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Independent Development Evaluation
African Development Bank



Private Sector Development Learning Session

Session 2: The Bank's Upstream Support to PSD

How the Bank can help create an enabling environment for
Private Sector Development in Regional Member countries?

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Program Based Operations

A Powerful tool to help create an enabling environment for Private Sector Development in RMCs?



PBO: a Powerful instrument

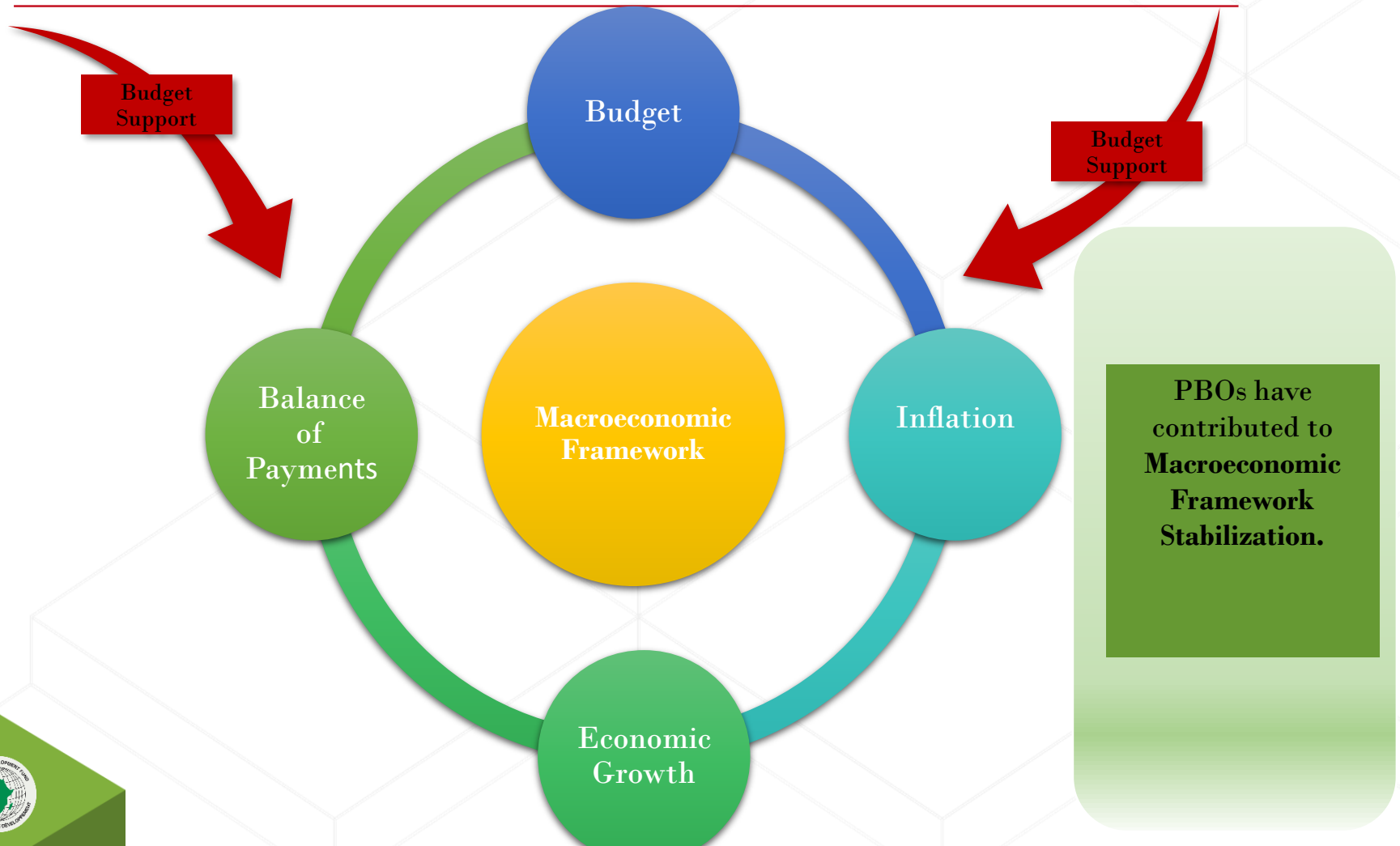
Eligibility criteria for PBO use

- The AfDB has a wide range of tools to improve the business environment in RMCs.
- A **Program Based Operation (PBO)** is a powerful instrument with the potential to help **improve the business climate** through a series of **targeted institutional reforms and nationally-owned policies**. However, it has requirements and implications.

