

IDEV

Independent Development Evaluation
African Development Bank

From experience to knowledge...
From knowledge to action...
From action to impact

Evaluation of the AfDB's Implementation of its Non-Sovereign Operations (2014-2020)

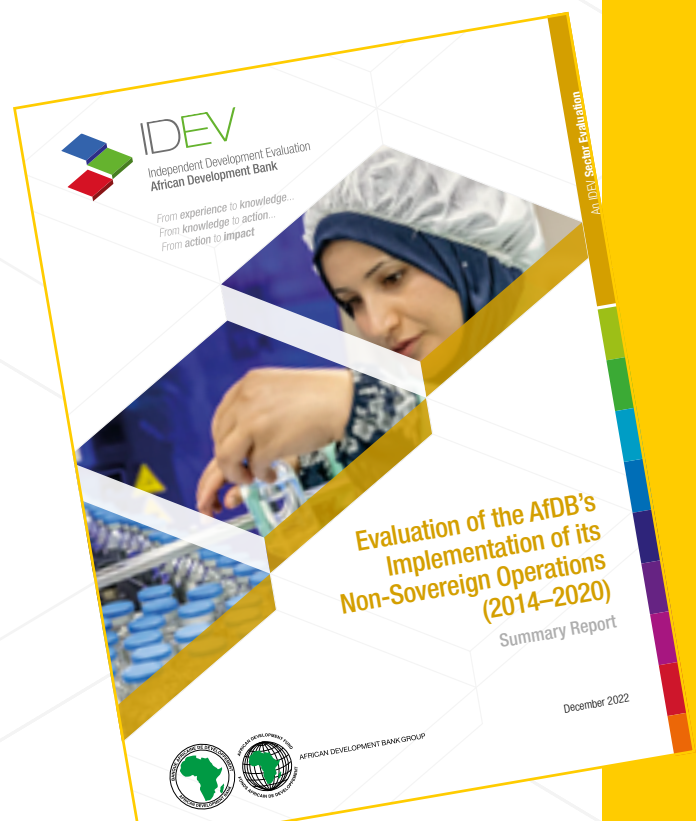
Introduction

As part of its work program, Independent Development Evaluation (IDEV) conducted an evaluation of the African Development Bank Group (AfDB or "the Bank")'s implementation of its Non-Sovereign Operations (NSOs) over the period 2014-2020. This evaluation followed on from IDEV's 2020 [Evaluation of the AfDB's Private Sector Development \(PSD\) Strategy for the period 2013-2019](#), which had informed the preparation of the Bank's current PSD Strategy for 2021-2025.

The private sector is widely recognized as an engine for inclusive and green growth. Political, economic, social, and technological factors have contributed to significantly changing the private sector landscape in Africa, in addition to the emergence of new actors that are playing increasingly central roles in national, regional, and international arenas. However, the most critical constraints to PSD have remained unchanged: (i) the lack of a conducive business environment; (ii) lax rules and regulations; (iii) inadequate infrastructure and services; and (iv) insufficient access to finance.

The AfDB defines Private sector development (PSD) as, "Sustained expansion, transformation, diversification, improvement in the quality of goods and services supplied,

growth in productivity and international competitiveness, and a real increase in value-added of the private sector." Furthermore, the Bank defines Non-Sovereign Operations (NSOs) as "operations financed by the Bank through its private sector (None-Sovereign) lending window on non-concessional terms and without the requirements of sovereign guarantees." Sovereign Operations (SOs), on the other hand, refer to "Financing, advisory services, or technical assistance support rendered by the Bank to a Government of a Regional Member Country, which, if it is offered on loan terms, is subject to be repaid under the terms formally agreed upon between the Bank and the Government."



