

AFRICAN DEVELOPMENT BANK GROUP



Evaluation of the Bank's Role in Increasing Access to Finance in Africa

An Inception Report Update

INDEPENDENT DEVELOPMENT EVALUATION (IDEV)

October 2019

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Acronyms

ADOA	: Additionality and Development Outcomes Assessment
AFD	: Agence française de développement
CODE	: Committee on Operations and Development Effectiveness
DBDM	: Development and Business Delivery Model
DFID	: Department of International development of UK
EIB	: European Investment Bank
FSDPS	: Financial Sector Development Policy and Strategy
IDEV	: Independent Development Evaluation
IFC	: International Finance Corporation
KFW	: German Development Agency
LOC	: Lines of credit
MSMEs	: Micro, Small and Medium Enterprises
OECD/DAC	: Organization for Economic Co-operation and Development/ Development Assistance Committee
PIFD	: Financial Sector Development Department
PINS	: Non-Sovereign Operations & Private Sector Support Department
RECs	: Regional Economic Communities
RMCs	: Regional Member Countries
SMEs	: Small and Medium Enterprises
TFLOC	: Trade Finance Lines of credit

I. Context

1. In October 2014, the African Development Bank (the Bank hereafter) approved a Financial Sector Development Policy and Strategy (FSDPS) for the period 2014-2019 to replace the 2003 Bank's Group Financial Policy¹. This update was motivated by the need to adapt the Bank's approach to financial sector development while taking into account:

- The new business environment;
- The state of knowledge; and
- The emergence of new actors and paradigm shift, which were fostered by technology and other innovations that enabled a handful of pioneers to provide banking services to a far wider income customer base².

2. This paper presents an approach to evaluate the *Bank's Role in Increasing Access to Finance in Africa* as part of the 2014 FSDPS. However, the evaluation will also touch on the other aspects of the FSDPS. The evaluation is timely to inform the next financial sector strategy planned to be presented to the Board in the 4th quarter of 2020.

3. The evaluation is part of the 2018-2019 Independent Development Evaluation (IDEV) work program, which states that: *"The Financial Sector Development Policy and Strategy 2014–2019 is vital for achieving the TYS's twin objectives of inclusive growth and transition to green growth. As the Board is expected to discuss the results and renewal of the FSDPS 2014–2019 in 2019, the evaluation will provide credible information on the role of the Bank (through its various instruments) in increased access to finance and financial inclusion in Africa. It will also look at the FSDPS's instruments including leveraging, lines of credit and private equity, its quality and coherence, and which aspects of the FSDPS worked and would be sustainable, which did not work and why to draw pertinent lessons."*

4. The evaluation responds to the request made by the management of the Financial Sector Development Department (PIFD) addressed to IDEV management in April 2018 to have an independent evaluation of the FSDPS and operations. This request was also expressed by the Vice-President in charge of the financial sector development and by the Chair of the Committee on Operations and Development Effectiveness (CODE) during the interviews carried out the week of 14-18 January 2019. Finally, it is worth noting that while closing the discussion on IDEV evaluation synthesis on lines of credit on November 13, 2018, CODE members considered that: "it is important to engage the Board on the Bank's integrated approach for the development of financial sectors in Africa."³

¹<https://www.afdb.org/fileadmin/uploads/afdb/Documents/Policy-Documents/10000030-EN-BANK-GROUP-FINANCIAL-SECTOR-POLICY.PDF>

² African Development Bank (2014), Draft Financial Sector Development Policy and Strategy 2014-2019 – Revised, ADF/BD/WP/2014/69/Rev.2;[https://www.afdb.org/fileadmin/uploads/afdb/Documents/Policy-Documents/Financial Sector Development Policy and Strategy 2014 %E2%80%93 2019 %E2%80%93 Draft Version.pdf](https://www.afdb.org/fileadmin/uploads/afdb/Documents/Policy-Documents/Financial%20Sector%20Development%20Policy%20and%20Strategy%202014%20-%202019%20-%20Draft%20Version.pdf)

³ Report on the Meeting of CODE held on 13 November 2018, ADF/BD/CODE/2018/33.

5. The evaluation is useful to draw solid conclusions on the approach and effectiveness of the Bank's assistance to the African financial sector and identify areas of improvement. It is the first evaluation ever undertaken by the Bank covering different financial instruments to foster access to finance for individuals (rural or urban, rich or poor), enterprises (public or private; micro, small, medium, or large) and countries.

6. The evaluation builds on relevant previous IDEV evaluations, which focused on separate instruments (Equity Funds 2015; Lines of Credit – LOC, 2018), or themes (Small and Medium Enterprises – SMEs valuation 2015, Microfinance 2014), or which were corporate evaluations (Additionality and Development Outcomes Assessment - ADOA 2014, Quality at Entry 2018). It also builds on a recent self-evaluation of the 2014 FSDPS⁴. The present evaluation considers operations during the FSDPS period as well as operations prior to its adoption to discern changes in trends and the structure of the portfolio. Finally, this evaluation takes into account the existence of the Strategic Framework on Financial Inclusion 2018-2020 prepared by PIFD in 2018.

II. Objectives and scope

7. The evaluation has two main objectives:

- To learn from the implementation of the 2014 policy and strategy experience to account for results;
- To draw lessons and make recommendations on the design and implementation of the upcoming new Strategy.

8. In line with OECD/DAC criteria, evaluation will critically assess the following:

- The clarity, relevance and the quality design of the Bank's FSDPS;
- The relevance, effectiveness, efficiency and sustainability of the financial sector operations; and
- The Bank's capacity in terms of resources, organization, business model, processes and procedures as well as the country and beneficiary institutions' performance in designing and implementing financial sector operations and in sustaining the results.

9. Based on the above, the evaluation will respond to the changes and improvements required for the next strategy and its subsequent implementation.

10. While the evaluation will focus on the FSDPS approved in October 2014, it will take a broader view and cover previous financial policies and strategies to determine the relevance and consistency of the Bank's approach to the financial sector. This will help to answer if the FSDPS has made a difference in the Bank's approach, the design and the performance of its operations. To this end, the portfolio analysis including the quality at entry assessment of selected operations will cover the period 2011-2018 to measure the changes brought about by

⁴ African Development Bank (2019). *Financial Sector Development Policy and Strategy (2014-2019)*, Financial Sector Department (PIFD), Prepared by Centennial Group International.

the FSDPS. The analysis will cover the FSDPS period, 2015-2018, and the prior FSDPS period of the same length, 2011-2014.

II. Bank Financial Sector Policy Documents

11. While the Bank has engaged with the financial sector since its inception⁵, it is only towards the end of the 1990s that the Bank started clarifying its comprehensive approach to the financial sector with the adoption of its vision in 1998. The vision put an emphasis on agriculture and social development, and it committed to facilitate rural financial intermediation by supporting bottom-up, demand-driven, micro and rural finance schemes aimed at assisting the poor and vulnerable groups of society.

12. In 2003, the Bank approved its first financial sector policy in order to increase the impact of its operations on development and poverty reduction by sharpening its intervention instruments. This policy puts an emphasis on the direct role of the financial sector in the promotion of development and reduction of poverty. It recommends an increased involvement of the Bank in supporting financial sector development on the continent to fill the financial intermediaries, development, and poverty reduction gaps. A special attention was put on extending the reach of the financial system to the micro, small and medium enterprises (MSMEs), the women, and other poor entrepreneurs. More specifically, the policy aimed to address the following financial intermediation gaps:

- The fragility of the financial system;
- The shortage of long-term finance for investment; and
- The unmet demand for financial services by MSMEs, the economically active poor, and the disadvantaged, including women

13. The 2014 FSDPS builds on the 2003 Financial Sector Policy to “clearly articulate a new trajectory for the future”. As for the 2003 Policy, the FSDPS put an emphasis on use of technology and other innovations and the main areas of focus are still quite similar (Table 1).

Table 1. Areas of focus of the financial sector policy documents

Financial Sector Policy 2003	Financial Sector Development Policy and Strategy 2014
Promoting the poverty reduction orientation of the financial system by improving access of the poor and women to finance	Increasing access to the underserved to the full range of financial services,
Improving the depth and development orientation of the financial system	Broadening and deepening Africa’s financial systems to help RMCs improve access to financial services by the underserved and to broaden and deepen the continent’s financial systems
Supporting establishment of healthy and sound financial systems	Financial stability and governance

⁵ The *Agreement Establishing the African Development Bank* (1963, 6th edition 2012), Articles 14 (1c); 15 (4 a and b); and 17 (i and j) for equity funds; article 18 et al. for guarantees.

14. Both policy documents use the same financing instruments including equity funds, lines of credit, guarantees and technical assistance. Some innovations introduced in the Bank's policy documents during the 2000s have not been used or used at a low scale. For instance, in 2005, the Bank approved its operational guidelines for agency lines. Through local financial and non-financial institutions, the Bank intended to mobilize funding for projects that are too small for it to handle directly, or are difficult to identify and assess from the headquarters. Nevertheless, the Bank's financial sector portfolio does not contain any agency line operations.

