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Evaluation of the AfDB's Additionality and Development Outcomes Assessment Framework (ADOA 2.0), 2015–2020

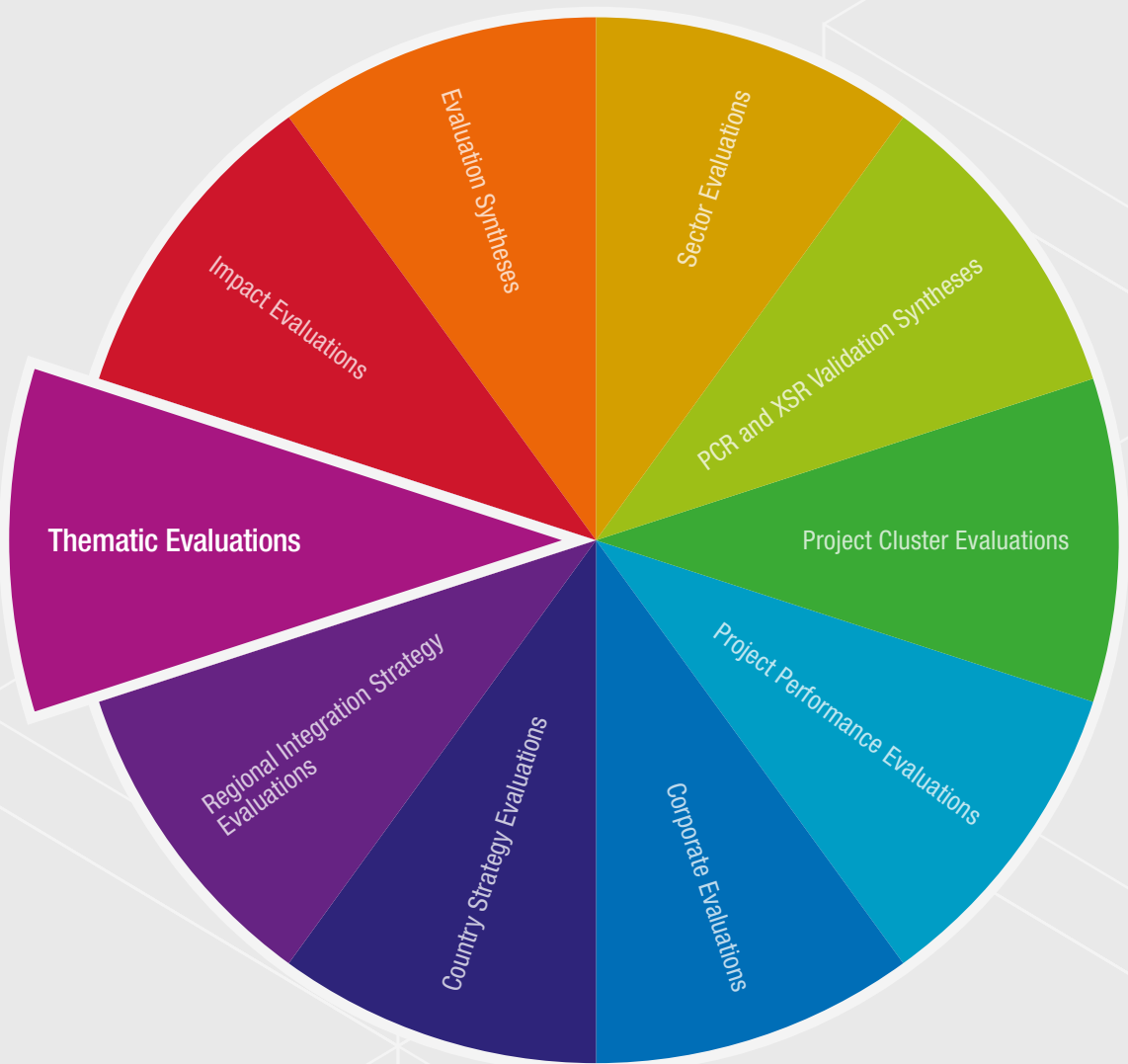
Summary Report

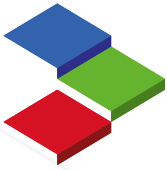


AFRICAN DEVELOPMENT BANK GROUP

October 2021

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Summary Report



AFRICAN DEVELOPMENT BANK GROUP

October 2021

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Evaluation of the AfDB's Additionality and Development Outcomes Assessment Framework (ADOA 2.0), 2015–2020 – Summary Report
IDEV Thematic Evaluation, October 2021

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

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Abbreviations and Acronyms

ADOA	Additionality and Development Outcomes Assessment	IRIS	Impact Reporting and Investment Standards
AfDB	African Development Bank Group	LNG	Liquefied Natural Gas
AMP	ADOA Management Platform	MDB	Multilateral Development Bank
AIMM	Anticipated Impact Measurement and Monitoring	NSO	Non-Sovereign Operation
BTOR	Back to Office Report	OPM	Oxford Policy Management
CHIS	Corporate Information Technology Services	PAR	Project Appraisal Report
DBDM	Development and Business Delivery Model	PCN	Project Concept Note
DELTA	Development Effectiveness Learning Tracking and Assessment	PEVP	Vice-Presidency for Economic Governance and Knowledge Management
DFI	Development Finance Institution	PINS	NSO and Private Sector Support Department
EBRD	European Bank for Reconstruction and Development	PSD	Private Sector Development
ECMR	Macroeconomics Policy, Forecasting and Research Department	PSO	Private-Sector Operation
ECVP	Vice-Presidency for Economic Governance and Knowledge Management	RBLF	Results Based Logical Framework
FI	Financial Intermediary	RMC	Regional Member Country
GCI	General Capital Increase	RMF	Results Measurement Framework
HIPSO	Harmonized Indicators for Private Sector Operations	RRS	Results Reporting System
ICT	Information Communication Technology	SMART	Specific Measurable Achievable Relevant and Time-Bound
IDB	Inter-American Development Bank	SMEs	Small and Medium Enterprises
IDEV	Independent Development Evaluation	SNOQ	Operations committee and quality assurance department
IFC	International Finance Corporation	TIMS	Transition Impact Monitoring System
IFI	International Financial Institution	TOMS	Transition Objectives Measurement System
IO	Investment Officer	TYS	Ten-Year Strategy
		XSR	Expanded Supervision Report



Executive Summary

Background

The ADOA Framework is a decision-making tool to guide the Board and Senior Management of the African Development Bank (the AfDB, or the “Bank”) in selecting private sector operations to fund. In 2012, the Bank adopted its Ten-Year Strategy 2013–2022 (TYS) to guide its development mandate in Africa. The YYS is based on two main objectives, namely inclusive growth and transition to green growth, with the goal of creating shared prosperity for all. Five operational priorities were identified to deliver on these objectives, including private sector development.

To meet the twin objectives of inclusive growth and transition to green growth, the Bank committed to catalyze and leverage private sector resources. A Private Sector Development Strategy 2013–2017 (extended to 2019) was developed in this context.

The expansion of the Bank’s Non-Sovereign Operation (NSO) portfolio prompted the need to ensure that NSOs were aligned with, and contributed to, Bank strategies and targeted development outcomes. To this end, NSOs approved by Multilateral Development Banks (MDBs) are required to demonstrate their additionality, including to financial services already provided by the market. In response to the demand from the Board of Directors to ensure the quality at entry of the Bank’s NSOs and their additionality, a pilot version of the Bank’s Additionality and Development Outcomes Assessment (ADOA) Framework was developed in 2008. As a decision-making tool, it assesses two main dimensions of the Bank’s NSOs:

I Additionality: Measuring the contribution from the Bank’s private sector interventions that is not

currently supplied by markets. Additionality takes several forms, notably financial and non-financial.

I Development outcomes: Measuring development outcomes along seven sub-dimensions. This dimension is articulated around the following question: what are the expected development outcomes generated by the project relative to the no-project scenario?

By providing an ex-ante assessment, ADOA notes are intended to inform the Board and Senior Management on those NSOs likely to generate development outcomes and where the Bank’s involvement is additional.

The ADOA Framework was piloted for one year, then revised and institutionalized by the Board as part of the NSO business process and implemented until 2014. The changing context, both in the Bank and globally, prompted the need for a revamped framework, which resulted in the ADOA 2.0 Framework being approved in 2015. An evaluation of the ADOA 2.0 Framework was introduced in IDEV’s work program in April 2020, following a request from Management. The rationale for its introduction was based on the General Capital Increase Commitment to revise the current framework by 2021.

Purpose and scope of the evaluation

The objective of this evaluation was to take stock of the implementation of the ADOA 2.0 Framework, and provide credible evidence on its relevance, effectiveness, and efficiency. Its findings, lessons and recommendations will inform the forthcoming revision of the ADOA Framework. The evaluation covered the framework’s ex-ante assessment of the Bank’s NSOs between 2015 and 2020. Between its

2015 approval and 2020, over 230 projects were assessed using the ADOA Framework.

The evaluation addressed the following core questions:

- i. to what extent is the ADOA Framework aligned with the Bank's current and emerging strategic directions, and how can this alignment be improved?
- ii. to what extent has the ADOA Framework provided a sound assessment of additionality and expected achievement of development outcomes, and in what ways can their assessment be improved?
- iii. to what extent have the ADOA process and methodology been efficient? Are efficiency gains possible?
- iv. what are the strengths and weaknesses of the ADOA Framework and process?¹
- v. how can the ADOA process increase its value added to the Bank's NSOs?

Methodology

The evaluation was guided by the Bank's Independent Evaluation Policy, the international evaluation criteria and the latest Evaluation Cooperation Group (ECG) Good Practice Standards for Public Sector (ECG 2012) and Private Sector (ECG 2011) Operations. The evaluation was theory-based and used a mixed method (quantitative and qualitative). The evaluation methods applied are primarily qualitative, complemented by a review of the quantitative information. The evaluation benefitted from a substantial amount of relevant evaluation evidence generated by IDEV and other internal and external reviews.

The report's evidence comes from a triangulation of quantitative and qualitative data collection methods to answer the evaluation questions.

The evaluation was informed by five main lines of evidence: (i) desk review: including collecting, organizing and synthesizing available relevant Bank strategic documents, ADOA guidance documents and annual reports, evaluation reports, and other relevant documents; (ii) stakeholder interviews with the Board of Directors, the ADOA team, the portfolio management team and the relevant Senior Management team; (iii) online surveys: four groups were targeted for tailored questionnaires: the Board of Directors, the ADOA team, operations staff, and Senior Management; (iv) case studies of selected projects: a non-representative sample of 10 projects approved in 2016 and 2017 was selected for an in-depth analysis; and (v) benchmarking with comparator institutions. The evaluation reviewed ADOA-like systems used by three comparator institutions, IFC's AIMM, EBRD's TMS/TOMS and IDB's DELTA.

Data collection and analysis for the evaluation were desk-based due to the COVID-19 pandemic, and interviews with key stakeholders were conducted remotely. Limitations in the methodology include a low response rate in the online staff survey, and important gaps in the availability of key documents for project analysis for the case studies. The low response rate was mitigated by interviews with key members of Senior Management, while limited document availability was mitigated by sharing all 10 case studies with the relevant project teams for review, allowing the team to access additional documents. The use of triangulation further helped in mitigating these limitations.

Findings

Relevance: The evaluation assessed: (i) the extent to which the ADOA Framework was aligned with the Bank's current strategic directions, the NSO business cycle and the due diligence process; (ii) the extent to which the ADOA Framework design was adequate; and (iii) the ways in which this alignment and design can be further improved.

The alignment of the ADOA Framework with the Bank's TYS, the High 5s, the RMF, and other Bank policies and strategies: The evaluation found that the ADOA Framework was overall relevant for the Bank's strategies, particularly the TYS 2013–2022, operational directions, and the NSO business cycle and due diligence process. The ADOA 2.0 Framework (2015–2021) is generally integrated with the Bank's Results Measurement Framework (RMF) 2016–2025, designed not only to measure but also to boost the Bank's development impact. However, the evaluation found a misalignment between the ADOA indicators and those of project results frameworks. Although the RMF, the Delivery and Business Development Model (DBDM) and the High 5s were developed after the ADOA Framework was approved, the framework has remained relevant in the changing context. The categories of development outcomes assessed by the ADOA Framework (infrastructure, private sector development and demonstration effects, regional integration and resilience, governance and fiscal effects, household benefits and job creation, gender and social effects, and environmental effects and transition to green growth) can be mapped to the Bank's High 5 priorities (Light Up and Power Africa, Feed Africa, Integrate Africa, Industrialize Africa, and Improve the Quality of Life for the People of Africa). There is, nonetheless, an opportunity to enhance alignment and relevance of the next ADOA Framework with the Bank's new and emerging strategic directions, as the current TYS is coming to an end in 2022.

Robustness of the ADOA Framework design: Regarding the design of the framework, the ADOA team developed a comprehensive operational manual, which outlines processes and procedures as guidance to staff. Survey respondents and Senior Management found the greatest strength of the ADOA Framework to be the independence of its assessments and the credibility this confers to a transaction. However, the evaluation also found the following areas of gaps and potential improvements in the design of the ADOA Framework:

- The ADOA Framework assesses additionality based on the collective contribution of all participating Development Finance Institutions (DFIs) and considers the highest rated among the three dimensions (political risk mitigation, financial additionality, and improved development outcomes). This may have an effect of inflating the Bank's contribution, thereby lowering the hurdle for additionality, making the assessment less discriminatory and reducing the focus on the distinct additionality brought by the Bank.
- The Bank's NSOs appear to have outgrown the ADOA typology of projects, which is divided into six categories (goods and services; infrastructure; Financial Intermediary (FI) on-lending; FI investment fund; and FI trade finance; and other FIs). This classification determines the types of indicators and weights applied during the assessment. Therefore, there is value in reviewing this to include all sectors covered by the Bank's NSOs.
- The evaluation found that specific adjustments are needed to ensure the continued alignment of the ADOA Framework with the Bank's new directions, as the TYS is coming to an end in 2022, especially given the multi-layered work ongoing at the Bank. This includes the ongoing revision of the Bank's corporate RMF, a new Bank policy on NSOs, a new private sector development strategy (all not yet approved), cross-cutting strategies such as gender, green growth and fragility, as well as new or updated sector and corporate policies, and strategies that have direct causal linkages with the ADOA.

Effectiveness: The effectiveness of the ADOA Framework was assessed by examining the extent to which it achieved its objectives of being a decision-making tool to improve project design and selectivity for the Bank through: (i) the soundness of the assessment of additionality; (ii) the soundness of the assessment of development outcomes; and (iii) the extent to which ADOA indicators provide a sound basis (through the additionality and development

outcomes assessments) for monitoring² during project implementation and at evaluation.

