium term reform path, and they linked to broader policy dialogue frameworks such as joint PAFs. The small remainder did not reach the satisfactory bar for one of three reasons: the number of prior actions was relatively high; opportunities for identifying triggers for the second year tranche were missed; or some prior actions were not achievable, mostly because they remained outside government control. On the other hand, there were a small number of cases where the level of ambition for the prior action or trigger was questioned. The use of single tranche operations automatically limits all conditions to prior actions, and limits potential leverage on medium term reform paths. In addition, the Bank has made little use of the provision in the Policy to use variable tranches, a tool used by some other development partners to increase focus on delivering certain reforms or results.

Cross Cutting Issues at Design

Transition

The desk review found that while there is usually consideration of issues specific to fragile or transition states in PBO design documents, there is little evidence of in-depth assessments which can be seen to influence precise design choices. 15 PBOs in transition countries were covered in the desk review, five were CRBS. Reference to issues relating to transition, fragility and resilience were considered to some degree in almost all those design documents (87%). Their objectives also include specific reference to state-building and reducing vulnerability, and all, except two (in Cote d'Ivoire and Comoros) make reference to complementary capacity measures. Most also make some reference (albeit partial) to fragility in the assessment of eligibility. The Bank Policy allows for exceptions to be made in cases of CRBS, however this option has rarely been taken. In none of these design documents was the risk of worsening instability by supporting one group over another[33] explicitly considered. In the case of the Central African Republic, the risk that the lack of external support would make the situation worse was considered. Of the two in-depth assessments in transition situations, Mali provides the more positive example of how longer term engagement and capacity support were used to support a PBO series (Box 5). In Comoros, capacity was a major constraint and the Bank showed flexibility in re-aligning an existing ISP.

Box 5: Supporting Transition in Mali

Mali went through a major crisis in 2012. The AfDB provided CRBS in 2013 and has provided budget support to Mali every year since. The first two years were SSOs, and focused on stabilization and paving the way for the 2 year PBO which followed. (A second series also began in 2017). The extent to which the design considered fragility was assessed as satisfactory, though weaknesses in the depth and breadth of the assessment on fragility and political economy were found, notably in relation to land tenure issues.

A strength of the PO is the complementarity that the Bank achieved with its ISP, which focused on capacity development and was planned and approved ahead of time so that the support was received in parallel to the PBO. At the time of the new PBO series the Bank made adjustments to the existing ISP to ensure continued complementarity. In addition, the PBO incorporated fiscal decentralization measures which were a component of the country's peace agreements.

Source: Mali PBO in-depth assessments

Gender Equality

Just over a third of PBOs assessed included gender related indicators (including those disaggregated by gender and those specifically targeting gender equality or women). Many of these were in the areas of private sector environment (for example through access to credit or men and women, such as in Seychelles). Few results frameworks in the sample that did include gender quality related indicators related to energy (2) or PFM (6). PBOs should not be expected to tackle every issue, but the figures indicate that opportunities may have been missed to raise the profile of gender equality in government reform plans, and therefore underwrite PBO support to the Bank's inclusive growth objective. **Among the cases 5 of 9**[34] **PARs were rated satisfactory or higher with regards gender mainstreaming in the Bank's Readiness Review.** The Angola case was the only one which achieved a highly satisfactory rating and its approach to integrating gender is summarised in Box 6.

Box 6: Integrating gender - the case of the Angola Power Sector Reform Support Program

When the PCN went through the Readiness Review in 2014, the need to investigate how to integrate gender equality was flagged. By the time the PAR went through the readiness review a few months later the PBO was described as good practice for "quality of gender analysis and inclusion of gender gaps". This was based on the gender analysis conducted to inform the appraisal as well as the inclusion of gender related indicators in all levels of the results framework. Indeed, at output level the PBO (which was focused on energy) included one gender disaggregated indicator (achieved) and two indicators specifically focused on gender related reforms or policies (one achieved one not fully achieved). In addition, the decision to include reform targets on refocusing electricity subsidies on the most vulnerable were informed by the Bank's gender analysis. The reform, which was implemented, involved a reduction in subsidies in general but introduction of a social tariff for low income households (which include a high proportion of women-headed households, as well as representing the group where women and girls time is most taken up by collecting fuel where electricity is not available or affordable).

Source: Angola in-depth assessments, and Bank documents (readiness reviews, PAR and annexes, PCR).

Environment and Climate

To date, few PBOs have been used explicitly to leverage the Bank's green growth agenda. Three of the four cases in the sample that included indicators relating to environment or climate change, were in the context of energy reforms and the fourth land use. All but two of the PBOs in the 2012-17 portfolio are assessed as Category 3 in the Bank's Environmental and Social Safeguards System. One agricultural operation in Morocco and one livestock operation in Rwanda were rated category 2; in these cases a Strategic Environmental Assessment document was produced.[35] Given the increasing number of energy and other sector specific PBOs, assuming all PBOs are Category 3 may miss opportunities to support countries to transition to green growth paths through energy reforms. The opportunity to push environmental concerns is not equal in all types of PBO, but within the PBOs which include a focus on energy, there are opportunities to integrate environment or climate related reforms through reforms to support lower carbon emissions.



Management of PBOs

While seemingly efficient, there are shortcomings in how the Bank is managing its PBOs which could undermine its value for money. It is not possible to provide a full assessment of the efficiency of the Bank's PBOs since assessing the cost-efficiency of budget support, which is fungible, is not feasible and normally excluded from evaluations of budget support operations.[36] However, the evaluation looked at (i) time efficiency; and (ii) stakeholder views on transaction costs. These dimensions provide a satisfactory picture. However, examination of how the Bank is managing implementation of its PBOs – notably engagement in policy dialogue and provision of sufficient human resources and support - raises concerns that the Bank's failure to invest appropriately could risk undermining the potential value for money of the instrument.

Efficiency

At portfolio level, time efficiency of PBOs shows a positive picture; though from the perspective of receiving countries, predictability of disbursement for their financial year planning has been raised as an issue. In line with expectations for the PBO instrument, the evaluation found the Bank disburses fully and – relative to investment projects – quickly. However, disbursements peak in December and January, which is related both to bunching of approvals in the last quarter and an effort to provide the funds in the financial year agreed with the country. Two thirds of the PBOs reviewed succeeded in disbursing in the planned financial year. This is important from the perspective of country's ability to plan, and the good practice principle of predictability. However, the in-depth assessments uncovered at least one case where the delay was in fact requested by the government for their own budget planning purposes (Seychelles).

Based on how the Bank monitors implementation progress, PBOs are rarely identified as a cause for concern. In most years for which data is available, the share of operations "flagged" or on "close watch" in the Bank's portfolio flashlight has been around half that of other operations.[37] This is, in part, due to the fact that prior actions must already have been met before the operation is taken to the Board, while procurement delays that effect investment project implementation do not concern PBOs. Those PBOs that were flagged for close watch were mainly programmatic tranching (i.e. those which include triggers for subsequent disbursements). Only two operations in the six-year period were classed as "problematic". Five of 91 operations required a waiver for disbursement, and 3 of these were in transition or emergency situations.

In terms of process efficiencies to get to approval, the Bank is broadly on a par with the two other institutions examined in terms of the time taken. In addition, the Bank's use of the "streamlined appraisal report" for PBOs was noted by internal and external stakeholders (in the countries within the cases studies where it was used) as a relative efficiency gain, including in comparison with other development partners. In the case of Egypt, however, the potential efficiency gain of using the streamlined appraisal report for the third phase was lost since the planned 2017 approval had to be delayed to 2018.

Perceptions of timeliness and transaction costs based on the stakeholder survey were mixed, with 42% of respondents expressing a positive view on whether implementation takes place on schedule and in a predictable manner. Comments from stakeholders on this topic point to some delays being caused by failure to meet triggers within expected timeframes. With regards transaction costs less than half of survey respondents had a positive view about transaction costs on the government side, including in comparison with other instruments.

Efficiency of the PBO itself, on the basis of timeliness and transaction costs was assessed as at least satisfactory in nine of the ten cases and reflecting the picture at portfolio level. Mali was exceptional amongst the in-depth assessments and the unsatisfactory assessment based on (i) delays in the second two of the three disbursements which meant funds arrived after end of the planned financial year undermining the predictability that is considered an important advantage of the instrument, and (ii) government concerns about mounting transaction costs for budget support in general with the development partners as a whole not coordinating their missions and programming cycles, leading to repetition in meetings and discussions. However, the case-studies highlighted other inefficiencies that could affect the performance of the PBO, notably in relation to technical assistance (TA). Box 7 illustrates this type of delay using the case of Seychelles.

Box 7: Delays in TA intended to complement PBOs - the case of Seychelles

The first PBO in the series was approved in 2013 and the second in 2015, worth USD 30 million. However, the three associated TA projects were not launched until 2015 and were still being finalized in 2017. One of the main factors that constrained the Government from achieving all of the PBO objectives was limited capacity. These projects sought to address capacity constraints in specific and relevant areas but this support came with delays and transaction costs.

1. **The Micro Small and Medium Small Enterprise Development Project**

This USD 1m grant was agreed in December 2014 but the first disbursement came a year later. The closing date was extended from end of 2016 to end of 2017 and a further extension was being considered at the time the evaluation team visited. Causes of delays included poor performance of selected consultants and relaunching of tenders. Nevertheless, the implementing agency had appreciated the Bank's proactive engagement.

2. **The PPP project**

Although launched in January 2015 recruitment of consultants was slow, and the first disbursement was made in February 2016. The project included approval of a PPP policy which was included as a condition in the second PBO, which was delivered. However, other components of the project faced challenges as did the government's progress monitoring. The duration of the project was extended to end December 2017 in order to allow for work on the PPP bill and training program.

3. **The Financial Sector Development Implementation Plan Project**

This project was launched in October 2015 with a closing date of end 2017. Of the six planned components two were fully completed, three still on-going in November 2017 and one had been cancelled. The implementing agency was dissatisfied with the engagement it received from the AfDB, citing this as one of the reasons for delays. They also noted that training on Bank procurement rules was provided towards the end rather than start of the project. Another remarked what a stark contrast the approach was to that of the IMF or World Bank who were able to send experts to work with them within a matter of weeks of making the request, rather than having to follow Bank project procurement rules to recruit individual short term experts for small value contracts.

Source: Seychelles case-studies report

PBO Supervision and Policy Dialogue

Policy Dialogue

The 2011 evaluation of PBOs stated that the Bank was "punching below its weight" when it comes to policy dialogue; overall, this evaluation indicates that there has been some movement, but not yet the step change required to get the full value of the PBO instrument. The "weight" of the Bank is effectively based on a high degree of trust between it and RMC partners. This was expressed by some also as the comparative advantage of the "African Voice" which allows the Bank to engage in a frank and open dialogue that other development partners do not always benefit from. The evaluation confirms that this comparative advantage does exist in some countries both based on the in-depth assessments conducted and the online survey. When asked about the AfDB's comparative advantage, respondents to the survey clearly saw the Bank's strength in (i) being a trusted partner for RMCs able to open a space for honest dialogue (75% positive – including slightly more positive for RMC officials than Bank staff); and (ii) knowledge of the region (70% positive).

The evaluation, also finds that the Bank is not fully utilizing its comparative advantage to ensure PBO results via policy dialogue. Policy dialogue is a central channel through which PBOs are expected to deliver results both up to approval and also through implementation. Given the centrality of policy dialogue to the mechanism through which PBOs are expected to achieve results, this lack of investment is considered a false economy, indeed it has left the Bank open to risks that it is not achieving value for money of the funds provided as budget support. In addition there are cases where the Bank's support opened doors for continued or deepened dialogue, but that Bank failed to grasp that opportunity (Box 8).

Box 8: Open doors for policy dialogue

In Burkina Faso, the Bank provided support that enabled the government to get out of a difficult financial situation and address risks to energy security. It used a tightly focused single year PBO. The PBO was highly valued by the Burkina government and it effectively opened doors for further dialogue on energy reform. However, with no energy specialists available, the Bank retreated. The World Bank stepped in with in-depth analytical work and technical inputs to provide support to a medium term reform plan.

In Nigeria, the good will built was not maximized in some of the sectors covered, notably in energy where the Bank had no staff in place to engage in dialogue until recently. The World Bank, was able to engage in dialogue on the back of its engagement with the government on analytical work and notably the Power Sector Reform Plan.

In the Seychelles, the AFDB had the relevant expertise on procurement but did not succeed in connecting its experts with the officials in country who were looking for good practices to inform their reform efforts.

In Tanzania, the Bank had an energy specialist in the country office who was not involved in the PBO's design or management, with policy dialogue – since the departure of the Country Manager - left to the Task Manager and others based elsewhere.

In Mali, the Bank had a private sector development (PSD) specialist in the country office who was involved in the PBO's design but not during the implementation phase, in particular the officer was not engaged in the ongoing policy dialogue.

Of the ten cases, three were found to have a satisfactory for policy dialogue. The issues that emerged within the case-studies in relation to policy dialogue were confirmed in staff focus groups and in some cases the survey. They can be broadly categorized as issues with (I) who is leading it; (ii) what it entails and when; and (iii) how it is planned and reported. The deficiencies are a function of the insufficient priority accorded to the role of policy dialogue, as well as the resources required to conduct it.

There is a lack of clarity over who is leading and responsible for policy dialogue. Despite a push since the 2012 Policy for a stronger leading role for country offices, in the majority of cases the policy dialogue is still led by HQ teams. This is in contrast to the two peer organizations examined, where leadership by country teams is clear but it is buttressed by technical support from a specialized unit in HQ.

The case of the strong role played by the Egypt Country Office (Box 9) and to some extent also Ghana, does not represent the situation for the majority of the cases, or the experience reported by staff in focus groups. In some cases country offices played a marginal role, one even felt marginalized by the "parachuted in" HQ team. In some cases this is related to the individuals involved, in others it relates to the capacity and expertise within country offices to carry out policy dialogue, particularly at the technical level. For example, in six of the 8 cases with a country office[38], either the country economist or the country manager was not in place for part or all of the PBO. In other cases the missing expertise has been more at a sector level. The DBDM's effort to strengthen Country Offices is relevant to this identified shortcoming, though at the time of writing there was still a lack of clarity on PBO leadership, with efforts to ensure Country Office leadership on operations and policy dialogue not yet secured.

Box 9: The Crucial Role of the Country Office in the Egypt PBO

By the time the first PBO in the series was appraised in 2015 the Country Office had built strong relations with the Government of Egypt, notably the Ministry of Finance. Relations with other development partners, especially the World Bank were well developed. For the appraisal missions of each of the three PBOs in the series, the Bank was able to pull together a multidisciplinary team drawing on staff based in HQ and the regions. The Task Manager and sometimes the ECGF Division Manager were also engaged through missions between the appraisals. However, keeping policy dialogue going on a continuous basis requires more than six monthly visits. Despite the fact the Country Economist position was not filled through the full period the Country Manager and the Country Portfolio Officer were closely engaged in keeping dialogue going with the government and maintaining the coordination established with the World Bank. They were able to maintain relationships particularly at high level, rather than on technical matters. The close engagement of the energy specialist based in the Country Office enabled continuous dialogue to also take place on a technical level in relation to the energy sector reforms. Both the Country Program Officer and the energy specialist have also provided the Country Office with institutional memory and consistency in interlocutors. Maintaining technical level input and dialogue for other areas was more challenging. A financial sector specialist based in RDGN became closely involved, to enable the Bank to follow specific reforms which it had agreed with the World Bank it would take a lead. Other areas were followed by generalists and revisited by technical specialists during the appraisal phases.

Source: Egypt case-studies report, interviews with Bank staff, government officials and development partners

Policy dialogue should entail regular, prioritized but comprehensive discussion on policy issues relating to the PBO and connected reform, underpinned by in-depth technical expertise on key reform issues. In practice:

- While policy dialogue is expected to be continuous and carried out throughout the implementation of the PBO, in practice it is concentrated in identification and appraisal periods, coinciding with missions for supervision or appraisal of new phases. Around half of survey respondents had positive views on the frequency of AfDB policy dialogue (with AfDB staff more negative than RMC officials).

- While prioritization is important, focusing policy dialogue on triggers to the exclusion of the rest of the targets in the results framework (e.g. Mali) can reduce the extent to which the PBO and the Bank can achieve the influence and the reforms anticipated. In addition, the potential of policy dialogue can be limited if too focused. In the case of Cote d'Ivoire, the dialogue was focused on very specific measures missing opportunities to address strategic aspects. However, where the PBO covers many reform areas (e.g. Nigeria) it is also challenging to ensure all areas are supported by the relevant technical expertise. In addition, less than half of survey respondents gave positive responses when asked if dialogue was focused on strategic issues as opposed to technicalities.

- In the ten cases, stakeholder views on the quality and depth of technical expertise provided by the AfDB varied. In the survey, around half the respondents were positive about the AfDB's technical inputs. While the Bank has developed strong experience in the PFM and procurement areas, it has moved into new and diverse domains. When asked more broadly about sufficiency of AfDB human resources mobilized for policy dialogue less than a third of survey respondents gave a positive response.

Policy dialogue efforts are not well documented. At design stage, while the role of policy dialogue is usually discussed, no clear plan is set out to identify the focus, the mechanisms to be used and how progress will be monitored. There is currently no mandatory or structured system to report progress on such soft activities either at the level of the country strategy[39] or the project implementation reporting. This contrasts with recent developments in the EU's approach. Since the 2017 update to the EU guidelines (which was based on acknowledgment of the importance of strong policy dialogue) project documents include a detailed annex on policy dialogue which sets out four steps: (i) Analyzing the country and sector context; (ii) defining dialogue objectives; (iii) setting up and resourcing the dialogue; (iv) recording and reporting on policy dialogue. The emerging result of this change is more clarity and structure for those doing the policy dialogue, and more management information at the centre to understand what is working.

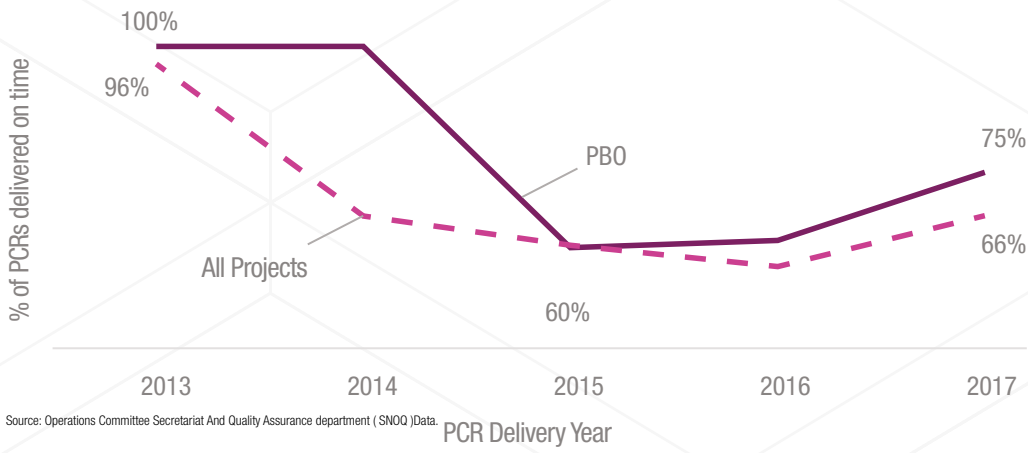
Supervision and Reporting Compliance

Supervision or monitoring is taking place, though lack of systematic documentation makes it difficult to provide a definitive assessment for the portfolio as a whole, and also limits the Banks ability to ensure continuous learning. However there are some important dimensions that are evident. Bank data indicates that 85 official supervisions were undertaken for 62 PBOs including 20 out of the 22 PTs. However, there are few IPRs available. This is partly because of the dominance of POs and SSOs in the portfolio both of which operate on single year approvals. Bank guidance emphasizes that IPRs should be completed as the needs of the operations require – with no strict rule on frequency, though the general understanding among staff consulted was that they should be done at least annually. As such, where operations are single year an IPR is often not completed, the tendency has been to go direct to PCRs (SSOs) or include results of supervision in appraisal for the next phase (POs). This does

not mean that Task Managers have not conducted monitoring, but there is variation in depth and limited internal knowledge sharing. In terms of the variation in depth and quality of monitoring, issues that arose within the in-depth assessments included (i) lack of back to office reports (Egypt); (ii) focus on monitoring progress of triggers rather than all the indicators (Nigeria, Mali); (iii) lack of supervision or closure missions due to staff changes (Morocco).

With regards project completion reports (PCRs) in line with the pattern across the Bank, there was a dip in timely PCR completion in 2015-16, with recovery in 2017 which outpaced the general recovery path for Bank PCRs, but still far from the 100% timely completion rates seen for PBOs pre-2015. (Figure 4).

Figure 4: PCR delivery rate 2013-17



Source: Operations Committee Secretariat And Quality Assurance department (SNOQ)Data.