15. In 2006, the Bank introduced local currencies as a better means of providing financing to the domestic private sector, including MSMEs, through financial intermediation⁶. However, apart from the South African Rand, which is the third lending currency of the Bank (in addition to the US dollar and the euro) and for which the Bank manages a treasury pool, the use of local currencies has been very limited, notably only in Botswana, Mali, Uganda, Nigeria, and Mozambique. Reasons for this include constraints in Bank's local currency framework, but mainly inefficiencies in most of the local financial markets in Africa. The Bank's local currency framework is yet to be revised.

16. In spite of similarities in the focus, the Bank underwent different organizational changes, which implied different implementation arrangements of the financial sector operations. The adoption of the 2003 Bank Group Financial Sector Policy coincided with the implementation of a new organizational structure in which various departments and units were established to facilitate policy and diagnostic work in the financial sector. They included the Governance Division in the Operations Policies and Review Department, the Private Sector Department, and the Financial Sector Division and the Central Microfinance Unit in the Operations Complexes. The Country Operations Departments were also considered as central to financial sector operations⁷.

17. Likewise, with the institutional reform carried out in 2006, multiple departments – Private Sector Development (OPSD), Human and Social Development (OSHD), Agriculture and Agroindustry Department (OSAN), and Governance and Public Finance Management - OSGE) – were mandated to implement financial sector operations. The multiplicity of implementing departments and units did not foster operational clarity and ownership. In addition, Bank processes – including project approval, procurement, and staff incentives – were not adapted to cater for small microfinance projects (the average size is US\$2.4 million). Also, the Bank did not play a significant role in macro policy issues, and there were few program innovations, limiting opportunities for replicating and scaling up successes.

18. In 2013, the financial sector department (OFSD) was created as a result of the fine-tuning of the Bank's structure. It was located under the vice-presidency in charge of infrastructure, private sector and regional integration to cover all Bank's activities supporting the financial sector in Africa. All financial sector activities were transferred to the newly created department. Nevertheless, this management centrality was again diluted in the new Bank's organizational structure following the Board's approval of the Development and Business Delivery Model (DBDM) in 2016⁸. In this model, some financial sector activities are

⁶ African Development Bank (2006). *Policy Framework for Bank Lending in RMC currencies*.

⁷ African Development Bank (2003). *Bank's Group Financial Policy*.

⁸ OFSD was denominated PIFD in the new organizational structure.

undertaken by different sectors including agriculture (AHFR), infrastructure (PICU), industry (PITD) and energy (PESR). The policy document strived to adapt to the high fives⁹ without clearly-defining the process of how the changes will take place. Thus, it does not provide evidence on the validity and credibility of qualitative impact statements. The evaluation will, therefore, assess to what extent the policy document helped increase the realization of the stated objectives.

19. In addition to the two comprehensive financial sector policy documents, the Bank has constantly put an emphasis on the importance of the financial sector in its activities through the approval of its strategic policy documents and financing instruments policies, strategies and guidelines. The comprehensive list of those documents and their consideration of the financial sector is in Annex 1.

III. Financial Sector Portfolio: Trends and Structure

20. From 2011 to 2018, the Bank approved a total of 219 financial sector operations for UA 11.9 billion. This represents 14.9 percent of the total Bank operations and 55.3 percent of the amount approved for the private sector during the same period. The number of projects and the amounts approved during the 2014 FSDPS period were almost twice as high as those during the equivalent pre-period (Table 2). This significant difference between the two periods could be explained by the changes in the Bank’s structure in 2013, which set up the financial sector department to be in charge of all financial sector activities spread in different departments until then. Lending amplified after the changes¹⁰. However, this hypothesis will be tested as part of the evaluation and other causes might be identified.

Table 2. Number and approved amount for the financial sector, 2011-2018

Financial sector operations	2011-2014 (a)	2015-2018 (b)	Total Period	Ratio b/a
Number of operations	76.0	143.0	219.0	1.9
Amount approved (UA million)	2929.22	5643.5	8572.72	1.9

21. In terms of instruments used, Table 3 indicates that during the pre- FSDPS period (2011-2014), the lines of credit occupied a lion share, followed by guarantees/risk participation and equity fund, while trade finance instrument was less prevalent and no operations were undertaken with a deliberate focus on capital markets development. The situation is quite different in the 2014 FSDPS period during which the share of lines of credit significantly decreased; even though the number of lines of credit and amounts committed through this instrument increased in absolute terms. Trade finance and guarantees/risk participation experienced the highest increase as indicated by the last column where ratio indicates the

⁹ With new leadership of AfDB in September 2015, came new agenda for the Bank Group, building on existing Ten-Year Strategy (TYS 2013-2022). The new agenda outlines the five development priorities for the institution known as the High 5s, namely, Light up and Power Africa; Feed Africa; Industrialize Africa; Integrate Africa; and Improve the quality of life for Africans. Like the TYS, the High 5s put access to finance at the service of the productive sectors, and strengthen the capacity to finance Africa’s inclusive growth.

¹⁰ The financial sector lending projects might have looked much bigger because they are now under one roof, but some amount were embedded within the portfolios of the other departments as components of larger sector specific projects before 2014.

number by which the amount approved was multiplied from the pre FSDPS period to the FSDPS period. This difference between the two policy periods could be explained by the changes in the organizational structure of the Bank whereby financial sector activities were put under a new created financial sector department comprising three financial sector dedicated divisions: Financial Institutions and Intermediation, Capital Markets, and Trade Finance. The new department had more capacity to intervene as compared to the period where financial sector activities were managed by a division in the private sector department with some other activities spread across other departments. Again, this is a hypothesis that will be tested during the evaluation.

22. It is worth noting that the amount approved for trade finance during the 2014 FSDPS period was six times the amount approved in the previous period. The trade finance facility was introduced in 2009 to help financial institutions mitigate the impact of the global financial crisis, which mainly affected African countries through their trade channels. The design of trade LOCs was expected to enhance the competitiveness and operational efficiency of beneficiary financial institutions (AfDB, 2010). They are designed for a period of a maximum of three (3) years of maturity.

Table 3. Instruments

Instruments	2011-2014 (a)		2015-2018 (b)		2011-2018	Ratio
	Amount (mio UC)	%	Amount (mio UC)	%	Amount (mio UC)	b/a
Line of Credit	1730.2	59.1	1910,3	33,8	3640,5	1,1
Guarantees/Risk Participation	604.7	20.6	2126,7	37,7	2731,4	3,5
Trade Finance Line of Credit	174.9	6.0	1049,7	18,6	1224,6	6,0
Equity Funds	419.4	14.3	556,9	9,9	976,3	1,3
Total	2929.2	100	5643,6	100	8572,8	1,9
	Number	%	Number	%	Number	
Line of Credit	32	42,1	39	27,3	71	1,2
Guarantees/Risk Participation	11	14,5	47	32,9	58	4,3
Trade Finance Line of Credit	30	39,5	39	27,3	69	1,3
Equity Funds	3	3,9	18	12,6	21	6,0
Total	76	100,0	143	100,0	219	1,9

23. Table 4 presents the geographical distribution of the amount approved for the financial sector during 2011-2018. Amount approved for the operations covering more than one region were the highest for both periods with, however, a decrease in the second period. The western region is ranked the second with the similar decreasing trend as multiregional operations. It is worth noting that the central region, which received only one million UA in the first period, recorded a 423 increase in the second period. The analysis of the portfolio will further explain the reason for this striking difference.

Table 4. Geographical distribution

Regions	2011-2014 (a)		2015-2018 (b)		Gradient b/a
	Amount (UA Million)	%	Amount (UA Million)	%	
Multi-region	1454.3	50	2342.1	42	1.6
West	874.2	30	1286.2	23	1.5
South	364.1	12	1037.6	18	2.8
East	142.2	5	377.0	7	2.7
North	93.4	3	160.5	3	1.7
Central	1,0	0	440.1	8	423.2
Total	2929.2	100	5643.5	100	1.9

24. Out of 219 financial sector operations (Table 3), some operations have been cancelled for a total amount to be determined by the portfolio analysis. The trends and evolution of the structure of the Bank’s financial sector development portfolio will be carried out based on an analysis of all 219 operations. The detailed analysis of the portfolio’s key features including quality at entry, implementation performance and effectiveness will focus on the operations that were fully implemented. The evaluation will strive to present other features of the portfolio including the sectoral distribution, the types of institution the Bank works with, the disparities among the Bank’s Regional Member Countries (RMCs) in accessing financial sector resources, the size of operations. It will carry out some benchmarking with selected development partners intervening in the financial sector department in Africa, such as, International Finance Corporation (IFC), European Investment Bank (EIB), Promotion et Participation pour la Coopération économique (PROPARCO), and CDC¹¹, the UK’s development finance institution, depending on the availability of the information.