The ADOA Framework's assessment of additionality: About two-thirds of Board respondents and all ADOA team respondents indicated that the ADOA Framework provided a sound basis for Management and the Board to approve projects with high additionality. However, the case studies revealed some issues worth considering when revising the framework. First, the evaluation found that in six of the 10 case studies, claims of additionality were not supported by robust evidence, which was either inadequate or insufficient to justify the rating. Second, the evaluation found insufficient rigorous analysis to demonstrate the extent to which the target groups of funding for Small and Medium Enterprises (SMEs) are underserved by the markets. Capturing indirect effects is a challenge for most DFIs, including the AfDB. In addition, although the case for financial additionality was usually based on the need to address a constraint, in eight out of the ten case studies there was insufficient demonstration that the project also addressed a binding constraint. To fully justify financial additionality, a project should put more emphasis on addressing binding constraints in addition to non-binding constraints.

The ADOA Framework's assessment of development outcomes: Overall, survey responses were positive about the soundness of the ADOA Framework's assessment of development outcomes, while the Board members who responded considered the soundness of the methodology to be a strength of the framework. However, for operations staff who responded, the ex-ante estimates of future performance by the ADOA Framework were seen as a weakness. Furthermore, the findings from the case studies highlighted the following areas for improvement related to the assessment of development outcomes.

- First, the ADOA approach aims to assess development outcomes across the whole of the project. Even for an investment project with a clear definition of what the AfDB's financing will be used

for, the whole-of-project assessment is used as the basis for determining development outcomes. This may overstate the AfDB's contribution to the achievement of development outcomes and, if other financiers are doing likewise and are reporting on this basis, there is significant double counting.

- Second, to assess development outcomes, the ADOA Framework has six typologies of projects (four of which are for FI-type operations). This means that any non-FI project must fit into one of the two remaining types, namely goods and services industries, or infrastructure. This may lead to projects being classified in the wrong category, as illustrated by the case studies (for example, an agricultural production project was classified as a goods and services project). Updating the typology of projects to include a wider spectrum of sectors that the Bank covers is therefore warranted.

- Third, the ADOA Framework assesses development outcomes through seven categories, six of which have two distinct and largely unrelated dimensions (for example, governance and fiscal effects, or regional integration and economic resilience). Consistent with the methodology in the ADOA operations manual, the assessments focus generally on one dimension, and usually this is where there is something positive to say. In addition, the ADOA development outcomes assessment is not based on a clear and logical sector or project theory of change or results framework. Lastly, across the case studies, there was insufficient treatment of the distribution of outcomes, particularly to underserved segments of the population.

Soundness of the ADOA indicators for monitoring purposes: The three benchmarked MDBs all have monitoring and reporting components that are integrally linked to their ex-ante tools: IFC's AIMM has AIM Monitoring, EBRD's TOMS is complemented by the Transition Impact Monitoring System (TIMS), and IDB Invest has DELTA in Supervision. However, the ADOA's mandate stops at Board approval of

projects, and monitoring of development outcomes is undertaken by the portfolio management team.

Nevertheless, the evaluation noted several reasons why the ADOA indicators for the case studies do not provide an optimally sound basis for monitoring:

- ADOA indicators are not based on a sector or an explicit project theory of change, so there is no basis to determine which indicators are the most relevant;
- Many of the indicators are output rather than outcome indicators;
- ADOA indicators are based on the ADOA Framework's typology of projects, which determines indicators used and weights applied, which is sometimes irrelevant to non-FI projects; and
- While it is positive that the ADOA indicators follow closely the Harmonized Indicators for Private Sector Operations (HIPSO), these are generic indicators. They need to be customized to the context and the specifics of what the project will do. ADOA indicators do not adequately ensure that data on the incremental effect of the project are gathered, as is explicitly required by the ADOA Framework (*"The development effects attributed to the PSO are those incremental to the project vs. the "no-project" scenario"*).

Efficiency: The evaluation examined the ADOA Framework's efficiency by assessing the extent to which the ADOA process and methodology were efficient, and how, and the extent of the efficiency gains possible.

To improve efficiency, the ADOA 2.0 Framework put in place a manual of standard operating procedures. This provides guidance on procedures and processes, and details on core indicators, criteria and rating scales for additionality and development outcomes, thus ensuring a degree of harmonization in the ADOA notes. During the processing cycle of

the Bank's NSOs, the ADOA Framework follows a process of issuing three to five ADOA notes. The ADOA's involvement starts at the concept stage and ends after the Board's review. Regarding the efficiency of the ADOA process, in the survey, Board members identified this as one of the areas where the greatest improvements could be made. The views of the ADOA team were quite different, with 54 percent agreeing that the process was efficient and 36 percent agreeing to some extent. All ADOA respondents agreed (or agreed to some extent) that the ADOA process adds benefits. However, based on the 10 case studies, there was insufficient evidence that the ADOA process contributed to more or better-quality development outcomes throughout the successive ADOA notes produced. It seems that producing many notes for a single project may not add much value. This finding is also supported by the Oxford Policy Management report (October 2020), which states that the level of effort in drafting and clearing ADOA notes from concept to approval stage is considerable.

The way forward: maximizing the ADOA's added value. The evaluation gauged the ADOA Framework's way forward by assessing how it can increase its value added to the Bank's NSOs. Among others, the evaluation highlighted the following key factors that could enhance the ADOA's value added:

Monitoring development outcomes can lead to improving results of future operations: The role of the ADOA process stops with Board approval of the transaction, whereas the three benchmarked MDBs all have monitoring and reporting components that are integrally linked to their ex-ante tools. With the AfDB's ADOA process, the final stage is for the ADOA officer to hand over a monitoring template to the Investment Officer (IO). This becomes incorporated in the legal agreement as a schedule to the contract, such that the client becomes legally obliged to report on development outcomes annually. The Bank's portfolio officers have a responsibility for monitoring as far as ADOA indicators go, but their role seems to be limited to encouraging clients to fulfill their

obligation to report, mostly unsuccessfully in the case study projects.

Establishing and reporting on gender-relevant development outcome indicators beyond sex-disaggregated data. The current ADOA Framework development outcome indicators that the NSO interventions intend to achieve regarding gender equality are identified during the project design. These are then depicted in the project results framework (formerly known as results-based logical framework) through sex-disaggregated data. However, it is important that, in the upcoming revision of the framework, this should be extended to the design, monitoring and reporting on the achievement of development outcomes beyond sex-disaggregated data. This should be done by mapping how gender equality and empowerment can be achieved by collecting, analyzing, and presenting both person- and non-person-related development outcomes.³ The fundamental purpose is to examine all development outcomes and additionalities for their gender relevance beyond sex-disaggregated data.

Clarify the ADOA Framework's relationship to the projects results framework: Unlike IFC and EBRD, which do not require separate results frameworks for their NSOs (they have monitoring indicators for AIMM and TIMS, respectively), the AfDB requires each NSO to have both ADOA development outcome indicators and a Results-Based Logical Framework (RBLF). However, IDEV's 2018 quality-at-entry evaluation and the case studies in this evaluation found a lack of coherence between the targets and indicators in the RBLF and the ADOA development outcome indicators. In addition, having two results frameworks, or at least two sets of results indicators, is not efficient. The issue of a lack of coherence between the RBLF and the ADOA indicators has recently been addressed through the Bank's Integrated Quality Improvement Plan. This aims to enhance the design, implementation, and results of the NSOs based largely on the recommendations of IDEV's 2018 evaluation on quality assurance across the project cycle of the AfDB. However, it is still too

early for this evaluation to provide evidence that this has resolved the issue.

Ensuring an adequate trade-off between financial viability and development outcomes: There is often tension between the ADOA development outcomes assessment (where Regional Member Countries [RMCs] are expecting high development impacts) and financial viability (where sponsors are aiming for long-term commercial viability). In addition, as the Bank is aiming to increase its NSO engagement in low-income countries and transition states, the credit risk cut-off rating for such countries was set at 5. In case of a negative ADOA development outcomes rating, the potential for development results is missed. To ensure a proper trade-off, projects below a satisfactory ADOA development outcomes rating should not enter the portfolio. In addition, high-risk projects, even those with good ADOA ratings, should embed a strong security package to ensure that the Bank does not record grants in its loan book as per the recommendation of external auditors, and that it will recover its investment in case of loan sell down or write-off.

Harmonizing development outcomes indicators at project design: The NSO and Private Sector Support Departments, in collaboration with the ADOA team, developed standardized and more comprehensive sets of indicators for each type of NSO instrument over the past year (trade finance, project loan, line of credit, guarantees, etc.). For each type of instrument, sets of indicators are included at several levels: borrower / fund / sponsor / company; list of beneficiary companies; core indicators at the beneficiary company level; and sector-specific indicators at the level of the beneficiary company. Key changes to the results planning and monitoring also include the use of a theory of change for each project, as well as increased emphasis placed on risk analysis (here risk related to results achievement, not credit risk). Hence, a risk analysis template is now expected to be included in the Project Concept Note (PCN) and the Project Appraisal Report (PAR) for NSOs. These various measures resulting from the collaboration between the ADOA team and the

NSO and Private Sector Support Departments are expected to enhance the ADOA's added value.

Economic analysis: Economic analysis is a means to explore the economic benefits of a project relative to its economic costs. It is frequently used as an investment decision-making tool. Two of the 10 case studies had financial and economic analyses. For the remaining cases, there were few details in the main text and no supporting annex. However, even from this limited information, it was clear that the economic analysis had used quite different estimates of the benefits (and, in some cases, different benefits altogether) than did the ADOA, and in turn in the RBLF. So, some projects had three different descriptions and estimates of project benefits. In addition, there is a need to ensure that estimates of a project's economic benefits are aligned to the ADOA and the RBLF.

Lessons

The following are the key lessons from this evaluation.

- Having a feedback loop is essential for learning purposes. The fact that the ADOA process stops at Board approval of the transaction (or earlier if the project is dropped before this) and the absence of any meaningful monitoring means that there is no feedback loop for learning purposes.
- Monitoring systems should be designed with the use of monitoring data in mind, to provide the basis for adaptive management and to ensure that corrective actions are taken for projects at risk.
- Most clients were found not to comply with monitoring and reporting requirements for development outcomes. In the absence of a strong incentive for clients to comply, building monitoring systems around client reporting is ineffective.
- The provision by ADOA notes of discriminatory assessments is essential for decision-makers. Shortcomings in methodological soundness (such

as in the development outcomes assessment methodology) should be addressed to ensure that ADOA assessments form a sound basis to inform decision-making.

Recommendations

IDEV makes the following recommendations:

1. **Further improve the ADOA's assessment of additionality.** Priority areas of action to consider include:
 - Revisiting ADOA's unique approach of considering only the collective additionality of all participating DFIs, and rather emphasize the totality of the Bank's additionality. For example, the Bank could consider either dropping the rating of additionality and leaving it up to decision-makers to decide whether there is sufficient additionality, in light of other considerations, or alternatively using an aggregate score (rather than a rating) of additionality.
 - Reconsidering the Bank's rating of additionality on the highest source of additionality.
 - Giving greater prominence to the mobilization of private finance, given that an increasingly important aspect of additionality for all MDBs is the crowding-in of other sources of finance, particularly private finance.
 - Giving more attention in the assessment of additionality (in particular financial additionality) to the extent to which the Bank's financing is addressing a binding constraint in addition to one or more non-binding constraints. To the extent permitted by data, and where market level research or information is available, ADOA should use such information to support claims of additionality.

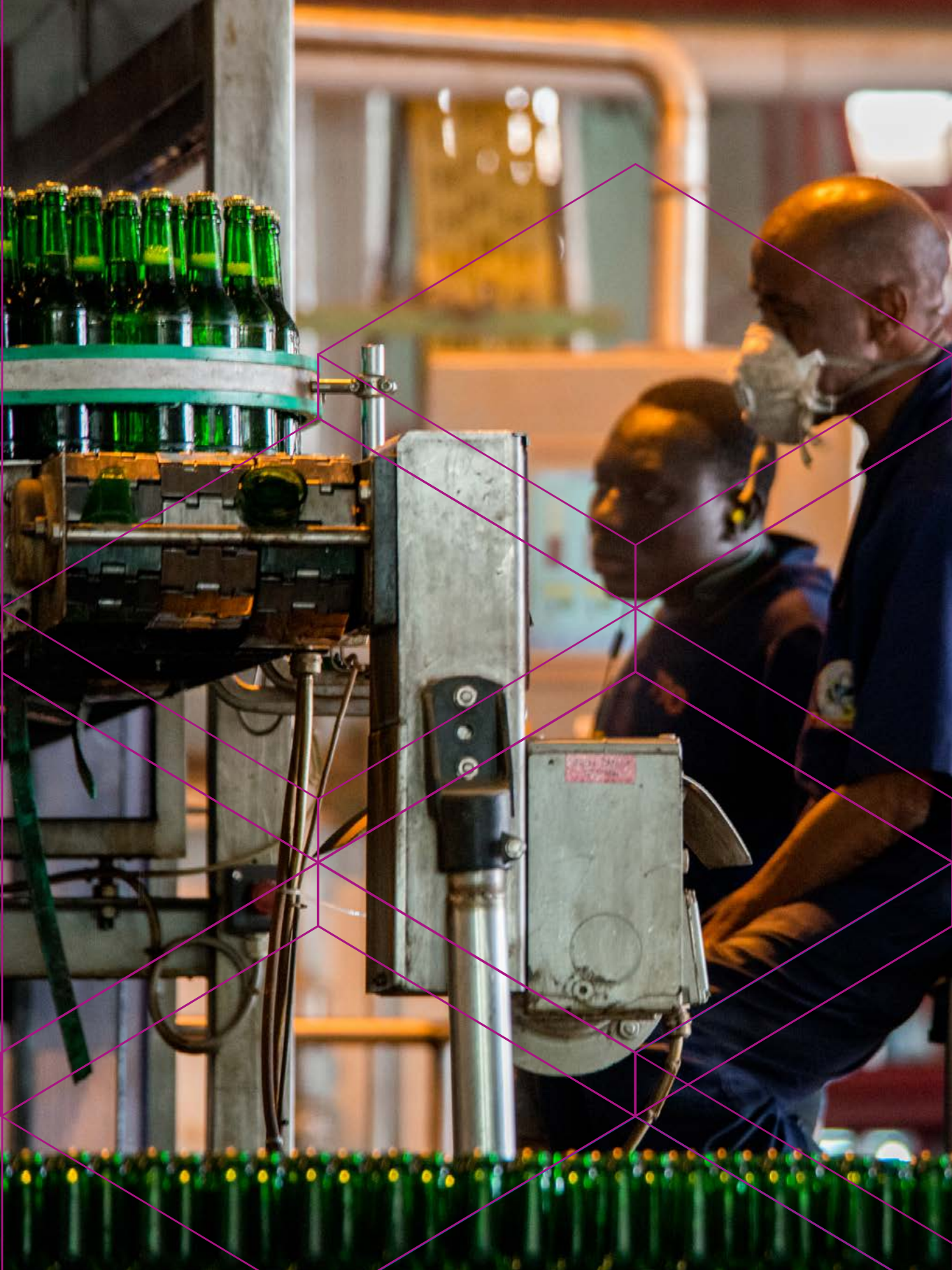
2. Strengthen the ADOA's assessment of development outcomes. Priority areas of action to consider include:

- Creating a typology of projects that covers the spectrum of sectors covered by the Bank, in which all significant sectors have their own type, and that fits the Bank's portfolio. For example, the infrastructure category could be divided into its distinct sectors in line with expected portfolio composition (energy, transport, water supply & sanitation, etc.).
- Developing theories of change for each sector and, based on these, developing sector frameworks that identify the types of outcomes and their indicators that would normally be expected to arise from these projects. The frameworks would also identify risks typically associated with projects in these sectors.