- ✓ Government commitment to poverty reduction
- ✓ Macroeconomic stability
- ✓ Satisfactory fiduciary risk assessment
- ✓ Political stability
- ✓ Harmonisation



Findings



Improve Private Sector Environment

Landmark Policy Reform	Evaluation findings
<p>Specific targets related to strengthening the institutional environment for promoting MSME development</p> <p>Seychelles</p>	<p>Environment for enterprise development was improved.</p> <ul style="list-style-type: none"> ➤ Targets were largely achieved in regards to the number of loans, women participation and total value of the portfolio etc.
<p>Adoption of Industrial Licensing law and preparation & implementation reform plan</p> <p>Egypt</p>	<p>The average number of days to comply with industrial licensing requirements was considerably reduced.</p> <ul style="list-style-type: none"> ➤ After adoption of law, 1800 temporary licenses were approved within 7 days. <ul style="list-style-type: none"> ➤ In comparison it took 634 days in 2015.
<p>Adoption of the National Business Climate Commission (CNEA) Action Plan</p> <p>Morocco</p>	<p>The CNEA coordinated government efforts in the area of competitiveness, which contributed to Morocco's rise in international competitiveness indicators such as the Doing Business index.</p>

Improve Public Financial Management

Landmark Policy Reform	Evaluation findings
<p>Establishment of an e-procurement system</p> <p>Morocco</p>	<p>Portal on public procurement has been done, but the statistics do not indicate the generalization of the dematerialization of the public order (972 electronic submissions in 2017). Similarly, an effect, but negligible, at the level of the reduction of costs of the bids, was recorded at level of regular supplies (21% cut on costs)</p>
<p>Total Revenue Integrated Processing System (TRIPS) fully deployed and Debt Management Strategy implemented to enhance macro-fiscal management</p> <p>Ghana</p>	<p>Authorities took some encouraging steps and the economy has showing signs of recovery. Inflation has continued to decline and the exchange rate has been broadly stable. The external position has continued to improve, supported by strong foreign investors' participation in the domestic debt market. Over the medium term, both the fiscal deficit and the current account deficit are projected to decline gradually.</p>
<p>Legal framework for taxation improved</p> <p>Egypt</p>	<p>The tax system went through an important overhaul, incl. with the introduction of a VAT. However, progress on the VAT and a (still to be introduced) harmonized and simplified tax regime for micro and small business has been slower than</p>

How PBOs work?

Sectoral Reform: Energy

Landmark Policy Reform	Evaluation findings
<p>New legal and regulatory framework gas sector in place</p> <p>Egypt</p>	<p>Although legal and regulatory progress was slower than envisaged originally in the PBO, a new gas law was adopted, which implies a thorough shift towards a liberalization of the gas sector. An independent regulator has been established to oversee this market</p>



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The Independent Development Evaluation of the African Development Bank

Leveraging the Comparative Advantages of the Private Sector in Development Cooperation in Africa

Three key Lessons Learned

Lesson 1

Sustained multi-level support

Effective policy reforms require appropriate package of support comprising financial support, **active engagement in policy dialogue** and **relevant technical support**.





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Lessons Learned

Lesson 2

Capacity

Effective engagement in design and implementation requires adequate capacity for dialogue and technical support.