IV. Conceptual Framework

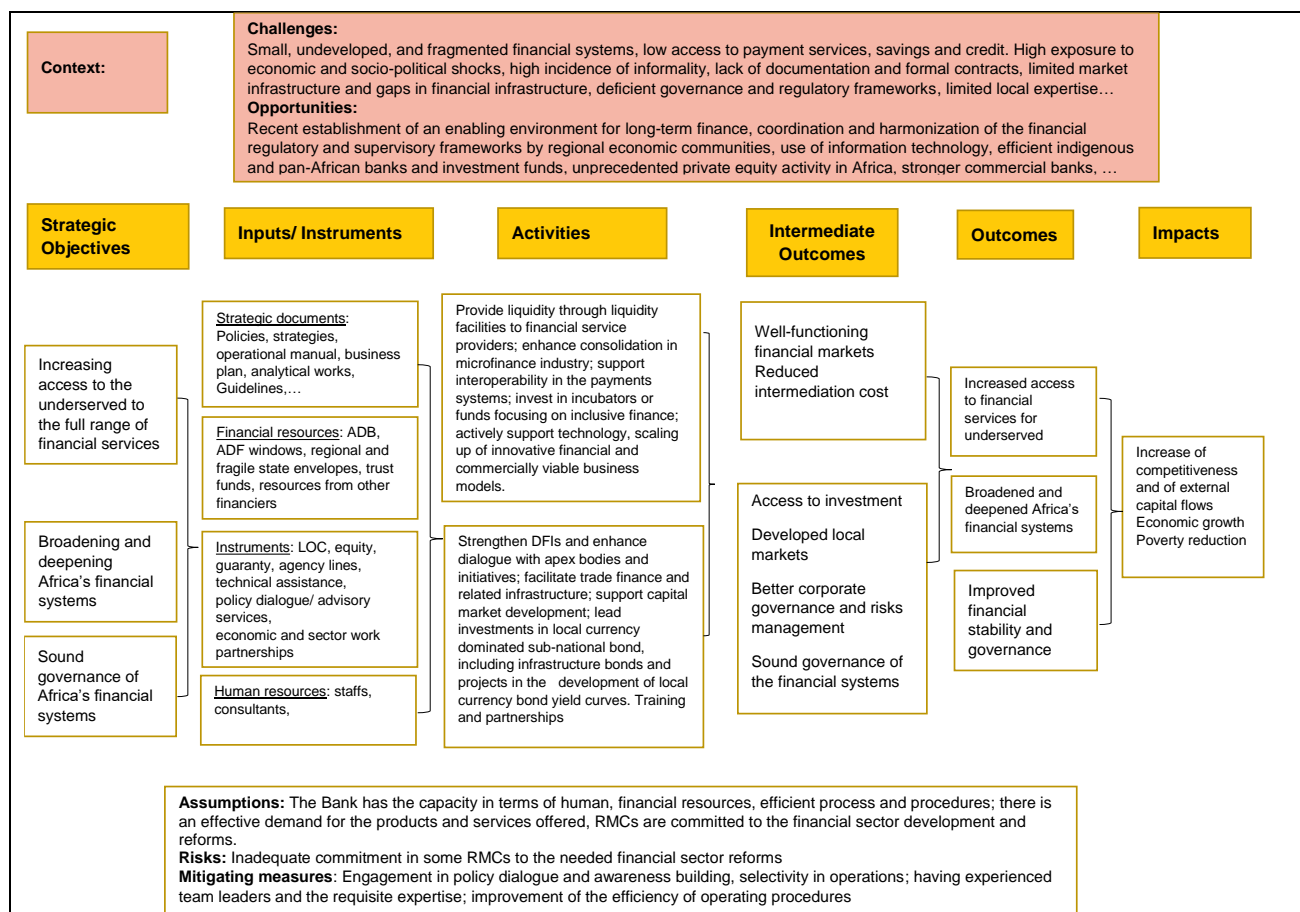
25. From the preliminary desk review of the 2014 FSDPS, it appears that the policy and strategy was built on a solid knowledge of the financial sector in Africa. However, its preparation was not fully informed by a clear theory of change, showing how the claims made in the FSDPS document on what the Bank was planning to do will lead to the desired outcomes and impacts. This observation was also made by the self-evaluation of the FSDPS¹².

26. Figure 1 is a reconstruction of the logic model by the evaluation team from the content of the document. It is a work in progress to be completed and refined by the FSDPS review. It will then be sent to the financial sector department for its comments and suggestions.

¹¹ CDC Group plc was formerly the Commonwealth Development Corporation. See https://en.wikipedia.org/wiki/CDC_Group; <https://www.cdcgroup.com/en/>

¹² African Development Bank, *Review of the African Development Bank’s Financial Sector Development Policy and Strategy, 2014-2019 (FSDPS)*, January 2019.

Figure 1. Logical model of the Bank's response to the financial sector



Source: Evaluation team's elaboration. It should be noted that whereas the presentation is focused on access to finance through direct intermediation by regulated financial institutions and indirect intermediation through financial markets and products, the financial sector is much broader and includes insurances companies, pension funds, etc.

27. The FSDPS document states that working with other key development partners, the Bank will support its RMCs and Regional Economic Communities (RECs) in meeting three mutually reinforcing objectives:

- a) Increase access to the underserved to the full range of financial services;
- b) Broaden and deepen Africa's financial systems; and
- c) Foster sound governance of Africa's financial systems.

28. The Bank's support through its financial instruments and activities is supposed to lead to different well-functioning financial markets, reduced intermediation cost, increased access to investment, better corporate governance and risks management, and overall sound governance of the financial system¹³, etc. This would delve into: increased access to financial services for underserved, broadened and deepened Africa's financial systems, improved

¹³ This refers to the rules and institutional arrangements governing central banks and banking supervisors, rules and regulations governing FIs and the broader financial system.

financial stability and governance, etc. The long-term impacts would be increased competitiveness, external capital flows, economic growth and poverty reduction.

29. The evaluation will contribute to the refinement of the Bank's logic intervention and assess to what extent the Bank was able to deliver on its promise. It will suggest alternatives for improvement. The evaluation questions below aim to guide the evaluation team in the search of evidence on the effectiveness of the Bank's policies, strategy and operations.

V. Evaluation questions

30. The evaluation answers specific questions on the relevance of the Bank's 2014 FSDPS and its operations, as well as the design and implementation performance of the operations. It identifies effective practices facilitating the achievement of desired results and factors leading to failure. The questions are organized according to the OECD/DAC evaluation criteria of relevance (includes the design quality), effectiveness (achievement of objectives), efficiency, and sustainability. In addition, they address issues related to the Bank's internal processes, the beneficiary financial institutions and the countries.

Relevance of the FSDPS

- To what extent did the FSDPS address the specific challenges of African financial sector including the needs of target groups; were there any diagnostic studies that informed the formulation of the FSDPS?
- To what extent did the FSDPS reflect international good practices in financial sector development?
- Did the FSDPS foster innovative operations including the use of breakthrough technologies in the financial sector, organizational and delivery aspects, and innovative financial instruments?
- To what extent was the Bank's support additional in crowding in private financial intermediaries and sponsors and leveraged additional resources to finance its operations?

Quality of the design

- To what extent was the process to prepare the strategy participatory? How well did it foster ownership by operations and regional stakeholders of financial sector operations?
- Were the financing models and instruments used by the Bank the most relevant and effective? Do they create incentives for successful results, ownership and sustainability, or what could be a better mix of instruments for the future strategy?
- How sufficient and effective was the Bank's implementation capacity (institutional set up and incentive system, human and financial resources) to timely develop and implement the strategy and its operations? How sufficient and effective was the Bank's

capacity to produce knowledge and to provide policy advice and capacity building to regional financial sector stakeholders?

Relevance of the operations

- How effectively aligned were financial sector operations with the priorities and guiding principles stated in the FSDPS?
- To what extent did the financial sector operations address the needs of beneficiaries and the root causes of the financing gap: underperforming financial sectors, constraints within the financial sector?

Design of the operations

- Do project designs clearly state and justify why operations target private or public sector actors?
- Are there clear and plausible hypotheses of how project interventions lead to outcomes and impacts?
- Do operations include clear definitions of indicators that measure the financial sector development including data sources, and description of methodologies used to collect data/evidence?
- Is there a clear indication of the direct and indirect end beneficiaries of the project (specify if it is the end beneficiaries or the impact of the project on other players/areas)? Do they make a distinction in the financial inclusion outcomes between men and women, rural vs urban, youth vs. adults, underserved targets, etc.?
- Are there any conditions precedent to disbursement or any covenants that could be enforced to allow the improvement of the institution's practices (risks, governance) and the impact monitoring?

Effectiveness

- Have the operations achieved planned results at output, outcome and impact levels; have the operations produced any indirect and unintended results, beneficial or negative?
- Did the financial sector operations contribute to improve access for the unbanked and underserved and deepen Africa's financial systems?
- What has been the role of the Bank in creating an enabling environment for operations to support the financial sector (at micro, meso and macro levels)?
- To what extent have projects promoted women activities (in terms of economic empowerment and financial inclusion)?