- Giving greater attention to projects' distributional effects, and the extent to which the transaction serves under-served segments of the market, focusing more on the "development" part of development outcomes.

3. Ensure data availability for better project preparation, decision-making and monitoring.

- All parts of the NSO ecosystem should ensure that all project-related documents are available in one place as soon as they are prepared. For the ADOA team, all notes prepared, as well as supporting documents (including Back-To-Office Reports [BTORs], filled client questionnaires and meeting minutes) and computations should also be archived in a single location for each project assessed. ■





Management Response

Management welcomes IDEV's Evaluation of the African Development Bank's ADOA Framework 2.0 and its implementation over the last five years. The evaluation provides relevant recommendations that will undoubtedly improve the relevance and effectiveness of ADOA as a screening and decision-making tool. It will serve as a critical input into the ongoing ADOA Framework Revision, which will result in ADOA 3.0 and is scheduled for completion by the end of 2021. Indeed, the evaluation confirms some of the proposed changes that are planned in the upcoming ADOA Framework 3.0 based on lessons learned, feedback from internal and external consultations with operational units and sister Development Finance Institutions, as well as an extensive review of new Bank strategies and policies adopted over the past 5 years.

Introduction

In 2009, the Bank adopted the Additionality and Development Outcome Assessment (ADOA) Framework to improve quality at entry in the design and selection of non-sovereign operations (NSOs) and support decision-making for Senior Management and the Board of Directors. ADOA is an ex-ante assessment framework that helps to improve project value addition, development effectiveness, and measurement. ADOA is an integral part of the NSO ecosystem and performs independent assessments of two important dimensions of each NSO, namely:

- **Additionality:** what do Development Finance Institutions (DFIs) bring to an operation that commercial sources alone cannot bring? And
- **Development Outcomes:** what are the incremental developmental outcomes that can be expected from the operation?

While the ADOA team holds the primary role of assessing and rating NSOs at entry in terms of expected development outcomes and additionality, the team's role ends after Board approval of an NSO and the issuance of development outcomes tracking template by an ADOA Officer.

IDEV conducted the first ADOA Framework evaluation in 2014. The evaluation assessed ADOA's relevance, effectiveness, and efficiency in supporting the achievements of the Bank's Ten-Year Strategy (TYS, 2013-2022), as well as other policies and strategies related to the Bank's private sector operations. Following the first evaluation, the ADOA team initiated the revision of the ADOA framework. The revised ADOA Framework 2.0 was approved by the Bank's Board of Directors in June 2015. ADOA Framework 2.0 addressed several issues raised by the independent evaluation which included improving transparency by explicitly adding weights to the ADOA framework, producing an ADOA annual report, revamping the ADOA's Development Outcomes template and streamlining it with the extended supervision report templates, organizing more ADOA training to operations, and improving the efficiency of ADOA by streamlining the ADOA clearance process.

The basis for this second evaluation is the commitment made during the General Capital Increase (GCI) VII, which stipulates that the ADOA 2.0 framework should be revised by 2021. However, before the revision, the ADOA 2.0 framework is

required to be subjected to an independent review, hence this evaluation.

Management acknowledges the issues raised by the evaluation, including the rating of overall additionality, the consideration of the likelihood-adjusted development outcomes, and the need to move towards a sector approach backed by sector-specific theories of change that articulates the Bank's interventions.

Management also agrees with the need to strengthen monitoring of projects to improve the feedback and learning from past projects. This would not necessarily entail the broadening of ADOA's mandate beyond the Board approval stage. Relevant Bank Departments including ECMR, PINS and SNOQ are already putting in place measures to improve the feedback loop and enhance learning, including harmonizing and standardizing ADOA indicators, the project Results Based Log Frames (RBLF) and ex-post monitoring. PINS is establishing a Results Reporting System for NSOs (RRS) in collaboration with CHIS, to improve (i) accountability, accuracy, and reliability of data/information; (ii) efficiency of consolidated reporting at the corporate level and (iii) transparency across NSOs' monitoring and completion phases.

Improve ADOA's assessment of additionality

Management acknowledges the need to strengthen the assessment of additionality in the ADOA framework in line with some of the recommendations made by IDEV. The evaluation provides an important direction in this regard, which includes reconsidering the current approach of rating overall additionality.

The ADOA team in collaboration with the NSO ecosystem is considering different approaches for implementing the recommendation in the upcoming ADOA framework revision.

Currently, the rating of overall additionality is derived by taking the highest of the individual category ratings. The challenge, as pointed out by the evaluation, is that once a threshold satisfactory additionality has been achieved in one category, there is little incentive to improve other dimensions of additionality for an NSO. In line with the IDEV recommendation, the revised ADOA framework will use a weighted average of individual categories to derive the overall additionality.

Management will also carefully consider the recommendation on the need to move towards using the Bank's unique additionality to an NSO project rather than overall additionality of participating DFIs in a project. The current practice which considers the additionality of all DFIs recognizes DFIs' strong strategic complementarity given their shared development mandate and their harmonized environmental and social standards which financed projects must adhere to. It also recognizes the importance of co-financing and resource mobilization for the Bank's private sector mandate which is a key dimension of additionality.

Management also agrees with the recommendation that the focus of assessment should be binding ones. Indeed, the assessment of additionality has been based on binding constraints, rather than just constraints. For instance, one of the key information requirements for assessing the additionality of a project is evidence that the financing and terms being provided cannot be sourced commercially. By definition, the unavailability of financing or affordable terms is a binding constraint if relevant commercial investors cannot match what the Bank is providing in a particular project.

Strengthen ADOA's assessment of development outcomes

IDEV's recommendations on ADOA's assessment of development outcomes are in line with recent development in the sphere of ex-ante development outcomes assessment in the DFIs community and

the High 5 objectives and priorities of the Bank, and hence, are core items of consideration in the revision of the ADOA 2.0 Framework.

The ADOA Framework revision will shift from an assessment classification that is differentiated by instrument and sector to one that is strictly sector-based. Hence, in addition to the revised general ADOA Framework, each sector of NSO activity including (i) Agriculture; (ii) Energy; (iii) Financial Services; (iv) Water, Sanitation, Education and Health; (v) Transportation; (vi) ICT; and (vii) Industry and services will have its own sector guidance framework with a well-developed sector-specific theory of change and anticipated core and market context outcomes indicators mapped to the Bank's High 5 objectives. The revised ADOA framework will also identify project's specific risks and context risks associated with the materialization of development outcomes in a timely manner. This will then be integrated in the rating of overall development outcomes to yield a likelihood (risk)-adjusted development outcome score to enhance cross-project comparisons.

IDEV's recommendation concerning placing greater emphasis on market effects is also being considered in the revision of the ADOA Framework. The assessment of market effects, which are expected to contribute to market competition and dynamism, will look at innovation, market structure, market integration, business climate, and market institutions. A market gap assessment will be conducted and classified using a 3-band system of "highly", "moderately", and "less" constrained markets. The development outcomes rating will then be subsequently context-adjusted to account for the degree of development of the target market.

ADOA will further continue to strengthen its assessments to help steer NSO resources to underserved segments of the markets and improve equity in resource allocation.

Ensure data availability for better project preparation, decision - making and monitoring

Management agrees with the recommendation that issues related to data gaps should be addressed to ensure that all project-related documents are available in one place as soon as they are prepared. Management had already identified the difficulty of easy access to NSO data, especially ADOA related information within the Bank and had put in place mechanisms to address this challenge. Management is in the process of developing the ADOA Management Platform (AMP), whose primary objective is to address data management gaps as identified by the Evaluation. The AMP will ensure that relevant data such as ADOA notes, back to office reports (BTORs), filled client questionnaires, ADOA meeting minutes, and computations for project assessment are properly archived and are accessible when needed by all stakeholders. Management will continue to encourage collaboration between relevant parties within the NSO ecosystem to ensure safe keeping and easy access to all NSO information.

The ADOA system should have a feedback loop for learning purposes.

Management agrees with the lesson learned as per the IDEV evaluation report finding that the ADOA system should have a feedback loop for ex-post experiences or lessons learned to adjust the ex-ante assessment. This will provide an opportunity to continuously improve both the efficiency and effectiveness of the ex-ante assessment. Monitoring systems are expected to provide a feedback loop from past projects to be included in the design of future projects to allow continuous improvement of the ADOA tool.

Nevertheless, the limitation can be addressed without necessarily broadening ADOA's mandate

beyond NSO assessment at the ex-ante. Indeed, management is also embarking on a series of improvements to address this particular issue. Specifically, ECMR, PINS and SNOQ worked together to improve harmonization and standardization between the ADOA indicators, the project RBLF and ex-post monitoring. In addition, in line with the recommendations from IDEV's evaluation of NSO XSR 2014-2019, management has revised the guidelines for the preparation of the XSRs and improved the templates and methodology for each NSO. Furthermore, PINS and SNOQ are working together to build staff capacity for proper implementation of these improvements through the Operations Academy, similar to the collaboration between ECMR and SNOQ. Finally, to improve the efficiency of reporting at the corporate level, the Results Reporting System (RRS) for NSOs is being established by PINS, in collaboration with CHIS.

In addition, ADOA is developing an indicator catalogue as part of ADOA Framework 3.0 to streamline information required for NSOs in each sector to reduce the number of outcome indicators required and improve compliance from clients in line with lessons and best practices from other sister DFIs.

Conclusion

Management welcomes the findings of the IDEV evaluation and will implement the key recommendations proposed by IDEV. ECMR and relevant NSO departments will collaborate to incorporate the agreed recommendations into the revised ADOA framework. The changes are expected to be implemented by the fourth quarter of 2023 after Board approval of the new framework. ■

Management Action Record	
Recommendation	Management Response
Recommendation 1: Further improve the ADOA's assessment of additionality	
<p>a. Revisiting ADOA's unique approach of considering only the collective additionality of all participating DFIs, and rather emphasize the totality of the Bank's additionality. For example, the Bank could consider to either drop the rating of additionality and leave it up to decision-makers to decide whether there is sufficient additionality, in light of other considerations, or alternatively to use an aggregate score (rather than a rating) of additionality.</p> <p>b. Reconsidering the Bank's rating of additionality on the highest source of additionality.</p>	<p>Partially Agreed – Management partially agrees with this recommendation.</p> <p>Further actions:</p> <p>■ Management will ensure that in the revised ADOA 3.0 framework, the Bank continues to consider collective additionality of all participating DFIs, as isolating only the Bank's additionality will negate the complementary between DFIs and undermine the importance of co-financing which is a very important aspect of the Banks resource mobilization strategy. Where possible the Bank's additionality will be isolated from those of other participating DFIs as is currently the case. (ECMR, Q4 2023)</p>

Management Action Record	
Recommendation	Management Response
<p>c. Giving greater prominence to the mobilization of private finance, as an increasingly important aspect of additionality for all MDBs is the crowding in of other sources of finance, particularly private finance.</p> <p>d. Giving more attention in the assessment of additionality (in particular financial additionality) to the extent to which the Bank's financing is addressing a binding constraint in addition to one or more non-binding constraints. To the extent permitted by data, and where market level research or information is available, ADOA should use as information to support claims of additionality.</p>	<p>■ Management will ensure that in the 3.0 ADOA Framework, overall additionality will be assessed through two dimensions: (i) financial additionality and (ii) non-financial additionality. Each dimension of additionality will be given its own weight and will be rated or scored separately and then aggregated to an overall additionality score/rating. (ECMR, Q4, 2023)</p> <p>■ The upcoming ADOA 3.0 framework will consider the country context such as the level of development of the country's financial system and the type of financing available in the market. This will be in addition to the client's track record and its access to funding, as well as recent efforts to secure private financing. All additionality claims will be supported by existing market level assessment where possible. (ECMR, Q4 2023)</p>
Recommendation 2: Strengthen ADOA's assessment of development outcomes	
<p>a. Create a typology of projects that covers the spectrum of sectors covered by the Bank, in which all significant sectors have their own type, and that fits the Bank's portfolio – for example, the infrastructure category could be divided into its distinct sectors in line with expected portfolio composition (energy, transport, water supply and sanitation, etc.).</p> <p>b. Develop theories of change for each sector and based on these develop sector frameworks that identify the types of outcomes and their indicators that would normally be expected to arise from these projects. The frameworks would also identify risks typically associated with projects in these sectors.</p>	<p>Agreed – Management agrees with this recommendation.</p> <p>Further actions:</p> <p>■ The upcoming ADOA framework 3.0 will be structured around both the general framework and sectoral frameworks including a comprehensive sectorial typology (e.g.(i) Agriculture; (ii) Energy; (iii) Financial Services; (iv) Water, Education, Sanitation and Health; (v) Transportation; (vi) ICT; (vii) Industry and services as well as infrastructure sub-sectors such as energy infrastructure, transport infrastructure etc.) reflecting the inputs of all operations units and departments that constitute the Bank's NSO portfolio. Consultations with relevant departments have already commenced and will ensure that the new project classification is mapped with the Bank's High5 priorities and relevant operational units. (ECMR Q4 2023)</p> <p>■ In the revised ADOA 3.0 framework, each sectoral framework will include its own theory of change, sector-specific principles and issues, sector methodology, and sector-related risks to the achievement of development outcomes complementing the overarching risks identified under the general framework. (ECMR, Q4 2023)</p>

Management Action Record	
Recommendation	Management Response
<p>c. Depending upon the degree of sophistication deemed appropriate in light of future expectations of the NSO portfolio, consider including in sector frameworks the type of gap and intensity analysis for project outcomes and market outcomes (giving greater importance to market outcomes than is currently the case for the private sector development dimension) that forms part of IFC's approach as it is strategically important to 'tip the balance' in favour of underserved markets.</p> <p>d. Give greater attention to projects' distributional effects, and the extent to which the transaction serves under-served segments of the market, focusing more on the "development" part of development outcome.</p>	<p>■ In the revised ADOA framework 3.0, Management will ensure that development outcomes categorization will be modified and will include an explicit 'Market Outcomes' category (covering for e.g., market integration, competition, demonstration effects, industrialization, etc.). The framework will also incorporate context indicators to each sectoral framework to benchmark the target market and identify its relative development. The development outcomes ratings will be context-adjusted to account for the degree of development of the target market. (ECMR, Q4 2023)</p> <p>■ Management will ensure that the new likelihood assessment under framework 3.0 reflects cases where there is poor targeting of underserved groups and strengthen claims of additionality and development outcomes for underserved groups with quantitative data, such as cases of filling a finance gap for women-owned businesses, SMEs, or trade finance where quantitative evidence is available. (ECMR, Q4 2023)</p>
<p>Recommendation 3: Ensure data availability for better project preparation, decision-making and monitoring</p>	
<p>a. All concerned parties to the NSO ecosystem should ensure that all project-related documents are available in one place as soon as they are prepared. For the ADOA team, all notes prepared, as well as supporting documents (including BTORs, filled clients' questionnaires, and meeting minutes) and computations should also be archived in a single location for each project assessed.</p>	<p>Agreed – Management agrees and acknowledges the importance of archiving all relevant NSO documents into an accessible place. The NSO units already place supporting NSO documents in NSO Project Documents.</p> <p>Further actions:</p> <p>■ ECMR is in the process of developing the ADOA Management Platform (AMP), an online information system designed to improve the efficiency of the ADOA process. The ADOA team will upload all ADOA-related information to the AMP. (ECMR, Q4 2023).</p> <p>■ PINS is undertaking the RRS project in collaboration with CHIS as technical lead and the private sector ecosystem. Key components of the RRS include automation of all NSO supervision reports (PSR, ASR, XSR) including clearance/approval. (PINS, Q4 2023)</p>



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Background

Introduction

In 2012, the African Development Bank (the AfDB or the “Bank”) adopted its Ten-Year Strategy 2013–2022 (TYS) to guide its development mandate in Africa. The TYS aimed to provide a central role for the Bank in Africa’s transformation. The strategy is based on two main objectives: inclusive growth and transition to green growth, with the goal of creating shared prosperity for all. In addition, five operational priorities were identified to deliver on these objectives, including private sector development. As noted in the Bank’s TYS, “to meet the twin objectives of inclusive growth and transition to green growth, the Bank committed to catalyze and leverage private sector resources”. A Private Sector Development Strategy 2013–2017 (extended to 2019) was developed in this context. The strategy was based on five principles, namely: (i) ultimate ownership of the private sector development agenda lies with Regional Member Countries (RMCs); (ii) the Bank is selective in its interventions; (iii) the Bank demonstrates additionality in its interventions; (iv) the Bank aims to attract other partners in its interventions; and (v) the Bank interventions do not compromise its financial integrity. Principles (ii), and (iii) and (iv) are directly related to the mandate of the Additionality and Development Outcomes Assessment (ADOA) for ex-ante assessment of Non-Sovereign Operations (NSOs), to ensure selectivity, additionality and development outcomes.