Policy Framework, Institutional Arrangements and Human Resources

The Policy Framework

The existence of the 2012 PBO Policy has helped the Bank to improve and make more consistent its approach to PBOs, however there are still some areas where implementation has been wanting. The Policy succeeded in simplifying the policy framework for PBOs and providing clarity on a range of important issues including type of instruments, when they should be employed, on what basis and with what objectives. It is broadly aligned with good practices. It also explicitly sought to address shortcomings identified in the 2011 evaluation (Annex 5). It was later buttressed by staff guidance which also draws on international good practices. Around two thirds of staff responding to the survey felt that the two documents strongly informed and helped in their design of PBOs. Despite this overall positive assessment, staff provided suggestions where they felt more guidance would help them in their work (Box 10).

The Policy clearly set out activities or changes that would need to take place in order to facilitate implementation, not all aspects of implementation have gone as planned:

- A consolidated implementation guidelines document was developed and approved, although later than planned (2014).
- The Policy made reference to training to be "rolled out across staff in sector, regional and compliance Departments as well as in Field Offices"[40] to underwrite the implementation of the Policy. Beyond a small number of workshops following approval of the policy and the guidelines, this training has not been provided.
- Reference to a "whole Bank approach" and country office "leadership in policy dialogue" are both mentioned as relying on increasing the capacity and responsibility of field offices. In practice no systematic initiative was launched to do so, until the launch of the DBDM which sought to deepen country office capacity more broadly and at the time of writing was still being implemented.

The Guidelines were described as a living document, but have not been updated. For example, there has not been additional guidance on reform areas newly entered into – such as energy; and there has not been an update (at the time of writing) following the G20 principles on coordination between MDBs and the IMF.

Box 10: Suggestions from staff on where the guidance and support can be strengthened

"Better evidence on what works and what does not."

"More information on preparing a programmatic approach (over a 3-5 year period) and clearer guidance on what should be expected in terms of policy dialogue."

"More guidance on how to work in a context of fragility or post-conflict"

"Help on results measurement, notably the issues of attribution versus contribution"

"Stronger direction on ensuring the focus of the PBO considers the overall country portfolio"

"Better elaborated guidelines on keeping up the dialogue on reforms during implementation."

"The quality department, and the structures in charge of approval before submission to the Board, are not sufficiently equipped to provide the relevant advice."

Source: Free text responses in the online survey. Some have been corrected/translated as necessary.

Institutional Set Up and Human Resources

Until now, the responsibility for PBOs has remained relatively centralized despite the fact that both the PBO Policy and the DBDM envisage a much stronger role for country offices. However, this situation could change, now that nearly 70% of ECGF managing PBOs are located in the regions. In the case of GBS the Task manager and lead department is normally from ECGF. In the case of SBS it is usually from the relevant sector department, with an ECGF colleague as a team member (or sometimes Co-Task Manager). ECGF's predominant role is one of task managing operations, rather than a support role. In general AfDB country economists do not task manage PBOs, and the extent to which they are engaged in appraisal, supervision and policy dialogue varies significantly.

In contrast, in both the World Bank and the EU, there are centralized support teams which provide guidance, support and qualitative inputs to PBO task teams which are led from country offices. In each case the support units contain at least 15 people with specific expertise and a mandate to provide support guidance and training. Box 11 provides an example of training and support for those working on PBOs in the World Bank. There is no such equivalent support department in the AfDB,[41] and no equivalent training program – beyond a small number of workshops held when the policy and guidelines were approved. The normal quality assurance processes apply to PBOs as for investment operations.[42] The only formal forum in which staff can get feedback from their more experienced colleagues is ECGF's "departmental peer review" through which all ECGF-led PBOs must pass before going through the normal approval processes, this does not apply to operations led by other departments and is not an institutional requirement.

Box 11: Training and support for staff on budget support in the World Bank

There are three main components of the capacity development strategy adopted by the WB for Development Policy Financing (DPF)[43] (PBO) which is the responsibility of a central support unit. These recently became mandatory as an accreditation system was launched (with a two year transition period for those already engaged in DPFs to complete the courses).

(1) Online course: this course is accessible through the WB intranet and staff are expect to complete it prior to "DPF academy" training.

(2) Two-day "DPF academy": The DPF academy is organized by in-house experts with recognized experience in DPF design and implementation and emphasizes sharing experience.

(3) On-the-job training: After the academy, future DPF technical team leaders (TTLs) are invited to work on DPF with experienced DPF TTLs and practice managers to gain on-the-ground experience.

In addition, other learning/capacity activities include: (i)"clinics": short training sessions on the web organized by OPCS to discuss specific issues related to the design or implementation of DPF- e.g. 1h-1h30 session on the choice of instruments, including specific features such as the deferred drawdown option for catastrophe risks; (ii) ad hoc presentations during specific events such as when guidelines relating to DPFs are updated, or studies produced; (iii) specific learning events: such as retreats of WB global practices; and (iv) on the job advice during the design process of DPF operations.

Source: Institutional comparative review

When staff were asked their views about human resources for PBOs, positive responses were below 50% - specifically, when asked about the technical expertise (48%) seniority (43%) and number (42%) of experts. Most negative however was the response regarding the sufficiency of human resources the Bank mobilizes for policy dialogue – on which only 28% had positive views (36% of RMC officials). Officials in some countries (notably Seychelles, Egypt, Morocco) also remarked on the AfDB's comparative constraints in providing both the depth and breadth of expertise that some reform programs require.


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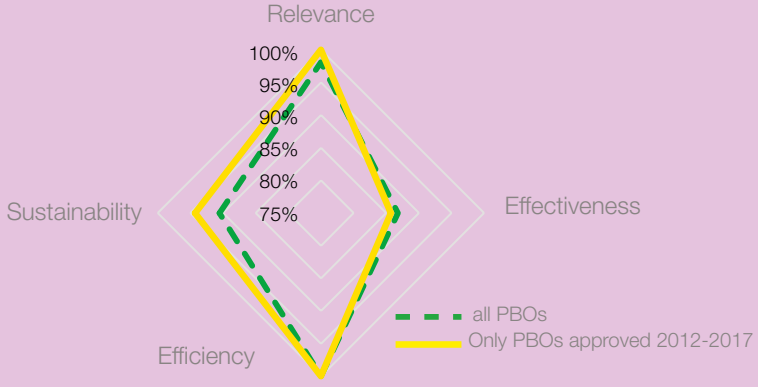
Performance of PBOs

Performance was assessed in terms of both effectiveness and sustainability. To understand effectiveness, the assessment also examines the Bank's influence on, or contribution to, reforms; as their achievement cannot be attributed to the Bank alone. Sustainability is assessed across four interlinked dimensions according OECD-DAC methodology. In addition, the approach identifies factors that have either enabled or hindered good performance.

As per the design of the evaluation, the objective is to provide an assessment for PFM and the two sectors of focus: energy and PSE reforms. The analysis and ratings are focused on performance in these areas. They cover 37% of the evaluable portfolio by value and a third of the countries. However, additional evidence was collated from PCRs and other IDEV evaluations - in total covering 72% of the portfolio by value and 87% of the countries - to indicate the degree of confidence in the evidence available to consider that rating indicative of the broader portfolio. However, two limitations with this additional evidence are important to note. First, the PCR ratings are not all independently validated (Box 12). Second, the methodology is not consistent across the different sources – for example, other sources do not assess the Bank's influence on reform achievement.

Box 12: Portfolio Data on PBO performance

PCR data is partial: not all PCRs that were due have been delivered and IDEV has also not yet completed its validation of the more recent PCRs that have been delivered. 33 PCRs are available though most have not yet been validated (only six are validated). A PCR is only required after completion of all phases in a series in the case of POs and PTs and few are due for 2016/17 approvals. To this ratings from 15 existing results assessments at the project level done in the context of the IDEV CSPEs were added. Based on this data, the share of operations receiving satisfactory or higher ratings are summarized in the figure bellow. The dotted line includes older operations approved before 2012, but assessed after 2012 (bringing the total number up to 53). Focusing on the 2012+ approvals around 85% of the operations were assessed as satisfactory in terms of effectiveness, and 90% in terms of sustainability.



Analysis within these ratings show no clear pattern emerging in terms of better or worse performance for GBS (80% S+) versus SBS (90% S+) or programmatic or non-programmatic operations, although very few of the SSOs are rated unsatisfactory for effectiveness, this relates to the fact they do not require future triggers to be met to be deemed effective.

Source: PCRs, PCR-ENs and PRAs.

Effectiveness

The assessment of effectiveness is satisfactory. This is based on a multidimensional assessment of the two clusters of in-depth studies. Confidence in the representativeness of the rating is strong for PFM and the two sectors covered (PSE and energy reforms). However, as explained above, the evaluation is cautious in generalizing to the whole PBO portfolio, though what data is available does support a broadly satisfactory effectiveness rating portfolio-wide (Box 13).

Box 13: Does evidence from other evaluations support the satisfactory assessment of effectiveness?

Based on the ratings from PCRs 85% of the operations assessed receiving at least a satisfactory rating for effectiveness.

For those PBOs covered by IDEV in its CSPEs of the 10 cases 7 received a satisfactory or higher rating on effectiveness. However, it is important to note that these evaluations used a standard methodology looking at execution ratios rather than landmark changes and influence.

Overall, other data supports the view that the "satisfactory" effectiveness rating is pertinent to the whole portfolio.

Source: Bank PCRs, IDEV PRAs and CSPEs

To understand how Bank PBOs contribute to results, the in-depth assessments followed a uniform methodology designed to reflect the specificity of the PBO instrument and to maximize learning potential for the Bank. Four different assessments are made (Table 1) all are examined here to arrive at the overall assessment (Annex 2). The overall assessment is one of satisfactory, with clear indications that the weakest area is the Bank contribution to or influence on either the direction or pace of landmark reform achievement.

Table 1: Assessing effectiveness and Bank contribution to landmark changes

Effectiveness in terms of the country's achievement of RMF indicators	Effectiveness in terms of contribution of the Bank to landmark changes
Induced output[44] execution ratio	Achievement of landmark changes[45]
Overall assessment of effectiveness by country, including induced outputs and final outcomes.	Evidence of PBO influence on landmark changes

General Achievement of PBO Indicators

All of the cases achieved or partially achieved all or the majority of the reform actions listed in the results framework. Measured by a basic induced output execution ratio (% of indicators achieved) eight of the ten cases fully achieved at least 50% of the output indicators in the original RMF, and for the remaining two almost all the indicators were assessed as partially achieved.[46] Only in one of the cases was 25% of outputs considered not achieved and this operation was approved 12 months before the assessment was made. In all other cases, at least three quarters were assessed as either fully achieved/partially achieved/achieved with significant delay. With regard to achievement ratios by sector covered, no clear pattern emerges with notably higher performance in one than another.

An assessment was made of effectiveness per country for each PBO or PBO series covered based on achievement of PBO induced output and final outcome indicators, seventy per cent was found to be satisfactory. This is despite the fact that achievements at outcome level were very mixed. The kind of outcome indicators that are used to measure achievements at this level are affected by many other factors. A PBO can make a positive contribution and push in the right direction, but changes in indicators such as the doing business index and the population's access to energy take place over a longer period and usually as a result of

Box 14: The case of the Comoros energy anomaly

The Bank provided the Comoros with two PBOs which were linked, the first covering energy and PFM and the second focused on energy. The assessment found that overall, although some new policies to address governance in the energy sector were drafted, they were not actioned; in terms of achievement of landmark changes the assessment was unsatisfactory. However, the main outcome target – increased access to electricity – was met. The improved energy security was confirmed by all stakeholders in country, including civil society and business, at the time the evaluation visited. This improvement was possible because the government purchased additional power generation in early 2017 (the PBO completed in 2015). However, the energy sector governance and management issues that the PBO sought to address remain. The financial losses still being incurred through the energy value chain have not been addressed, which leads to a negative assessment of prospects for financial sustainability. The very financial problems that the PBO sought to address largely remained at the time of the evaluation two years later. These include: bloating of the workforce in the utilities, concerns regarding collection rates (from the general public and government customers), production costs far exceeding customer tariffs. This results in continued reliance on government subsidies (as much as 10% of recurrent budget). In addition, the assessment of institutional sustainability is also negative. The institutions created with donor support are not yet operational, those that need reforming are in a state of flux with regular changes at management level – e.g. one of the main utilities had three different commercial directors in 12 months.

Source: Comoros Case study report

a range of reforms. They can also take place even when specific reforms were not achieved (Box 14). Therefore, while outcome achievement is taken into account in the overall effectiveness assessment by country, it is in the context of understanding a reasonable level of achievement within the time period available.

Achievement and Contribution to Landmark Reforms

Across the 21[47] components assessed, two thirds were assessed to be satisfactory in terms of achievement of "landmark reforms". The assessment was based on the fact that some actions are much more important than others, with some results matrices including a large number of tick-box type items alongside more fundamental issues that have the potential to drive change and contribute to transformative outcomes. These latter types of indicators were identified as "landmark reforms". Where landmark reforms were not achieved, it is worth noting that this includes a transition state (Comoros); two cases where a small component was added to a PBO that was principally focused on another reform area (where landmark reforms were achieved) (Tanzania and Seychelles); and one where the second part of the planned series never took place (Nigeria). Box 15 uses the Tanzania case to explain how the landmark reforms were central to the assessment.

Box 15: Landmark changes in the Tanzania PBO

The Tanzania PBO was a PO, the first phase was approved in 2015, and the planned second and third phases rolled into a single final phase approved in late 2016. The operation was completed and had a total value of UA 100 million, 100% disbursed. The operation was designed to cover both PFM and energy sector reforms. The evaluation found that in both the energy and the PFM areas roughly two thirds of the reforms included in the RMF were achieved by the time of the evaluation team's visit.

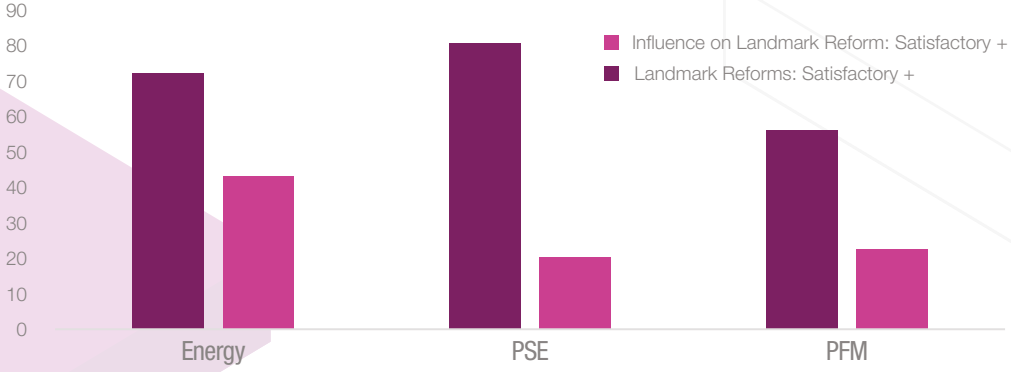
Landmark changes in energy: Expert assessment identified four landmark reforms within the energy component – all of which were achieved. These landmark reforms all connected to a wider government reform program for the sector and paved the way to substantive changes for the country. So achievement of induced outputs for the energy sector was rated as highly satisfactory in the in-depth assessments. The landmark changes identified were: (i) Cabinet approval of the Electricity Supply Industry Reform Strategy and Road Map 2014-2025 (prior action for phase I); (ii) Emergency power plants removed (which were unaffordable and unclean); (iii) Cabinet approval of revision of 2008 Electricity Act (allowing private generators to sell directly to bulk off-takers (prior action to phase II)); and (iv) Full coverage of pre-paid meters in concert with installation of meters on transformers and an end to emergency power providers, this helped the national power company achieve an operating profit.

Marginal ambitions for PFM: In contrast, within the list of PFM reforms, none were considered possible to class as landmark changes – i.e. they included a relatively low level of ambition and sought to address issues which were not fundamental to achieving better public financial management, as a result in the PFM area the case-studies assessed effectiveness as unsatisfactory, achievement of the indicators was unlikely to pave the way for substantive changes at outcome level. Later discussion with staff involved in the operation, confirmed that, with hindsight, the PFM reforms were not well chosen as they lacked ambition required to driving substantive change in national PFM.

Source: Tanzania case-study report, staff focus group

Although there are some variations, no clear pattern emerges in terms of greater or lesser achievement of landmark reforms by sector (Figure 5). Despite shortcomings, notable achievements were still evident in all of the cases examined. Table 2 provides examples of landmark reforms included within Bank PBO objectives at induced output level, which have been fully achieved in each of the three domains covered.

Figure 5: Percent of components assessed as satisfactory or highly satisfactory in achievement of landmark reforms at induced output and in Bank influence on these achievements



Note: Within the 10 countries examined in depth, 21 assessments were made – to cover each of the three focus domains - in addition to the overall assessment. The "components" refer to those sector level assessments.

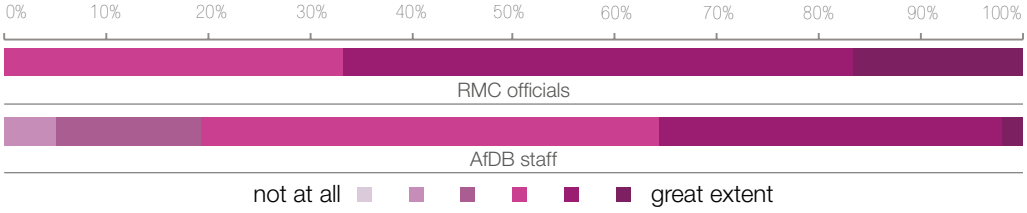
Table 2: Landmark reforms fully achieved within the ten cases

Landmark reforms fully achieved in PFM	Landmark reforms fully achieved in Energy	Landmark reforms fully achieved in PSE
Angola: Revision of the procurement law ("Lei dos Contratos Públicos" & "Portal da Contratação Pública"). **Nigeria**: 1) Increased coverage of Integrated Payroll and Personnel Information System (IPPIS). 2) Expansion of the Treasury Single Account. 3) Issue of new policy on SLG borrowing. **Mali:** 1) Public Procurement code and related decrees/ standard bidding documents revised and adopted in 2016. 2) Fiscal Decentralization: An action plan for transfer of resources and powers adopted in 2016. **Egypt:** Unification of the top income tax rate at 22.5%, including in special economic zones. Dispute settlement legislation adopted and a Value Added Tax introduced. **Ghana:** The Total Revenue Integrated Processing System (TRIPS) is being deployed nationwide to all the tax offices as part of the PFMRS, completion of roll out was planned after the evaluation visit.	**Angola:** Revision of the electricity law in 2015 ("Lei Geral da Eletricidade"). **Burkina Faso:** 1) Stable funding framework to maintain the national electricity company's fuel reserve. 2) Performance contracts between the State and energy operators signed and implemented. 3) Improved performance and Financial stability of the national electricity company. **Tanzania:** 1) Cabinet approved the Electricity Supply Industry Reform Strategy & Road Map 2014-2025. 2) Emergency Power Plants were removed. 3) Cabinet approved the revision of the 2008 Electricity Act, allowing private generators to sell directly to bulk off-takers. 4) 96 % coverage of pre-paid meters was achieved by the end of 2017.	**Mali:** Bill governing Public-Private Partnerships adopted in 2016. **Morocco:** 1) Government updated regulatory framework for PPPs; adopted the Decree on public-private partnerships for implementation of the PPP Law 2) National Business Climate Commission Action Plan. 3) An e-procurement system established. **Seychelles:** 1) Regulatory and support framework for the non-banking financial sector: Financial Service Authority, Cooperation between Fair Trading Commission and other agencies; Financial Sector Development Implementation Plan. 2) PPP policy was approved by Cabinet. **Egypt:** 1) A new industrial licensing regime approved by parliament in 2016. 2) A law on micro-finance licensing for NGOs and companies to improve access to credit for MSMEs and women entrepreneurs was adopted in 2014.

Source: the ten in-depth assessments.
Note: Other landmark reforms were also assessed as partially achieved

Influence of the PBO or the Bank's activities on achievement of landmark reforms was harder to evidence. In only six of the 21 components assessed was significant influence evident - i.e. where there is evidence that without the Bank's engagement these landmark changes would likely not have been achieved or achieved much more slowly. Where this influence was evident it was provided through analytical work, through technical input and policy dialogue, and simply by providing a more concrete timeline to speed up an existing reform agenda. At the level of final outcome it was not possible in most cases to establish evidence that the Bank or the PBO had a strong influence, because there are too many other intervening factors. The limited influence is supported by the perceptions of Bank staff gathered in the survey where only around 36% reported a fully positive view; though RMC officials were more positive (Figure 6).