- To what extent have projects promoted environment preservation when applicable?
- What has been the profitability of the operations for the Bank, the borrower and the end beneficiary institutions?

Efficiency

- Did the Bank have appropriate processes, mechanisms, assessment tools, standards, quality assurance, implementation and monitoring evaluation mechanisms, how effectively were they used?
- Were the resources earmarked to financial sector operations used efficiently and implemented in a timely manner? Otherwise, were strategic objectives and development objectives attained cost-effective and on time? In case of cost and time overruns what were the main reasons? Were the projects implemented overall in the most efficient way compared to alternatives?
- Did the beneficiary institutions have staff, financial resources, organization, governance and procedures to efficiently implement the Bank's operations?

Sustainability

- Were sustainability conditions in place including institutional arrangements, technical capacity, building skills, increased ownership, risks assessment and management; to what extent were these conditions long lasting?
- Was the financing mechanism appropriate to foster continuation of activities after the end of the Bank support? Do operations formulate clear exit strategies?
- Were there any plans and lessons to foster development of the sector including policy dialogue to enhance enabling environment in African countries (political decisions, amendments to legal, regulatory and administrative texts, etc.)?

Bank's Performance

- To what extent did the Bank carry out diagnostic studies or relied on existing relevant studies for the formulation of the FSDPS and for the preparation of the operations? Did it use the right instruments to tackle issues standing in the way of access to finance?
- How was the FSDPS translated into operations (implementation/action plan, business models, processes, results framework, etc.)?

- To what extent were the Bank’s structures, procedures, financial and staffing capacity adequate to identify, design, supervise and learn from the projects as well as produce knowledge?
- What and how effective has the role of the Bank been in resource mobilization, coordination, economic and sector work, and policy advice?
- Was the Bank effective in responding to issues emerging during implementation?

The role of beneficiary financial institutions and participating countries

- Have participating RMCs adopted policies and strategies enabling financial sector development? Are there long-term political commitments to the operations and what incentives were in place to own the operations and sustain their results after completion?
- Do beneficiary institutions have the organization, administration, staff, financial resources, and procedures to efficiently implement the operations? How successful were they as channels of development outcomes and what were the drivers of success?

VI Evaluation components

31. In addition to this inception report, the evaluation is composed of four components that include: the policy and strategy review, the portfolio review, and the fieldwork report, and the summary report preparation to be considered by CODE.

FSDPS review

32. In addition to a review of the Bank’s internal policy documents, the evaluation team will review the literature on the financial sector development to situate the review in a broader picture and to understand when and under which conditions financial sector operations succeed. The review will assess the extent to which these are appropriate and useful for the Bank’s financial sector operations to achieve the objectives of increased access to financial services for underserved and unbanked, a broadened and deepened Africa’s financial systems, and an improved financial stability and governance, leading to inclusive growth and poverty reduction.

33. The review also aims to see whether the resource allocation mechanisms and the organizational business model for financial sector development are appropriate and if they create the appropriate incentives for the managers and the staff to be committed to financial sector development and related good practices. This review will be based on the specificities of the African context and compare with other International Financial Institutions comprising multilateral development banks (IFC-World Bank, IEB) and selected bilateral donors like the German Development Agency (KfW), PROPARGO and CDCthe UK’s development finance institution, when information is publicly available.

34. This analysis will possibly suggest alternative approaches to the Bank to do a better job. The evaluation team has interviewed Bank officials and other stakeholders to learn how they perceive the Bank's financial sector purpose and goals, the activities and the organization's drivers and constraints, and the changes in scope or goals that need to be carried out. It should assess whether the strategic objectives were relevant and met. The main aspects of the FSDPS review are presented in Table 5. The working outline of the report is in Annex 2.

Table 5. Main Aspects of the FSDPS

<ul style="list-style-type: none"> ▪ The main economic, political, and institutional obstacles to financial sector development in Africa; ▪ The relevance (value added) and realism of the objectives and assumptions underlying the strategy, their consistency with the Bank's 2013-2022 strategy and the Bank's Development and Business Delivery Model; ▪ The relevance of the pillars of the strategy as compared to alternatives; ▪ To what extent the key risks were taken into account and effective mitigation measures proposed to contain them; ▪ To what extent the process to prepare the strategy was participatory in order to foster its ownership by the operations and other regional stakeholders of the financial sector; ▪ Whether there was adequate capacity (institutional organization and incentives system, human and financial resources) in the Bank to develop and implement the strategy and its operations as well as to produce knowledge and to provide policy advice to regional financial sector stakeholders; ▪ The relevance and effectiveness of the financing models/mechanisms proposed by the Bank (do they create incentives for successful results, their ownership and sustainability?); ▪ The capacity of financial intermediaries and other implementing agencies to deliver the operations and produce inclusive results; ▪ The effectiveness of the collaboration and cooperation between the Bank and other development partners to advance the development of the financial sector including inclusive finance; ▪ The Bank's effectiveness in policy dialogue to facilitate the conditions for implementation of operations (political decisions, amendments to legal, regulatory and administrative texts, etc.); ▪ The factors of success and failure that enabled or hindered successful implementation of the operations and achievement of results (a distinction should be made between Bank's internal factors and factors external to the Bank; and ▪ Whether there are any beneficial or negative unintended consequences.
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Portfolio review

35. The portfolio has two main aspects, one descriptive and the other analytical. For the descriptive aspects where information is more or less easily accessible in Bank's databases and operation documents, the portfolio review will identify patterns in terms of trend and the structure of the operations (see Table 6). It will assess to what extent the operations financed were aligned with the strategic objectives of the FSDPS. It will analyze how the resources earmarked for financial sector has evolved and the characteristics of the operations in terms of sectors, use of instruments, status of operations, size, geographical distribution, co-financing, alignment of the operations with the strategic objectives, etc. This part of the evaluation will cover all 219 operations identified in the Bank's database.

Table 6. Main Aspects of the Descriptive Part of the Portfolio Analysis

Variables	Source of information
Number	Bank's databases
Instruments	Bank's databases
Country	Bank's databases
Region (including multinationals)	Bank's databases
Local currency vs. hard currencies	Bank's databases
Amount approved, average size and disparities of amounts	Bank's databases
Type of beneficiaries (general or sectoral bank, general or sector fund, insurance, microfinance, regional development bank, national, public or private ownership, etc.)	To be collected
Classification of the operations according to the strategic objectives	To be collected
Bundled operations: operations with technical assistance or capacity building	To be collected
Operations flagging that they contribute to environment preservation and gender promotion	To be collected
Status of operations	To be collected
Problematic operations (cancellations, etc.): number and reasons	To be collected
Scoring the operations to measure the implementation performance of the operations	To be collected
Implementation recurrent issues	To be collected
Co-financing	To be collected
Special initiatives	To be collected

36. The more detailed analysis on implementation performance and the results attained will be carried out on a selected sample of operations, excluding all operations for which performance could not be assessed, either for lack of information or because the implementation of operations is recent. The suggested approach is to select 10 operations for each of the four instruments: Equity funds, LOC, TFLOC, Guarantees/risk participation, and technical assistance. This leads to 80 operations, or about one in three operations, with 40 operations approved during 2011-2014 and the remaining ones approved in 2015-2019. The selected operations will be analyzed using a rating system (see Table 8 below) to assess the quality at entry of the operations, implementation performance, effectiveness and sustainability.

37. Nevertheless, such a big sample and given that scoring the operations is a time intensive work, this exercise would take at least three months to be completed. Thus, as an alternative, it is suggested to focus the detailed analysis of the portfolio on the operations of countries, which will be part of the fieldwork in the five regions of the Bank as explained in the dedicated section below on the fieldwork.

38. For a sample of operations, the portfolio review will include a thorough analysis of quality at entry, implementation performance, effectiveness and sustainability based on standard information collected for completed operations, namely appraisal reports, supervision reports and completion reports. The purpose of the *quality at entry assessment* will be to analyze the strategic relevance and appropriateness of the design of a sample of operations. The quality

at entry assessment will provide an assessment of the project concept in relation to a number of criteria including: alignment of the operation’s objectives with the FSDPS, relevance with regards to market context, plausible intervention logic (theory of change) and a clear definition of target beneficiaries and intended financial sector development outcomes. The assessment of *implementation performance* will focus on the efficient implementation of the Bank’s operation (key miles stones: dates of approval, signature, entry into force, disbursement, actual completion) and where applicable, the collaboration and cooperation of the Bank with other development partners. Finally, the *effectiveness and sustainability of the results* of selected operations are assessed examining whether intended targets have been achieved, the financial sustainability of partner institutions achieved, and whether operations have contributed to a sustained behavior change by partner institutions and indirectly to responses by other market actors. It will assess the Bank’s performance as well as that of the borrowers. See the evaluation grid in Annex 3 and the working outline of the report in Annex 4.