The evaluation of the Bank’s ADOA 2.0 Framework was introduced in IDEV’s work program in 2020, following a request by Senior Management. The request to evaluate the framework was motivated by a decision by the Bank’s Senior Management to revise the current ADOA 2.0 Framework as part of commitments made during the Seventh General Capital Increase (GCI VII). The commitment also

stipulates that the revision of the current ADOA 2.0 Framework should be informed by an independent review. The present evaluation serves this purpose, with a particular focus on what has been working well and what has not been working well regarding the ADOA 2.0 Framework, to inform the preparation of the upcoming ADOA 3.0 Framework.

Establishment of the ADOA Framework

In response to the demand from the Board of Directors to ensure the quality at entry of the Bank’s NSOs and their additionality, a pilot version of the Bank’s ADOA Framework was developed in 2008. The objective was to enhance results-based decision-making for the growing private sector operations in the Bank. The Bank’s ADOA Framework provides an ex-ante assessment of the Bank’s NSOs along two dimensions:

- i. **Additionality:** It is assessed through three dimensions: (i) political risk mitigation; (ii) financial additionality; and (iii) improved development outcomes. It is articulated around the following question: What do the Bank and other participating Development Finance Institutions (DFIs) bring to the project that commercial investors would not?
- ii. **Development outcomes:** The ADOA Framework also measures development outcomes along seven dimensions, namely: (i) household benefits and job creation; (ii) infrastructure; (iii) governance and fiscal effects; (iv) regional integration and economic resilience; (v) environmental effects and contribution to green growth; (vi) gender and social effects; and (vii) private sector development and demonstration effects. This dimension is articulated around the following

question: What are the expected development outcomes generated by the project relative to the no-project scenario?

The ADOA Pilot Framework was implemented for one year. This pilot phase allowed the identification of lessons leading to a revised version of the pilot framework. During its this phase, the ADOA Pilot Framework was deemed to be a flexible decision-making tool that contributed to improved project design and selection. A set of core indicators was established to facilitate the measurement of expected development outcomes. According to the revised framework, one of the key achievements of implementing the ADOA concept during the pilot phase was the institutional capacity building to mainstream results-based decision-making and accountability for private sector operations. Four main changes were introduced following the pilot phase:

- i. The introduction of core indicators to enable comparison of projects across the Bank's NSOs, and to facilitate reporting, monitoring, and tracking of aggregate outcomes;
- ii. The ADOA rating system was harmonized with the one used by IDEV for ex-post evaluation to reconcile ratings assigned to expected development outcomes with ratings assigned for realized development outcomes during ex-post evaluation;
- iii. The approach to assessing political risk mitigation was standardized by type of operation; and
- iv. The evaluation methodology for financial risk mitigation was refined and renamed as financial additionality to avoid any confusion in terminology.

In October 2009, the Bank's Board of Directors institutionalized the ADOA Framework as part of the Bank's NSO due diligence process. The framework was then implemented from 2009 until 2014, by which time contextual changes both globally and within the Bank prompted a need for a revamped

ADOA Framework in 2015, which became the ADOA 2.0 Framework. The global operating environment was marked by several events, including the crisis in North Africa and a scarcity of financial resources due to the global financial crisis. International Finance Institutions (IFIs) renewed their focus on development effectiveness and results-based monitoring and evaluation, prompting a harmonization process. This involved harmonizing methodologies and indicators for improved monitoring and evaluation of private sector operations. The Harmonized Indicators for Private Sector Operations (HIPSO) involved several International DFIs, including IFC, the AfDB, and the EBRD.

Additionality and Development Outcomes Assessment Framework 2.0 (2015–2020)

Mandate and institutional arrangements for the ADOA Framework

The ADOA Framework is primarily designed to be a decision-making tool that contributes to quality at entry of NSOs, which helps to ensure their value added, development effectiveness and measurement. As a decision-making tool for the Board and Bank Management, the ADOA Framework assesses two main dimensions of the Bank's NSOs:

- **Additionality:** measuring the contribution from the Bank's private sector interventions that is not currently supplied by markets.
- **Development outcomes** resulting from a private sector project relative to a no-project scenario.

The responsibility for the ADOA's development and application rests with the Bank's Microeconomic, Institutional and Development Impact Division (ECMR 2) of the Vice-Presidency for Economic Governance and Knowledge Management (ECVP) Complex. An ADOA team within ECMR 2 has responsibility for preparing the ADOA notes. The reason for locating responsibility for the ADOA process in ECVP was

to create a degree of independence between the ADOA team and those whose operations are being assessed, in order to avoid a conflict of interest, thus providing hoped for objectivity and credibility. In addition to its responsibility for the ADOA Framework and its application to NSOs and regional operations, the ADOA team performs other duties, as follows:

- Provision of advice to project appraisal teams to improve project additionality, and the extent and likelihood of achieving development outcomes;
- Internal dissemination and training to other departments in the Bank on aspects of the ADOA Framework, such as NSO development outcomes and additionality, and their means of measurement, and the alignment of NSOs with the Bank's strategic objectives of inclusive and green growth, the aim being to facilitate the screening of NSOs and their quality at entry;
- External dissemination and training to regional and non-regional institutions to explain the ADOA Framework methodology to help the beneficiary institutions setting up new ADOA-like systems or improving existing ones. The ADOA team also participates in the Multilateral Development Bank (MDB) group on Harmonized Indicators for Private Sector Operations (HIPSO);
- Key role in the Bank's Results Measurement Framework (RMF): The ADOA process plays an important role in the monitoring and results chain of NSOs by identifying and estimating relevant development outcomes indicators ex-ante. These indicators should then be tracked and monitored during project monitoring and supervision by the portfolio management teams; and
- Research and knowledge generation on aspects of ex-ante results measurement.

Overview of the ADOA process in the Bank's NSO ecosystem

The ADOA team is a part of the private sector project appraisal team, playing an advisory role in addition to carrying out its ex-ante assessments. The objective is to enhance additionality, together with the extent and likelihood of achieving development outcomes. A set of development indicators is assessed, and the ADOA team's responsibility ends when the project is approved by the Board. Up to five ADOA notes can be prepared for a single project before its approval, and if it is required to pass through the Operations Committee (OpsCom) pre-appraisal and pre-Board approval. If OpsCom consideration is not required, three ADOA notes are generally prepared for each project. The assessment of indicators is based on documentation and data usually provided by the project team, and during due diligence missions, although the ADOA team may undertake its own research to firm up the project team's analysis.

The ADOA notes are discussed extensively with the project appraisal team and areas that need strengthening are highlighted. The ADOA rating for a project can be improved from one step of the appraisal process to the other. The ADOA team's responsibility ends at project approval, from which point the portfolio monitoring and supervision team takes over for implementation.

Since its approval in June 2015, more than 236 projects were assessed using ADOA 2.0 Framework across various sectors: (i) financial sectors, including equity investments, lines of credit, and trade finance, as well as guarantees; and (ii) non-financial sectors, such as energy, transport, agriculture, etc. Included in this total are a limited number of regional operations that were assessed using the ADOA Framework as part of a pilot exercise to determine how the ADOA process can add value to sovereign regional operations design.

Table 1: Changes made to the categories of development outcomes

Original ADOA Framework	ADOA 2.0 Framework
Household benefits	Household benefits and job creation
Infrastructure	Infrastructure
Government	Governance and fiscal effects
Macroeconomic resilience	Regional integration and economic resilience
Environmental effects	Environmental effects and contribution to green growth
Gender and social effects	Gender and social effects
Private sector development and demonstration effects	Private sector development and demonstration effects
Business success	-

Source: AfDB. ADOA Framework 2.0 For Private Sector Operations.

Changes introduced under the ADOA 2.0 Framework

The ADOA 2.0 Framework included several areas where changes were introduced relative to the earlier version. The main changes made between the original ADOA Framework and ADOA 2.0 Framework are summarized as follows:

- **Enhanced focus on inclusive and green growth:** These new objectives of the Bank have been emphasized, and their assessment methodology and indicators have been revised.
- **Assessment of financial intermediaries:** Shift of focus to institutional capacity and track record, and away from sole reliance on indicative pipelines.
- **Increasing methodological transparency:** Benchmarking of category ratings together with

explicit weights so that aggregate ratings are more transparent. Revised format for presentation of the ADOA notes. Information system is revamped to establish a link with the Bank's Results Measurement Framework.

- **Harmonization of core indicators:** Improved alignment with the Bank's Results Measurement Framework and that of partner DFIs involved in the IFIs' Harmonized Indicators Working Group.

There were also changes to the categories of development outcomes covered, as shown in Table 1. The rationale for this change was that commercial viability was a precondition for project approval and so would no longer be considered part of the ADOA process.

Another change was the refining of the types of NSOs, as shown in Table 2. ■

Table 2: Changes made to the types of non-sovereign operations

Original ADOA Framework	ADOA 2.0 Framework
Production companies	Goods and services industries
Infrastructure	Infrastructure
Private equity funds	Financial intermediaries – investment fund
Lines of credit	Financial intermediaries – on-lending
Equity in financial institutions	Trade finance
	Other financial intermediaries

Source: AfDB. ADOA Framework 2.0 For Private Sector Operations.



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Methodology

Methodological approach

Evaluation conceptual framework

A theory of change establishes the relationship between inputs, activities, outputs and outcomes. It also shows the assumptions that must hold true as one moves from inputs to outcomes. In cases where outcomes may not yet be visible, or are difficult to measure, a theory-based approach to evaluation provides a means of testing whether the outcomes expected might be achieved. Under the theory-based approach, the evaluation can move as far along the input-activities-outputs-immediate outcomes-intermediate outcomes impact chain as possible. For example, if the evaluation finds that necessary outputs have not been delivered, or have not been delivered to the required standard, then it is reasonable to suppose that outcomes may not be achieved either. Also, under the theory-based approach, important assumptions implicit in the theory of change can be tested. If key assumptions have not held true, this provides grounds for questioning whether the desired outcomes will be achieved. A theory of change for the ADOA 2.0 Framework, with associated assumptions, is shown in Annex 1 (the technical annexes of this report). Whether the ADOA process delivers its expected outputs, outcomes and impacts will depend significantly on the extent to which assumptions (largely implicit) hold true.

Evaluation objectives, scope and methodology

The objective of the evaluation was to take stock of the implementation of the ADOA 2.0 Framework, and provide credible evidence on its relevance, effectiveness and efficiency. The findings, lessons and recommendations of the evaluation will inform the forthcoming revision of the ADOA 2.0 Framework.

The evaluation focused on the following core questions, which were mapped to the standard evaluation criteria of relevance, effectiveness and efficiency:

- i. To what extent is the ADOA process aligned to the Bank's current and emerging strategic directions, and how can this alignment be improved?
- ii. To what extent has the ADOA 2.0 Framework provided a sound assessment of additionality and expected achievement of development outcomes, and in what ways can their assessment be improved?
- iii. To what extent have the ADOA process and methodology been efficient? Are efficiency gains possible?
- iv. What are the strengths and weaknesses of the ADOA Framework and process?
- v. How can the ADOA process increase its value added to the Bank's NSOs?

The evaluation covered the ADOA 2.0 Framework's ex-ante assessment of additionality and development outcomes of the Bank's NSOs that it assessed between 2015 and 2020. Between its approval in 2015 through to 2020, more than 230 projects were reviewed using the ADOA 2.0 Framework. Although the ADOA 2.0 Framework is applied to sovereign regional operations, the scope of the evaluation does not cover the ADOA's application to this type of operations. Other activities of the ADOA team, such as knowledge generation or capacity building, were also not part of the scope of this evaluation, due to resource and time constraints.

Data collection methods and evaluation matrix

Data collection and analysis for the evaluation were desk-based due to the COVID-19 pandemic, and interviews with key stakeholders were conducted remotely. The evaluation matrix can be found in Annex 2 (the technical annexes of this report). The evaluation used the following data collection methods.

- i. **Document review** – including collecting, organizing and synthesizing available relevant Bank strategic documents, ADOA reference documents and annual reports, etc. It also included a review of related evaluations previously conducted by IDEV, and other relevant documents.
- ii. **Stakeholder interview** – key stakeholders interviewed included Board members, Senior Management, some ADOA team members, investment officers, portfolio officers, credit officer and others.
- iii. **Surveys** – the evaluation separately surveyed four groups of Bank staff: (i) members of the Board (including alternate Executive Directors and advisors); (ii) current and former ADOA team members; (iii) operational staff; and (iv) Senior Management.
- iv. **Benchmarking review** – the evaluation reviewed similar tools in three other MDBs, namely the European Bank for Reconstruction and Development (EBRD), the International Finance Corporation (IFC), and the Inter-American Development Bank Invest (IDB Invest).
- v. **Case studies** – a purposive sample of 10 case studies was selected (including the only two completed NSOs using the ADOA 2.0 Framework that have both Expanded Supervision Reports [XSRs] and validation notes). Nine projects approved in 2016 and one in 2017 were selected for the case studies, representative

of at least one type of project (based on the ADOA's classification: Financial Intermediary [FI] on-lending, FI trade finance, FI investment fund, infrastructure, and goods and services). There were three criteria for selection: (i) sufficiently advanced in implementation; (ii) at least one representative of each project type; and (iii) minimum documentation available. The results from the case studies provided important qualitative information with a focus on exploring the soundness of the ex-ante assessments and how these assessments played out in practice. In addition to the 10 original case studies, the evaluation conducted a lighter review of three more recently approved projects to see if the issues identified continued to be present.