Figure 6: Perceptions of contribution by PBOs to targeted reforms



Staff indicated (both in the context of the case-studies and in separate focus groups) that influence is strongest at the outset, in agreeing prior actions and - in the case of programmatic operations - triggers. It is for this reason that the level of ambition for these condition indicators is important. It is also part of the Policy's rationale for avoiding single tranche operations. Of those cases where influence was evident, only one of the cases was an SSO (Angola). However, amongst the six[48] programmatic operations insufficient evidence of Bank influence in any components was found in three, though two of these are transition states.

The degree of influence evident within countries varied by sector of engagement and degree of focus. Although the numbers are small it is worth noting that rather than finding that the Bank has less influence in the newer area of energy, compared to those where it has more reform experience, in some cases the opposite is seen. The Bank's influence was seen more strongly in energy than the other sectors in both Egypt and Ghana. Indeed, in Ghana, government interlocutors pinpointed specific reforms insisted on by the AfDB in relation to energy, as fundamental even though a small part of the overall PBO. In Egypt the involvement of the Energy expert in the country office meant that dialogue at the technical level was maintained through implementation. Given energy reform is a new area for the Bank and central to the High 5s, and given that these cases account for the majority of Bank PBOs in the energy sector, it is worth noting that the Bank has been able to influence energy reform paths. However in two cases limited influence in PFM was related to the fact that it was not the main focus of the PBO. For example, in Seychelles both achievement of induced outputs and Bank contribution to them, was assessed as stronger in PSE reforms (which was the main focus of the operation) than PFM reforms.

Perceptions data shows a lot of variation amongst staff in terms of the extent to which the PBOs they know have contributed to key outcomes. In each area about, which respondents were asked, only around half were positive: (i) macroeconomic stabilization (52% positive); (ii) strengthened PFM systems (51%); improved development outcomes in supported sectors (47%). Where there is a notable difference is between AfDB staff and RMCs, with the former having a much more critical view than that of RMC officials themselves directly engaged in PBOs.

Sustainability

Overall prospects for sustainability for PBOs in the two focus sectors (PSE and energy) plus PFM, - are unsatisfactory, though this average masks important differences. In only four of the ten cases (40%) were prospects for sustainability assessed as good. The in-depth cases assessed four dimensions[49] of sustainability separately: i) ownership and sustainability of partnerships; (ii) political sustainability; (iii) institutional sustainability and (iv) financial sustainability. While the assessment has strong internal validity, there is inconsistency with other evidence available for the rest of the portfolio (Box 16). Therefore there is not a strong basis on which to infer the rating may be applicable to the full portfolio.

Box 16: Does evidence from other evaluations support the unsatisfactory assessment of sustainability?

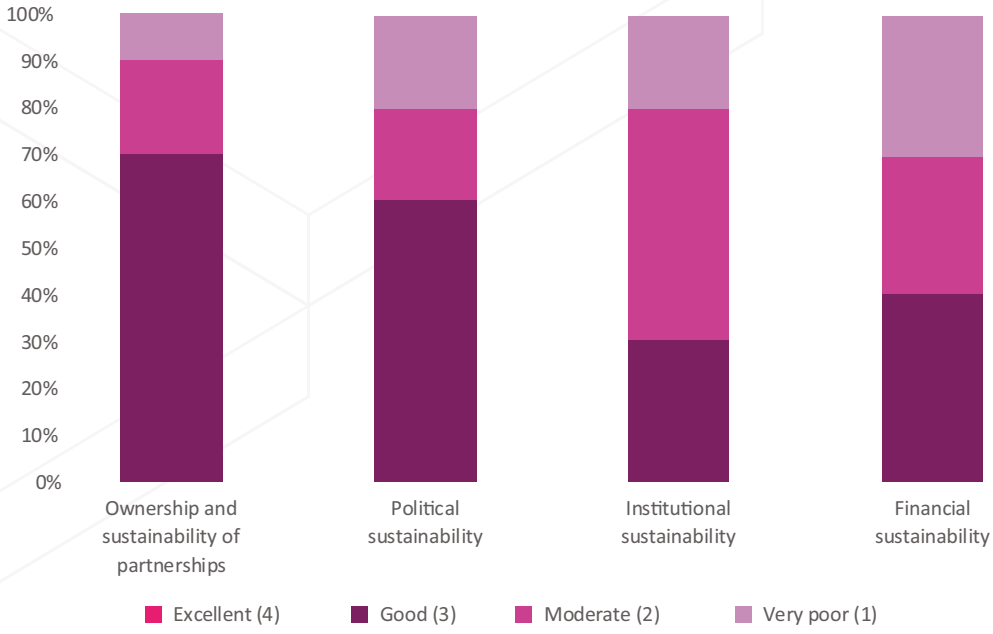
Based on the ratings from Project Completion Reports (PCRs), 90% of the operations assessed received at least a satisfactory rating for sustainability. For those PBOs covered by IDEV 80% received a satisfactory rating on sustainability. On the other hand sustainability was identified as the most frequently noted negative aspects of performance in the review of existing evaluation evidence. Overall this mixed bag of evidence does not give enough confidence to infer that the rating from the in-depth assessments can be generalized to the whole PBO portfolio.

Source: Bank PCRs, IDEV PRAs and CSPEs

The four cases assessed as having good overall prospects for sustainability (Egypt, Morocco, Seychelles and Tanzania) all had at their foundation strong government ownership and leadership, but, they also had strong prospects for financial sustainability. Indeed, on the basis that PBOs are generally designed to support government owned priorities, we should expect high levels of ownership and political commitment, notwithstanding changes brought about by democratic cycles. It is therefore unsurprising that ownership and political aspects of sustainability were generally found to be present (Figure 7). Only one case showed poor prospects for sustainability across all dimensions (Comoros).

In some cases, concerns regarding financial sustainability undermined the broader sustainability assessment. In Angola, for example, where despite good prospects in terms of ownership and political commitments at the time, very poor prospects for financial sustainability of the main sector addressed undermined the overall sustainability prospects. In addition, later government changes meant the original champion of the reforms moved on. The assessment of Nigeria went against this otherwise consistent pattern, with financial sustainability assessed more favorably than the political and institutional dimensions of sustainability.

Figure 7: Dimensions of sustainability assessed in the in-depth assessments



The Bank is not alone in facing a challenge of helping countries to sustain reforms, as confirmed by the review of existing evaluation evidence. Sustainability was one of the most negatively rated aspects of performance not only in Bank evidence but also in the evaluations from other institutions. There are no clear patterns within the in-depth assessments or from outside the Bank - in terms of better sustainability prospects in terms of sector. There are indications however, that use of a programmatic approach even successive series of programmatic operations - which provides a medium-term perspective can be beneficial not only to achieving reforms but also for sustaining those reforms.

Factors that Enable or Hinder Results

This evaluation was designed to maximize learning potential for the Bank, it therefore includes analysis of the factors that influence the performance of its PBOs specifically, and that of budget support more generally. This is based on two main sources: (i) a review of existing evaluation evidence; and (ii) analysis of the in-depth assessments. In both cases the factors were categorized into (a) those relating to context, which the Bank may have limited control but which are crucial to understand and plan for; and (ii) those relating to the PBO itself, which are referred to as mechanism factors.

What Existing Evaluation Evidence Tells Us

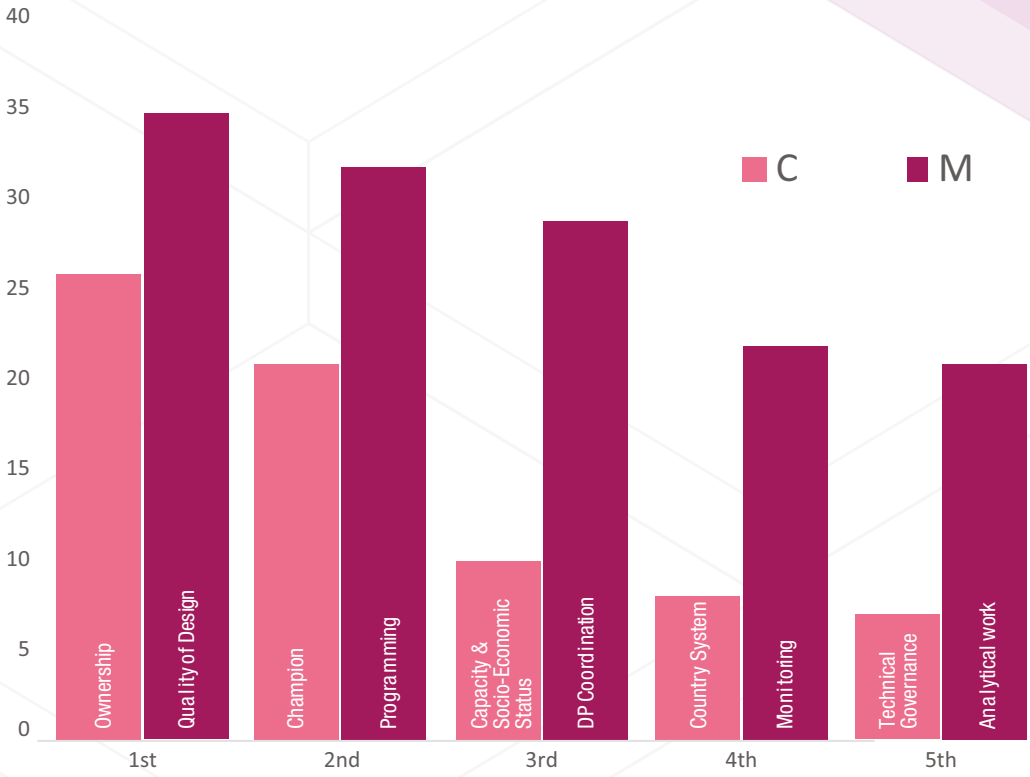
Analysis of existing evaluation evidence (covering 43 evaluations) highlighted that some factors were much more frequently identified as influencing PBO performance than others. The most frequently cited across all the cases were:

- *Country context factors (C) :* ownership, country capacity, having a "champion" for reforms, the country's socio-economic status, and the country systems.

- *PBO mechanism factors (M) :* quality of design, programming, development partner coordination, quality of monitoring and choice of indicators.

When examining which factors were more often associated with good PBO performance and which with poor performance there is variation. For example, ownership and having a reform champion are frequently identified as enabling factors (figure 8), whereas discussion of country capacity usually arises as a hindering factor. With regards mechanism factors, the quality of design is the most frequently cited enabling factor, followed by the linked aspect of how the operation was programmed. In terms of the mechanism factors that were highlighted as hindering performance there was no single factor that was more frequently cited, but roughly equal number across each of policy dialogue; efficiency and transaction costs; choice of indicators; quality of monitoring and poor predictability.

Figure 8: Top five most frequently cited enabling factors in the review of existing evaluation evidence



Analysis which separates out evaluative evidence from AfDB-only sources versus those from joint evaluations or other development partners shows only minor differences in the factors that have been cited as affecting results. With regards to hindering factors, while Bank evaluative evidence includes a number of cases citing analytical work and monitoring as weaknesses, in the other cases identification of policy dialogue and efficiency or transaction cost issues are more frequent – however, this may relate to lack of requirement to discuss policy dialogue in Bank PBO PCRs. With regards to issues such as quality of design and country capacity, the pattern is consistent between the Bank and elsewhere.

Factors Identified in the In-depth Assessments

Few of the factors identified as hindering or enabling results are specific to PFM and the two sectors examined in the in-depth assessments. Table 3 provides an overview of the types of factor that were identified in each of the two clusters. Most of these factors are generic issues around how the Bank engages and with what support on the one side, and issues relating to the capacity and commitment of the responsible ministries and agencies on the other. The factors are therefore relevant to PBOs in other sectors. Furthermore, most of these factors are possible to take account of in (i) the decision whether to proceed with a PBO; (ii) the design of the PBO including complementary inputs; and (iii) how implementation is led and managed.

Additional analysis of the ten cases using the QCA technique (Annex 2) sought to identify more concretely what types of factors or combinations of factors are consistently associated with good PBO performance.[50] Focusing on performance at the level of reform achievement, the analysis highlighted the following:

- Two context factors were found to be fundamental to achievement of reforms (i) a strong relationship between the government and the development partners and (ii) the presence of an IMF program.
- Where these two context factors combined with the following mechanism factors PBO performance is strong on both consistency and coverage measures: (i) the existence of a country office; (i) programming according to the Policy; (ii) quality of the design; (iv) time efficiency and low transaction costs; (v) the PBO being part of a series; and (vi) the provision of relevant TA.

Table 3: Factors identified as either enabling or hindering Bank PBO performance

	Hindering factors	Enabling factors
Factors under control of the AfDB	▮ Gaps in policy dialogue in key target areas after PBO approval (Egypt, Ghana, Mali, Morocco & Seychelles). ▮ Little readily available TA (Egypt, Ghana, Morocco, Seychelles) and limited mobilization of in-house sector expertise after PBO approval (Mali). ▮ Overly ambitious objectives in terms of breadth of reforms (Morocco, Seychelles) and insufficient attention to political economy of certain reform areas (Mali). ▮ Weak focus on key reforms in parts of the results framework (Ghana, Seychelles). ▮ Lack of ambition in prior actions/triggers/indicators (e.g. PFM in Tanzania, energy in Nigeria) ▮ Missed opportunities in linking fiscal space provided by the PBO to targeted objectives. ▮ Lack of medium term timeframe to achieve medium or long term reform agendas (Angola, Nigeria) ▮ Failure to provide full package of support – i.e. policy dialogue, in depth analysis and expertise and TA. (All cases) ▮ Mixed degrees of ownership of the PBO by the country office (e.g. Nigeria, Tanzania).	▮ Programmatic approach which allowed for engagement over the medium term in a few specific areas and at broad level (Egypt, Ghana). ▮ Strong multi-sectoral appraisal teams (Egypt). ▮ Strong and regular engagement of the country office (Egypt, Ghana) or individual task managers (Seychelles) ▮ AfDB's responsiveness, flexibility and open approach (Ghana, Morocco, Seychelles), including possibility of streamlined procedures (Egypt). ▮ Close coordination with the IMF and the WB (Egypt, Ghana) or at least at initial stages (Seychelles). ▮ Design building on government owned strategies (Burkina Faso, Angola, Nigeria, Tanzania). ▮ Efficient formulation and first disbursement (nine of ten cases).
Context factors	▮ Unstable political or security situation (Mali). ▮ Limited capacity to realize a broad set of reforms simultaneously (Seychelles) ▮ Lack of clarity in institutional arrangements and lack of high level government leadership (Mali, Ghana). ▮ Weaknesses in capacity or commitment of agency or ministry charged with coordination and monitoring of reform agenda (Comoros, Nigeria) ▮ Decline in formal donor coordination especially in later stages (Ghana, Mali, Morocco, and Seychelles).	▮ Country ownership (all case-studies) and leadership in donor coordination (Morocco, Egypt). ▮ Strong ministry or agency with technical capacity to drive reforms. (Morocco). ▮ The existence of an established and well-structured sector national reform strategy (Tanzania energy; Nigeria, PFM). ▮ Strong political commitment to reform (Angola and Tanzania).

Conclusions, Lessons and Recommendations for the Future

Conclusions

This evaluation has found that PBOs remain a relevant and useful instrument for the Bank and its clients. However, it identifies a number of shortcomings which should be addressed in order to obtain good value and results from the instrument in future.

While there is much scope for improvement when it comes to programming and design of PBOs – notably more consistent use of programmatic options, designing a PBO within a broader package of support and with clear pathways for change identified in the results frameworks – overall the assessment on programming and design aspects, as well as strong alignment with country and Bank priorities leads to an overall satisfactory rating for the "relevance" criterion.

While finding that spreading PBO objectives too thinly is a high risk approach, the evaluation also finds that the Bank has missed valuable opportunities provided by PBOs to address cross cutting issues at government policy level. Notably, the potential to address environmental/ climate change issues exists in all PBOs focused on energy but has not always been grasped.

With regards coordination with other development partners, the evaluation finds the overall picture to be positive when it comes to coordinating and harmonizing in identification and appraisal of operations, although the in-depth cases highlight how difficult the Bank has found it to maintain the same level of coordination through implementation. In addition, the context has shifted since the G20 agreed principles on MDB coordination in cases of economic macroeconomic instabilities.

Although the evaluation finds PBOs to be time efficient, it finds that the Bank has not maximized value for money of the instrument in terms of achieving policy or regulatory change in addition to filling fiscal gaps. The Bank has directed UA 7.2 billion through PBOs 2012-17, it is a fast disbursing instrument. However, the way it is managing its PBOs is limiting their value for money, specifically it has failed to (i) invest in internal capacity to design and implement effective PBOs; (ii) clarify leadership and responsibility for PBOs, notably the crucial policy dialogue aspect and the leadership role of the Country Office; (iii) establish instruments that allow it to provide fast and appropriate technical assistance and expertise. Overall, this insufficient investment in the "infrastructure" for effective PBO management constrains the Bank to get the most out of the instrument, especially in terms of supporting policy reforms in addition to budgets.

There is evidence of satisfactory levels of achievement of reforms in the context of PBOs focused on PFM, energy and PSE. This is supported by evidence from Bank self-evaluation and IDEV CSPEs – generally the majority of reforms listed are achieved in the majority of cases. However, analysis within the cases underlines that the influence of the Bank or its PBO on the path or speed of the reforms is not always evident – this is in part linked to the limited extent to which the Bank has provided the full "package of support" envisaged with PBOs.

The experience of PBOs in the PFM, energy and PSE areas raise questions about overall sustainability of PBO benefits. More specifically while ownership tends to be strong in all cases – indeed in principle where ownership does not exist the Bank should find a country not eligible for support via a PBO – other aspects of sustainability can undercut this political commitment. In particular, institutional

capacity and financial sustainability are identified as weaknesses in the in-depth cases examined. This concern around sustainability is not equally reflected in the Bank's self-assessments, however.

The factors that affect PBO performance for the AfDB are not markedly different to the factors that affect other institutions' budget support. The quality of the design of the PBO instrument was the single most frequently cited factor in all the evaluation evidence reviewed, most often in relation to explaining good performance. In terms of hindering factors, for the AfDB the most frequent factors relate to design and management of its operations in the areas of monitoring, analytical work and complementarity or linkages with the broader program. Analysis of how context and other factors combine to produce results, also highlights the importance of two context factors: the relationship between the government and development partners, and the existence of an IMF program.

Lessons

A range of lessons emerge from the evaluation, the following list summarizes those identified as both the most important and those where the Bank is partly in control, and they are drawn from evidence across the various components of the evaluation. Although in reality there is overlap, they are categorized by those relating to (i) programming and design; (ii) efficiency and management and (iii) performance.

Lessons on Programming and Design

1. **Medium-term engagement.** Structural reform objectives targeted by PBOs can in most contexts only be attained through continuous, gradual change – consolidating improvements on a year-to-year basis. While single year PBOs may be appropriate to stabilize fiscal and macroeconomic crises, they are rarely suitable to support medium term reforms unless they are focused on removing a blockage that can allow a programmatic approach afterwards.

2. **Maximizing the effects of the contribution to fiscal space.** Reform and fiscal objectives can exist side by side, but objectives relating to fiscal space need to be as explicit as reform objectives and careful attention given to how that fiscal space should be used so as to ensure that it helps to address structural constraints as well as short-term needs. Carrying this aspect through into the results framework is also important in ensuring clear understanding of objectives and achievements.

3. **Designing a full package of inputs.** PBO effectiveness is influenced by the quality of the design, including the logic of the intervention and the precise role played by complementary inputs such as analytical work, policy dialogue and TA – which support achievement of PBO reform objectives where they are well targeted and well timed. For example, failing to provide timely support to address identified capacity bottlenecks, can undermine achievement of PBO objectives. In contrast, TA can open doors to more in-depth dialogue and relationships.

4. **Limited PBO scope.** While whether something is labelled as a general or sector support may not matter, the question of focus and selectivity does matter. PBOs – which seek to support policy reform - should focus on areas where the Bank has the capacity to contribute expertise and experience. PBOs which seek to cover many sectors at once, automatically make it more challenging for the Bank to provide that support.

Lessons on Efficiency and Management of PBOs

5. **Planning and sequencing matters.** Designing complementary support before the PBO, helps to ensure it can deliver benefits in time to support the PBO both in terms of mitigating risk and achieving reform targets, especially given that the Bank's instruments to provide such support can be slow.

6. **Country Offices can play a pivotal role.** Where they take ownership, strong Country Offices,

including Country Managers, economists, program and sector staff can ensure smooth relationships and continuous dialogue linked to PBOs, including through implementation. However, on technical issues few country offices can cover the broad range of issues and always require support from HQ.

Lessons on PBO Performance

7. **Focusing on landmark changes.** Focusing reform conditions on those where they collectively provide a clear link to outcomes that can be considered to have a transformation potential (as opposed to listing a large number of reform actions covering a broad range of issues) provides a strong basis on which to ensure PBOs contribute to fundamental and sustainable change.