The fieldwork

39. There will be field studies on purposefully selected operations and in consultation with PIFD (Annex 7). The purpose of the field studies is to assess the quality, the implementation performance and the results of Bank’s financial sector operations, taking into account the context, stakeholders and beneficiaries’ feedback in order to gain a thorough understanding of the factors for success or failure of the operations. The field studies will assess the extent to which expected benefits of financial sector operations have materialized and whether they were sustained. It will also examine whether any unintended results have taken place and if the necessary conditions exist for the financial sector operations to achieve their full benefits. The quality at entry, the implementation performance, and the effectiveness of the operations will be assessed together with the assessments of the Bank and the Borrowers’ performance. Table 7 presents key evaluation questions of the fieldwork.

Table 7. Key evaluation questions of the fieldwork

<ul style="list-style-type: none"> ▪ Alignment with country and regional priorities and financial sector strategies ▪ Right instrument mix ▪ Relevance of project design ▪ Addressed beneficiary needs and market constraints? ▪ No crowding out? ▪ Additionality: would results have been achieved without Bank support? ▪ Complementarity of different instruments used by the bank; complementarity of non-sovereign and sovereign operations ▪ Attainment of development objectives ▪ Indirect and unintended results ▪ Drivers of success and failure ▪ Partners’ perception of Bank’s efficiency, mechanisms, instruments, processes ▪ Bank role in fostering policy dialogue and improving enabling environment ▪ Borrower role

40. Given the constraints mentioned above, it is suggested to select one country per region where the Bank has financed operations covering most of the instruments for a comprehensive assessment of Bank assistance during the fieldwork. When there is no country fulfilling this condition, two countries could be selected in a region. The operations selected need to cover the diversity of the situations: low, middle and high income; underdeveloped,

basic, advanced; different sector activities; transition state, use of local currency, etc. In addition, some multinational operations need to be evaluated in the selected countries. Annex 6 presents the proposed list of the operations for the fieldwork. The definitive list will be established after the verification of the operations, which have been already evaluated by IDEV, and after having excluded the operations which are very recent.

41. The results of each fieldwork in a given country will be presented in a concise report of about 25 pages to present the main findings and the recommendations, which will feed into the synthesis report comprising the results from all selected countries. This report corresponds to the promised deliverable on cluster evaluation in IDEV’s work program. In fact, the synthesis report will comprise results for each financing instrument in the five regions of the Bank. It will be a synthesis of different clusters of operations per instrument. Annex 5 contains a working table of contents of the fieldwork reports.

Summary report

42. A summary report of less than 30 pages (annexes excluded) putting all background reports together will be prepared and presented to CODE along with the management response comprising the implementation plan of the recommendations. The task team leader will be responsible for preparing the summary report capturing the findings and recommendations of the background draft reports. The preparation of the summary report will benefit from the inputs of consultants who were in charge of different components of the evaluation and internal and external reviewers.

VII. Methodology

43. The evaluation will combine both formative and summative approaches. The formative approach is applied to operations, which are ongoing to advise which kind of actions could be taken to improve their implementation performance. The summative approach will be applied to completed projects where it will be possible to analyze the outputs, outcomes and possibly impacts attained. The evaluation follows a mixed methods approach, utilizing quantitative and qualitative assessment where appropriate. As mentioned in the introductory part, a before-after approval of the FSDPS approach will be applied in order to measure changes which occurred due to the adoption of the FSDPS in 2014. The assessment of the operations will use a four-rating scale, as explained in Table 8 below.

Table 8. Rating Scale

Score	Rating	Description
4	Highly Satisfactory	A project with overwhelming positive results, and no flaws
3	Satisfactory	A project with a clear preponderance of positive results (i.e., it may exhibit some minor shortcomings though these should be clearly outweighed by positive aspects
2	Unsatisfactory	A project with either minor shortcomings across the board, or an egregious shortcoming in one area that outweighs other generally positive results.
1	Highly Unsatisfactory	A project with material negative results and with no material redeeming positive results

Desk review

44. The desk review critically evaluates Bank policies and strategies in relation to the financial sector and assess completed and on-going projects through a portfolio review comprising the assessment of quality at entry dimensions.

Interviews and questionnaires

45. Interviews are expected to provide a good understanding of both strategic and operational issues related to Africa's financial sector from the results of previous evaluations. A summary of what is known on the performance and effectiveness of the financial sector over the world will also be carried out. This activity includes interviews with staff and managers in charge of policy and strategy formulation as well as operational staff both at the headquarters and field offices, and selected Board members. Interviews and the questionnaire are meant to inform the policy and strategy review and the portfolio review as a means of triangulating information from different sources of information. In addition, a semi-structured questionnaire was designed to carry out in-depth interviews to collect perceptions on issues and solutions related to the policy and strategy and financial sector operations on the following aspects: quality of the design of the policy, quality at entry of the operations, implementation performance, effectiveness, Bank's performance and financial intermediaries implementing performance of financial sector operations. The questionnaire will be administered to selected staff and managers in charge of the FSDPS implementation. Interviews will also be conducted with selected development partners to collect their views on their modus operandi and their perception on the work of the Bank in the financial sector (Annex 6).

Coordination of FSDPS assessment and portfolio review

46. Based on the preliminary findings of the desk review and interviews, the consultants responsible for the FSDPS and portfolio reviews will discuss findings with the team leader of the evaluation. They will work as a team to verify the articulation of the components of the evaluation from both exercises to identify issues and aspects not well covered to be part of the fieldwork. They will map out the content of the fieldwork reports and the specific coverage of the summary report. This evaluation step will culminate in the organization of a workshop with the reference group to take place by the end of May 2019 in Abidjan.

VIII. Sources of information, methods of analysis and limitations

47. The evaluation will rely on existing Bank documents and data, including policy documents, country strategy papers, project appraisal reports, portfolio analysis reports, project completion reports, and project performance evaluation reports. Different methods to collect and analyze data will be used to provide evidence for the findings, conclusions and recommendations (Table 8). Project effectiveness assessment will be carried out using the

evaluation criteria of relevance, effectiveness, efficiency, institutional development impact, and sustainability (OECD/DAC glossary, 2011).

48. The evaluation is subject to some limitations in assessing the evaluation questions particularly those related to implementation and effectiveness of financial sector operations. First, the Bank does not have any easily accessible database dedicated to the financial sector. Second, information on operations performance is not systematically documented and the reliability of information provided may be questionable. Of the 39 completed operations during 2011-2018, 28 have a project completion report. Furthermore, the information in these documents is often inadequate to measure the implementation performance and effectiveness of the operations. The evaluation will strive to make a distinction between recurrent issues common to all Bank's policies and operations - as reported in existing evaluations and other Bank's documents - and those which are specific to the financial sector operations.

49. In addition to difficulties related to the information gap at the Bank, the evaluation will face difficulties in collecting information from the field. Unlike in public operations where borrowers are often ready to receive and cooperate with evaluators, the evaluation of the private sector operations face disinterest of the borrowers who prefer spending their time running their business than in responding to questions of the evaluators.

50. The above evaluation obstacles require that the evaluation team sets up a pragmatic approach to collect relevant information. Within the Bank, IDEV evaluation team is in contact with colleagues in charge of the activities in which the evaluation is interested. Colleagues are positively responding to the request although the responses take time because of that the information is not easily available. The team will also work closely with colleagues in the field offices of the selected countries. For the fieldwork, the evaluation team will identify the institutions and end-beneficiaries to visit during the fieldwork, once the analysis of the portfolio has significantly progressed to identify the exact scope of work. Timely communication will, therefore, be required for a successful fieldwork.

Table 9. Summary of Essential Analysis and Deliverables

Research Components	Sources of Information	Methods of Analysis	Deliverables
Policy Analysis and Strategy Review	<ul style="list-style-type: none"> - Literature and data on financial sector in general and in Africa - Bank policies related to financial sector - Appraisal reports - Bank Staff, Management and Board members - Policies of other multilateral and bilateral Institutions 	<ul style="list-style-type: none"> - Document Review - Statistical analysis - Interviews with Bank Staff, Managers and Board members - Interviews with the staff of other multilateral and bilateral Institutions 	<ul style="list-style-type: none"> - A report including findings, conclusions and suggestions to consider
Analysis of Quality at Entry	<ul style="list-style-type: none"> - Appraisal Reports - Project Completion Reports - Project Completion Report Reviews - Project Performance Evaluation Reports - Country Strategy Papers - Bank Staff - Review of ADOA Summary reports, - Credit risk notes for private sector projects 	<ul style="list-style-type: none"> - A representative (or purposive sample) of all projects (completed and on-going) - Policy documents Review - Rating of Appraisal Reports to analyze design quality - Statistical analysis - Interviews with Bank staff 	<ul style="list-style-type: none"> - A report including findings, conclusions and suggestions to consider
Portfolio Review	<ul style="list-style-type: none"> - Bank's data bases: SAP, DARMS, Statistical Department Database - XSRs, PPERs, CPRs, APPRs - Supervision reports and ratings on implementation progress - Country Strategy Papers - Bank Staff 	<ul style="list-style-type: none"> - Statistical analysis - Review of documents - Rating of projects documents (Appraisal reports mainly) - Rating of XSRs to analyze effectiveness - Interviews with Bank staff - Review of delivery system including M&E 	<ul style="list-style-type: none"> - A report of including findings, conclusions and suggestions to consider
Fieldwork	<ul style="list-style-type: none"> - Bank documents and data - Selected project documents - Bank staff, implementing institutions and beneficiaries 	<ul style="list-style-type: none"> - Project documents and data, interviews, surveys (eventually) - Field visits of country and projects - Assessment of evaluation criteria of relevance, effectiveness, efficiency and sustainability 	<ul style="list-style-type: none"> - Report on each selected country and a synthesis report. They comprise findings and suggestions to consider
Summary Report	<ul style="list-style-type: none"> - Reports on policy/strategy, portfolio, and fieldwork 	<ul style="list-style-type: none"> - Integration of the above analysis into one single report around key evaluation questions 	<ul style="list-style-type: none"> - Summary report including findings, conclusions and suggestions to consider.