Limitations and challenges of the evaluation

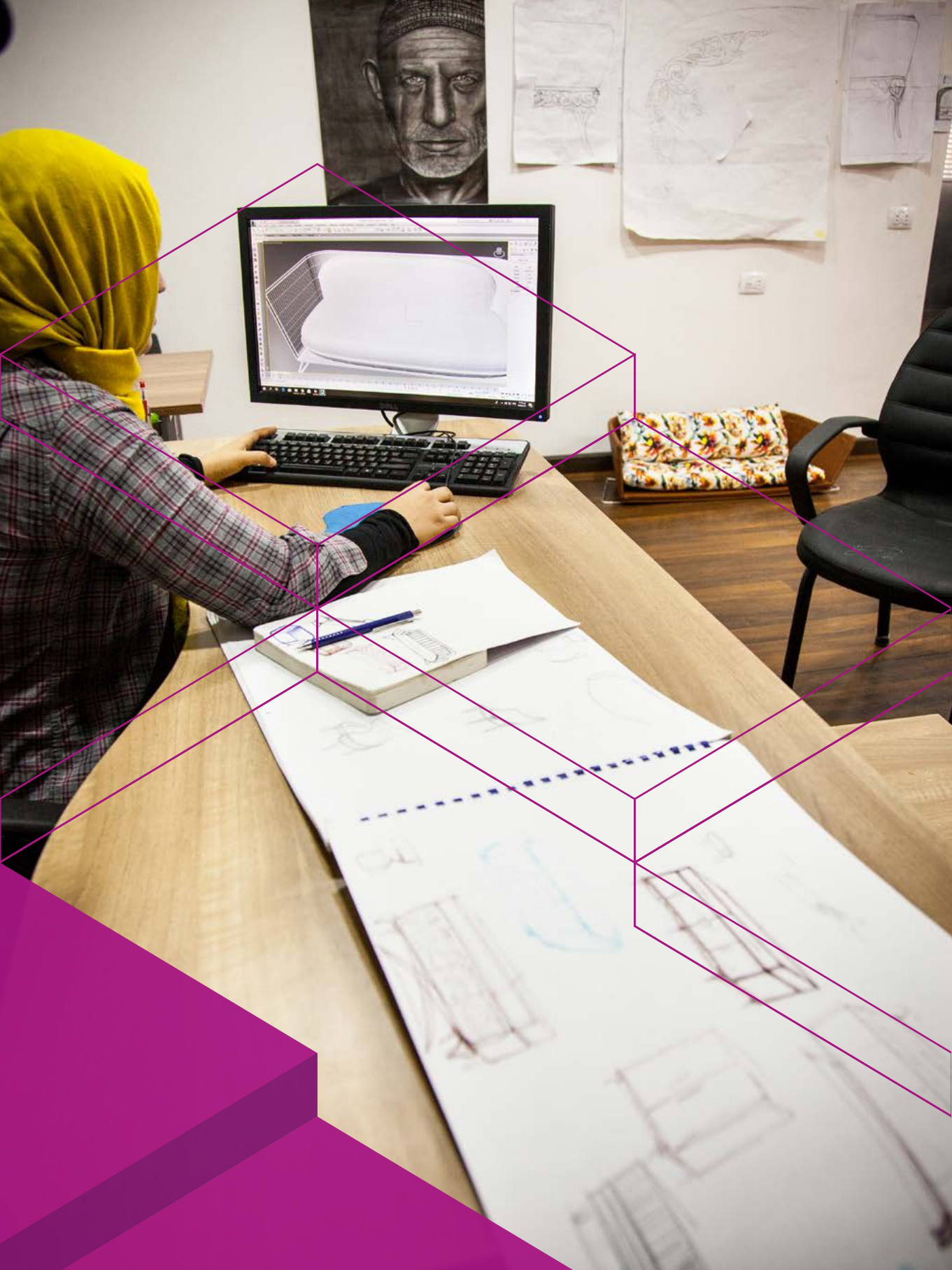
Limitations

Surveys: Four surveys were sent to the above-mentioned target groups. For the ADOA team, 58 percent (11/19) of responses were received which, although not high, is still positive. For Board members, 15 percent (9/59) of responses were received, while no response was received from Senior Management. For operational staff, the response rate could not be established, as they worked across various Bank complexes, and the evaluation could not identify who was involved or not with the ADOA process. The low response rate was mitigated by the results from case studies, interviews with Senior Management and stakeholder consultations/reviews during the reporting phase of the evaluation.

Case studies: The main limitation was the availability of key documents for project analysis. Key documents such as successive ADOA notes, preliminary evaluation notes, clients' development outcome reports, etc., could not be fully obtained initially. In addition, as there are no Board transcripts prepared when projects are discussed and the evaluation did not access the views of Board members, only

limited information was obtained from the highlights prepared. The limited document availability was mitigated by sharing all 10 case studies with the relevant project teams for review, which eventually allowed the evaluation team to access additional project documents. The review process of the technical report by the ADOA team also enabled the evaluation to access key documents such as successive ADOA notes.

Benchmarking review: The main limitation of this component was the unavailability of the three MDBs' ex-ante assessment tools, particularly on the methods (scoring methods, for example). The information available in the public domain related mostly to the broad outlines of the tools. This limitation was mitigated in part by the knowledge and various contacts of the consultant, which enabled access to useful information. ■



Findings

Relevance

This section addresses the following question: “(i) to what extent is the ADOA Framework aligned to the Bank’s current and emerging strategic directions, the NSO business cycle and the due diligence process; (ii) how robust is the ADOA Framework’s design; and (iii) how can this alignment and design be improved?”

The alignment of the ADOA Framework with the Bank’s TYS, the High 5s, RMF, other Bank policies and strategies

The evaluation found that the ADOA Framework was overall relevant for the Bank’s strategies, particularly the TYS 2013–2022, operational directions, and NSO business cycle and due diligence process. However, some weaknesses were found in terms of the design of the ADOA Framework.

The evaluation found that the ADOA Framework was overall relevant for the Bank’s strategies, particularly the TYS 2013–2022, operational directions, and the NSO business cycle and due diligence process. The ADOA 2.0 Framework (2015–2021) is generally integrated with the Bank’s Results Management Framework (RMF) 2016–2025, designed not only to measure but also to boost the Bank’s development impact. However, the evaluation pointed out that there was a misalignment between the ADOA indicators and those of the project’s results framework. Although the RMF, Delivery and Business Development Model Business (DBDM) and the High 5s were developed after the ADOA 2.0 Framework was approved, the framework has remained relevant in the changing context. The categories of development outcomes assessed by the ADOA Framework (infrastructure, private sector development and demonstration effects, regional integration and resilience,

governance and fiscal effects, household benefits and job creation, gender and social effects, and environmental effects and transition to green growth) can be mapped to the Bank’s High 5 priorities (Light Up and Power Africa, Feed Africa, Integrate Africa, Industrialize Africa and Improve the Quality of Life for the People of Africa). There is, however, an opportunity to enhance alignment and relevance of the next ADOA Framework with the Bank’s new and emerging strategic directions.

The ADOA 2.0 Framework is well integrated with the NSO business cycle and due diligence process. Moreover, in 2018, MDBs (including the AfDB) developed a common framework for additionality, the Harmonized Indicators for Private Sector Operations (HIPS0). Although this occurred after the ADOA 2.0 Framework had been developed, ADOA indicators are closely aligned to the HIPS0, albeit that some areas are not well covered by the ADOA Framework (e.g., resource mobilization).

Robustness of the ADOA Framework design

Regarding the design of the framework, the ADOA team developed a comprehensive operations manual outlining processes and procedures, and aligned with the Bank’s key strategies, especially that of the 2013–2017 Private Sector Development Strategy. Changes were also made in the categories of development outcomes where business success previously covered in the original ADOA Framework was dropped in the ADOA 2.0 Framework. The evaluation considers that dropping business success is justified, given that it is thoroughly assessed by the credit risk review.

The survey responses indicated that most respondents in all three categories of stakeholders

(the Board, the ADOA team, and operations staff) view the ADOA's greatest strength as being the independence of its assessments and the credibility it brings to a transaction. Interviews with Management confirmed that the function and mandate of the ADOA Framework are relevant to the Bank's work. However, despite being an independent function, the ADOA team should be able to advise project teams on how to improve projects. In addition, for the ADOA process to better respond to the Bank's strategic directions, it may need to have indicators for the different sectors covered by the Bank's operations.

Despite these positive developments, the evaluation found some weaknesses hindering the ability of the ADOA process to fulfill its purposes of supporting decision-making through an objective evidence-based assessment of additionality and development outcomes.

First, unlike the other MDBs using a similar ex-ante tool, the Bank's ADOA Framework rates additionality by considering the collective additionality of all participating DFIs. It also considers the highest rated among the three dimensions covered (political risk mitigation, financial additionality, and improved development outcomes). This tends to inflate the contribution of the AfDB to a transaction, especially when other DFIs are involved. Hence, the ADOA Framework's ability to provide a robust and sufficiently discriminatory assessment of the additionality of the Bank's involvement may be limited. These two unique features of the additionality assessment can have the following effects: (i) lowering the hurdle for additionality; (ii) inflating the Bank's additionality by effectively claiming additionality provided by others as its own; (iii) making the assessment less discriminatory between degrees of additionality; (iv) reducing the focus from the distinct additionality that the AfDB brings to the transaction, which is what decision-makers need; and (v) providing little incentive to increase additionality once a positive rating has been achieved on at least one dimension of additionality.

Second, the nature of NSOs financed by the Bank appears to have outgrown the ADOA typology of projects. As shown in Table 2, the ADOA Framework only has six categories (goods and services industries, infrastructure, FI on-lending, FI investment fund, FI trade finance, and other FIs) according to which projects are classified, determining the type of indicators and weights applied during the ex-ante assessments. Four of these are related to the financial sector projects. The case studies reviewed suggested that there is a misalignment of these categories to the type of projects financed by the Bank. For example, a higher education project was placed in the category of 'goods and services', an airline expansion project was classified as an 'infrastructure' project, and an agricultural production project and a forestry project were classified as 'goods and services' projects. All infrastructure projects (and even some non-infrastructure projects that are placed in the infrastructure category) have the same weights applied, even though the infrastructure category covers a number of quite distinct sectors. Therefore, there is some value in reviewing the classification to include all sectors covered by the Bank.

This has consequences for the relevance of the design of assessment for development outcomes, as it means that the structure of assessment (the categories of development outcomes applicable, the weights applied, and the indicators used) is only partly relevant for some types of projects. Most importantly, the ADOA indicators are not based on a sector or project theory of change, which makes it difficult to determine the most relevant indicators. ADOA indicators do not adequately ensure that data on the incremental effect of the project are gathered as is explicitly required by the ADOA Framework ("The development effects attributed to the NSO are those incremental to the project vs. the "no-project" scenario").

Specific adjustments are necessary to ensure the continued alignment of the ADOA Framework, especially given the multi-layered work ongoing at the Bank, namely the ongoing revision of the Bank's

corporate RMF, the Bank's new policy on NSOs, a new private sector development strategy, and cross-cutting strategies such as gender, green growth and fragility, as well as new or updated sector and corporate policies and strategies that have direct causal linkages with the ADOA.

Furthermore, the evaluation pointed out that specific adjustments are necessary to ensure the continued alignment of the ADOA Framework, especially given the multi-layered work that is ongoing at the Bank, namely the revision of the Bank's corporate RMF, the Bank's new policy on NSOs, a new private sector development strategy, and cross-cutting strategies such as gender, green growth and fragility, as well as new or updated sector and corporate policies and strategies that have direct causal linkages with the ADOA. The Bank is also advised to re-visit and develop an explicit theory of change for each sector and, based on these, develop sector frameworks that identify the types of outcomes and their indicators that would normally be expected to arise from these projects for each sector. This alignment is of paramount importance to ensure that the Bank's forthcoming ADOA Framework continues its relevance and usefulness as being a selectivity and decision-making tool for the Bank.

Effectiveness

This section addresses the question “**To what extent has the ADOA 2.0 Framework provided a sound assessment of additionality and expected achievement of development outcomes, and in what ways can its assessments be improved?**” The effectiveness of the ADOA 2.0 Framework was assessed by examining the extent to which it achieved its objectives of being a decision-making tool to improve project design and selectivity for the Bank through: (i) the soundness of the assessment of additionality; (ii) the soundness of the assessment of development outcomes; and (iii) the extent to which ADOA indicators provide a sound basis (through the additionality and development outcome assessments)

for monitoring⁷ during project implementation and, subsequently, at evaluation.

The ADOA Framework's assessment of additionality

The ADOA Framework has two features of its assessment of additionality that are unique among peers: (i) rather than trying to isolate the AfDB's own additionality, the ADOA rates additionality based on the collective additionality of all participating DFIs; and (ii) the overall rating of additionality is based solely on the highest rated source of additionality. These two features of the ADOA Framework's assessment of additionality may lower the hurdle for additionality, and inflate the Bank's additionality by effectively claiming additionality provided by others as its own.

The ADOA Framework assesses additionality through three dimensions: **political risk mitigation, financial additionality, and improved development outcomes**. The ADOA process has two features of its assessment of additionality that are unique among peers: (i) rather than trying to isolate the AfDB's own additionality, the ADOA Framework rates additionality based on the collective additionality of all participating DFIs; and (ii) the overall rating of additionality is based solely on the highest rated source of additionality. As stated in the relevance section, these two features of the ADOA Framework's assessment of additionality may lower the hurdle for additionality, inflate the Bank's additionality by effectively claiming additionality provided by others as its own, make the assessment less discriminatory between degrees of additionality than it could be, and provide little incentive to increase additionality once a positive rating has been achieved for at least one source of additionality.

However, it is worth noting that interviews with the ADOA's management revealed that for lines of credit, which constitute the majority of the Bank's NSOs, usually only the Bank is involved, hence the demonstrated additionality is solely from the AfDB (this was the case for seven of the case studies

reviewed by the evaluation, while the remaining three involved other financiers). It is a different situation when dealing with large projects where there are other financiers including DFIs. In such cases, the question can be asked as to whether the collective assessment of additionality is the right approach. In addition, interviews with Board members provide contradicting views. While some believe that the ADOA process generally has been useful in helping to put a development view on private sector projects, others feel there is no clarity on how the ADOA process feeds into the project preparation process and improves it, given the value placed on additionality. Interviews with the Bank's Senior Management yielded the view that the way in which additionality is assessed should be nuanced based on different contexts (e.g., countries, sectors).

For lines of credit, the tendency was to only consider additionality at the level of the financial intermediary, while an analysis of the distribution of benefits and whether underserved segments of the market will receive benefits should be taken into account when assessing additionality.