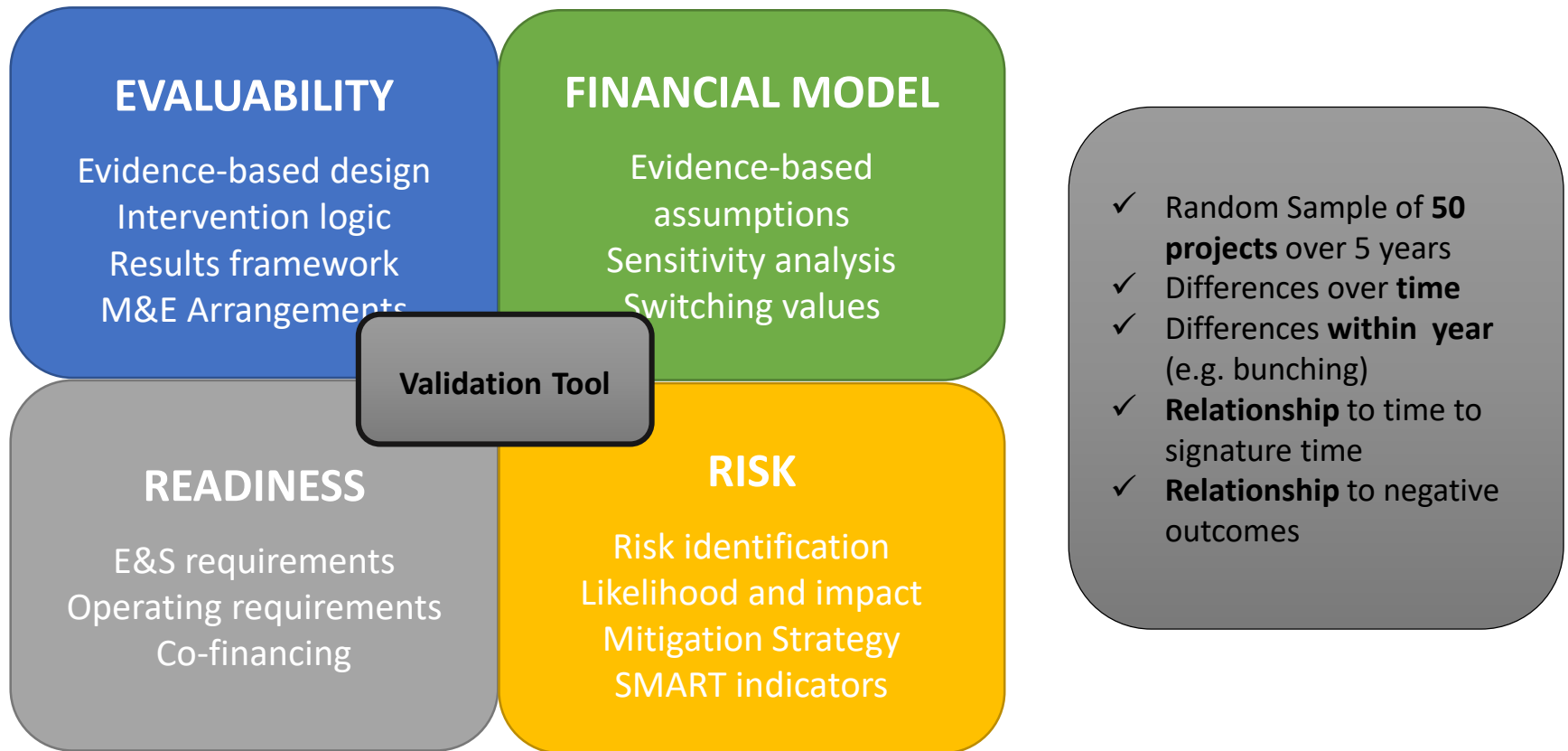
Lesson 3

Collaborative effort

Being responsive to the needs of RMCs, internal coordination, and sustained collaboration with development partners are important PBO success factors.



The Bank can help to improve the Quality at entry of private sector operations



Selected findings and recommendations from the QaE Evaluation (2018)

The Bank can help to improve the Quality at entry of private sector operations (II)

- NSOs evaluated have evaluability challenges with respect to: (i) supporting with evidence the development rationale; (ii) establishing a coherent vertical logic between the project activities and impacts; and (iii) identifying credible and meaningful indicators of the targeted development outcomes. Comparators are increasingly emphasizing evaluability in addition to selectivity and credit risk.
- The presence of unmitigated credit risks is a significant predictor of negative project outcomes, including delayed start-up and risk of non-repayment. Comparator institutions are implementing mechanisms to ensure that certain **risks are addressed prior to project approval.**
- Technical Assistance not being leveraged optimally to mitigate governance risks for NSOs, especially important for Financial intermediary operations.