IX. Management of the Evaluation

51. Under the overall guidance of IDEV Management, Albert-Eneas Gakusi will lead and coordinate the evaluation's activities and provide guidance to consultants for smooth execution of their assignments. He is responsible for the overall quality of all the deliverables. The IDEV evaluation task team leader will work closely with Mohamed Coulibaly for timely provision of required data and documents and for any analytical work required.

52. The execution of the evaluation requires the collaboration of external consultants of international stature, with relevant experience to critically examine policy, process issues in the Bank and the whole delivery system, and effectiveness of financial operations. To this end, a competitive selection of the consultants based on CVs available in the Bank's database of the consultants - DACON system- was carried out in December 2018. The external team is composed of: Henry Bagazonzya, a financial sector expert was recruited for the FSDPS review; and Zahra Khimdjee, expert in portfolio analysis and financial inclusion was recruited to participate in the portfolio review.

53. In order to timely deliver the reports from the fieldwork, it is suggested to recruit individual consultants conversant with the financial sector in each of the selected countries on a competitive basis. This would avoid long delays required for the procurement to recruit a firm. This approach will also allow IDEV to select consultants itself while putting an emphasis on the knowledge of the instruments used by the Bank and the financial sector in countries.

54. In addition, two external peer reviewers, Barbara Scola and Professor Stephany J. Griffith-Jones were hired to review all written reports including this inception report, assess the quality of fieldwork and attest to the technical merit of the evaluation at completion. The peer reviewers have extensive experience in financial sector policy/strategy and operations issues, design and implementation in the African context. IDEV task team will work closely with PIFD and PINS (Non-Sovereign Operations & Private Sector Support Department), which respectively designated, Nathaniel Agola and Lemine Mohamed for frequent interactions during the evaluation process. An evaluation reference group comprising Bank experts from different departments who are conversant with the financial sector Bank policies and operations was set up to provide analytical and practical advice for the evaluation. The stakeholder reference group will review this paper and provide feedbacks on the findings and recommendations of the evaluation draft reports.

X. Evaluation Deliverables

55. Draft reports will be prepared for various components of the evaluation. The task manager will provide the quality control of the draft reports before circulation for comments to operational staff and management, the reference group, IDEV internal reviewers and the external reviewers. Once all comments have been integrated and the reports are accepted, a summary report will be written comprising findings, conclusions, lessons learned, recommendations and the way forward.

56. The deliverables comprise desk review reports on the following: FSDPS review; portfolio performance analysis including quality-at-entry assessment aspects; fieldwork draft reports; a synthesis of the fieldwork reports, a summary report of all background papers; a 2-page brief of the summary report, and an article in IDEV *Evaluation Matters*. Other briefs on portfolio analysis/quality-at-entry assessment, FSDPS review, and the fieldwork as well as an article to be published in an academic journal could be prepared. The background review reports and the summary report should not exceed 25-30 pages, excluding annexes.

57. The final version of the summary report will be published together with management response including management action record.

XI. Dissemination and Use of the Evaluation’s Findings

52. A preliminary communications and dissemination plan is prepared and will be finalized at the end of the evaluation. The main purpose of the plan is to ensure that knowledge generated from this evaluation is broadly shared with Bank internal and external stakeholders in a timely, cost-effective and efficient way. The findings of the evaluation are meant to be used for evidence-based decision making by the Bank’s stakeholders, including the Bank’s Board members, Management, operations departments, Borrowers, and development partners. The evaluation team will engage with the main stakeholders during the evaluation process. It will present the preliminary findings of the drafts of the desk review by the end of May 2019. The synthesis of the fieldwork report and the summary reports will be presented and discussed by a reference group of the evaluation toward the end of the evaluation.

58. The reports will be published and distributed as IDEV evaluation products. Different background papers will be made available for people with professional or personal interest in evaluation and the financial sector. Finally, a reader-friendly 2-page paper will be prepared.

XII. Time Line

Table 10. Planned Time Line of Activities¹⁴

Evaluation Task	Starting Date	First Draft	Final Draft	Status of Deliverables
Portfolio Analysis	07.01.2019	31. 05.2019	30.06.2019	Background
Policy Assessment	07.01.2018	31. 05.2019	30. 10.2019	Background
Fieldwork	27.05.2019	31.08.2019	31.10.2019	Background
Synthesis Report	28.10.2019	30.11.2019	31.12.2019	Background
Summary Report	0.02.2020	31.03.2019	30.04.2020	Board’s Consideration

¹⁴ The final draft report of the synthesis report was postponed to end March 2020; and that of the summary report to end April 2020 with CODE consideration at mid-July 2020.

Annexes

Annex 1. Bank's financial sector related documents

Equity Investment policy Guidelines	March 1995	Bank equity participation has the objectives of promoting the efficient use of resources, promoting African participation, playing a catalytic role in attracting other investors and lenders and mobilizing the flows of domestic and external resources to financially viable projects which also
A Re-Invigorated Bank- Ann Agenda for Moving Forward (Bank's vision).	1998 March	The Bank would facilitate rural financial intermediation by supporting bottom-up, demand-driven, micro and rural finance schemes aimed at assisting the poor and vulnerable groups of society. Given the lack of the necessary public and institutional infrastructure, weaknesses in the legal and regulatory environment, and the dominance of the public sector in the provision of private and semi-private goods and services, the Bank committed to assist its regional member countries (RMCs), to build the enabling framework for financial sector development (including supervision and regulation of the banking sector), private infrastructure development and micro-credit and savings services.
Policies for Lines of Credit to Private Sector Financial Institutions	1998	Provide specific policy guidance for AfDB operations, which involve private financial institutions (PFI), including explicit parameter for LOCs, agency lines and guarantees. To be eligible for AfDB assistance, a PFI must be located and incorporated in a regional member country (RMC) and authorized to carry out business in the financial sector. Essential aspects of each loan to a sub-borrower will be compiled and forwarded to AfDB on a quarterly basis for monitoring and record-keeping purpose.
Strategic Plan 2003-2007	November 2002	The Bank will aim to play a leadership role in the development of rural financial services. An increased consideration will be given to women's participation in agriculture and in rural and micro-finance programs and the training of small-scale entrepreneurs. The Bank will pay particular attention to improving the investment climate for domestic and foreign investment, reducing public sector dominance in the provision of goods and services and promoting financial sector development and deepening and support for SMEs
Bank Group financial sector policy	2003	Address the following financial intermediation gaps: <ul style="list-style-type: none"> ▪ The fragility of the financial system; ▪ The shortage of long-term finance for investment; ▪ Thee unmet demand for financial services by MSMEs, the economically active poor, and the disadvantaged, including women.
Private Sector Development Strategy	2004	AfDB will continue extending lines of credit to financial institutions that demonstrate the capacity to deliver quality service to SME clients. To reach the second-tier financial institutions with less stellar performance and operational strength, AfDB interventions will largely be in the form of financial support complemented with institutional capacity-building programs, involving training, installation of improved processes, project appraisal capabilities, risk assessment skills and information technology systems. AfDB will develop specialized technical assistance packages to improve the performance and growth of assisted financial institutions
Operational Guidelines for Agency Lines	2005	Financial intermediation, through lines of credit and agency lines, have been identified as one of the ways for AfDB to respond to a broad range of specific needs of private enterprises and to fulfil its development objectives in ways that cannot be met through direct lending. Through local financial and non-financial institutions, AfDB mobilizes funding for projects that are too small for it to handle directly, or are difficult to identify and assess from AfDB's