The ADOA Framework covers many additionality aspects of the harmonized framework, but its grouping into only three types, rather than the eight types under the harmonized framework, means that some aspects, such as resource mobilization and policy, sector, institutional or regulatory change, may receive less attention from the ADOA process than they deserve. For example, as noted in the Bank's TYS "to meet the twin objectives of inclusive growth and transition to green growth, the Bank committed to catalyze and leverage private sector resources". An increasingly important aspect of additionality for all MDBs is the crowding-in of other sources of finance, particularly private finance. There is a strong case for giving resource mobilization greater prominence or perhaps a stand-alone source of additionality. More generally, the forthcoming review of the ADOA 2.0 Framework should ensure that it aligns closely with the HPSO to which the AfDB is a party. Survey results from the ADOA team (on the question of whether to continue with the same

method of collective additionality assessment or isolate the AfDB's unique contribution) showed that 54 percent of respondents believe it is better to stay with the current system. Twenty-seven percent of them agreed that the Bank's unique additionality should be assessed. However, some comments referred to the difficulty in identifying the Bank's unique contribution.

Robustness of the additionality assessment

The case for financial additionality was generally based on the need to address a constraint. In eight out of the 10 case studies, it was not demonstrated that the project also addressed a binding constraint. To fully justify financial additionality, a project should ideally address the binding constraint that gives rise to the market being underserved, in addition to non-binding constraints. It should demonstrate this to the extent permitted by data, and where market level research or information is available.

More than two-thirds of the survey respondents, including all ADOA team members, agreed that the ADOA 2.0 Framework provides a sound basis for the Board to approve projects with high additionality for Bank participation. However, comments from Board members provided more nuanced views on the usefulness of additionality assessments.

The findings from the 10 case studies suggest that there are some issues hindering the robustness of additionality assessments:

Insufficient demonstration of the consideration of binding constraints: In the case study ADOAs, the case for financial additionality was generally based on the need to address a constraint. The evidence presented from eight of the 10 case studies did not support whether the project also addressed a binding constraint. This is illustrated further by case study 1 (see Box 1). To fully justify financial additionality, the project should ideally address the binding constraint that gives rise to the market being underserved, in addition to non-binding constraints. For example, in

Box 1: Additionality assessment of project case study 1

The case for financial additionality made in this project's ADOA note rested primarily on meeting a funding gap and the improved matching of tenors. However, the rationale for the positive additionality focused on the funding gap of the institution receiving the LoC, rather than the existence of a funding gap in the market. It would appear that the binding constraint in this country is the cost of finance rather than its availability. A report by IFC in 2019 (on the same country) notes also that the availability of affordable finance or bank loans was the number one perceived constraint reported by firms for their business. It further notes that constraints to finance are more of an issue of the high costs of financing and limited long-term financing.

eight out of the 10 cases, the improved tenor was stated as a source of financial additionality, but there was no evidence of market-level assessments that showed that tenor was a binding constraint. To the extent permitted by data, and where market level research or information is available, ADOA should use such information to support its assessment of additionality.

Insufficient supporting evidence and referencing:

In six of the 10 case studies (see Box 2), the claims for additionality were not supported by robust evidence, which was sometimes inadequate or insufficient to support the rating. In addition, there was not enough clarity on the sources of information from an ADOA note reader's perspective. Interviews with the ADOA team brought clarity in terms of the limitation on the length of the document sent to the Board. Team members indicated that all ADOA notes produced have supporting background research, which is not included or referenced in the ADOA notes. Despite this limitation on the length, the evaluation found that the numbers tended to be presented without caveats and the supporting analysis lacked depth.

Insufficient evidence of distribution effects for lines of credit:

The tendency was to consider additionality only at the level of the financial intermediary, without

evidence of the distribution effects or benefits to the underserved segments of the market where relevant. The claims that the financing would support SMEs, for example, were not subjected to rigorous analysis in the case studies investigated. Also, since the financial intermediary is operating in a market context, an analysis of the extent to which target groups are underserved by the market is required to fully justify additionality.

Insufficient information on improved development outcomes:

There is a general inadequacy of specificity regarding the claims for improved development outcomes based on the adoption of more rigorous environmental and social standards. Evidence of the lack or deficiency of the sponsor's standards was usually not provided, and details of the negative effects caused by the lack or deficiency in sponsor standards were not stated. Moreover, there was no mention of how the adoption of the AfDB's standards would lead to measurable improvements in development outcomes. Finally, there was no evidence of the negative effects caused by the lack of, or deficiencies in, sponsor standards (See box 3 for example).

The evaluation considers that, while the introduction of the tracking of development outcomes was

Box 2: Additionality assessment of project case study 2

The robustness of the ADOA process is debatable in this case, as there was no strong evidence to support the assertions made in the ADOA note. Financial additionality was only assessed at the level of the financial intermediary. What is missing was evidence that the market was underserved in terms of access to finance for SMEs and infrastructure. Also, was access the binding constraint, or was it some other factor such as the cost of financing or a lack of bankable projects? The fact that three DFIs have a shareholding in this bank should have merited some discussion in the case for additionality.

Box 3: Additionality assessment of project case study 3

The justification for a marginally positive rating for improved development outcomes is weak in the ADOA note. The marginally positive rating is based solely on the reporting on development outcomes by the borrower. However, reporting on DO is a contractual requirement, which in this case appears to have not taken place. It is worth noting that reporting against a set of development outcome indicators does not, by itself, do anything to improve development outcomes.

claimed as a source of additionality from improved development outcomes in a number of cases (which is provided for in the ADOA methodology), this should not be the basis for claiming additionality. This is because it is an administrative requirement of the AfDB that does not add any direct value to the sponsor or to the project and its ultimate beneficiaries.

In order to assess whether the issues identified in earlier approved projects selected for the case studies are found in more recent assessments (2019), the evaluation conducted a lighter review of three additional projects (see box 4 below for example). The evaluation found that most findings from the earlier sample were still valid for recently assessed projects. In particular, the evaluation notes the persistence of the limited evidence-based assessments, an absence of consideration for distributional effects, the downplaying of adverse environmental effects, and overly positive assessments of additionality.

The ADOA Framework's assessment of development outcomes

The ADOA methodology for development outcomes is articulated around the following question: what are the expected development outcomes generated by the project relative to the no-project scenario? The ADOA Framework has six categories to which projects are allocated. This typology determines how each project is assessed (indicators used and weights assigned). The six types are: (i) goods and services industries; (ii) infrastructure; (iii) FI on-lending; (iv) FI investment fund; (v) FI trade finance; and (vi) other FIs (Table 2, p.20). Four of these types are directly related to financial intermediaries, leaving only two types for all other types of operation financed by the Bank in the private sector.

The ADOA 2.0 Framework assesses development outcomes against seven categories as follows:

Box 4: Additionality assessment of project case study 4

Additionality of this project is rated positive, based on the positive rating for financial additionality. Although the Bank's investment in the project is substantial, it is low compared with the total cost of the project and, as observed by some Board members, the project was profitable and fully funded. More evidence was therefore needed to support the claim of positive additionality. For example, the project had a rating of good for the infrastructure component, but this was mainly based on infrastructure development benefitting the project, and not so much the communities directly. More could have been said about ancillary infrastructure that can directly impact the surrounding communities. The project is expected to incur significant damage to the environment, but the sub-dimension environmental effects and contribution to green growth are rated marginal by the ADOA, where a rating of none would have been more appropriate and the rating for infrastructure explicitly downgraded due to the negative environmental effects.

- Household benefits and job creation
- Infrastructure
- Governance and fiscal effects
- Regional integration and economic resilience
- Environmental effects and contribution to green growth
- Gender and social effects
- Private sector development and demonstration effects

First, we note that infrastructure is both a type of project and a source of development outcomes, which the evaluation considers an awkward situation. Second, in reality, there are 13 categories of development outcomes and, except for infrastructure, all other categories have two components.

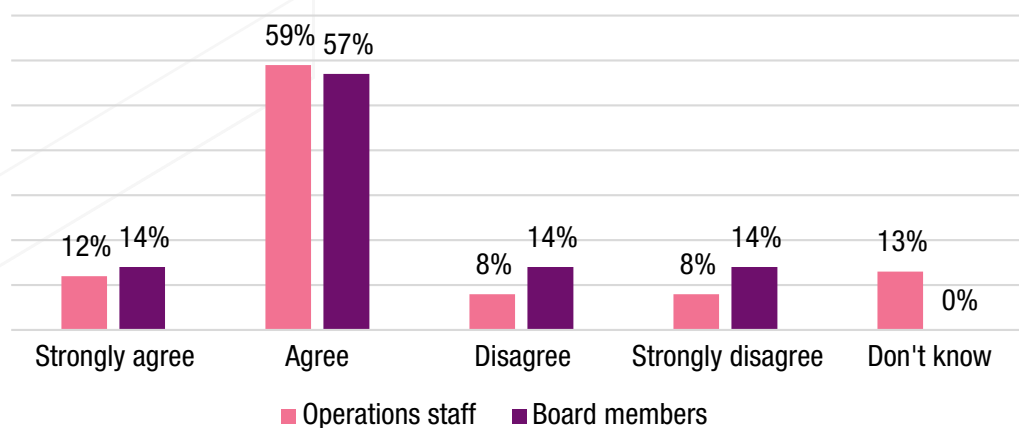
Robustness of the development outcomes assessment

Overall, survey responses were positive regarding the soundness of the ADOA Framework's

assessment of development outcomes. Seventy-two percent of operational staff agreed or strongly agreed that the ADOA ex-ante assessment provides a good assessment of expected development outcomes (Figure 1). Responses from the ADOA team were also strongly affirmative, and Board members who responded considered the soundness of the methodology to be a strength of the ADOA Framework as well. Interviews with management indicated that ADOA assessments provided the necessary information needed for management decision-making. For private sector projects, the ADOA Framework helps to view these projects from a development perspective. However, operations staff who responded saw the prediction of future performance by the ADOA Framework as a weakness.

This relatively positive view is balanced by the mixed views from the qualitative comments. While in their comments some operational staff note that the ADOA process is overly dependent on the information provided by clients, others indicate that the ex-ante process uses available information at the time of the assessment, and there should be an opportunity to update it in case where additional information is subsequently made available. The majority of Board respondents were of the view that the ADOA process

Figure 1: ADOA ex-ante assessments provide a good assessment of expected development outcomes



provided the needed information on development outcomes.

However, despite positive results from the survey, the case studies revealed a set of issues common to all development outcomes assessment categories, and as well as issues specific to each category. This section first outlines the common issues before sharing some of the specific issues.

The ADOA approach is to assess development outcomes across the whole of the project, be it an investment project with clearly delineated inputs and outputs, or a corporate loan in support of an expansion plan or new strategic direction. Even for an investment project with a clear definition of what the AfDB's financing will be used for, the whole-of-project approach is used as the basis for determining development outcomes. For corporate financing, the ADOA process does not 'attribute' the outcomes in proportion to the AfDB's share of total project cost. The effect of this approach is twofold: first, it overstates the AfDB's contribution to the achievement of development outcomes and, second, if other financiers are doing the same and are reporting on this basis, there is significant double counting. However, the cases also revealed that the ADOA process frequently goes beyond the incremental effects of a bounded project by considering results at the whole-of-entity level, including results that flow from investments made before the AfDB's financing, or those that are unrelated to the project.

Typology of projects: To assess development outcomes, the ADOA Framework categorizes six types of projects (four of which are for FI-type operations). This means that any non-FI project must fit into one of the two remaining types: goods and services industries, or infrastructure. This leads to projects being classified in the wrong category, as illustrated by the case studies (for example, an aviation project assigned to the infrastructure category, or an agricultural production project classified as a goods and services project). However, as noted in the ADOA Annual Report 2019, the Bank's operations are dominated by financial institutions, which explains the detailed separation by types of

FIs. This may potentially mean that one-third of the financed operations must fit into the remaining two categories. Although the evaluation did not review the entire portfolio of NSOs assessed under the ADOA 2.0 Framework, consideration should be given to the coverage of the entire spectrum of sectors covered by the Bank. Interviews with ADOA management confirmed that project mis-categorization may indeed occur and that an update of the typology of projects is therefore warranted.

The categories of development outcomes: Of the seven categories of development outcomes, six have two distinct and largely unrelated dimensions as shown above (for example, governance and fiscal effects, or regional integration and economic resilience). However, the ADOA Framework focuses generally on one dimension and, usually, this is where there is something positive to say. While this is consistent with the assessment methodology outlined in the ADOA Operation Manual, this means that projects are not generally being assessed against all applicable dimensions of development outcomes, which in turn means that important development outcome dimensions (such as governance) may lack appropriate coverage where applicable. The issue here is that an assessment focusing on the positive may not provide a complete picture to decision-makers, while also removing any incentive to strengthen the other areas where development outcomes are not sufficiently present. In addition, the ADOA development outcomes assessment is not based on a clear and logical sector or project theory of change or results framework (this was also noted in the OPM October 2020 report). Interviews with ADOA management confirmed that the lack of a clear sector or project theory of change is indeed a shortcoming, which the next ADOA Framework will seek to address.

This methodology (for development outcomes assessment) is consistent with the ADOA Operation Manual and guidance, but the evaluation considers this to be an undesirable situation, given that the assessment is somewhat unbalanced. This issue merits a rethink during the revision and development of the new ADOA Framework. Interviews with the

Box 5: Development outcomes assessment of project case study 2

There are some unanswered questions regarding the development outcomes from the infrastructure component. First, while the incremental power generated could potentially result in 260,000 new users, there is no evidence provided to indicate that the underserved will in fact benefit from the increased capacity. Only about one-quarter of the country's rural areas have access to electricity, while one-quarter of urban areas do not have access. To claim development outcomes, it is insufficient to make a justification solely based on increased generation capacity.

A second question relates to the expansion of the capital's airport as one of the sub-projects. It is unlikely that the poor will feature among the 20 percent increase in passenger handling capability. This is not to say that this project will not confer economic benefits, but in terms of development outcomes, it does not appear to justify a good rating for infrastructure.

Also, it should be noted that the airport is owned by the Government of the country, so this is not providing assistance to the private sector. The ownership of the one power plant identified in the PAR, the thermal power plant, is owned and operated by the National Electricity Supply Company, a state-owned enterprise. Again, while the sub-loans may be non-sovereign, they are not private sector loans. While such funding is certainly not precluded and may well confer beneficial outcomes, there should at least be some additional justification for support to state-owned enterprises.

ADOA team revealed that, given the nature of the ADOA notes and their length restrictions, the notes do not mention dimensions that a given project does not affect, which explains why only issues where there is something to say (positive or negative) are mentioned in the notes.

Distributional effects: Across the 10 case studies, there was generally insufficient treatment of the distribution of outcomes, particularly to underserved segments of the population. The ADOA process does not consider indirect or induced effects, which is a significant limitation of the methodology for some sectors, particularly regarding job creation, as direct job creation is largely irrelevant for certain types of projects (such as the power sector), but indirect job creation may be significant. There was a tendency to focus on the outcomes rather than the developmental aspect of outcomes. However, the evaluation acknowledges that capturing indirect effects is a challenge for the Bank, and other DFIs as well.