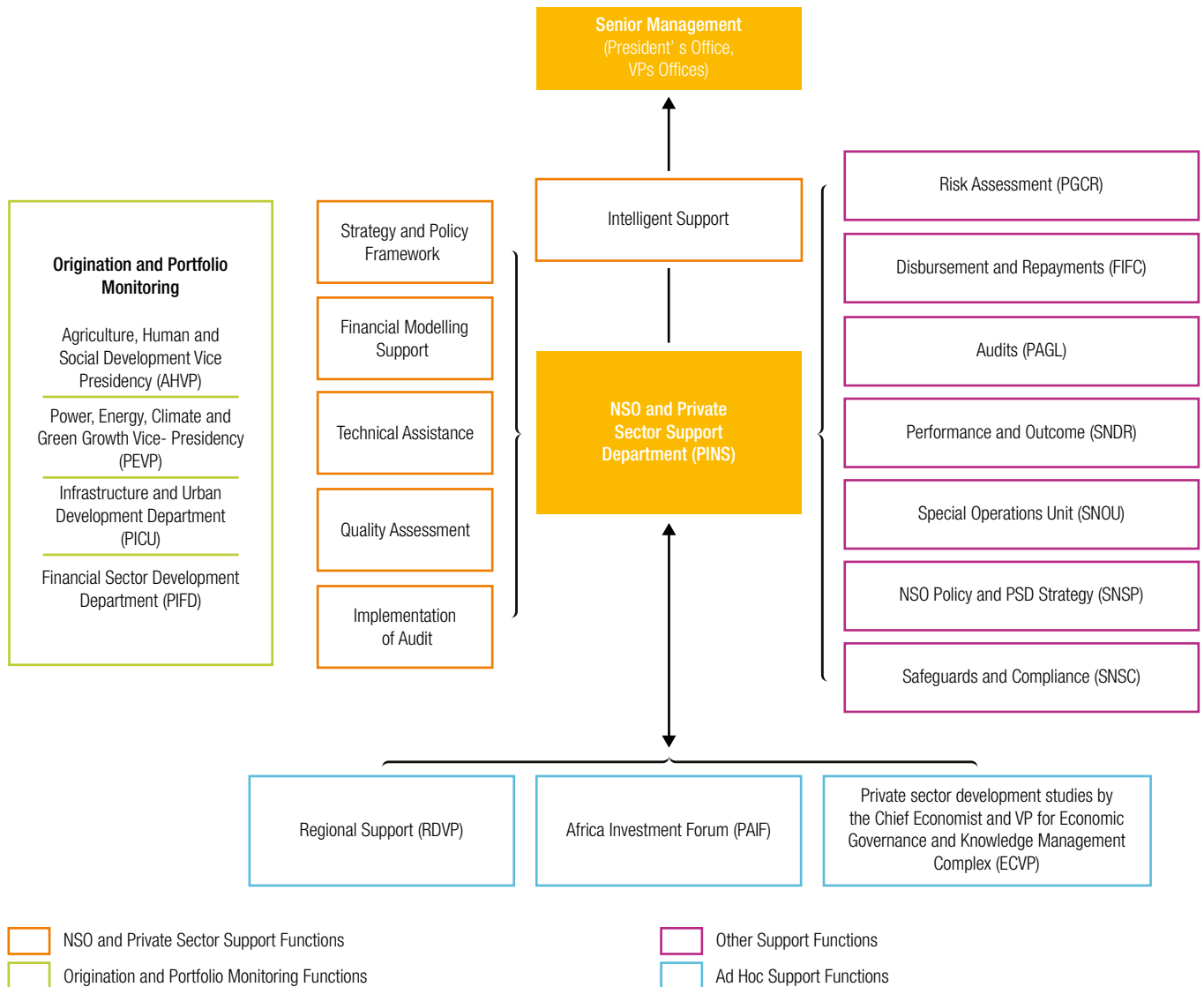
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Figure 1: NSO Ecosystem - AfDB's institutional arrangements for NSOs



The Bank started direct investment in support of the private sector and private equity in 1990, and PSD became one of the strategic pillars towards achieving the objectives of the [AfDB's 2013-2022 Ten-Year Strategy](#). Over the implementation period of its previous 2013-2019 PSD Strategy, the Bank scaled up its PSD interventions and leveraged the synergy between its sovereign and non-sovereign windows. In 2019, in the context of the [African Development Fund's fifteenth replenishment \(ADF-15\)](#) and the [seventh General Capital Increase \(GCI-VII\)](#), the Bank committed to continue the expansion of its NSOs in Regional Member Countries while strengthening operational guidelines to support the implementation of NSOs and the achievement of development results.