Policy Framework for Bank Lending in RMC currencies	2006	Lend in the currencies of regional member countries (RMCs) of AfDB to reduce the exposure of borrowers to foreign-exchange risk, particularly as many projects have expenditures and revenues denominated in local currency
Strategy Ppdate for AfDB's Private Sector Operations	2007	No new options explored.
Private Sector Development Policy 2013-17	2012	Support for MSMEs' financing will be primarily through promoting the development of financial intermediaries, including microfinance, and providing catalytic financing to viable institutions to expand their MSME financing portfolios
Equity Investment Policy	2013	The Bank has used this instrument as early as March 1976, when the Bank spearheaded the creation of the Africa Re-Insurance Corporation (Africa-Re). Indeed, until the second half of the 1990s, equity participation was predominantly used by the Bank to lead, or participate in, the creation or strengthening of continental or subregional
Financial Sector Development Policy and Strategy 2014-19	October 2014	Extend LOCs to creditworthy financial intermediaries that explicitly target MSMEs that have the potential for significantly strong impact on job creation and women's economic empowerment. As appropriate, AfDB's LOC operations will include capacity-building and business development services for targeted MSMEs, embedding rigorous evaluations to compare the cost-effectiveness of its alternative approaches.
Working with African Development Finance Institutions	2017	Given AfDB's own constraints, it is now critical to restructure its support to go beyond the provision of LOCs by assisting African IFIs to mobilize additional funding from other sources.
Policies for Non-Sovereign Operations	2018	The scope of domicile was extended from only Regional Member Countries

Annex 2. Provisional Table of Contents of the Evaluation of the Financial Sector Development Policy and Strategy, 2014-2018

INTRODUCTION

- Context
- Objectives and Scope
- Methodology and limits

TRENDS IN THE FINANCIAL SECTOR IN AFRICA

- Progress in the development of the financial sector in Africa, including access, depth, institutional development and performance
- Recent developments and challenges of the sector—mobile phones, other technologies and rapid growth of microfinance for the underserved
- National, regional Banks and attendant regulatory and supervisory requirements

CONCEPTUAL UNDERPINNINGS AND STRATEGY FRAMEWORK

- Evolution of Bank's Approach to the Financial Sector
- Theory of change of the policy

EFFECTIVENESS OF THE BANK'S STRATEGIC FRAMEWORK

- Relevancy and the quality of the design
- Efficiency and effectiveness
- Sustainability

BANK'S ORGANIZATIONAL SETTING AND CAPACITY

- Organizational structures and capacity to implement
- Use of financing instruments: lines of credit; agency lines; blended finance, DPOs etc.
- Partnerships and coordination

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Annex 3. Evaluation Grid for Portfolio/QAE Review

A. Strategic Relevance		
A.1	Extent to which the intended development objectives of the project are consistent with the objectives of the policy/strategy?	Scoring
A.2	Extent to which the design of the project is based on specific diagnostic/study/assessment to address development challenge and/or market failure?	Scoring
A.3	Has the project assessed the risk of crowding-out other players or risk of market distortion; is there any convincing justification of the value added of the Bank's intervention?	Scoring
A.4	To what extent does the project refer convincingly to lessons learned from past projects or to other interventions in the country/sector that this project will complement?	Narrative
B. Project Design		
B.1	Are there clear and plausible hypotheses of how project interventions lead to outcomes and impacts?	Scoring
B.2	Does it include clear definitions of indicators that measure the financial sector development including data sources, and description of methodologies used to collect data/evidence?	Scoring
B.3	Is there a clear indication of the direct and indirect end beneficiaries of the project (specify if it is the end beneficiaries or the impact of the project on other players/areas)? Do they make a distinction in the financial inclusion outcomes between men and women, rural vs urban, youth vs. adults, underserved targets, etc.?	Scoring
B.4	Are there any conditions precedent to disbursement or any covenants that could be enforced to allow the improvement of the institution's practices (risks, governance) and the impact monitoring?	Y/NO
C. Effectiveness		
C.1	To what extent were the targets met, the objectives achieved?	Supervision Report
C.2	Did the financial sector operations contribute to improve access for the underserved (women, youth, rural, urban), deepen Africa's financial systems (in terms of geographical reach, etc.) or improved Financial Stability and Governance?	Supervision Report
C.3	To what extent have projects promoted environment preservation when applicable?	YES/NO
C.4	Have the operations produced any indirect and unintended results, beneficial or negative?	Narrative
C.5	What can be identified as the Bank's internal and external drivers of success or failure of the operations (the evaluation should consider making a distinction between results attributable to the Bank's operations and any other external factors). Specify which ones?	Narrative
D. Efficiency		
D.1	To what extent was there effective collaboration and cooperation between the Bank and other development partners (IFIs) to advance the development of the financial sector including inclusive finance?	Scoring

D.2	Was there any cost and time overruns and what were the main reasons?	Scoring
D.3	Has the Bank effectively addressed any capacity issues that hindered implementation?	Scoring
D.4	To what extent supervision missions were carried out as planned?	Number
E. Sustainability		
E.1	Extent to which partners have reached or increased financial sustainability over the funding period and have the capacity and commitment to continue providing the service / function.	Scoring
E.2	Extent to which the project has influenced sector-level change (e.g. crowded-in other institutions, led to responses by other market actors or regulators).	Scoring
E.3	Were there any plans and lessons to foster development of the sector including policy dialogue undertakings to enhance enabling environment in African countries?	Narrative

Annex 4. Table of Contents for the Portfolio Analysis Report

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- Objectives and Scope
- Methodology and limits

TRENDS AND STRUCTURE

- Key Features
- Trends

RELEVANCE AND THE QUALITY OF THE DESIGN OF THE OPERATIONS

- Relevance of the Operations
- Quality of the Design

IMPLEMENTATION PERFORMANCE

- Respect of the time and the cost
- Collaboration and coordination

EFFECTIVENESS AND SUSTAINABILITY

- Attainment of the Objectives
- Sustainability

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Annex 5. Table of Contents of the Fieldwork Reports

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- Methodology and Limitations

II. FINANCIAL SECTOR CONTEXT AND STRATEGY

- Financial Sector Context
- Government Financial Sector Strategy

III. ADB STRATEGY AND OPERATIONS IN THE SECTOR

- Country Operational Strategy
- Presentation of the Operations Evaluated

IV. BANK'S ASSISTANCE PERFORMANCE

- Relevance and design
- Effectiveness
- Efficiency
- Sustainability
- Overall Evaluation

V. BANK AND BORROWER PERFORMANCE

- Bank's Performance
- Borrower's Performance

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Annex 6. Table of Contents of Synthesis Fieldwork Report

III. INTRODUCTION

- Context
- Objectives and Scope
- Methodology and Limitations

IV. FINANCIAL SECTOR CONTEXT AND STRATEGY

- Financial Sector Context
- Government Financial Sector Strategy

III. BANK'S STRATEGY AND OPERATIONS IN THE SECTOR

- Country Operational Strategy
- Presentation of the Operations Evaluated

IV. BANK'S ASSISTANCE PERFORMANCE

- Relevance and design
- Effectiveness
- Efficiency
- Sustainability
- Overall Evaluation

V. BANK AND BORROWER PERFORMANCE

- Bank's Performance
- Borrower's Performance

VI. MAIN FINDINGS

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Annex 7. Managers and Task Managers Questionnaire for Policy/strategy and Operations

A. Strategy	
A.1 In your opinion, what difference did the Bank's 2014 Financial Sector policy and Strategy bring about?	
A.2 How useful has the Financial Sector Policy/Strategy been in your daily work?	Very useful, useful, not really useful, please explain
A.3 How do you assess the quality of the design of the strategy: was it based on lessons learnt and relevant expertise, was sufficient time given for its preparation, and were resources required for the implementation provided?	Very satisfactory
	Satisfactory
	Unsatisfactory
	Very unsatisfactory
	Please explain
A.4 What do you think are the main obstacles and enablers for timely implementation of the strategy?	
A.5 What is your assessment of the coordination with other departments of the Bank? What improvements would you like to see implemented for effective coordination?	Very useful, useful, not really useful, please explain
A.6 What should be changed for the strategy and operations to be more effective: organisation, rules and processes, financial resources, skills mix, guidelines, business plan, etc. ?	
B. Design quality and implementation opérations	
B.1 To what extent was the Bank proactive to seize the opportunities including for financing underserved and fragile states? Explain	
B.2 What can be improved to diversify the type of institutions the Bank is supporting (support smaller institutions, Low Income and fragile countries, institutions serving underserved targets, etc.)? What incentives would you propose to achieve this change?	
B.3 Did the Bank have the capacity to timely develop and implement the operations: risk analysis, financial resources, skill mix, economic and sector work, etc? Please explain.	
B.4 What should be changed/improved in the Bank's capacity to facilitate/speed up the Due Diligence processes and project implementation: human and financial resources, processes and procedures, etc.? Please explain.	
B.5 What is your assessment of the implementation performance: respect of implementation schedule and planned cost?	Very satisfactory
	Satisfactory
	Unsatisfactory
	Very unsatisfactory
	Please explain
C. Effectiveness	
C1 To what extent did the project realistically plan to measure the attainment of the objectives?	
C2 What is your assessment of the discrepancy between the planned and actual achievements in terms of outputs and outcomes? Low, high: Explain	

D. Sustainability	
What are the main obstacles that hindered the operations' sustainability: financial, political, organisational, HR, social, economic, environmental aspects, etc.?	
E. Role of the Bank	
E.1 What is your assessment of the level of the resources (human, financial, organisational, rules and processes) allocated to the operations' implementation, given the challenges you face and the expected results?	Very satisfactory
	Satisfactory
	Unsatisfactory
	Very unsatisfactory
	Please explain
E.2. What is your assessment of the Bank's role in terms of policy dialogue to foster reforms and the strengthening of the financial sector in a given country?	Unsatisfactory
	Satisfactory
	Very satisfactory
	Don't know
	Please explain
E. Recommendations	
What are your recommendations for the next financial sector strategy and operations?	