Supporting evidence: For the cases reviewed, the assessment of development outcomes tended to be based on assertions not backed by sufficient and relevant evidence. Evidence was either frequently partial, or unrelated to the project, with unclear sources and a weak supporting analysis.

Specific findings based on some development outcomes assessment categories

Infrastructure: Access by underserved groups is a key developmental outcome for infrastructure projects. However, under this category the focus was on the outcome of increased output and much less, if at all, on who receives the benefits (see box 5 for example). While the ADOA process considers that distributional effects are accounted for under gender and social effects, these only have a weighting of 10 percent versus 35 percent for the infrastructure category. As such, the important developmental distributional effects, if not included under the infrastructure category, are likely to be under-recognized. It should also be noted that no negative rating is possible for negative effects. The only option is to discount positive effects where negative effects occur, which is another argument for including distributional effects under the infrastructure category.

Gender and social effects: Gender and social effects tended to be over-claimed and often based on evidence from a very small part of a project, or even from aspects that were not financed by the project. As for all dimensions, there is a lack of clarity on how the data presented results in the rating given,

Box 6: Development outcomes assessment of project case study 1

The amount of evidence provided in support of the rating is limited in the ADOA note. In the absence of future budget allocation to corporate social responsibility activities, it is not possible to estimate the effects that could result from this. In any case, the borrower's corporate social responsibility program is unrelated to the financing provided and the investment this supports. It is not relevant evidence for the achievement of development outcomes from the project.

Again, as noted above, the unit of assessment is the totality of the Bank's financing, or total cost of sub-projects, as the ADOA's methodology allows it to do. It is not justified to pick out two agricultural sub-projects that could potentially support coffee out-growers, and use this as the primary basis of rating the investment good for gender and social effects.

as provided for in the rating guidelines in the ADOA Operations Manual (See box 6).

raising the question as to why the overall rating would be changed.

Private sector development and demonstration effects: Demonstration effect is rarely mentioned in the ADOA's assessments. This is provided for in the ADOA Operations Manual rating guidance, which indicates that for a rating of excellent a project should deliver significant outcomes in three of four areas (market structure, business climate and market institutions, business practices and demonstration effects). For a rating of good, a project only needs to deliver good outcomes in one area. While consistent with the guidelines, this has the potential to leave important dimensions unassessed, and it gives a limited incentive to attempt to increase the rating, since the gap between good and excellent is large. In addition, claims of support to the private sector are not justified in some cases, factors such as the private sector already holding a strong position in the sector, or the quantum and nature of local linkages are not specified and at odds with the foreign ownership of a foreign sponsor and/or providers of inputs.

In terms of the contribution of the ADOA process to better development outcomes, there was no evidence from the case studies that this contributed materially to more or better-quality development outcomes. From the 10 case studies, the evaluation noted only one case in which the rating for development outcomes changed, which at first glance may indicate that the ADOA process contributed to achieving a higher rating. However, some issues indicate that there was an error, in particular that the ratings for all categories remained unchanged,

The ADOA Framework as a project selectivity instrument

The ADOA Framework's purpose is to improve project selectivity (which project to support and which not to support, or which projects to prioritize in light of limited resources) by objectively identifying and rating the nature and extent of the Bank's additionality, and the nature, quantum and quality of potential development outcomes. Stakeholder views from survey results identified several areas of strengths of the ADOA Framework, such as the independence of the ADOA team and the credibility it confers to assessed operations. For example, 57 percent of Board members and 53 percent of operations staff who responded found that the ADOA process contributed to the improved selectivity of NSOs. In addition, interviews with ADOA management confirmed that one of the most important strengths of the ADOA process is the research studies that it undertakes, which unfortunately are not always visible at the Bank, together with the independence of the ADOA team in carrying out its assessments.

The evaluation found that, despite positive feedback from the surveys, the ADOA tool does not fully meet its purposes for the following reasons: (i) the design of the ADOA's ex-ante assessment methodology has several flaws, as evidenced in the relevance section and further in preceding paragraphs; and (ii) there are data and analytical limitations. These issues were identified through the project case studies conducted by the evaluation and also from interviews.

It is worth noting that even an excellent tool for selectivity may only add limited value when the main NSO business is the financing of financial intermediaries (76 percent of the Bank's NSO financing in 2019 according to the 2019 ADOA Annual Report, 82 percent in 2016, 60 percent in 2017, 55 percent in 2018 and 92 percent in COVID-19-affected 2020), as the Bank may not have significant influence over which projects the FI finances at the end of the day (this was shown in a number of the case studies where the indicative pipeline of projects did not eventuate).

Soundness of ADOA indicators for monitoring purposes

Although the ADOA mandate stops at Board approval of projects, the indicators for development outcomes are expected to be monitored subsequently by the portfolio management team. There are several reasons why the ADOA indicators for the case study projects do not provide an optimally sound basis for monitoring the achievement of development outcomes:

- ADOA indicators are not based on a sector or project theory of change, so there is no basis for determining which are the most relevant indicators, or which indicators might be leading indicators (those that do not measure the outcome itself, but which have some predictive or early warning capacity) or proxy indicators that substitute for measuring the outcomes directly.
- Many of the indicators are output rather than outcome indicators. The ADOA indicators are based on the ADOA's typology of projects, which are sometimes less relevant to non-FI projects: in some cases, a problem arises because the types of NSOs financed by the AfDB do not always fit the ADOA's typology of projects. The indicators need to be appropriate to the project, not to the classification of the project by the ADOA.

- It is positive that the ADOA indicators follow closely the Harmonized Indicators for Private Sector Operations (HIPSO) available here. The HIPSO indicators are generic indicators intended to cover a wide variety of contexts. When selected, and if necessary, they need to be customized to the context and the specifics of what the project will do. Little if any customization occurred in the 10 case study projects.
- ADOA indicators do not adequately ensure that data on the incremental effect of the project are gathered, as is explicitly required by the ADOA Framework ("The development effects attributed to the PSO are those incremental to the project vs. the "no-project" scenario"). Too often, the indicators seek data at the level of the enterprise rather than the incremental project data, for example, direct employment operations and maintenance, direct employment construction phase, payment to government, total revenue, export sales and domestic purchases, and number of students enrolled. For a start-up investment, such indicators may be appropriate since the enterprise and the project are one and the same, but for the great majority of NSOs the financing is being provided to an ongoing entity.

Efficiency

This section addresses the question: "To what extent have the ADOA process and methodology been efficient? Are efficiency gains possible?"

To improve efficiency, the ADOA team elaborated a comprehensive manual, providing guidance on the ADOA team's responsibility, methodology, procedures, and processes. The ADOA Operations Manual provides details on core indicators, as well as guidance on criteria and rating scales for additionality and development outcomes. This contributed to more harmonized ADOA notes. Survey results from operational staff and ADOA team members show a

positive outlook regarding the efficiency of the ADOA process.

Following the 2014 evaluation, to improve efficiency the ADOA team elaborated a comprehensive manual, providing guidance on the ADOA team's responsibilities, methodology, procedures and processes. The ADOA Operations Manual provides details on core indicators, as well as guidance on criteria and rating scales for additionality and development outcomes. This contributed to more harmonized ADOA notes. Survey results from operations staff and ADOA team members show a positive outlook regarding the efficiency of the ADOA process. However, despite improvements resulting from the changes implemented in the ADOA process, the current evaluation identified some weaknesses as shown below.

During the processing cycle of the Bank's Private Sector Operations (PSO), the ADOA Framework follows a process of drafting and issuing three to five ADOA notes, which include at least one at the Project Concept Note (PCN) and two at the Project Appraisal phase. The ADOA's involvement starts at the concept stage and ends after the Board of Director's Review. According to the ADOA Operations Manual, the

ADOA notes processing schedule requires about 54 days for each project from the concept stage until Board approval. However, this is only a guide for the ADOA staff and is not necessarily the number of days spent on each project. In cases where the project processing is expedited, the time for producing an ADOA note is shortened accordingly.

It is also worth noting that an ADOA officer works simultaneously on more than one project at a time, and it is not uncommon for some projects that the team has worked on to be dropped or suspended for a variety of reasons. Although an ADOA officer is assigned to each project, there is a significant amount of internal discussion and consultation regarding notes prepared. The ADOA internal review mechanism comprises four stages.⁸ However, the evaluation considers a four-stage internal review mechanism to be cumbersome, raising questions on the efficiency of such a process. Interviews with ADOA management indicated that, although the process may seem cumbersome, in practice this does not lead to any delay in producing ADOA notes by the team. It also indicated that the usefulness of the internal review process will be reconsidered during the forthcoming framework revision.

Figure 2: Operations staff views on efficiency and value added of the ADOA process

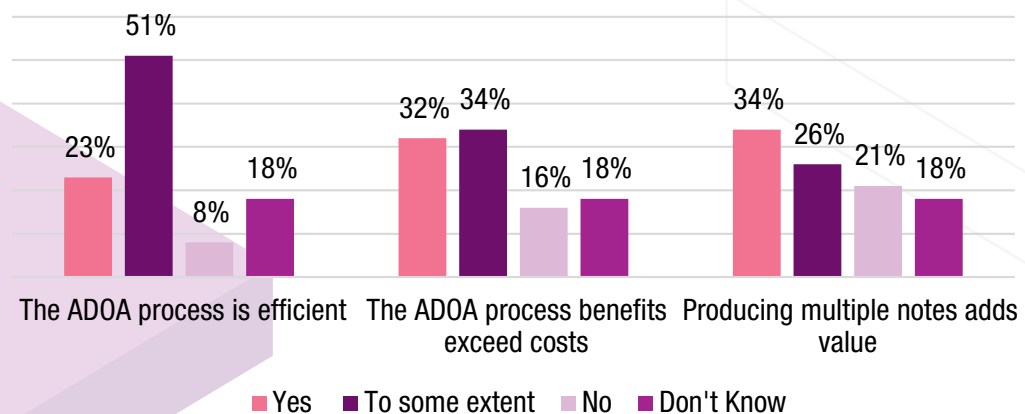
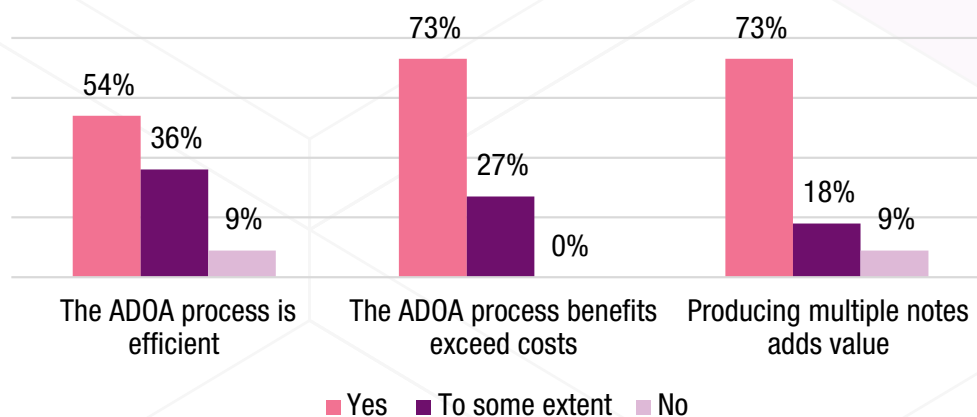


Figure 3: ADOA team views on the efficiency and value added of the ADOA process



Source: ADOA evaluation survey report.

Regarding the efficiency of the ADOA process, responses from operations staff indicate that only 23 percent agreed that it was efficient, while 8 percent said it was not. Around 51 percent indicated it was efficient to some extent. In terms of process, 34 percent agreed that producing multiple ADOA notes adds value, while 21 percent said it did not, and 26 percent said it added value to some extent. In terms of added benefits, 31 percent indicated yes, while 16 percent said no, and 34 percent to some extent. Overall, the comments shared indicate that there is room for improvement in terms of the efficiency of the ADOA process (Figure 2). In addition, the greatest weakness identified by Board members in the survey was the efficiency of the ADOA process.

The views of the ADOA team are quite different from those of the operations staff, with 54 percent agreeing that the process was efficient and 36 percent agreeing it was efficient to some extent (Figure 3). All ADOA respondents agreed (or agreed to some extent) that the ADOA process added benefits.

In their interviews, Senior Management found the ADOA process to be efficient for the most part, although members also acknowledged that

there were some areas that could be improved. They indicated that the ADOA Framework had been flexible enough to respond to the needs of operations. Areas where efficiency gains can be realized include ensuring that there is a stronger link between ADOA assessments and expectations of what actually happens during implementation. Interviews with Senior Management also suggested that communication between Investment Officers (IOs), clients and the ADOA team was sometimes difficult and could be better coordinated. Senior Management felt that the ADOA team should be more proactive in engaging with clients and IOs. ADOA management noted that the biggest hurdle in terms of efficiency is the limited data provided by project teams. The time taken to obtain data is sometimes long and can require a tedious process for the ADOA team. Streamlining this process would help in increasing efficiency further.

In terms of added value, based on the 10 case studies, the evaluation found no evidence that the ADOA process contributed to more or better-quality development outcomes throughout the successive ADOA notes produced. There was only one instance out of 10 in which the overall development outcome rating changed, in this case from marginal at the

PAR-CT stage to good at the Board stage (there were only two ADOA notes in this case). A careful review of the various notes also showed little changes in the notes. This finding is also supported by the OPM report (October 2020) regarding the efficiency of the ADOA, which states that the level of effort in drafting and clearing ADOA notes from the concept to the approval stage is considerable. The report also notes the constrained team capacity since late 2017, with the high turnover of staff, which may have led to a reduction in the ADOA's value.