8. **Focusing on influence.** Reform programs are by nature government led, with the Bank providing support. However, the Bank can influence both the pace of reforms, their prioritization and even their precise focus, where it has established trust, and has made the necessary provisions to allow technical inputs and broader policy dialogue based on sound analytical work. It can also help governments to remove capacity bottlenecks. Where this is not the case, the Bank has a much smaller toolkit to ensure its added value in achievement of the reforms.

9. **Sustainability is not assured by political ownership alone.** Institutional capacity and financial sustainability of reforms can undercut strong ownership, as can political changes.

Recommendations

On the basis of the findings and conclusions of this evaluation, IDEV proposes six high priority recommendations. Some of these recommendations are not budget neutral in terms of the Bank's administrative budget, however their implementation will increase the value for money of the operational funds deployed through the PBO instrument.

1. Updating the Guidance Framework

Issue: Changes in the international context, calls for more guidance internally, and shortcomings in design and implementation indicate that the 2014 Guidance may not be up to date and comprehensive. In addition, the analysis indicates that a strong relationship between the government and the development partners and the presence of an ongoing IMF program were found to be two fundamental context factors to achievement of reforms.

Recommendation 1: Update or complement the PBO guidelines in order to:

a. appropriately reflect the Bank's response to the 2017 G20 principles on coordination with the IMF; and

b. provide detailed guidance to staff on the challenging areas of results frameworks, conducting effective and coordinated one Bank policy dialogue, post-conflict specific concerns, and examining PBOs for opportunities to push reforms in support of gender equality and environment/climate change.

2. Enforcing Compliance

Issue: Although the programming and design assessment is satisfactory because the majority of PBOs in the sample were assessed as satisfactory against selected criteria, the Bank aims for every single PBO to achieve the same satisfactory bar, especially in relation to 100% compliance with the provisions of its own Policy and Guidelines.

Recommendation 2: Fully enforce the provisions of the PBO Policy, this includes:

a. using non-programmatic operations, and operations that are not already programmed in the CSP or CSP MTR, only on an exceptional basis as per the 2012 Policy; and if so ensuring that

the reason for using this approach is convincing and based on sound analysis including against alternative options; and

b. consistently conducting fiduciary risk assessments in the CSP context when first opting to use a PBO and updating the assessment at appraisal, while also ensuring proposed risk mitigation measures can address identified risks within the timeframe of the planned PBO.

3. Focusing PBO Ambitions

Issue: Some PBOs are spread over a broad range of reform areas; moreover, analysis is not always undertaken to identify where the Bank can add most value including through the expertise it can provide, and which reform actions can be considered paving the way to "landmark changes" or changes that will be transformative from a governance perspective is not always provided.

Recommendation 3: Design all future PBOs with a focus on a limited number of medium-term reform areas from within broader government reform plans identified on the basis of:

a. what reforms have the potential to pave the way to landmark changes;

b. multi-year reform paths;

c. complementarity with other development partners and with the Bank's wider portfolio and

d. the ability of the Bank to add value in those areas - especially in terms of analytical work, expertise and policy dialogue. The tight focus should be combined with a strengthening of the medium-term dimension in the design: i.e. support through programmatic PBOs to a clearly defined multi-year reform path, as well as attention to how the Bank might accompany reform processes over the medium term over one or more PBOs.

4. Prioritizing Policy Dialogue

I*ssue: Policy dialogue is a central not marginal part of how PBOs achieve results and how the Bank adds value to reform processes. Yet there is a lack of clarity and insufficient prioritization of policy dialogue in Bank PBOs.*

Recommendation 4: Reflect in practice the vital role of policy dialogue in PBOs by:

a. Making unequivocally clear at design stage what the policy dialogue will entail, what mechanisms will be used, what will be the priorities, how it will be underscored by relevant technical expertise, and who will be responsible for conducting and reporting it. This could be done by including a standard annex on policy dialogue priorities and responsibilities in all PBO's PAR technical annexes, for example, which would provide a starting point but could also be adapted over time to respond to new policy needs as they arise.

b. Aligning practices with plans in the PBO Policy and DBDM by more clearly allocating responsibility for PBO design and management to country offices and regions – ensuring they have the resources and necessary reporting structures to take up the responsibility, and strong technical support from HQ teams. (Or, alternatively, if the Bank prefers

to operate a centralized model, the Policy and DBDM documents should be adjusted to reflect this approach to remove any confusion).

c. Ensuring that budget lines for PBO appraisal and supervision take account of the need to involve the appropriate range of expertise especially in the case of PBOs that cover a range of areas.

5. Providing TA and Expertise

Issue: The other complementary input that support PBOs is expert technical advice and capacity support. The Bank has tied its hands by relying on a limited menu of instruments on which it can call to provide this support, and some of these instruments do not provide support in a timely and efficient manner.

Recommendation 5: Back PBOs with appropriate and timely expertise and capacity support, this will necessitate:

a. Examining how to refine and expand the Bank's menu of options when it comes to providing expertise and technical assistance. This should include reviewing how to make the MIC Trust Fund and other relevant trust funds more nimble so as to improve their relevance; investigating other instruments including short terms options – such as framework contracts with specialist companies that can provide quick and high quality technical expertise that are not available internally – and longer term solutions such as a fast-track TA scheme; and

b. Requiring clear justification where relevant capacity support or expertise is not already in place or at least planned by the time approval for any PBO is sought.

6. Investing in Supporting Institutional Infrastructure for PBOs

Issue: The Bank has not appropriately invested in its most important tool for making PBOs an effective and value for money instrument – its people. It has no central support team charged with supporting the instrument on a technical level or for cross-learning purposes. It has also established only minor differences between quality at entry and processes for PBOs as compared to investment projects.

Recommendation 6: Invest in PBO supporting infrastructure by:

a. Investing in continuous training for staff involved in PBO design and implementation. Such training could take the form of an accreditation scheme and draw on the rich experience that has been gained internally, while also drawing on lessons from elsewhere.

b. Investing in upfront analytical work to support PBO design and the focus of policy dialogue and capacity support, which will require forward planning and resources to allow teams to conduct or commission it.

c. Review the extent to which the Bank's quality assurance processes are appropriate for PBOs, in particular (i) the readiness review; and (ii) expectations for supervision and reporting of supervision.


14

Annexes

Annex 1: The 2012-17 PBO Portfolio

N°	Country Name	Long name	
1	Burundi	Programme d'appui aux reformes economiques (PARE v)	
2	Malawi	Restoration of fiscal stability and social protection	
3	Central African Republic	Programme d'appui aux reformes economiques phase iii (PARE iii)	
4	Ethiopia	Ethiopia promoting basic services programme (PBS iii)	
5	Morocco	Programme d'appui au plan maroc vert (PAPMV-i)	
6	Benin	Programme d'appui aux reformes economiques et financieres	
7	Gambia	Economic and financial governance budget support	
8	Niger	Programme d'appui a la croissance inclusive et au renforcement de la securite alimentaire	
9	Morocco	Programme d'appui a la revitalisation de la gouvernance economique et financiere	
10	Tunisia	Projet d'appui a la relance economique	
11	Comoros	Programme d'appui aux reformes du secteur de l'energie et a la gouvernance financiere	
12	Nigeria	Transport sector and economic governance reform program	
13	Rwanda	Skills employability and entrepreneu programme (SEEEP)	
14	Malawi	Supplementary budget support to RFSSP	
15	Mali	Programme d'urgence d'appui a la reprise economique (PUARE)	
16	Senegal	Programme d'appui a la croissance inclusive et la comptetivite economique	
17	Morocco	Programme d'appui a l'adequation formation emploi (PAAFE)	
18	Gambia	Economic&financial governance operation (PHASE ii)	
19	Cape Verde	Prog. D'appui à la gouvernance des entreprises publiques et promotion de l'investissement (PHASE i)	
20	Seychelles	Inclusive private sector development and competitiveness program	
21	Côte D'Ivoire	Programme d'appui a l'amelioration de l'employabilite et de l'insertion des jeunes	
22	Tanzania	Supplemental financing - governance and economic competitiveness support programme	
23	Morocco	Appui a la couverture medicale iii	
24	Sierra Leone	Inclusive economic management program, (PHASE i)	
25	Rwanda	Skills employability and entrepreneu programme - phase2 (SEEEP-ii)	
26	Angola	Power sector reform support program	
27	Côte D'Ivoire	Programme d'appui au renforcement de l'inclusion et de la cohesion sociale	
28	Guinea	Programme d'appui aux reformes economiques et financieres phase 2	
29	Central African Republic	Programme d'urgence d'appui a la sortie de crise et à la reprise economique phase1	
30	Burkina Faso	Programme d'appui a la promotion du secteur prive (PAPSP)	
31	Mozambique	Economic governance and inclusive growth program (PHASE i)	
32	Morocco	Programme d'appui au developpement du secteur financier (PADESFI iii)	
33	Multinational	Ebola sector budget support- fight back programme (EFBP)	
34	Cape Verde	Prog. D'appui a la gouvernance des entreprises publiques promotion de l'investissement (PHASE ii)	

	Sector (SAP)	Approval	Netloan (UA'000)
	Multi-Sector	7/11/2012	12,000
	Multi-Sector	7/11/2012	26,000
	Multi-Sector	7/18/2012	8,000
	Multi-Sector	7/18/2012	166,000
	Agriculture	7/18/2012	87,111
	Multi-Sector	9/6/2012	30,000
	Multi-Sector	11/14/2012	1,880
	Multi-Sector	11/14/2012	21,560
	Multi-Sector	11/28/2012	102,050
	Social	11/28/2012	326,898
	Multi-Sector	12/19/2012	2,000
	Multi-Sector	2/27/2013	194,636
	Social	4/3/2013	25,610
	Multi-Sector	4/26/2013	4,000
	Multi-Sector	5/8/2013	40,000
	Multi-Sector	6/19/2013	25,540
	Social	7/22/2013	100,885
	Multi-Sector	7/24/2013	610
	Multi-Sector	10/9/2013	13,205
	Multi-Sector	12/3/2013	13,028
	Social	12/4/2013	18,833
	Multi-Sector	12/17/2013	38,400
	Social	12/18/2013	101,846
	Multi-Sector	5/5/2014	4,000
	Social	5/7/2014	49,000
	Power	5/13/2014	645,290
	Social	6/13/2014	29,970
	Multi-Sector	6/23/2014	12,000
	Multi-Sector	6/25/2014	15,000
	Multi-Sector	9/17/2014	20,000
	Multi-Sector	9/19/2014	19,335
	Finance	10/1/2014	84,872
	Social	10/1/2014	100,200
	Multi-Sector	10/15/2014	12,731

N°	Country Name	Long name	
35	Madagascar	Programme d'urgence a la relance economique (PURE)	
36	Comoros	Programme d'appui aux reformes du secteur de l'energie	
37	Mali	Paugre - programme d'appui a la gouvernance et a la reprise economique	
38	Burundi	Programme d'appui a la gouvernance economique phase i	
39	Malawi	Protection of basic services	
40	Guinea-Bissau	Programme d'urgence d'appui aux reformes economiques et financiere	
41	Tanzania	Power sector reform and governance support program (PSRGSP)	
42	Morocco	Programme d'appui à la competitivite de l'economie marocaine	
43	Burkina Faso	Programme d'appui budgetaire au secteur de l'energie (PASE)	
44	Central African Republic	Programme d'urgence d'appui à la sortie de crise et à la reprise economique - phase ii	
45	Seychelles	Inclusive private sector development and competitiveness PBO-ii	
46	Morocco	Programme d'appui au plan maroc vert 2 (PAPMV-2)	
47	Mali	Programme d'appui aux réformes de la gouvernance economique - phase i	
48	Niger	Programme d'appui aux reformes financieres et a la securite alimentaire – phase i	
49	Tunisia	Projet d'appui au developpement regional et a la creation d'emplois	
50	Ghana	Public financial management and private sector competitiveness support programme	
51	Cape Verde	Programme d'appui à la croissance economique	
52	Chad	Programme d'appui aux reformes des finances publiques (PARFIP)	
53	Egypt	Economic governance and energy support program (EGESP)	
54	Mozambique	Economic governance and inclusive growth program - phase ii	
55	Ethiopia	Ethiopia basic service transformation program	
56	Madagascar	Programme d'appui aux reformes de la gestion economique	
57	Madagascar	Programme d'appui aux reformes du secteur de l'energie (PARSE)	
58	Morocco	Programme d'appui a la gouvernance de la protection sociale	
59	Chad	Programme d'appui aux reformes economiques et financieres – phase ii	
60	Rwanda	Skills employability and entrepreneu programme - phase iii	
61	Morocco	Programme d'appui au renforcement de la stabilité et de l'inclusion financiere (PARSIF)	
62	Tunisia	Programme d'appui a la modernisation du secteur financier	
63	Guinea	Programme d'appui aux réformes economiques et financières - phase iii	
64	Senegal	Programme d'appui aux reformes du developpement local	
65	Algeria	Programme d'appui budgétaire à la compétitivité industrielle et energetique	
66	Tunisia	Programme d'appui au développement régional inclusif (PADRI)	
67	Niger	Programme d'appui aux reformes financiere et a la securite alimentaire – phase ii	
68	Nigeria	Economic governance, diversification and competitiveness support program	
69	Malawi	Food crisis response budget support programme	
70	Mauritania	Programme d'appui au réformes economiques et à la diversification de l'economie	
71	Egypt	Economic governance and energy support program ii	

	Sector (SAP)	Approval	Netloan (UA'000)
	Multi-Sector	11/5/2014	25,000
	Multi-Sector	11/13/2014	4,000
	Multi-Sector	12/17/2014	14,603
	Multi-Sector	12/18/2014	7,000
	Social	4/29/2015	19,000
	Multi-Sector	5/13/2015	5,000
	Multi-Sector	5/20/2015	50,000
	Finance	7/8/2015	79,992
	Power	7/10/2015	20,000
	Multi-Sector	9/23/2015	7,360
	Multi-Sector	9/23/2015	7,124
	Agriculture	10/14/2015	94,035
	Multi-Sector	11/4/2015	15,000
	Multi-Sector	11/4/2015	20,000
	Social	11/18/2015	144,330
	Multi-Sector	11/18/2015	40,000
	Multi-Sector	11/26/2015	11,830
	Multi-Sector	12/9/2015	13,365
	Multi-Sector	12/15/2015	364,386
	Multi-Sector	12/15/2015	15,000
	Social	12/17/2015	180,000
	Multi-Sector	3/30/2016	12,500
	Power	11/25/2016	13,770
	Social	6/22/2016	95,981
	Multi-Sector	6/27/2016	31,147
	Social	7/13/2016	35,900
	Finance	7/13/2016	112,236
	Finance	7/13/2016	212,700
	Multi-Sector	7/13/2016	10,520
	Multi-Sector	9/14/2016	34,780
	Multi-Sector	11/2/2016	717,069
	Social	11/2/2016	143,414
	Multi-Sector	11/2/2016	10,000
	Multi-Sector	11/2/2016	436,729
	Agriculture	11/11/2016	12,000
	Multi-Sector	11/23/2016	6,701
	Multi-Sector	12/13/2016	369,342

N°	Country Name	Long name	
72	Mali	Programme d'appui aux réformes de la gouvernance economique – phase ii	
73	Tanzania	Power sector reform and governance support programme ii & iii	
74	Ghana	Pfm and private sector competitiveness support programme - phase ii	
75	Gabon	Programme d'appui aux réformes economiques et financières	
76	Central African Republic	Programme d'appui aux réformes économiques et financières	
77	Morocco	Programme d'appui a l'accélération de l'industrialisation au maroc - phase-i (PAAIM-i)	
78	Côte D'Ivoire	Programme d'appui a la gouvernance economique et a la croissance (PAGEC)	
79	Benin	Programme d'appui au secteur de l'énergie	
80	Namibia	Economic governance and competitiveness support programme	
81	Cameroon	Programme d'appui a la competitivite et la croissance economique	
82	Cape Verde	Appui budgetaire 2017	
83	Chad	Programme d'urgence d'appui a la consolidation budgetaire	
84	Gabon	Programme d'appui aux réformes economiques et financières – phase ii	
85	Madagascar	Programme d'appui à la competitivite economique	
86	Namibia	Economic governance and competitiveness support programme	
87	Rwanda	Skills and business development programme (SBDP)	
88	Togo	Programme d'appui a la gouvernance et a la promotion de l'agrobusiness	
89	Tunisia	Programme d'appui au développement régional inclusif - phase ii	
90	Mali	Programme d'appui a la croissance economique phase i (PACE i)	
91	Mauritania	Progr. Appui au réformes economiques et à la diversification de l'economie – phase ii	

	Sector (SAP)	Approval	Netloan (UA'000)
	Multi-Sector	12/14/2016	23,151
	Multi-Sector	12/15/2016	50,000
	Multi-Sector	12/16/2016	35,000
	Multi-Sector	1/11/2017	156,713
	Multi-Sector	3/21/2017	12,280
	Multi-Sector	7/14/2017	143,741
	Multi-Sector	7/14/2017	36,232
	Power	4/12/2017	19,920
	Multi-Sector	5/10/2017	165,238
	Multi-Sector	11/22/2017	149,841
	Multi-Sector	10/19/2017	16,649
	Multi-Sector	11/24/2017	46,000
	Multi-Sector	11/8/2017	249,736
	Multi-Sector	11/28/2017	31,989
	Multi-Sector	5/10/2017	156,014
	Social	11/24/2017	60,000
	Multi-Sector	12/5/2017	9,530
	Social	11/3/2017	101,559
	Multi-Sector	12/15/2017	9,000
	Multi-Sector	12/15/2017	4,000

Annex 2: Methodology

Evaluation purpose, scope and questions

The purpose of the evaluation is twofold. It serves an accountability role in reporting on the management and performance of Bank PBOs during the period. However, it was designed also to identify factors that enable or hinder good performance, draw lessons for the Bank and identify specific recommendations to help the Bank to optimize effective use of the PBO instrument in future. Specifically, the objectives of the evaluation are to provide credible evidence on (i) how the Bank is programming, designing and managing its PBOs; (ii) the performance of Bank PBOs in targeted areas; (iii) the factors that have enabled or hindered the Bank (and its partners) in achieving PBO objectives; and (iv) lessons to inform the Bank's future use of PBOs to ensure consistent good practice and to support achievement of the High 5s.

The evaluation scope covers the 91 PBOs (or 51 single PBOs or PBO series) approved between 2012 and 2017, with a collective approval value of UA 7.2 billion. The evaluation is fully focused on the PBOs, it does not explicitly look at the quality of other activities that may be linked to PBOs, such as institutional support projects, TA grants and analytical work. The evaluation seeks to address three overarching questions which are further broken down into eight sub-questions. The evaluation matrix is summarized in Table A2.1.

Evaluation design and methods

The evaluation is theory based. A generic theory of change for Bank PBOs (Figure A2.2) was constructed based on (i) Bank documents; (ii) consultation with internal stakeholders; and (iii) the theory of change developed in the context of the OECD DAC endorsed methodology for evaluating budget support operations. The theory of change helped to refine the evaluation questions. Individual theories of change were also developed for each of the 10 in-depth studies, based on the generic version.

The evaluation was built from seven component parts, each made use of different sources of data and analytical techniques, see Table A2.2. In addition, the evaluation was based on a thorough inception phase which included two staff focus groups and interviews with 42 internal stakeholders of which 8 were Executive Directors and 12 Senior Management. The inception report is available on the IDEV website. More information on the approach taken in each component is available in the relevant technical background reports.