Annex 8. Selected operations for field visits

a) Synthesis table

Region	Countries	Amount mio UC	Nber of operations	Instruments
Central	Cameroon	397.8	1	Partial Risk Guarantee
East	Kenya	258.47	8	Line of credit, Partial Risk Guarantee, Equity fund, Trade finance line of credit
North	Tunisia	320.24	5	Line of credit, Trade finance line of credit, Policy based operation, Technical assistance
	Egypt	513.1	5	Risk Participation Agreement, Equity fund, Trade finance line of credit
South	Namibia	267.33	2	Line of credit
West	Burkina Faso	56.8	5	Line of credit, Risk Participation, Technical assistance
	Nigeria	225.1	6	Line of credit, Risk Participation, Equity fund, Trade finance line of credit

b) Selected operations

Countries	Project Names	Approval dates	Amounts million UA	Instruments	Project Status
CENTRAL AFRICA					
Cameroon (LIC)	Partial Credit Guarantee for currency risk hedging	09/07/2015	397.8	Partial credit guarantee	Ongoing
EAST AFRICA					
Zmultinational Kenya	PTA Reinsurance Company Limited	23/02/2011	5.82	Equity fund	Closed
	East African Development Bank	16/01/2013	15.62	Equity fund	Ongoing
	PTA Reinsurance Company Limited (ZEP-RE)	18/06/2014	2.60	Equity fund	Closed
	East African Development Bank (EADB)	15/10/2014	26.98	Line of credit	Ongoing
	Eastern And Southern African Trade And Development Bank (PTA Bank)	07/12/2016	133.00	Line of credit	Ongoing
Kenya (LIC)	Geothermal Development Company (GDC) Menengai 105 Mw Independent Power Producers Partial Risk Guarantee	22/10/2014	8.25	Partial credit guarantee	Ongoing
	Diamond Trust Bank Kenya Limited	18/11/2016	36.40	Line of credit	Ongoing
	Commercial Bank of Africa Limited	25/01/2017	29.80	Trade finance line of credit	Approved
NORTH AFRICA					
Tunisia (MIC)	Line Of Credit in Support Of Small And Medium Sized Enterprises	13/07/2011	31.24	Line of credit	Ongoing
	Tunisia Hannibal lease - Africa SME program	14/07/2017	6.60	Line of credit	Ongoing

Countries	Project Names	Approval dates	Amounts million	UA	Instruments	Project Status
	Tunisia - Financial Sector Modernization Support Program	13/07/2016	231.00		Policy based operation	Closed
	Small and Medium Enterprises Access to Non-Bank Financing Facilitation Project	08/12/2017	3.40		Technical Assistance	Ongoing
	Banque de L'habitat	19/10/2016	48.00		Trade finance line of credit	Ongoing
Zmultinational Egypt	African Export-Import Bank	28/05/2014	19.36		Equity fund	Ongoing
	African Export-Import Bank	28/05/2014	64.53		Risk participation Agreement	Completed
	African Export-Import Bank	28/05/2014	96.79		Trade finance line of credit	Ongoing
	African Export-Import Bank	29/03/2017	221.60		Trade finance line of credit	Ongoing
	African Export-Import Bank	29/03/2017	110.80		Risk participation Agreement	Ongoing
SOUTH AFRICA						
Namibia (MIC)	Trustco Finance	07/12/2011	5.03		Line of credit	Closed
	Namibia - Development Bank Of Namibia	09/07/2015	262.30		Line of credit	Ongoing
WEST AFRICA						
Nigeria (MIC)	Zenith Bank PLC	26/03/2014	80.78		Line of credit	Closed
	Access Bank PLC	15/05/2014	64.53		Line of credit	Ongoing
	Development Bank Of Nigeria PLC	15/12/2014	34.15		Equity fund	Ongoing
	Fortis Microfinance Bank PLC	15/06/2015	3.60		Line of credit	Ongoing
	First Securities Discount House Merchant Bank Limited	27/06/2016	35.60		Trade finance line of credit	Ongoing
	Fund for Agricultural Finance in Nigeria	14/07/2016	6.40		Equity fund	Ongoing
Burkina Faso	Support Project For Establishing An Agribusiness Bank (PACBA)	14/12/2018	7,5		Technical assistance	Approved
	Coris Bank International	23/11/2016	30,3		Line of credit	Ongoing
	Private sector Credit Enhancement Facility (PSF) -Recommended Financial Sector Participations Coris Bank International Burkina	11/10/2017	15.90		Risk participation	Ongoing
	Private sector Credit Enhancement Facility (PSF) -Recommended Financial Sector Participations Fidelis finance Burkina	11/10/2017	0.90		Risk participation	Ongoing
	Fidelis Finance S.A. (Formerly Known As Burkina Bail) Under The Africa SME Program	19/06/2014	2.21		Line of credit	Ongoing

Annex 9. List of relevant documents for the financial sector evaluation

Internal documents

Type	Title of document	Year of publication
Corporate Strategic Documents	The vision: A re-invigorated bank : an agenda for moving forward	1999
	Agreement establishing the African Development Bank	2002
	Strategic Plan 2003-2007	2002
	Accord portant création du Fonds Africain de développement	2003
	African Development Bank Group Long Term Strategy 2013-2022	2013
	A proposal to redesign the Bank's development and business delivery model	2016
Financial sector related documents	Policies for lines of credit to private sector financial institutions	1998
	Bank Group Financial Sector Policy	2003
	Private Sector Development Strategy	2004
	Operational Guidelines for Agency Lines	2005
	Policy Framework for Bank Lending in RMC currencies	2006
	Strategy update for AfDB's private sector operations	2007
	Private sector development policy 2012-2017	2012
	Financial Sector Development Policy and Strategy 2014 - 2019	2014
	Consolidating the Bank's Role in Trade Finance in Africa	2016
	New approach for working with African development finance institutions	2017
Policies for non-sovereign operations	2018	
Strategic Framework on Financial Inclusion 2018 – 2020	2018	
Relevant existing evaluations	Unlocking the Potential of Africa's Sub-Regions: Review of Bank Group Assistance to Sub-Regional Development Banks http://idev.afdb.org/sites/default/files/documents/files/Unlocking%20the%20Potential%20of%20Africa%E2%80%99s%20Sub-%20Regions%20-%20Review%20of%20Bank%20Group%20Assistance%20to%20Sub-Regional%20Development%20Banks.pdf	2010
	Independent Evaluation of Non-Sovereign Operations, 2006-2011	2013
	Fostering Inclusive Finance in Africa: An Evaluation of AfDB's Microfinance Policy, Strategy and Operations, 2000–2012 http://idev.afdb.org/sites/default/files/documents/files/CSM%20-%20Fostering%20Inclusive%20Finance%20-%20An%20Evaluation%20of%20the%20Bank%E2%80%99s%20Microfinance%20Policy%20-%20Strategy%20and%20Operations%20-%202000-2012_0.pdf	2014
	Independent evaluation of AfDB's Additionality and development outcomes assessment (ADOA) framework for private sector Operations	2014
	Evaluation of Bank Group Assistance to Small and Medium Enterprises, AfDB http://idev.afdb.org/sites/default/files/documents/files/IDEV%20SME%20Report_WEB.pdf	2015

Type	Title of document	Year of publication
	Independent evaluation of Bank Group Equity Investments http://idev.afdb.org/sites/default/files/documents/files/IDEV%20PE%20Report%20EN_WEB.pdf	2015
	Toward private sector led growth, lessons of experience. Evaluation synthesis http://idev.afdb.org/sites/default/files/documents/files/IDEV%20C%20PSD%20Report%20EN_WEB_PDF	2016
	Do lines of credit attain their development outcomes, an synthesis evaluation http://idev.afdb.org/sites/default/files/documents/files/LINES%20OF%20CREDIT%20FINAL%2031%20OCTOBRE%202018%20EN.pdf	2018
	Evaluation of the Quality of Supervision and Exit of the African Development Bank Group's Operations (2012–2017) http://idev.afdb.org/sites/default/files/documents/files/Quality%20of%20Supervision%20and%20Exit%20-%20Summary%20Report_0.pdf	2018
	Evaluation of Quality Assurance across the Project Cycle of the African Development Bank Group (2012–2017) Synthesis Report http://idev.afdb.org/sites/default/files/documents/files/Quality%20Assurance%20Synthesis%20Evaluation%20Report.pdf	2018