The way forward: maximizing the ADOA's added value

The evaluation gauged the ADOA Framework's way forward by assessing how the framework can increase its value added to the Bank's NSOs. Among others, the evaluation highlighted the following key factors that could enhance the ADOA's value added:

- i. **Monitoring development outcomes:** The role of the ADOA stops with Board approval of the transaction, whereas the three benchmarked MDBs all have monitoring and reporting components that are integrally linked to their ex-ante tools. Thus, IFC's AIMM has AIMM Monitoring, EBRD's TOMS is complemented by the Transition Impact Monitoring System (TIMS), and IDB Invest has DELTA in Supervision.⁹ With the ADOA process, the final stage is for the ADOA officer to hand over a monitoring template to the Investment Officer. Generally, as shown by the case studies, this becomes incorporated into the legal agreement as a schedule to the contract such that the client becomes legally obliged to report on development outcomes annually. The Bank's portfolio officers have a responsibility for monitoring as far as ADOA indicators go, but their role seems to be limited to encouraging clients to fulfill their obligations to report, mostly unsuccessfully in the case study projects. Through the survey, the evaluation explored the idea of extending the ADOA's mandate to monitoring the development outcomes it assesses ex-ante. The
- ADOA team members showed positive support for this idea. Of the operations staff, 77 percent either strongly agreed or agreed that the role of the ADOA should be extended to monitoring and reporting on development outcomes achievement, while 13 percent disagreed, and 8 percent strongly disagreed. ADOA management expressed the view that consideration might be given to a role of validation of monitoring conducted by the portfolio teams. This possibility will be discussed during the revision process. The vast majority of respondents agreed that the ADOA process should provide support to enable adaptive management for better development outcomes achievement and learning.
- ii. **Establishing and reporting on gender-relevant development outcome indicators beyond sex-disaggregated data:** The current ADOA 2.0 Framework captures the development outcome indicators that the NSO interventions intended to achieve regarding gender equality. These are identified during the project design stage and are then depicted in the project results framework (formerly known as results-based logical framework) through sex-disaggregated data. However, it is important that the forthcoming revision of the ADOA 2.0 Framework should be extended to the design, monitoring and reporting on development outcomes achievement beyond sex-disaggregated data by mapping how gender equality and empowerment can be achieved by collecting, analyzing and presenting both person- and non-person-related development outcomes.¹⁰ The fundamental purpose is to examine all development outcomes and additionalities for their gender relevance beyond sex-disaggregated data.
- iii. **Clarifying the ADOA's relationship to the results-based logical framework and the monitoring of development outcomes:** Unlike IFC and EBRD, which do not require separate results frameworks for their NSOs (they have monitoring indicators for AIMM and TIMS, respectively), the AfDB requires each NSO to have ADOA development outcome

indicators and a results-based logical framework (RBLF). Part of IDB's DELTA scorecard is the so-called evaluability score, which assesses "whether the project is designed in a way that allows development impact to be evaluated and verified ex-post."¹¹ The disclosure statement also notes "the DELTA is accompanied by a results matrix that includes output and outcome indicators with yearly targets that are tracked throughout project implementation. These indicators are aligned, to the extent possible, with industry standards, including the Harmonized Indicators for Private Sector Operations (HIPSO) and IRIS, and best practices (SMART)." IDEV's 2018 quality-at-entry evaluation and the 10 case studies in this evaluation found a lack of coherence between the targets and indicators in the RBLF and the ADOA development outcome indicators. In addition, having two results frameworks, or at least two sets of results indicators, is not efficient. The issue of a lack of coherence between the RBLF and the ADOA indicators has recently been addressed through the Bank's Integrated Quality Improvement Plan, which aims to enhance the design, implementation and results of the NSOs based largely on the recommendations of IDEV's 2018 evaluation on Quality Assurance across the Project Cycle of the African Development Bank Group (available here). However, this development is too recent for this evaluation to be able to find evidence that this proposed solution has actually resolved the issue.

- iv. Ensuring an adequate trade-off between financial viability and development outcomes:** There is often tension between the ADOA development outcomes (where Regional Member Countries are expecting high development impacts) and financial viability (where sponsors are aiming for long-term commercial viability). In addition, given that the Bank is aiming to increase its NSO engagement in low-income countries and transition states, the credit risk cut-off rating for such countries was set at 5. In case of a negative ADOA development outcomes rating, the potential for development results is missed. To ensure a

proper trade-off, projects below the satisfactory ADOA rating should not enter the portfolio. In addition, high-risk projects even with good ADOA ratings should embed a strong security package to ensure that the Bank does not record grants in its loan book as per the recommendation of external auditors, and that it will recover its investment in case of loan sell down or write-off.

- v. Harmonizing development outcomes indicators at project design:** The NSO and Private Sector Support Department, in collaboration with the ADOA team, has developed standardized and more comprehensive sets of indicators for each type of NSO instrument over the past year (trade finance, project loan, line of credit, guarantees, etc.). For each type of instrument, sets of indicators are included at several levels: borrower/fund/sponsor/company; list of beneficiary companies; core indicators at the beneficiary company level; and sector-specific indicators¹² at the level of the beneficiary. Another important document in operationalizing the Quality Assurance Plan is the Operational Instruction for Strengthening Results Planning and Monitoring in the Bank's Operations, which clearly sets out the changes expected to strengthen the quality of the Bank's operations and reinforce the approach to results planning and monitoring. The revised RBLF states the need for clearly capturing baselines, together with targets for outcomes and output indicators. In addition, these indicators should be aligned with those of the Results Management Framework (RMF) and the ADOA, as well as the HIPSO, indicators. The corporate RMF is expected to be revised this year, and, as such, each project should include at least one RMF indicator.

To strengthen the monitoring arrangements, the Bank is recruiting new Quality Results and Monitoring Officers to be based in the regional Business Delivery Units. The intention is that they will provide advisory support to operations staff on results planning and monitoring, and increase quality and compliance with Bank monitoring standards. The new officers will play an advisory

role, while also supporting roll-out of training and troubleshooting in support of operations teams. The above changes were effective from 1st April 2021 and the new operational instructions will be appended to the Bank's operations manual (currently under revision). It is noted in the document that these changes should be incorporated in the revision of the current ADOA 2.0 Framework, particularly with regards to aligning development outcome reporting template indicators to what is measured ex-ante by the ADOA. While these changes appear to be desirable, whether they will result in collecting and monitoring useful data, and whether this information will be used to make performance-enhancing decisions remains to be seen. More incentives should be put in place, both for portfolio management officers and private sector clients. At the same time, these various measures resulting from the collaboration between the ADOA team and The NSO and Private Sector Support Department are expected to enhance the ADOA Framework's added value.

vi. Economic analysis: Economic analysis is a means to explore the economic benefits of a project in relation to its economic costs. Such analysis is frequently used as an investment decision-making tool. Two of the 10 case study projects underwent financial and economic analysis, while for the remaining eight cases there were only a few details in the main text and no supporting annex. However, even from the limited amount

of information presented, it was clear that the economic analysis used quite different estimates of the benefits (and, in some cases, different benefits altogether) than did the ADOA, and in turn those in the RBLF. As a result, some projects had three different descriptions and estimates of project benefits. In addition, there is a need to ensure that estimates of a project's economic benefits are aligned to the ADOA Framework and the RBLF. Furthermore, the ADOA process should make greater use of economic analysis, given that, crucially, it takes into account the costs associated with the benefits. Its downside is that not all benefits can be quantified and included in the analysis. It would be helpful for those projects with economic analysis to include an annex that details the assumptions made about costs and benefits, and shows the pattern of costs and benefits that have been discounted to arrive at an internal rate of return, cost/benefit ratio, or net present value.

In a nutshell, the benefits (value added) of the ADOA Framework can be enhanced in essentially two ways: (i) by providing stronger evidence for selectivity (through the assessment of additionality and development outcomes); and (ii) providing a greater incentive to improve project design. Once this is achieved, and indicators are made more appropriate, value can be created from meaningful monitoring, with performance-enhancing actions taken based on monitoring information. ■



Conclusions, Lessons and Recommendations

Conclusions

As has been demonstrated in this evaluation, the ADOA 2.0 Framework's mandate and function have been useful for the Bank's NSOs. The independence of the function from the operation teams is a positive feature of the framework and one that is appreciated by stakeholders, as demonstrated through the survey responses and interviews. In addition, as recognized by Senior Management, the ADOA process through its assessments helps to place a development perspective into private sector operations. The ADOA process remains well integrated into the NSO business cycle and due diligence process, even after the changes introduced in the NSO ecosystem in recent years (following the DBDM). The ADOA Framework as a tool is relevant to the Bank's strategies and policies, and the future ADOA tool should consider the Bank's current context and also future directions. In terms of relevance of the design, however, the ADOA's methodology for the assessment of additionality and development outcomes could be further improved.

Regarding effectiveness, while it is recognized by stakeholders that the ADOA 2.0 Framework provides them with the necessary information for decision-making, the evaluation has also highlighted areas where improvements can be made in the context of the forthcoming ADOA 3.0 Framework. While there are many ways of addressing the shortcomings, this evaluation considers that a rethink of the purposes to be served and the future direction of NSO financing should be considered during the revision of the ADOA Framework. In terms of efficiency, despite positive developments such as the ADOA operations manual, the evaluation identified some weaknesses in the ADOA process. While efficiency can be improved,

a more important consideration is the limited value added in terms of contribution to improving the design of operations assessed. Increasing value added should be the priority consideration.

The benefits (value added) of the ADOA Framework can be enhanced in essentially two ways: (i) by providing a robust ex-ante assessment of additionality and development outcomes (based on evidence) to inform the selection of NSOs; and (ii) a greater incentive to improve project design. Once this is achieved, and indicators are made more appropriate, value can be created from meaningful monitoring with performance-enhancing actions taken based on monitoring information.

Lessons

The following are the key lessons from this evaluation:

- Having a feedback loop for learning purposes is essential. The fact that the ADOA process stops at Board approval of the transaction (or earlier if the project is dropped before this) and the absence of any meaningful monitoring means that there is no feedback loop for learning purposes.
- Monitoring systems with clear responsibilities should be designed with the use of monitoring data in mind, to provide the basis for adaptive management to ensure that corrective actions are taken for projects at risk.
- Most clients were found not to comply with monitoring and reporting requirements for development outcomes, while this is important for the Bank. In the absence of a strong incentive

for clients to comply, building monitoring systems around client reporting is not effective.

- The provision through ADOA notes of discriminatory assessments based on methodological soundness is essential for decision-makers. Important defects, such as the development outcomes assessment methodology, should be addressed to ensure that the ADOA assessments offer a sound basis to inform decision-making.

Recommendations

IDEV makes the following recommendations:

1. **Further improve the ADOA's assessment of additionality.** Priority areas of action to consider include:
 - Revisiting ADOA's unique approach of considering only the collective additionality of all participating DFIs, and rather emphasize the totality of the Bank's additionality. For example, the Bank could consider either dropping the rating of additionality and leaving it up to decision-makers to decide whether there is sufficient additionality, in light of other considerations, or alternatively using an aggregate score (rather than a rating) of additionality.
 - Reconsidering the Bank's rating of additionality on the highest source of additionality.
 - Giving greater prominence to mobilization of private finance, an increasingly important aspect of additionality for all MDBs is the crowding-in of other sources of finance, particularly private finance.
 - Giving more attention in the assessment of additionality (in particular financial additionality) to the extent to which the Bank's financing is addressing a binding constraint in addition to
2. **Strengthen the ADOA's assessment of development outcomes.** Priority areas of action to consider include:
 - Creating a typology of projects that covers the spectrum of sectors covered by the Bank, in which all significant sectors have their own type, and that fits the Bank's portfolio. For example, the infrastructure category could be divided into its distinct sectors in line with expected portfolio composition (energy, transport, water supply & sanitation, etc.).
 - Developing theories of change for each sector and then, based on these, developing sector frameworks that identify the types of outcomes and their indicators that would normally be expected to arise from these projects. The frameworks would also identify risks typically associated with projects in these sectors.
 - Giving greater attention to projects' distributional effects, and the extent to which the transaction serves under-served segments of the market, focusing more on the "development" part of development outcome.
3. **Ensure data availability for better project preparation, decision-making and monitoring.**
 - All concerned parties to the NSO ecosystem should ensure that all project-related documents are available in one place as soon as they are prepared. For the ADOA team, all notes prepared, as well as supporting documents (including BTORs, filled client questionnaires and meeting minutes) and computations, should also be archived in a single location for each project assessed. ■

one or more non-binding constraints. To the extent permitted by data, and where market level research or information is available, ADOA should use such information to support claims of additionality.





Annexes

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Technical Annexes

The technical annexes of this summary report are available on the following page:

<https://idev.afdb.org/en/document/evaluation-ex-ante-additionality-and-development-outcome-assessment-framework-20>

1. ADOA Theory of Change
2. Evaluation Matrix
3. References

Endnotes

- 1 Please note that the question regarding the strengths and weaknesses of the ADOA Framework and process has been addressed as part of questions i, ii, iii, and v.
- 2 Please note here that monitoring development outcomes is not part of the mandate of the ADOA function, and as such the evaluation only looked at how they are a good basis for monitoring.
- 3 The person-related indicators document intended changes among men and/or women (e.g., with regard to their behaviour, knowledge, perceptions, opinions and assessments and their consequences), while the non-person-related indicators usually measure how gender mainstreaming and empowerment can be achieved (e.g., by means of women's roles in leadership, empowerment and governance and policies changes)
- 4 This includes indicators for sectors such as education, health, infrastructure, ICT, and housing, which are served by the Bank operations. The financial services sector also includes indicators for Fintech operations.
- 5 The full details of the ADOA methodology can be found in the ADOA Operations Manual updated in August 2016 and in ADOA's Annual Reports.
- 6 The commitment to review the current ADOA 2.0 Framework was made in relation to its utilization in the context of Bank-financed NSOs.
- 7 Please note here that monitoring development outcomes is not part of the mandate of the ADOA function, and that the evaluation only looked at how they are a good basis for monitoring.
- 8 Four stages of an ADOA note internal review mechanism: (i) drafting of the note; (ii) internal quality control; (iii) formal team sitting; and (iv) clearance and transmission to the project review committee
- 9 The full benchmarking is available on request.
- 10 The person-related indicators document intended changes among men and/or women (e.g., with regard to their behaviour, knowledge, perceptions, opinions and assessments and their consequences), while the non-person-related indicators usually measure how gender mainstreaming and empowerment can be achieved (e.g., by means of women's roles in leadership, empowerment and governance and policies changes)
- 11 IDB Invest. 2020. Disclosure statement: Operating principles for impact management available [here](#).
- 12 This includes indicators for sectors such as education, health, infrastructure ICT, and housing, which are served by the Bank operations. The financial services sector also includes indicators for Fintech operations.



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Independent Development Evaluation
African Development Bank



About this evaluation

The ADOA Framework is a decision-making tool, launched in 2014, to guide the Board and Senior Management of the African Development Bank (the AfDB, or the “Bank”) in selecting private sector operations to fund. In 2015, the framework was revised to the ADOA 2.0 Framework.

The objective of this evaluation is to take stock of the implementation of the ADOA 2.0 Framework, and provide credible evidence on its relevance, effectiveness, and efficiency. Its findings, lessons and recommendations will inform the forthcoming revision of the ADOA Framework. The evaluation covered the framework’s ex-ante assessment of the Bank’s NSOs between 2015 and 2020.

Key among the evaluation findings are that the ADOA Framework is relevant for the Bank’s strategies, provides a sound basis for Bank Management and the Board of Directors to approve projects with high additionality, and makes a sound assessment of development outcomes.

However, the evaluation found a misalignment between the ADOA indicators and project results frameworks. Furthermore, the typology of projects used by ADOA in assessing development outcomes no longer matches the Bank’s sectors of intervention and could be updated. In addition, ADOA’s method of assessing additionality might inflate the Bank’s contribution and lower the hurdle for additionality.

The report recommended improving ADOA’s assessment of additionality, emphasizing the totality of the Bank’s additionality and giving greater prominence to the mobilization of private finance. It also recommended that the Bank strengthen ADOA’s assessment of development outcomes, covering the full spectrum of sectors covered by the Bank and paying greater attention to distributional effects and the extent to which under-served segments of the market are served. Finally, the report recommended ensuring data availability for better project preparation, decision-making, and monitoring.



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