Table A2.1: Overview Of Evalution Matrix

JC label	JC code	Judgement Criterion	PPDR	Clusters	eSurvey	Inst. Comp.	REEE	Portfolio trends
A1. Programming. To what extent is the Bank using PBOs appropriately, including how, when and where the policy (and guidelines) indicate it should do so?								
Programming - Eligibility	A1a	Eligibility guidance is adhered to and applied to a high standard of quality (share and change over time, differences by country type – TS/MIC/LIC – and PBO type – GBS/SBS/CRBS).	D					
Programming - CSP	A1b	PBOs are clearly aligned to country needs and desires and programmed within context of CSPs; un-programmed PBOs have sound justification (share and change over time).	D	C				
Programming - Coordination	A1c	PBOs are programmed in close coordination with other relevant DPs, or where the Bank is working alone it is in support of a broader international consensus regarding the use of PBOs in the given country context (share and change over time).	D	C	S			
Programming - Package	A1d	PBOs are carefully programmed to provide a broad package of support, including e.g. dialogue, TA and analytic support. (share, change over time and what type of support).	D	C	S			
Programming - Analysis	A1e	Use of PBOs is based on sound analysis of PBO being the appropriate modality for achieving development objectives, given the results of the fiduciary risk assessment, level of ownership and capacity in targeted areas.	D	C		I		
Programming - Volume	A1f	The volume of PBO is well justified in terms of what it seeks to achieve as well as within the context of ADF and risk ceilings and the Bank's capital adequacy framework (share and change over time).	D	C	S			T
Programming - Linkages	A1g	PBOs are conceived to link with and support other parts of the Bank's portfolio, strategy and activities in the country either at that time or as a gateway for future operations (average share and change over time).	D	C	S			
Programming - SBS/ GBS	A1h	The Bank has focused increasingly on sector specific reforms, either using SBS or GBS with a complementary sectoral focus.						T
Programming - Transition	A1i	The Bank's approach to programming PBOs in transition states is appropriate, and consistent with the Bank 2014 Strategy for Addressing Fragility, the Bank's PBO policy, and associated Operational Guidelines.	D			I		

JC label	JC code	Judgement Criterion	PPDR	Clusters	eSurvey	Inst. Comp.	REEE	Portfolio trends
A2. Design. To what extent is the Bank appraising and designing its PBOs in accordance with the PBO policy and established good practices?								
Design - Analysis	A2a	PBOs are based on solid analytical work (share, change over time, use of own and others analytical work), which demonstrates the appropriateness to the country context.	D	C	S			
Design - Results Framework	A2b	PBOs include a solid results framework which makes clear a logical chain of results and how progress will be measured (share and change over time).	D	C	S			
Design - Policy Dialogue	A2c	The specific role of policy dialogue and of related non-financial aspects of the "package" of support is clearly articulated and realistic, given the special position of the Bank as an African partner.	D	C				
Design - Conditions	A2d	PBOs use an appropriate combination of conditionality/prior actions/triggers and make use of country owned indicators, with waivers for conditions or triggers used only in exceptional cases (share and change over time).	D	C	S	I		
Design - Tranching	A2e	PBOs are usually programmatic/within a multi-year framework and make use of tranching options (i.e. either as programmatic operations or through programmatic tranching) or sound justification is provided for self-standing operations (share and change over time).	D	C				T
Design - Risk Assessment	A2f	PBOs are based on a sound risk assessment and identification of mitigation strategies, including appropriate fiduciary risk assessment, and PBO design responds to issues raised in the risk assessment (including FRA/fragility lens assessment) (share and change over time).	D	C		I		
Design - Consultation	A2g	PBOs consider consultation/participation in their appraisal, in line with mutual accountability principles (share and change over time).	D	C				
Design - Gender & Environment	A2h	PBOs appropriately consider crosscutting issues of (i) gender and (ii) environment in their appraisal and design including in their results framework; (average share and change over time).	D	C				
Design - QAE	A2i	PBO PARs score well in the Bank QAE assessment (share achieving (i) 4 and (ii) 3 in PAR RR) change over time, comparison with investment project scores).						T
Design - Transition	A2j	The Bank's approach to designing PBOs for transition states is appropriate, aligned with its own policy and guidance and good practice.	D	C		I		

JC label	JC code	Judgement Criterion	PPDR	Clusters	eSurvey	Inst. Comp.	REEE	Portfolio trends
A3. Managing. To what extent is the Bank efficiently managing, supervising and implementing its PBOs?								
Managing - Policy Dialogue	A3a	PBOs are accompanied by strategic and regular policy dialogue on PBO associated reforms and technical advice on relevant areas (e.g. PFM bottlenecks, service delivery in sectors), including formal policy dialogue (PD) such as budget support groups and informal PD (Depth of PD and constraints in Energy & PSE clusters, perceptions of staff & beneficiaries over PD quality and change over time).	D	C	S	I		
Managing - Monitoring	A3b	PBOs are monitored in accordance with Bank guidelines (frequency and quality - IPR RR scores) with the focus on results (not only process) and in line with harmonisation and mutual accountability principles (share and change over time).	D	C	S			T
Managing - Flexibility	A3c	The results of monitoring and dialogue are used to inform ongoing implementation, and the Bank is flexible to allow necessary adjustments, as well to inform future operations.		C	S			
Managing - Process Efficiency	A3d	Bank processing - from project identification through to closure - is efficient in terms of time taken and level of effort (i.e. staff make use of streamlined procedures to reduce transaction costs).	D	C	S			T
Managing - Predictability	A3e	PBO disbursements are timely and predictable, in line with alignment and predictability principles including the government's own budgetary cycle, in terms of (i) overall and (ii) in year disbursements.	D	C	S			T
Managing - Flagged	A3f	PBOs have a lower share of flagged operations as compared to investment projects (and any change over time).						T
Managing - Transaction Costs	A3g	Bank PBOs are considered by clients to have lower transaction costs than Bank investment projects.		C	S		E	
Managing - Transition	A3h	The Bank's approach to managing PBOs in transition states is appropriate, aligned with its own policy and guidance and international good practice.	D	C				

JC label	JC code	Judgement Criterion	PPDR	Clusters	eSurvey	Inst. Comp.	REEE	Portfolio trends
A4. Resourcing. To what extent is the Bank appropriately resourcing itself to support use of the PBO instrument?								
Resourcing - capacity	A4a	There are sufficient staff with the right expertise and in the right places to enable the Bank to (i) identify and programme; (ii) provide supporting analytical work; (ii) design; (iii) engage in policy dialogue and (iv) manage and implement its PBOs effectively.		C	S			
Resourcing - institutional	A4b	The Bank structure and institutional framework for PBOs has facilitated the effective implementation of the PBO policy.		C	S			
Resourcing - training	A4c	The Bank has disseminated and backed its policy and guidelines with practical training and support for staff.				I		
Resourcing - organisation	A4d	The Bank's approach to resourcing and organising itself to deliver PBOs, including in different types of country context, compares favourably to leading peer organisations.				I		

JC label	JC code	Judgement Criterion	PPDR	Clusters	eSurvey	Inst. Comp.	REEE	Portfolio trends
B1. Effectiveness. To what extent are PBOs achieving results?								
Portfolio effectiveness - outputs / outcomes	B1a	Extent to which the Bank is achieving expected results across the PBO portfolio (within the envisaged timeframe), in comparison with reported results (including results of wider evaluations of budget support). (Subject to availability of validated data)			S		E	
Energy effectiveness - outputs / outcomes	B1b	Extent to which the Bank is achieving expected results with its PBOs in the energy sector.		C				
PSE effectiveness - outputs / outcomes	B1c	Extent to which the Bank is achieving expected results with its PBOs focused on private sector enabling environment.		C				
Unintended – positive / negative	B1d	Any unintended effects of Bank PBOs and related engagement are positive rather than negative.		C			E	
B2. Sustainability. To what extent are the results achieved with the contribution of PBOs sustainable?								
Portfolio - sustainability	B2a	Extent to which the benefits are assessed as sustainable across the PBO portfolio, and comparison with reported sustainability of GBS / SBS in general. (Subject to availability of validated data)					E	T
Energy - sustainability	B2b	Extent to which the benefits of PBOs are assessed as sustainable in the energy sector.		C				
PSE - sustainability	B2c	Extent to which the benefits of PBOs focused on private sector enabling environment are assessed as sustainable.		C				

JC label	JC code	Judgement Criterion	PPDR	Clusters	eSurvey	Inst. Comp.	REEE	Portfolio trends
C1. Factors. What factors hinder and enable the Bank to appropriately programme, design and manage its PBOs appropriately and to achieve results?								
Factors - mechanism	C1a	Which factors affecting performance relate mainly to the PBO mechanism? What is their importance relative to contextual factors and do they relate primarily to the Bank's programming/ design/ management/ resourcing process or to factors inherent to all Budget Support?		C	S		E	
Factors - context	C1b	Which factors affecting performance relate mainly to the context for the PBO and the RMC's capacity to implement agreed reforms in the given political and institutional circumstances?		C	S		E	
C2. Lessons. What evidence based lessons will enable the Bank to make use of PBOs to support High 5 objectives?								
Lessons – programming / design / management / High 5s	C2a	What lessons can be drawn that will support the Bank in programming, design and management of PBOs both in general and for the High 5s?	D	C	S	I	E	
Lessons - performance	C2b	What lessons can be drawn to support the Bank in improving performance and results of PBOs both in general and specifically for the High 5s?	D	C	S	I	E	
Strategic framework / Organisation/ DBDM	C2c	Extent to which changes are required in the Bank's (i) strategic framework for PBOs including the policy and guidance and the framework for continuous learning; (ii) organisation and capacity. And extent to which existing challenges are likely to be addressed with the Bank's new business development and delivery model.	D	C	S	I	E	

D= Document review, C= Case study; S=Survey; I= Institutional comparative; E= REEE and T=Portfolio trends

Table A2.2: Main components of the evaluation

Component	Data Sources	Further information
1. Review of Portfolio Data	SAP data triangulated and verified with operations and the statistics department.	Portfolio Note
2. Project portfolio document review	DARMS, the Bank's website, intranet and task managers. 72 % of portfolio covered.	PPDR report
3. Focused institutional comparative review	Interviews, documents provided by comparator institutions. World Bank and EU covered.	ICR report
4. Online survey	Internal Bank staff involved in PBOs 20120-17 targeted and RMC officials in countries which the Bank supported with PBOs in the same period. 43% response rate internal 35% external	eSurvey report
5. Cluster of five PBO in-depth assessment including a focus on energy.	Documents review, focus groups, stakeholder interviews (Bank, RMC officials, other development partners, civil society and private sector).	Synthesis report and 5 annexed country reports
6. Cluster of five PBO in-depth assessment including a focus on business enabling environment.	Documents review, focus groups, stakeholder interviews (Bank, RMC officials, other development partners, civil society and private sector).	Synthesis report and 5 annexed country reports
7. Review of existing evaluation literature	Content analysis of 47 evaluative documents including 31 AFDB and 16 external.	REEE report

Approach to the two clusters of case studies

The approach to the two clusters of in-depth studies included the following:

- Desk review of (i) project documents; (ii) documents relating to the context for the project; country indicators.
- Country missions including interviews with stakeholders, notably: Bank staff and management, RMC officials in targeted ministries and agencies; development partners; and other stakeholders notably civil society and private sector representatives; document collection in country.
- Analysis of evidence collected enabling assessment on the basis of a four-point rating scale against each of the parameters explained in Box A2.1. These parameters fall into three categories: context ("C"), mechanisms ("M") and outputs/outcomes ("O"). This categorization allowed comparative analysis of factors enabling or hindering results across a group of case studies. The approach is inspired by realist synthesis – which seeks to identify how different conditions (contextual and mechanism) combine to produce results. Each of the two clusters of in-depth assessment syntheses drew out factors affecting results.
- Completion of a standard report template, which covered the issues outlined in Box A2.1.
- Completion of a synthesis report for each of the two clusters, in which analysis of the factors across the five cases was set out.

Box A2.1: Coverage of country case studies

The assessment was structured to assess the context, the PBO mechanism and the results/contribution to results. Each of these aspects was given a narrative assessment and a numeric rating on a 1-4 scale.

A. Country context (Socio-economic status [HDI]; Political Governance Status [WGI]; Technical Governance Status [WGI]; Relations with DPs).

B. Quality of PBO Mechanism (Programming according to PBO Policy; Quality of Design; Time Efficiency and Transaction cost; Framework for Policy Dialogue in targeted sectors).

C. PBO Intermediate Outcomes (separated by sector/sub-sector examined – between 1 and 3 in each case; and by intermediate outcomes achieved and PBO's influence on their achievement)

D. PBO Final Outcomes (separated by sector/sub-sector examined – between one and three in each case; and by final outcomes achieved and PBO's influence on their achievement)

E. Sustainability (Ownership and sustainability of partnerships; Political sustainability; Institutional sustainability; Financial sustainability)

The approach taken in these two clusters of in-depth studies, was designed to reflect the specificity of PBOs and the emphasis on learning, in particular:

i. The balance of effort and design for how data collected was categorized, was on learning. This involved in particular emphasis is on identification of factors (both relating to the context and to the PBO mechanism) and how those relate to performance.

ii. In assessment of effectiveness the focus of the detailed analysis and on the rating given was on "landmark changes" this reflects the reality that some reforms are more important than others, the assessment took into account whether or not these landmark reforms were achieved in providing an effectiveness assessment.

iii. The assessment also sought to explicitly address the extent to which the Bank's PBO and linked engagement contributed to the achievement of reforms, by establishing the degree to which the Bank's influence could be evidenced.

Sampling

Sampling is relevant for three of the components.

For the PPDR, 72% of the portfolio was covered. The sample is representative at the global level. Where sub-categories become too small comparisons are not made. The list of projects included in the PPDR are those highlighted in Annex 1.

The stratified sample was designed to ensure variation and representativeness against the following dimensions:

- *Country categories:* 15 PBO in fragile states, 26 in low-income counties and 19 in middle-income countries.
- *The PBO classification:* General Budget Support, Sector Budget Support or Crisis Response Budget Support.
- *The type of PBO approach:* Self standing operations, Programmatic tranching, Programmatic operations and CRBS.

For the in-depth studies a cluster approach was used. This approach allowed strong evidence to be collected within specific areas, but limits the extent to which the findings are generalizable across the full portfolio. The two areas of energy and business enabling environment were identified early in the design stage following (i) analysis of recent use of PBOs funds; (ii) availability of existing evidence; and (iii) pertinence to future directions for the Bank particularly the High 5s. Moreover, the identified two focus areas were subject to consultation in early discussions. In addition to evaluating the energy or PSE components, the cases also examined the PFM components of these PBOs (present in 9 of 10 countries). It is important to note that for the two GBS cases that included a broad range of targeted sectors in addition to energy/BEE/PFM those other sectors were not the focus of more in depth analysis, although delivery of all reforms was assessed.

Within these two sector areas, cases were identified based on the following:

- **Evaluability:** The sample included countries with PBOs that are at a reasonably mature stage of implementation, with at least 12 months since approval so that some influence may be expected on intermediate outcomes (induced outputs). All 2017 approvals were therefore excluded from potential candidates.

- **Contemporary relevance:** Countries with relatively recent PBOs whose design and implementation should reflect the 2012 policy, and where the process of implementation is not so far in the past as to be beyond the normal 'recall period' of those interviewed. This meant most came from the 2014-16 period.

- **Diversity in terms of type of PBOs:** A combination of countries with SBS versus GBS, SSOs POs and PT.

- **Diversity in terms of country contexts:** The sample chosen covers (i) MICs, LICs and Transition countries; (ii) countries in at least four of the five sub-regions in which the Bank operates; (iii) Anglophone, Francophone, and Lusophone countries.

- **Diversity of size:** Reflecting the significant diversity in the size of Bank PBOs in the portfolio as a whole. The sample included some of the most materially important PBOs, small PBOs and a range in between.

The ten countries and 16 operations covered by the in-depth studies are shown in Table A2.3. Collectively they account for Million UA 2,155,040 in approvals and 36% of the approval volume 2012-16. The assessments made for this sample are representative for the parts of the portfolio they represent: Energy, PSE and PFM. However, the sample was not designed to be generalizable across the full portfolio. In particular, PBOs with a focus on social sectors – which have also been an important part of the portfolio and managed by a different department - are not covered.

Table A2.3: The two clusters of in-depth assessments

Country	PBO Operations to be assessed	Approval Date	PBO type	Disbursement ratio	Net Loan (UA million)
ENERGY CLUSTER					
Angola: MIC Lusophone Southern Africa	PSRSP - Power sector reform support programme	2014	SBS	100%	705
Comoros: Transition Francophone East Africa	PARSE – Energy Sector Support Programme	2014	SBS	100%	4
	PARSEGF - Energy sector reform and financial governance support programme	2012	GBS	100%	2
Burkina Faso: LIC Francophone West Africa	PASE - Energy Sector Budget Support Programme	2015	SBS	100%	20
Nigeria: MIC Anglophone West Africa	EGDCSP - Economic governance, diversification and competitiveness support programme (incl. Energy sector governance & competitiveness)	2016	GBS	100%	445.6
Tanzania: LIC Anglophone East Africa	PSRGSP II - Power sector reform and governance support program	2016	SBS	100%	37.4
	PSRGSP I - Power sector reform and governance support program	2015	SBS	100%	35.5
PSE CLUSTER					
Egypt: MIC Arabic/ Anglophone North Africa	EGESP II - Economic governance and energy support program Phase II (P-EG-K00-010)	2016	GBS	100%	371.3
	EGESP I - Economic governance and energy support program Phase I (P-EG-K00-009)	2015	GBS	100%	371.3
Mali: Transition state Francophone West Africa	PARGE II - Programme d'appui aux réformes de la gouvernance économique Phase II (P-ML-KA0-004)	2016	GBS	0%	23.2
	PARGE I - Programme d'appui aux réformes de la gouvernance économique Phase I	2015	GBS	100%	15
Morocco: MIC Francophone North Africa	PACEM - Morocco Economic Competitiveness Support Programme	2015	GBS	100%	83.5
Ghana: LIC Anglophone & Francophone West Africa	Public Financial Management and Private Sector Competitiveness Support Programme - Phase II	2016	GBS	100%	35
	Public Financial Management and Private Sector Competitiveness Support Programme - Phase I	2015	GBS	100%	40
Seychelles: HIC Anglophone East Africa	IPSDCP II - Inclusive Private Sector Development and Competitiveness Programme Phase II	2015	GBS	100%	7.4
	IPSDCP I - Inclusive Private Sector Development and Competitiveness Programme Phase I	2013	GBS	100%	14.9

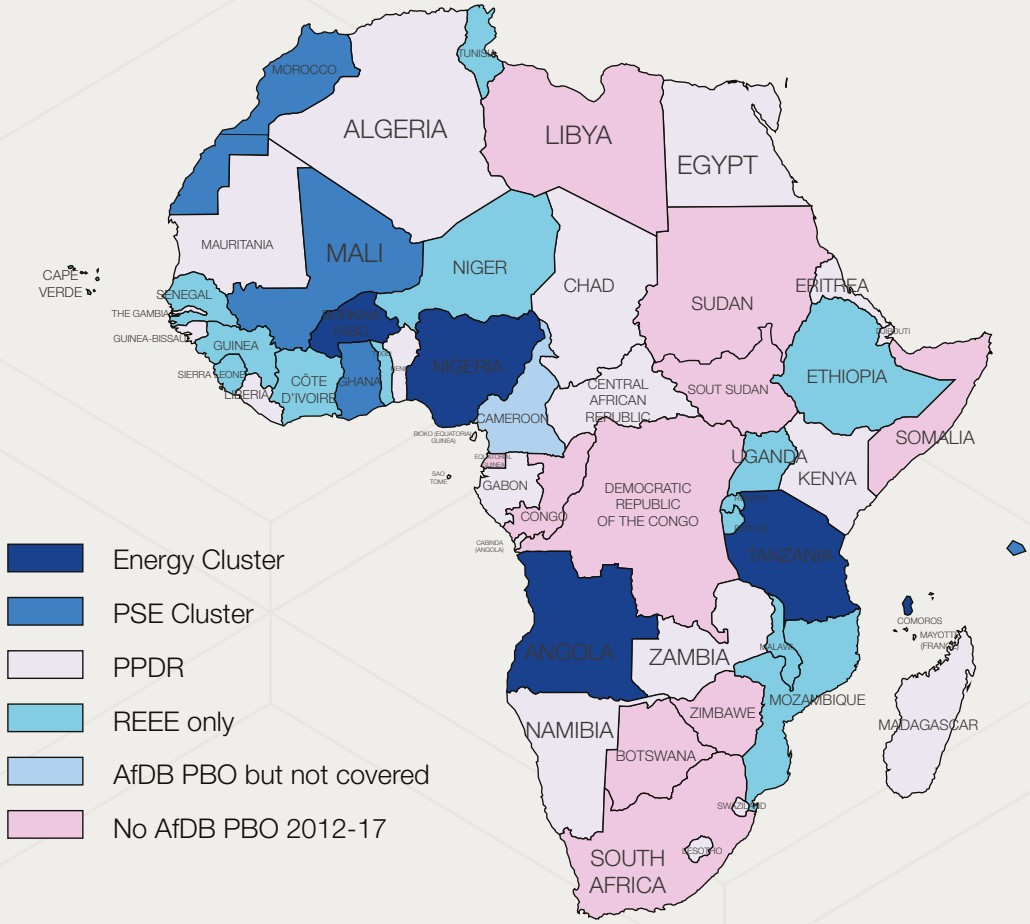
Other evidence is used to provide an indication as to whether the findings on performance for the in depth-cases are likely to hold true to the broader portfolio. As described in Table A2.4, once other IDEV evaluation evidence and PCRs are included, coverage of the 2012-16 portfolio increases to a representative 72%. However, IDEV considered this data to have limitations in that (i) a different methodology to assess effectiveness is used, without taking into account the relative importance of different reforms; and (ii) a large share of the PCRs have not been through the IDEV validation process, therefore IDEV cannot attest to their frankness or evidence base.