This lesson note features the lessons drawn from IDEV's evaluation of the AfDB's Implementation of its NSOs, which served to inform the implementation of the Bank's current PSD Strategy (2021-2025).

What did IDEV find?

Between 2014-2020, the AfDB approved a total of 194 NSOs valued at USD 11.19 billion. The evaluation assessed the relevance of the AfDB's institutional arrangements for NSOs, and the effectiveness and efficiency of the Bank in delivering on its NSO agenda over the 2014-2020 period.

IDEV found that the AfDB's organizational setup for private sector development was relevant for supporting the delivery of the institution's NSO agenda. The evaluation noted that the Bank's current institutional arrangements for supporting NSOs were relevant to enable the successful design and implementation of operations and portfolio management. It further noted that these arrangements had the potential to facilitate public (sovereign)-private (non-sovereign) coordination. However, the staffing levels - numbers of staff and skills mix- were found not to be aligned

with the portfolio size and sector composition, despite efforts undertaken in the context of a recent right-sizing exercise.

IDEV found that the AfDB's effectiveness in delivering on its NSO agenda had mixed results. The Bank's performance in managing its portfolio was deemed mixed. The evaluation observed that continuous efforts by the Bank to step up its role as "the African Knowledge institution" on private sector development and NSOs had not yet had the desired effect. Nonetheless, the evaluation concluded that the Bank's NSOs had achieved their intended development outcomes (DOs).

The evaluation presented other important findings, especially in relation to: (i) M&E and reporting capacity of clients in achieving DOs; (ii) the quality of the sponsors and their respective management for achieving project success and DOs;

(iii) coordination and communication for more strategic portfolio construction and enhanced operational coherence; (iv) the swift transfer of problematic projects to the Special Operations Unit and the involvement of sector specialists in resolving technical problems faced by clients; and (v) operationalizing relevant committees and sub-committees that bring together expertise from across the NSO ecosystem (Figure 1) for better coordination. These findings were the basis for elaborating a set of lessons to strengthen the future implementation of the Bank's NSOs.

Finally, IDEV concluded that it was premature to make a definite judgment on the efficiency of the Bank's NSO operational processes and coordination mechanisms. The evaluation determined that key institutional data and measurement frameworks were insufficient to effectively judge changes that impact the performance culture. ■

What Lessons did IDEV draw?

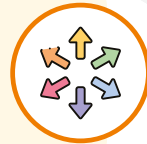
Lesson 1:

Assessing and strengthening clients' capacity to implement M&E systems, as well as environmental and social safeguards and governance rules, can strongly contribute to the successful performance of the Bank's NSOs.



Lesson 2:

Expanding the Bank's role and contribution beyond financial additionality to also assess and advise on clients' managerial capacity, when necessary, can enhance the chances of success.



Lesson 3:

Close collaboration between Sector Complexes at AfDB HQ and Business Delivery Units in the regions contributes to strategic input and resource alignment.



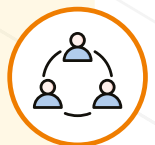
Lesson 4:

Relaying important information in a timely manner between project monitoring officers, the Special Operations Unit, financial accounting, and credit risk teams can facilitate the application of corrective measures to mitigate risks associated with operations and protect Bank assets.



Lesson 5:

Committees such as the Technical Investment Committee and the Equity Deal-Flow Clearance Committee can enhance coordination between sovereign and non-sovereign operations at various phases of projects, and thereby contribute to success.





About IDEV

Independent Development Evaluation (IDEV) at the African Development Bank carries out independent evaluations of Bank operations, policies, and strategies, working across projects, sectors, themes, regions, and countries. By conducting independent evaluations and proactively sharing best practice, IDEV ensures that the Bank and its stakeholders learn from past experience and plan and deliver development results to the highest possible standards.

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