Bank's support to ensure the sustainability of private sector operations

The Bank's Integrated Safeguards System objectives



SAFEGUARDS AND SUSTAINABILITY SERIES
Volume 1 – Issue 1 (Dec. 2010)

African Development Bank Group's
Integrated Safeguards System

POLICY STATEMENT AND OPERATIONAL SAFEGUARDS



AFRICAN DEVELOPMENT BANK GROUP

Quality Assurance and Results Department
Compliance and Safeguards Division

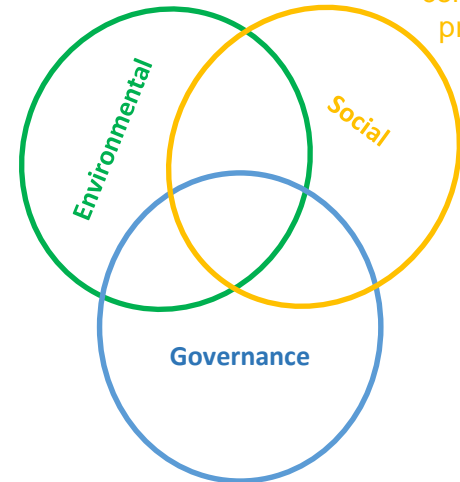
1. Avoid adverse impacts of the projects on the environment and affected people, while maximizing potential development benefits to the extent possible

2. Minimize, mitigate and compensate for adverse impacts on the environment and affected people

3. Help borrowers /clients to strengthen their safeguard systems and develop their capacity to manage related risks

Natural resource use
Carbon emissions
Energy efficiency
Pollution/waste prevention

Labour conditions
Health and Safety
Employee training
Consultation & community programs



Vision
Board independence & accountability
Shareholder rights
Business ethics



How can the Bank help to strengthen borrowers' E&S safeguards systems?

- Assessment of the use of “**country systems for environmental and social safeguards**” and their implications for AfDB-financed operations in Africa looked at six RMCs' E&S country systems using “**equivalence analysis and acceptability**” to assess the potential use of national systems.

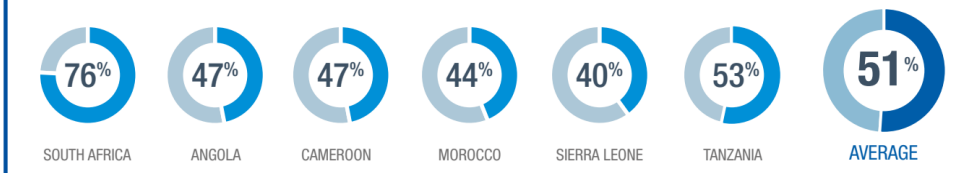


Assessment of the use of “Country Systems” for environmental and social safeguards and their implications for AfDB-financed operations in Africa



Quality, Assurance and Results Department
Compliance and Safeguards Division

FIGURE 1: TOTAL EQUIVALENCE SCORES OF THE SIX STUDY COUNTRIES (%)



- The **gap analysis between the country safeguards system and the Bank's E&S requirements** is paramount to ensure a smooth start and implementation of NSOs. BDEV verified examples about land acquisition, compensation and involuntary resettlement.
- The **Bank's requirements in relation to consultation with project affected people** are more demanding than most of the African national legislations. Including formal **Stakeholder Engagement Plans** for the most impactful operations (category 1) can prevent problems during implementation.

How can the Bank help to strengthen borrowers' capacities to manage E&S risks?



Photo 3: Nairobi workshop in action (January 2014)

- The Bank was the only development partner that provided comprehensive support to develop the **E&S capacity of the FI sector** in 2012-2015, but this was not continued afterwards.
- Currently, other partners are very active in this sector and some African countries have advanced in the framework of the **Sustainable Banking Principles Initiative**.
- **Jointly organize capacity building in E&S performance** for staff of executing agencies of Bank-funded projects, the international and local E&S consulting sector, national environment and land management regulatory agencies, and civil society organizations.

GLOBAL PROGRESS REPORT
of the Sustainable Banking Network

Innovations in Policy and Industry Actions in
Emerging Markets

October 2019



Thank You