This constraint only applies to the assessment of performance. Efficiency is examined on a portfolio-wide basis as well as in the PPDR and in-depth studies. Relevance is examined in the PPDR and the in-depth studies (and some aspects of alignment across the full portfolio). In addition, IDEV reviewed existing evaluation evidence to look beyond ratings, as part of the REEE. Figure A2.1 illustrates the overall coverage of the continent, which leaves only one country to which AFDB has provided a PBO in the period without some form of coverage within the evaluation (Cameroon, approved 2017).

Table A2.4: Coverage of the Portfolio for the assessment of performance

	Number of (additional) countries	Percent of countries 2012-16	Number of operations	Percent of 2012-16 total	Approval volume	Percent of 2012-16 approval volume
In-depth studies	10	33	16	21	2,155,040	37
Other IDEV evaluations	7	23	15	20	907,887	16
IDEV Sub-total	17	56	31	41	3,062,927	53
PCR only	9	30	22	29	1,166,311	20
Total	**26**	**87**	**53**	**70**	**4,229,240**	**72**

Figure A2.1: Country coverage by various components of the evaluation



Note: Some countries were covered by two of three aspects. For example, operations included in the clusters were also included in the PPDR. Many countries covered within the REEE were also covered in other components; those marked here are those only in the REEE.

For the e-survey a response rate of 41% was achieved. Further information about the sample how the population was established is provided in Annex 4.

For the institutional comparison, the two comparator institutions were selected on the basis that they are the only multilateral organizations that provide budget support in Africa, such as World bank and EU. Inclusion of the EU provides a helpful contrast to comparison with other IFIs.

Synthesis

The synthesis of the large volume of evidence generated took place in three stages:

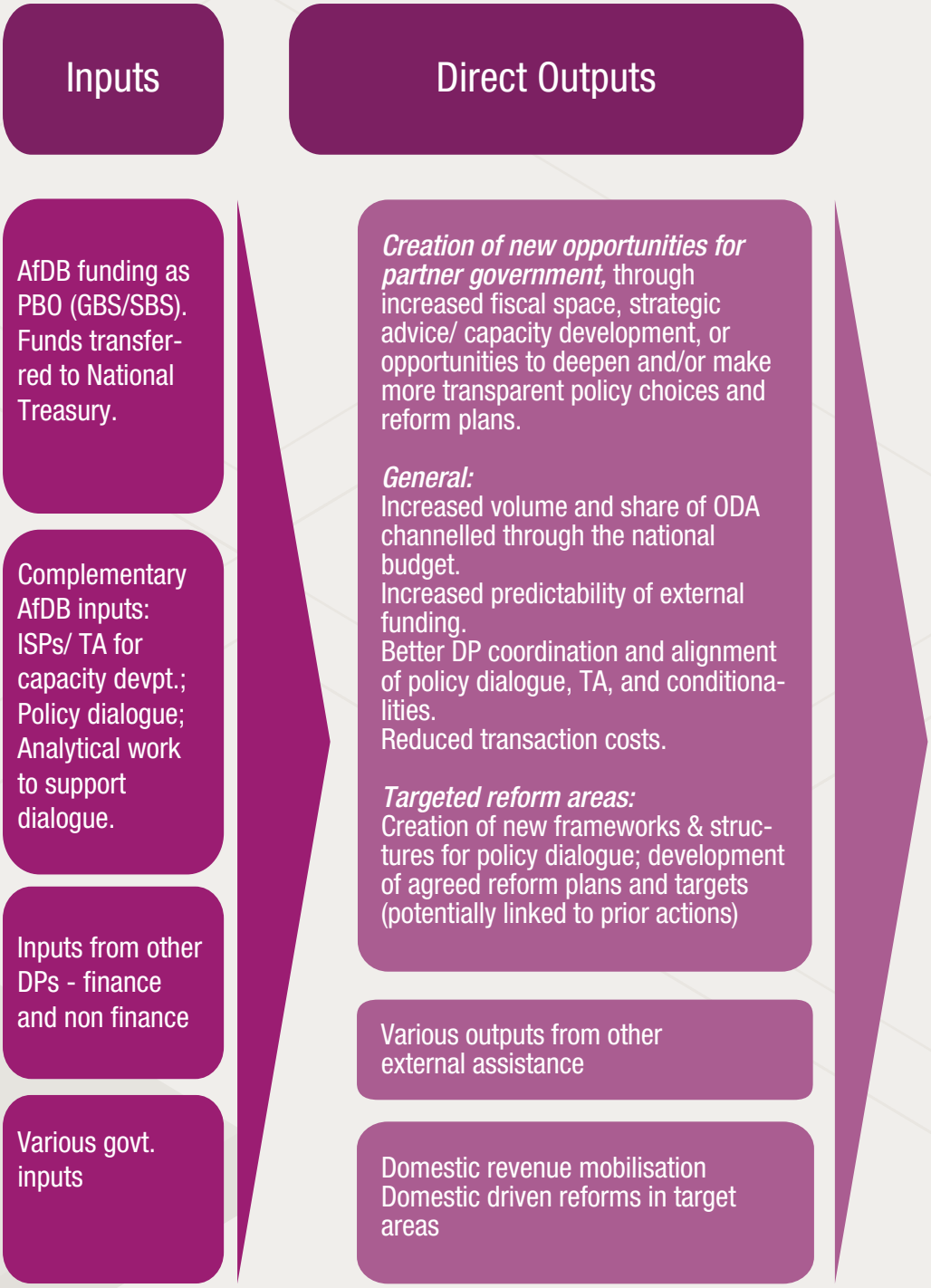
- Synthesis reports were produced for each of the two clusters, using an approach that draws on the principles of Realist Synthesis.[51]
- Two emerging findings discussions were held with concerned staff, including some reference group members. In addition to validation of the findings, this also helped the team to prioritize issues and ensure any important data gaps were addressed.
- Collectively the ten countries allowed for comparison of 21 different outcome assessments. The Qualitative Comparative Analysis (QCA) approach used sought to identify what combination of factors – whether relating to the context or to the Bank are consistently or nearly always necessary to achieve certain results. QCA software (FsQCA) was used to generate consistency figures (between 0 and 1, with 1 indicating that all the cases that attained certain results exhibited a certain combination of factors) and coverage (also between 0 and 1, with 1 indicating that that combination of factors fully explains achievement of results).
- Finally, each of the outputs were reviewed against the coding scheme aligned with the evaluation matrix (see labels in the EQ matrix). This enabled the IDEV team to confirm what lines of evidence were available against each of the questions thus determining the strength of evidence through triangulation, and where any evidence gaps remained. For example, some gap filling analysis was conducted in relation to cross cutting issues, which the process revealed had been inadequately addressed in the main components.
- For the three evaluation criteria that are rated, Table A2.5 shows how the rating was arrived at.

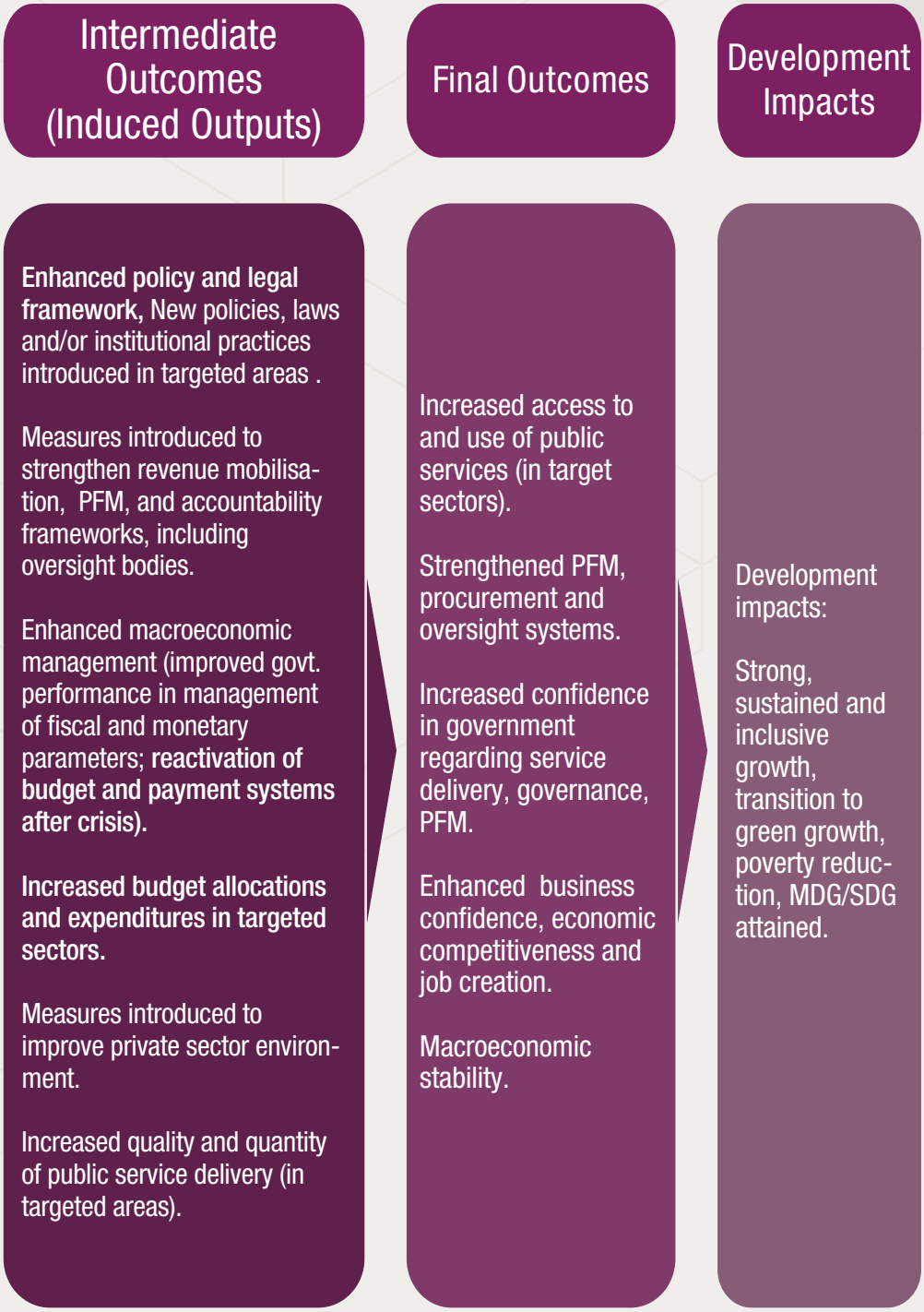
Process, engagement and quality control

The design or planning documents for this evaluation comprised an Approach Paper, an Information Note to the Board (provided in response to a specific request from some Board members) and an Inception Report. The Inception Report was the basis for the first of three formal reference group meetings. The two further meetings were held to discuss (a) the 17 technical background reports and then (b) the draft Summary Report. With regards to the individual in-depth assessments, the draft reports were also shared for comment with key staff involved –such as task managers. In addition, each of the three milestone documents were subject to both internal IDEV peer review and an external expert review. All comments were taken into account before reports were revised and finalized.

The principles of impartiality and independence as well as participation of stakeholders have underwritten the process for conducting the evaluation. Internal stakeholders were involved, the reference group (which comprised diverse membership) as well as through emerging findings focus groups. Both internal and external stakeholders were involved in data collection as key informants and in the online survey, all based on agreed confidentiality (no individual interviewee views are attributable; all survey responses are fully anonymous).

Figure A2.2: General PBO Theory of Change




Intermediate Outcomes (Induced Outputs)
Final Outcomes
Development Impacts
Enhanced policy and legal framework, New policies, laws and/or institutional practices introduced in targeted areas .
Measures introduced to strengthen revenue mobilisation, PFM, and accountability frameworks, including oversight bodies.
Enhanced macroeconomic management (improved govt. performance in management of fiscal and monetary parameters; reactivation of budget and payment systems after crisis).
Increased budget allocations and expenditures in targeted sectors.
Measures introduced to improve private sector environment.
Increased quality and quantity of public service delivery (in targeted areas).
Increased access to and use of public services (in target sectors).
Strengthened PFM, procurement and oversight systems.
Increased confidence in government regarding service delivery, governance, PFM.
Enhanced business confidence, economic competitiveness and job creation.
Macroeconomic stability.
Development impacts:
Strong, sustained and inclusive growth, transition to green growth, poverty reduction, MDG/SDG attained.

Assumptions

Other Development Partners coordinate their inputs appropriately with the Bank and act in ways that enhance complementarity of interventions.

Bank has expertise to provide policy dialogue inputs, drawing on relevant own or partner analytics.

Partner government has the willingness and the implementation capacity to engage effectively in the programme of reforms agreed with the Bank and to fulfil the prior actions necessary to initiate disbursements.

Political will is present and sustained (including specific champions within the Executive and ideally Parliament.)

New policies/frameworks/laws are appropriate.

Training and equipment is effective in enhancing capacity (i.e. trained staff retained)

Sufficient resources/expertise available to execute/ implement new reforms and tools.

AfDB working relations with country stakeholders are conducive to effective dialogue and collaborative approach to reforms.

High degree of AfDB control and implementation (i.e. Internal factors)

Assumptions

There is the institutional and political space to ensure that enhanced capacity and tools can be effectively applied.

Political will is present and sustained to (i) Apply improved policies; (ii) Implement strengthened systems and capacities; (iii) Reduce corruption and mismanagement; (iv) other as per specific PBO.

Demand side of governance is present, voiced and heard.

Bank and other DPs effectively engage on upstream reform issues.

Broader security & economic and development context remains on similar path (e.g. no new conflict, natural disaster or economic crash).

Low degree of Bank control
Context (i.e. External factors)

Table A2.5: Overarching rating scale

	4: Highly Satisfactory	3: Satisfactory	
Relevance (full portfolio)	All (or with minimal exceptions) PBOs in the sample meet at least the satisfactory bar, with at least half meeting the highly satisfactory bar in the PPDR sections on programming and design. All or nearly all of the 10 cases meet at least the satisfactory bar (of which at least half highly satisfactory) on aspects of programming and quality of design. All or nearly all of the 10 cases meet at least the satisfactory bar (of which at least half highly satisfactory) on the overall assessment of relevance. Stakeholder views obtained in the survey are at least 80% positive on all or almost all design and relevance aspects.	The majority (more than 65%) of PBOs meet at least the satisfactory bar in the PPDR sections on programming and design. The majority (+6) of the 10 case studies also meet the satisfactory bar on aspects of programming and quality of design. The majority of the 10 case studies meet the satisfactory bar on the overall assessment of relevance. Stakeholder views obtained in the survey are at 65% or more positive on the majority of design and relevance aspects.	
Effectiveness	For achievement of landmark reforms (i) most (18+) of the 21 components are assessed as satisfactory+ at induced output level; (ii) Bank influence is also evident in most (18+) of cases. With regards output execution ratios, 90% are achieved/partially achieved/achieved with delay, and at least 70% are fully achieved. Most (9+) of the of the country studies have an overall rating for effectiveness of satisfactory+ and half of those are highly satisfactory. (In order to infer relevance for the broader portfolio: The pattern is confirmed by IDEV evaluation evidence from CSPEs, PCR reporting and REEE analysis).	For achievement of landmark reforms (i) the majority (14+) of the 21 components are assessed as satisfactory+ at induced output level; (ii) Bank influence is also evident in the majority (14+) of cases. With regards output execution ratios, 75% are achieved/partially achieved/achieved with delay. The majority (6+) of the country studies have an overall rating for effectiveness of satisfactory+ (In order to infer relevance for the broader portfolio: The pattern is confirmed by IDEV evaluation evidence from CSPEs, PCR reporting and REEE analysis).	
Sustainability	Most (8+) of the cases are assessed as having good prospects for sustainability at the aggregate level (all four sub-assessments). (In order to infer relevance for the broader portfolio: The pattern is confirmed by IDEV evaluation evidence from CSPEs, PCR reporting and REEE analysis).	The majority (6+) of the cases are assessed as having good prospects for sustainability at the aggregate level (all four sub-assessments). (In order to infer relevance for the broader portfolio: The pattern is confirmed by IDEV evaluation evidence from CSPEs, PCR reporting and REEE analysis).	

	2: Unsatisfactory	1: Highly Unsatisfactory
	Between 50 and 65% PBOs meet at least the satisfactory bar in the PPDR sections on programming and design. Around half of the 10 cases also meet at least the satisfactory bar (of which at least half highly satisfactory) on aspects of programming and quality of design. 5 or 6 of the 10 cases also meet at least the satisfactory bar) on the overall assessment of relevance. Stakeholder views obtained in the survey are less than 65% positive in the majority of design and relevance aspects.	Less than half of the PBOs meet the satisfactory bar in the PPDR sections on programming and design. Three or less of the 10 cases meet at least the satisfactory bar on aspects of programming and quality of design. Less than half of the 10 cases meet at least the satisfactory bar on the overall assessment of relevance. Stakeholder views obtained in the survey are less than 50% positive on the majority of design and relevance aspects.
	For achievement of landmark reforms (i) between 13 and 7 of the 21 components are assessed as satisfactory+ at induced output level; (ii) Bank influence is evident in a minority of cases. With regards output execution ratios, less than 75% (more than 50%) are achieved/partially achieved/achieved with delay. Half (5) or less of the country studies have an overall rating for effectiveness of satisfactory+ (In order infer relevance for to generalize to the broader portfolio: The pattern is confirmed by IDEV evaluation evidence from CSPEs, PCR reporting and REEE analysis).	For achievement of landmark reforms (i) 6 or less of the 21 components are assessed as satisfactory+ at induced output level; (ii) Bank influence is evident in very few or no cases. With regards output execution ratios, less than 50% are achieved/ partially achieved/achieved with delay. The minority (3) or less of the country studies have an overall rating for effectiveness of satisfactory+ (In order infer relevance for to generalize to the broader portfolio: The pattern is confirmed by IDEV evaluation evidence from CSPEs, PCR reporting and REEE analysis).
	Half or less of the cases assessed as having good prospects for sustainability at the aggregate level (all four sub-assessments). (In order to infer relevance for the broader portfolio: The pattern is confirmed by IDEV evaluation evidence from CSPEs, PCR reporting and REEE analysis).	The minority (3 or less) of the cases are assessed as having good prospects for sustainability at the aggregate level (all four sub-assessments). (In order to infer relevance for the broader portfolio: The pattern is confirmed by IDEV evaluation evidence from CSPEs, PCR reporting and REEE analysis).

Annex 3: Trends and Compostion of the PBO Portfolio

Construction of the 2012-17 PBO portfolio

The database construction process involved an extraction of project data from the Bank information system (System Applications Products - SAP). To validate the list of eligible PBOs for the analysis, the team then reviewed and discussed the three PBO datasets/lists from IDEV (based on SAP data), ECGF (Economic governance department), ECST (Statistics department) and FIFC (Financial control department). This comparison showed inconsistencies mostly with the ECST database, which related to (i) the specific coding / classification used and (ii) the treatment of PBO components funded from the Transition State Facility window. An interdepartmental committee, set-up by the Senior Vice President worked closely to review/correct discrepancies. Finally, the list of PBOs approved between 2010 and 2016 (100 PBOs) was validated by the Committee. This list has been completed by 17 PBOs approved in 2017.

Descriptive portfolio statistics

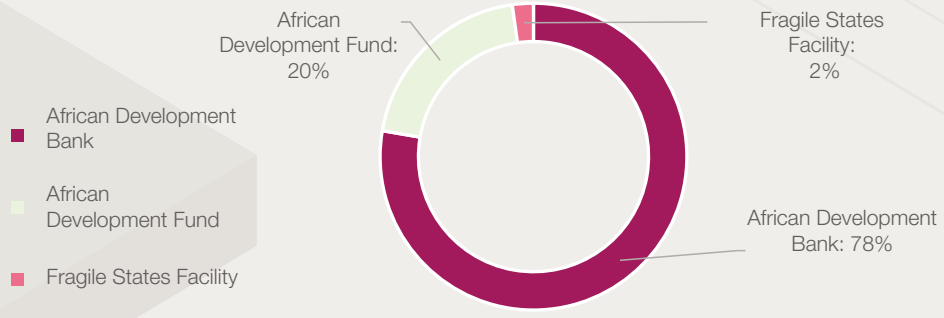
Table A3.1: Comparison between the previous and current evaluation data

Criteria	Evaluation 1999-2009	2010-2017	2012-2017
Total number of PBOs	120	117	91
Average number per annum	10.9	14.6	15.2
Total approval volume	UA billion 6.1	UA billion 8.6	UA billion 7.2
Share of ADB (volume)	59.0%	72.4%	77.7%
Share of Grant (volume)	11.5%	8.5%	6.1%

Source: IDEV Evaluation of PBO, 1999-2009 and IDEV PBO database

The Bank has used the PBO instrument in 36 countries during the 2010-17 period, deploying UA 8.6 billion of the Bank's approvals. During the period 2012-2017, which correspond to the year of approval of the new PBO policy, the Bank has approved 91 PBOs in 34 countries, amounting to UA 7.2 billion. Over this period, the average size of PBOs was higher in MICs than it was in LICs or transition states.

Figure A3.1: PBO approvals by window, 2012-2017



Source: IDEV PBO database

Funding for PBOs came from three main sources, African development fund (ADF), African Development Bank (ADB) and transition state fund – (TSF). During 2012-17, ADB was the main source of financing as the average size of ADB PBOs grew from 153 Million UA to 175.4 M UA while for ADF PBO size fell from 40.8 M UA to 30.2 M UA between 2010-2011 and 2012-2017.

Following particularly high levels of PBO approvals in 2016, the Board and Senior Management have agreed to set a ceiling for 2017 PBO approvals of 15%. In comparison, the share of ADF resources allocated to PBOs was kept below the ceiling of *25% committed for ADF cycles as a whole during the evaluation period.*

Figure A3.2: Trend in share of ADF resource allocated to PBO

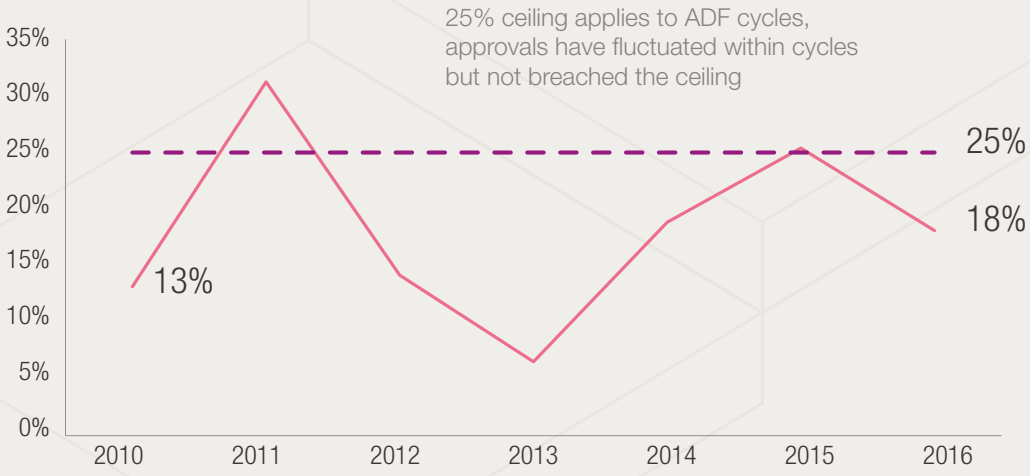
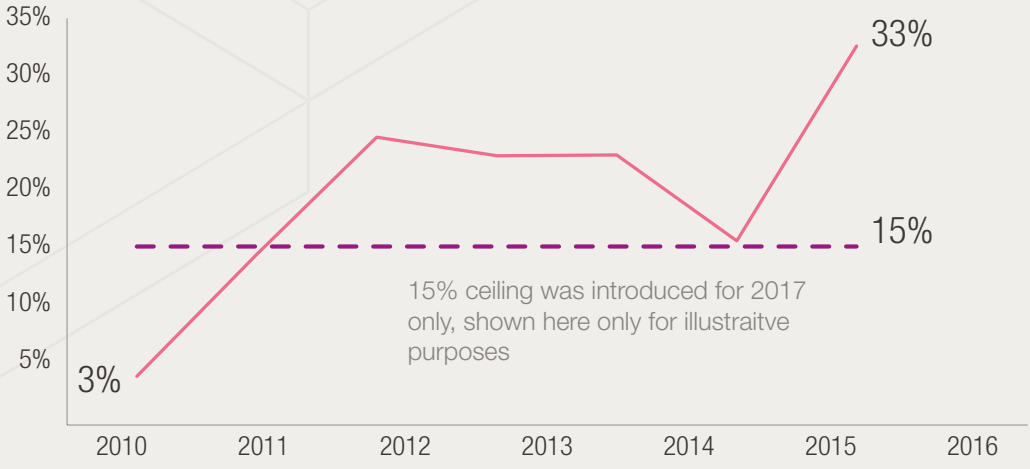


Figure A3.3: Trend in share of ADB resource allocated to PBO



Source: IDEV PBO database and Bank's Annual reports

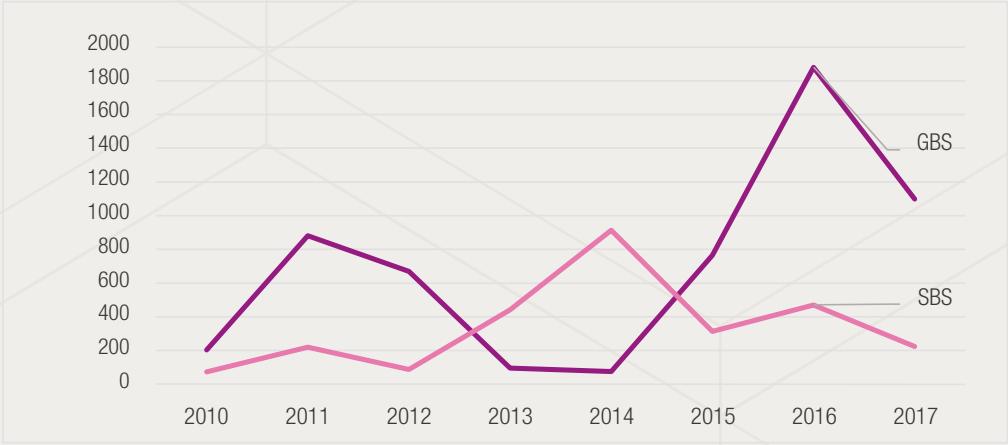
The Bank most often uses general budget support (GBS) for its PBOs (see Table A3.2). A comparison between the pre and post 2012 Policy showed that on average, the use of sector budget support (SBS) was growing, rising from 11.5% before 2012 to 26.4% during the post-PBO policy period in terms of number and from 21.2% to 33.9% in term of approval amount. The total number of SBS PBO approvals has steadily increased since 2012, while GBS approvals have dropped during the same period. However, since 2014, this trend reversed. GBS approvals rose exponentially and reached a peak of UA 1880 in 2016 before dropping in 2017, while SBS approvals have declined during the same period.

Table A3.2: Use of different types of PBO in the Bank by category, 2010-2017

		GBS	SBS	CRBS	Total
2010-2011	Number	23	3	-	26
	M UA	1083	292	-	1375
2012-2017	Number	59	24	8	91
	M UA	4585	2450	186	7221

Source: SAP & Project documentation review

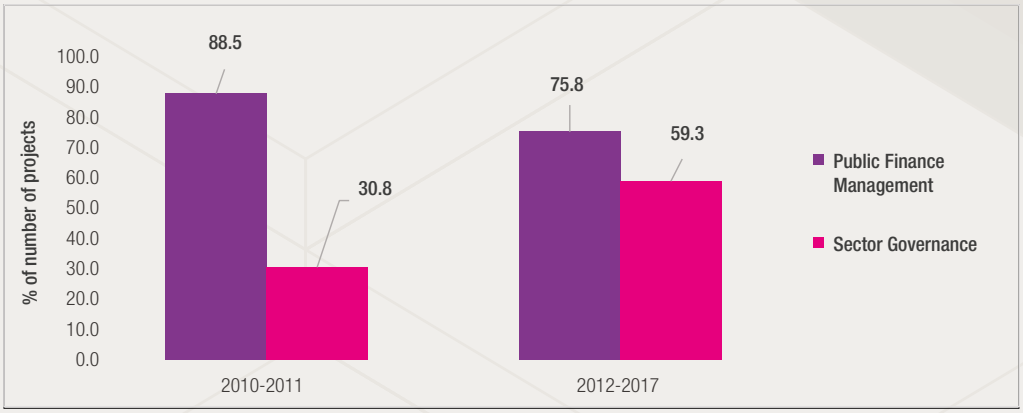
Figure A3.4: Trend in use of GBS versus SBS



Source: SAP & Project documentation review

PBOs can encompass reforms touching many sectors or sub-sectors. Between 2012 and 2017, 59.3% of PBOs approved had a component or sub-component relating to sector governance, compared to 31% for the period 2010-2011 (figure A3.5).

Figure A3.5: Inclusion of Sector Focus in Bank PBOs



Source: IDEV analysis

With regard to the High 5s, the following trends are observed:

- Budget support to reforms to the private sector enabling environment, which is closely related to "Industrialize Africa", are the most frequent form of PBO before and after 2012.
- It is followed by PBOs that "Improve the quality of life for the people of Africa" through support to education, health and social inclusion.
- PBOs that support "Light up and power Africa", have become an increasingly important instrument in recent years – involving 23% of operations and a large volume of funds
- 12 PBOs had some relevance to "Feed Africa"– either through support to the agriculture sector or through emergency nutrition programs; however, this grouping was very diverse and materially much less significant. 1 PBO contributed to "Integrate Africa" by supporting transport sector reforms in Nigeria.

Annex 4: Overview of Findings From the Stakeholder Survey

Sample

A confidential online survey was conducted to gather perceptions data. Both Bank staff and RMC officials who have been directly engaged in PBOs were targeted. The Bank staff were identified based on inclusion of their names on PBO PARs and the RMC officials based on the main official contact persons for the Bank's PBO teams, usually from ministry of treasury or planning, depending on the country arrangements. The overall response rate of 41% gives 90% confidence at a 5.5% margin of error. As shown in Table A4.1, the response rate was higher for Bank staff, and the population might be considered slightly lower since some had left the Bank and some felt unable to answer. In the case of Bank staff, some were found to have left the Bank and some felt that they were not sufficiently involved in the PBO to respond, so the population can be estimated to be slightly smaller than stated. While this response rate is relatively strong for internal surveys, it should be noted that the level of confidence for RMC officials is not statistically robust and is therefore treated with caution - it is mentioned separately only where there is a large divergence from staff responses.

Around a third of staff responses came from staff based in headquarters and two thirds elsewhere. The highest responses elsewhere were from Tunisia and South Africa, both of which are regional hubs.

Nevertheless, the number of responses exceeded original plans for Bank staff (40) since the identified population significantly increased following identification of a larger group of staff with some involvement in PBOs – however, this may have led to inclusion of persons with only limited knowledge, who are less likely to have completed the survey.

Table A4.1: Overview of respondents

Type of respondents	No.	Respondents	Response rate
AfDB staff	257	110	≈43%
RMC officials	60	21	≈35%
Total	317	131	≈41%

Reading the data

Most of the questions asked respondents to express their views on a 6 point sliding scale of negative (1 and 2); neutral (3 and 4); and positive (5 and 6) responses. Where the report refers to levels of positivity this is in relation to the proportion that responded on the positive end of the scale. It does not mean that the remainder was all negative, rather in many questions the proportion giving neutral responses was also quite sizable, as shown in the figures below.

Due to space constraints, not all of the questions are included here. A separate report of the survey is available. Some questions offered opportunities for respondents to insert free text. The word cloud in figure A4.1 gives an overview of the frequency with which certain words were used.

Figure A4.1: Word Cloud from the E-Survey free text responses



Overview of responses

Question: Based on your experience, to what extent did the design of PBOs adhere to good practices related to budget support in the following areas?

Figure A4.2: PBO design and good practices – Overview of responses



Figure A4.3: Policy and guidelines – Overview of responses

Question (only for AfDB staff): Based on your experience, to what extent did the AfDB PBO policy (2012) and related guidelines (2014) help in the design of the PBOs?

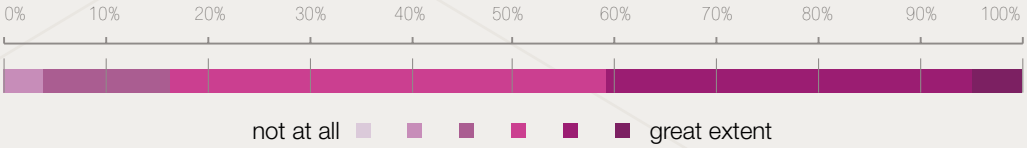


Figure A4.4: Human resources – Overview of responses

Question (only for AfDB staff): Based on your experience, to what extent have the human resources mobilised by the AfDB for the identification and appraisal stages been adequate to ensure a high-quality design of PBOs?

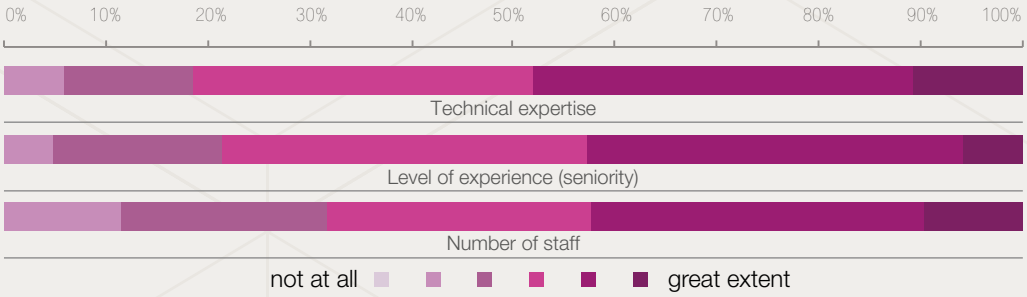


Figure A4.5: Dialogue – Overview of responses

Question: Based on your experience, to what extent has the quality of PBO-related dialogue between the AfDB and the government been satisfactory with respect to the following criteria?

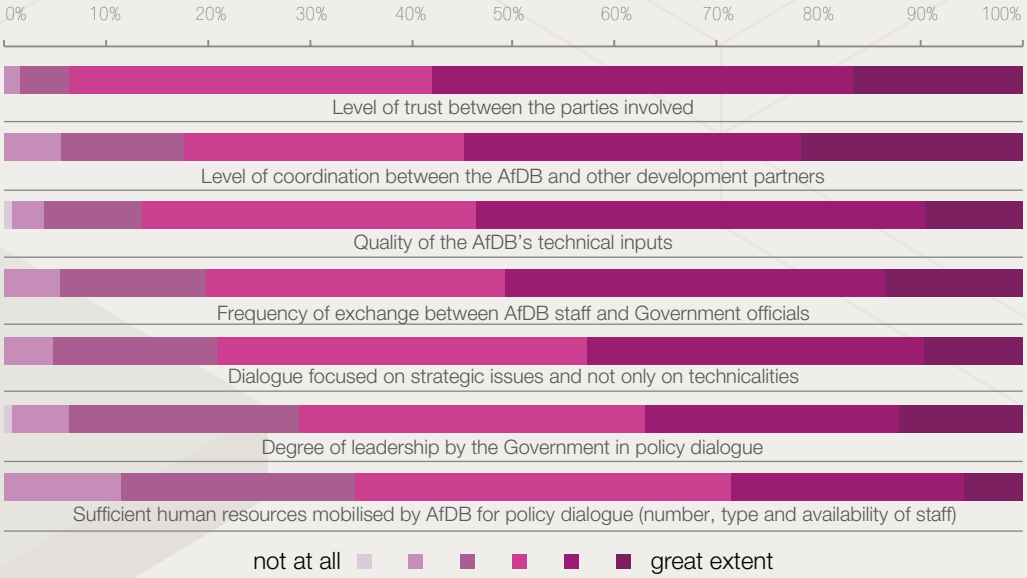


Figure A4.6: Monitoring and supervision – Overview of responses

Question 10: Based on your experience, to what extent has the PBO monitoring and supervision been satisfactory with respect to the following criteria?

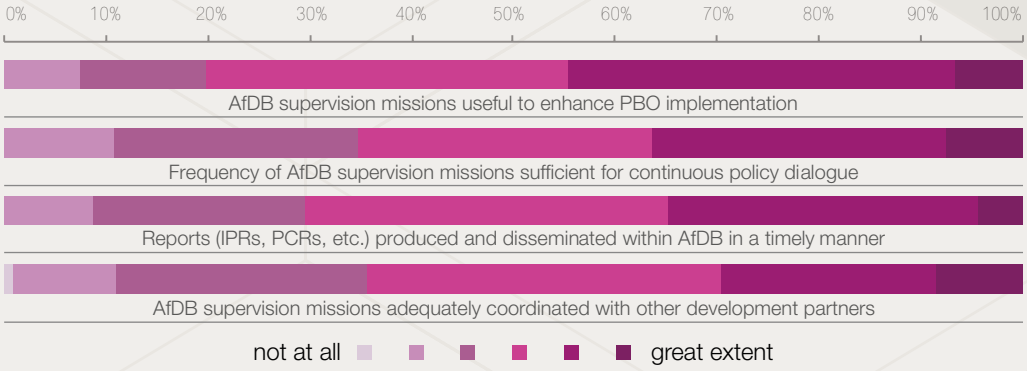


Figure A4.7: Implementation on time – Overview of responses

Question: To what extent have PBOs been implemented on schedule and in a predictable manner?

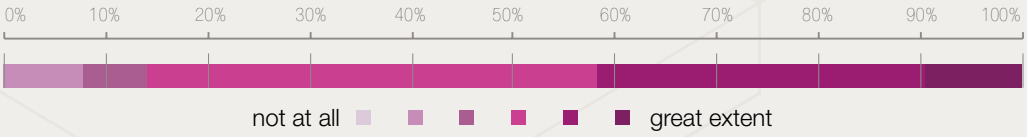


Figure A4.8: Achievement of Targeted Outcomes – Overview of responses

Question 11: To what extent have there been improvements in the following areas targeted by PBOs?

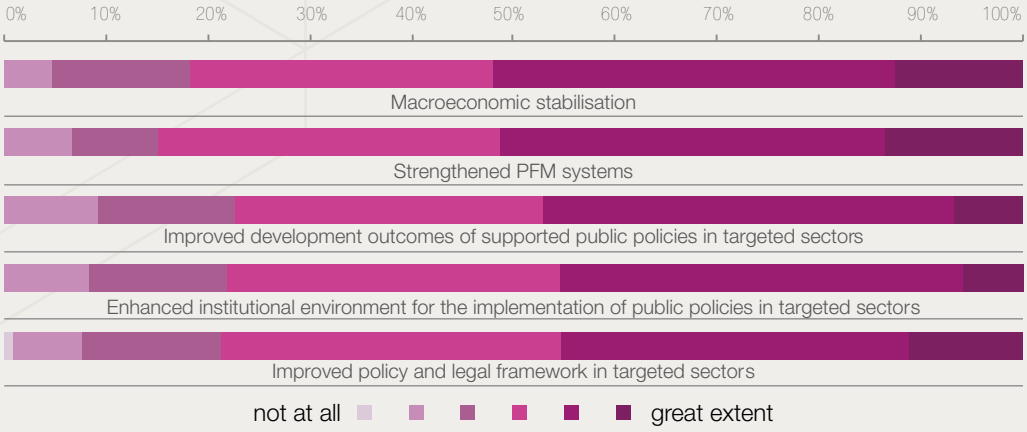


Figure A4.9: Contribution by PBOs to targeted Outcomes – Overview of responses

Question 12: To what extent have AfDB PBOs (funds, and linked support such as policy dialogue and technical input) contributed to above-mentioned improvements?

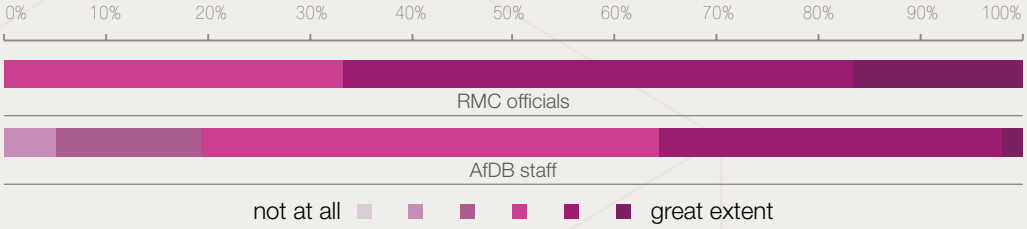
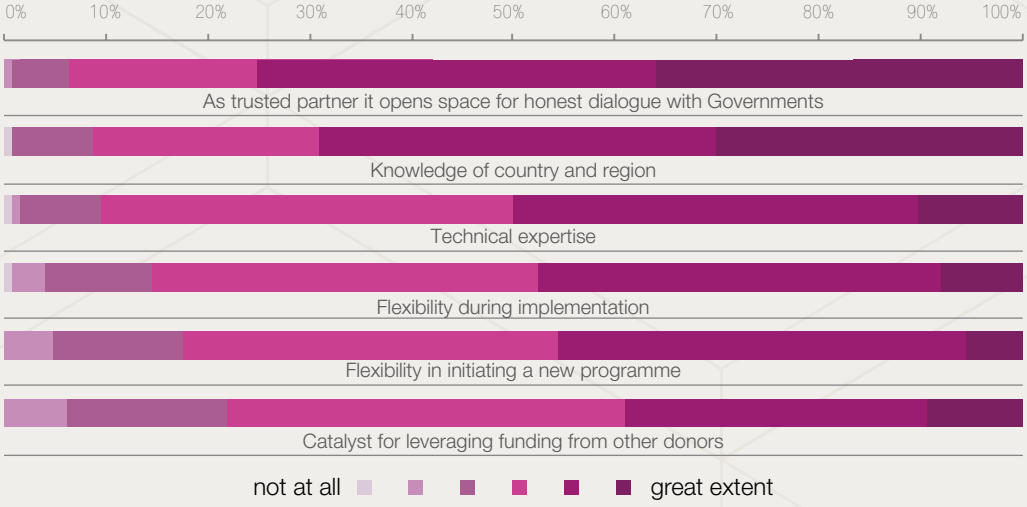


Figure A4.10: AfDB's comparative advantage – Overview of responses

Question: Based on your experience, to what extent does the AfDB present the following comparative advantages?



Annex 5: Progress Against 2011 Evaluation Recommendations

Recommendation from 2011 evaluation of PBO (1999-2009)		Degree of implementation by 2018
1	The Bank should take a decision about how the PBO instrument is to be used to support the Bank's wider strategic objectives and the needs of its RMC clients. To the extent that the Bank decides that PBOs should be used to strengthen engagement in policy dialogue, rather than just a financing mechanism, the Bank needs to build its capacity and develop its policies and procedures to fulfill this role more appropriately. This would require stronger technical and policy capacity, particularly in Field Offices; a deeper engagement in economic and sector work; and departmental and individual incentives to encourage cross-sectoral working.	**Low** Although in the 2012 Policy the Bank clearly took the decision that it wanted its PBOs to be more than just a funding mechanism, this evaluation finds some of the same weaknesses remain – including lack of technical and dialogue capacity. There has however been an increase in cross-sectoral working.
2	Guidance for the design of PBOs and identification of results should be based on a more fully developed model of their intervention logic; and the design framework should link the levels of financing to the scale of results. The Bank's results reporting should be based on the PBO's contribution to government expenditure; identify additional value added through the Bank's participation in policy dialogue and complementary support; and clarify outstanding issues about fiduciary risk management for PBOs. This may involve use of political economy analysis as an integral part of the design and monitoring of PBOs.	**Medium** Guidance has been developed and the guidance and the Policy outline a broad results logic. Contribution to government expenditure still has limited place in results reporting. The evaluation did not find cases of in-depth political economy analysis informing design and dialogue.
3	Existing PBO policies and guidance should be consolidated into a single policy. This may involve consolidation of existing instruments into a single instrument based on the current DBSL instrument. The Bank should review the use of the term of "policy-based operation" to refer to all types of budget support operations, as the term has the inappropriate connotation that these operations seek to bring about policy reform, even if they do not include policy dialogue.	**High** The new Policy was approved in 2012, which has significantly clarified the previous situation. The name was changed to program based operations – though the rationale for doing so was the move towards programmatic operations, not the removal of the policy dimension – which is at the forefront of the Policy and the guidelines.
4	The Bank should identify potential synergies between its engagements in general budget support and other parts of the Bank's programme, especially investment operations, as part of the preparation and review of Country Strategy Papers, as well as during the design of individual operations.	**Medium** In line with the 2012 Policy most PBOs are programmed in the context of CSPs, with synergies sought. However there are exceptions and areas where opportunities are missed.
5	To the extent that the Bank identifies potential synergies and contributions it can make through policy dialogue or complementary activities—including by chairing joint budget support groups—these should be explicitly built into the design of PBOs. They should also be supported with appropriate capacity and resources (especially in Field Offices) to ensure that they are e ective.	**Low** This evaluation finds the same weaknesses in planning for policy dialogue and providing timely CD. However, the evaluation did see cases where the Bank has played leading roles in country such as in budget support groups.

Recommendation from 2011 evaluation of PBO (1999-2009)		Degree of implementation by 2018
6	As part of the process of developing the Bank's new policy on PBOs, each sectoral area of the Bank should review its scope for using sectoral PBOs, contributing to multi-sectoral PBOs, and more effectively participating in SWAps. This review should include a discussion of specific issues relating to PBOs for that sector, while recognizing that the scope for sectoral PBOs depends on both the preferences of clients and the extent to which sectoral (rather than general) budget support programmes are able to address key constraints on sectoral performance, which may require cross-sectoral action.	**Medium** Although no formal review as such has been identified, there is clearly greater participation by some sector departments in the use of the instrument – notably energy and social sectors.
7	The Bank should examine how policies and procedures (especially relating to ADF) can be adapted to allow a more programmatic medium-term approach to budget support. This could be modelled on the World Bank's programmatic approach to Development Policy Operations, based on the use of single-tranche operations within a multi-year framework.	**High** The new Policy allowed for this type of programmatic operations and this now accounts for 42% of the portfolio.
8	The Bank should develop, fully document, and provide comprehensive training for staff in a set of procedures and timetables that are specifically tailored to the needs of PBOs and take account lessons from the Bank's rapid response to the urgent needs of RMCs during the international financial crisis. These procedures should be more flexible than those currently set out in the Appraisal of Projects Processing Schedule, while encouraging greater attention to analysis and more effective cross-sectoral teamwork than currently takes place.	**Low** Minimal training has been provided. However some procedural tools have been developed including the streamlined appraisal report. The RMF and reporting templates remain the standard ones used for investment projects.
9	The Bank should review and substantially strengthen its information systems and procedures for PBOs, which currently (in SAP) contain significant weaknesses and apparent inconsistencies, which constrain effective evaluation and monitoring of the Bank's PBO portfolio as a whole.	**Low** At the start of this evaluation, IDEV found that the Bank did not have an accurate overview of its PBOs. The process IDEV went through to confirm the portfolio is described in Annex 2. In addition, given IPRs are not always completed, the centrally stored monitoring information is very patchy. PCR completion rates also dipped 2015-16.

Annex 6: Overview of Component Rating Data For Case-Studies and QCA Factors

	Sector	C1: Socio-Economic Status (HDI)	C2: Political Governance Status (WGI)	C3: Technical Governance Status (WGI)	C4: Relations with development partners	C5: Ongoing IMF program	M1: Programming according to PBO Policy	M2: Quality of Design	M3: Time Efficiency and Transaction cost	M4: Framework for policy dialogue in targeted sectors	M5: Donor coordination
Angola	Energy	1	2	1	2	No	2	2	3	2	3
	PFM	1	2	1	2	No	2	2	3	2	3
Burkina Faso	Energy	1	2	3	4	Yes	3	2	4	2	3
Comoros	Energy	1	2	1	2	No	3	2	4	2	3
	PFM	1	2	1	2	No	3	2	4	2	3
Egypt	PSE	3	1	2	3	Yes	3	3	4	2	4
	PFM	3	1	2	3	Yes	3	3	4	2	4
	Energy	3	1	2	3	Yes	3	3	4	2	4
Ghana	PSE	2	3	3	3	Yes	4	3	4	3	3
	PFM	2	3	3	3	Yes	4	3	4	3	3
	Energy/ PSD	2	3	3	3	Yes	4	3	4	3	3
Mali	PSE	1	2	2	3	Yes	2	3	2	2	2
	PFM	1	2	2	3	Yes	2	3	2	2	2
Morocco	PSE	2	2	3	4	Yes	3	2	3	2	2
	PFM	2	2	3	4	Yes	3	2	3	2	2
Nigeria	Energy	1	1	1	2	No	2	2	4	3	3
	PFM	1	1	1	2	No	2	2	4	3	3
Seychelles	PSE	4	3	4	2	Yes	3	3	3	2	2
	PFM	4	3	4	2	Yes	3	3	3	2	2
Tanzania	Energy	1	2	2	3	Yes	4	3	4	3	3
	PFM	1	2	2	3	Yes	4	3	4	3	3

	Sector	M6: Relevant TA	M7: PBO is part of a series	M8: Existence of a country office	O1: Induced input by component	O2: Final outcomes by component	O3: Sustainability overall	I1: Degree of PBO influence on induced output by component	I2: Degree of PBO influence on final outcomes by component
Angola	Energy	No	No	Yes	3	2	1	3	1
	PFM	No	No	Yes	3	1	1	3	1
Burkina Faso	Energy	No	No	Yes	3	3	2	2	2
Comoros	Energy	Yes	Yes	No	2	3	1	2	1
	PFM	Yes	Yes	No	2	1	1	2	1
Egypt	PSE	No	Yes	Yes	3	2	3	2	2
	PFM	No	Yes	Yes	2	2	3	3	2
	Energy	No	Yes	Yes	3	3	3	3	2
Ghana	PSE	Yes	Yes	Yes	2	2	2	2	2
	PFM	Yes	Yes	Yes	3	2	2	2	2
	Energy/PSD	Yes	Yes	Yes	3	2	2	4	2
Mali	PSE	Yes	Yes	Yes	3	2	2	2	2
	PFM	Yes	Yes	Yes	3	2	2	2	2
Morocco	PSE	Yes	No	Yes	3	3	3	2	2
	PFM	Yes	No	Yes	3	3	3	2	2
Nigeria	Energy	No	Yes	Yes	2	1	2	1	1
	PFM	No	Yes	Yes	3	1	2	2	1
Seychelles	PSE	Yes	Yes	No	3	3	3	3	2
	PFM	Yes	Yes	No	2	2	3	2	2
Tanzania	Energy	Yes	Yes	Yes	4	4	3	2	3
	PFM	Yes	Yes	Yes	2	2	3	2	1

Annex 7: Guideline on Rating Scale

FACTORS	RATING SCALE
C1: Socio-Economic Status (HDI)	1= lowest 20% of HDI country rankings; 2= 20-40%, 3= 40-60%, 4 = top 40%
C2: Political Governance Status (WGI)	1= lowest 20% of WGI country rankings; 2= 20-40%, 3= 40-60%, 4 = top 40%
C3: Technical Governance Status (WGI)	1= lowest 20% of WGI country rankings; 2= 20-40%, 3= 40-60%, 4 = top 40%
C4: Relations with development partners	1= No ODA apart from AfDB; 2= AfDB + few others; 3= wide range of ODA partners but some history of tension; 4 = wide range of partners + longstanding strong relationships.
C5: Ongoing IMF program	Yes= Existence of ongoing IMF Program; No= No existence of ongoing IMF Program
M1: Programming according to PBO Policy	is Score 1 from PPDR section on 'Programming & Quality of Design'
M2: Quality of Design	Quality of Design is average of scores 2-5 of PPDR Programming & Quality of Design
M3: Time Efficiency and Transaction cost	Evaluator rating on timeliness of approvals/ disbursement processing and RMC perceptions over high/low transaction costs of Bank appraisal & management processes
M4: Framework for policy dialogue in targeted sectors	1= no formal framework for regular policy dialogue; 2= no formal f/work but ad hoc contacts regular; 3=Formal f/work, supported by regular informal exchanges; 4= same as 3 but also supported by Bank analytical work
M5: Donor coordination	1= no formal coordination framework; 2= no formal f/work but regular communications; 3=Formal f/work, supported by regular informal exchanges; 4= Joint Annual Appraisal missions
M6: Relevant TA	Yes= Existence of Relevant Technical Assistence ; No= No existence of Relevant Technical Assistence
M7: PBO is part of a series	Yes = PBO is part of a series, No= PBO is not part of a series
M8: Existence of a country office	Yes= Existence of a country office; No= No Existence of a country office
O1: Induced input by component	Achievement: 1= few, if any Int. Outcomes achieved; 2= some Int. Outcomes but no Landmark Policy Changes; 3= One Landmark Policy Change achieved; 4= Two or more Landmark Policy Changes achieved
O2: Final outcomes by component	Achievement: 1= few, if any Int. Outcomes achieved; 2= some Int. Outcomes but no Landmark Policy Changes; 3= One Landmark Policy Change achieved; 4= Two or more Landmark Policy Changes achieved
O3: Sustainability overall	1 = non sustainable; 2=vulnerable; 3 = probably sustainable but some risks, 4= highly likely to be sustainable
I1: Degree of PBO influence on induced output by component	Influence: 1= influence of PBO is absent or negligible; 2= some moderate influence; 3= an important influence; 4= A very important influence (i.e., Change would not have happened in absence of AfDB PBO.)
I2: Degree of PBO influence on final outcomes by component	Influence: 1= influence of PBO is absent or negligible; 2= some moderate influence; 3= an important influence; 4= A very important influence (i.e., Change would not have happened in absence of AfDB PBO.)

Endnotes

1. Separate assessment were made for each of the relevant sectors: PFM/energy/PSE totaling 21. Where the PBO was part of a series, the assessment was for all parts of the series completed or well underway.
2. Budgetary or institutional changes of substance and influence, targeted by PBOs within the set of intermediate outcomes ("induced Outputs) identified in the Theory of Change (ToC).
3. Bank Group Policy on Program Based Operations 2012 ADB/BD/WP/2011/68/Rev.3/Approved
4. There are various sources of advice on "good practice". The most relevant one for the AfDB is OECD-DAC (2006), Harmonising Donor Practices for Effective Aid Delivery, Volume II, which laid out a set of principles for the provision of Budget Support consistent with the 2005 Paris Declaration..
5. 60 of these relate to programmatic operations, where 2-3 separate operations together are considered a series, but each phase in the series is approved as an individual operation. The number of single PBOs plus PBO series is 51.
6. Evaluation of Policy Based Operations in the African Development Bank, 1999-2009.
7. IDEV intends to produce a second summary report focusing on these two clusters, aimed as more detailed case-based learning product, to complement this Summary report.
8. IDEV Approach Paper, IDEV Information Note to the Board, Final Inception Report. Use proper referencing
9. It is also with the approval of the 2012 Policy that the meaning of the acronym PBO switched from "Policy Based Operations" to "Program Based Operations" reflecting the Bank's stated preference for programmatic approaches.
10. The 2012 Policy directly responded to a recommendation from the previous evaluation regarding consolidating policy documents.
11. For which the disbursement rate as of early 2018 was 95% with no issues of concern.
12. Currently 2.53 billion UA compared to 0.55 billion UA in the previous evaluation
13. Currently 15 compared to 11 in the previous evaluation
14. The 2011 evaluation included data only up to 2009, so 2010-11 are also included to ensure there is no gap in longer term approval data.
15. Three specific big ticket approvals contributed to this spike: Algeria, Egypt, Nigeria
16. Although not confirmed in writing IDEV is told that the ADB 15% ceiling will remain in place also for 2018.
17. For this reason, some aspects that the evaluation design envisaged assessing under "programming" were in fact assessed on the basis of design documents.
18. Responses from RMC officials were slightly more positive, bringing the overall positive response rate up to 50%.
19. Assessment considered (i) the range of analytical work used to support the PBO design (including the Bank's own Economic & Sector Work (ESW) and key references for fiduciary risk assessment); (ii) the completeness of the macro-economic analysis (iii) the strength of evidence on commitment to public financial management and on this basis, whether the Bank's conclusions on eligibility and the level of fiduciary risk are justified.
20. The quality of Bank ESW was not included within this assessment, however the independent assessors conducting the PPDR exercise noted that Bank ESW can be "relatively broad and succinct".
21. The comparative review noted a similar concern in the World Bank, however since it was identified all program documents have had to include a section on the analytical underpinning of the prior actions in particular, and 90% now also include a dedicated table showing how analytical work informed the design.
22. Burundi Economic and Governance Reform Support Programme PHASE 1 - PARGE I (UA7m)
23. As was correctly done in the cases of Central African Republic Emergency Post-Crisis and Economic Recovery Support Programme Phase2 (PUASCRE II)and Malawi Food Crisis Response Budget Support Programme (FCRBSP).
24. The PPDR reviews show that fiduciary risk and country procurement analysis was not updated or only partly so at time of appraisal for around 20% of cases.
25. Bank staff are required to follow the Bank's Fiduciary Risk Policy and Management Framework, covering 4 pillars (Budget, Procurement, Audit and Reporting, Corruption).
26. Institutional comparative review reference this to ADB and WB 2015 DPF Retrospective
27. Notably in cases in Rwanda, Senegal, Gabon and Madagascar
28. The World Bank HQ interviews reported that following identification of spread as a risk they now encourage focus that is linked with their capacity to

monitor and engage, they also define the number of prior actions and indicators as a function of increased focus.

29. With the exception that for the 3rd phase the two institutions are now running on different schedules, since the AfDB faced some delays, which has reduced the extent to which it has been possible to conduct missions jointly.

30. This figure does not include Egypt since the IMF program was agreed shortly after PBO approval.

31. This issue has been raised by IDEV previously, for example in the 2013 evaluation on governance ISPs and in various CSPEs covering MICs

32. 2012 Policy Page 21: 10.1.3.

33. 2012 Policy section 6.2. Also supported by good practices in the international aid community known as "do no harm" which refer to the risk that external finance can unwittingly fuel rather than quell conflict dynamics.

34. The IDEV team was not able to locate the Readiness Review for the Egypt PBO PAR stage.

35. Assessing the quality of these SEAs was not within the scope of this evaluation. However, IDEV has begun an evaluation of the Integrated Safeguards System expected to be delivered in 2019.

36. See for example Evaluation Cooperation Group (ECG) Guidance "The Big Book"

37. Based on data from the last month of each of the last 3 years.

38. The Bank has a country office in all the cases with the exception of Comoros and Seychelles, which are managed from RDGE.

39. At the time of writing a draft document on new country strategy frameworks (to replace CSPs) was being considered at the Board. This included reference to reporting on progress made with softer activities such as policy dialogue.

40. 2012 Bank Group Policy on Program Based Operations - section 10

41. Although the name ECGF would suggest it plays a coordination and support role, in practice its staff are still predominantly operation task mangers.

42. The Readiness Review includes the following additional criteria for PBOs at PAR stage: (i) compliance with eligibility criteria; (ii) discussion of the merits of the choice of modality.

43. Development Policy Financing (DPF) is a financial tool used by the WB to help countries achieve sustainable poverty reduction through a program of policy or institutional actions.

44. The term induced outputs aligns with international methodological standards on evaluating PBOs developed by the OECD. However it might also be considered an intermediate outcome. The theory of change in Annex 2 outlines the kind of results anticipated at that level.

45. How to identify landmark changes was set out in the PBO inception report. Landmark changes constitute, firstly, changes introduced as a result of decisions made at senior levels of government and secondly, they should represent substantive changes, with a clear link to a desired final outcome. Thus, the mere adoption of a plan of action for reform would not be a landmark change, whereas the implementation of legislative or regulatory reforms as a result of that plan would constitute a landmark change.

46. Output execution ratio calculated on the basis of in-depth assessment annexes on performance against original RMFs.

47. Separate assessments were made for each of the relevant sectors: PFM/energy/PSE totaling 21. Where the PBO was part of a series, the assessment was for all parts of the series completed or well underway.

48. Although planned as PO, Nigeria was finally a single tranche operation and is therefore not included in the 6 here.

49. The following indicators were used as the basis of rating respectively for each of the four dimensions: (i) existence of relevant stakeholders, effective partnerships and sense of ownership; (ii) existence of political commitment to sustaining outcomes and potential risks to this, e.g. forthcoming elections; (iii) existence of institutional capacity to sustain reforms and continue to lead them effectively and (iv) existence of financial sustainability of reforms and feasibility of continued Government spending in relevant areas for reforms.

50. IDEV plans to produce a separate report more closely focused on the two clusters of in-depth assessments which will include more in depth discussion on this analysis. The report is planned as a learning focused product, which will not include recommendations.



IDEV

Independent Development Evaluation
African Development Bank

An IDEV **Thematic Evaluation**



About this Evaluation

This report summarizes the findings of an independent evaluation of the African Development Bank Group's (AfDB's) Program Based Operations (PBOs) for the period 2012 to 2017. The Bank approved a new PBO Policy in 2012.

PBOs, also known as budget support, are an instrument that the AfDB uses to provide funds directly to a country's treasury in support of the national budget. Additionally, PBOs are expected to support general economic and financial or sector-specific reforms in the country.

The Bank approved PBOs worth UA 7.2 billion (USD 10.2 billion) during the period under review. This evaluation assesses how the Bank has used PBOs since the PBO Policy was approved, and derives lessons and recommendations to help the Bank to use the PBO instrument more effectively in the future. The evaluation design is theory based and the findings draw from multiple lines of evidence, including document reviews, country visits, focus group discussions and interviews with both staff and clients of the Bank.

The evaluation finds that overall, PBOs remain a relevant and useful instrument for the AfDB and its clients, and their performance is broadly satisfactory. They are, however, challenging to design and manage effectively, and the evaluation found shortcomings in their implementation. It also finds that the Bank has insufficiently invested in its own institutional infrastructure to obtain maximum value for money from the instrument. A key advice for the Bank is to design future PBOs focusing on medium-term support to a limited number of reform areas that are identified based on certain criteria (as outlined in the report), and to better reflect the vital role of policy dialogue.



IDEV

Independent Development Evaluation
African Development Bank

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Design & layout: A Parté Design