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An IDEV **Corporate Evaluation**

Evaluation of the Middle-Income Country Technical Assistance Fund (MIC-TAF)

(2002-2018)

Summary Report

AFRICAN DEVELOPMENT BANK GROUP

March 2019

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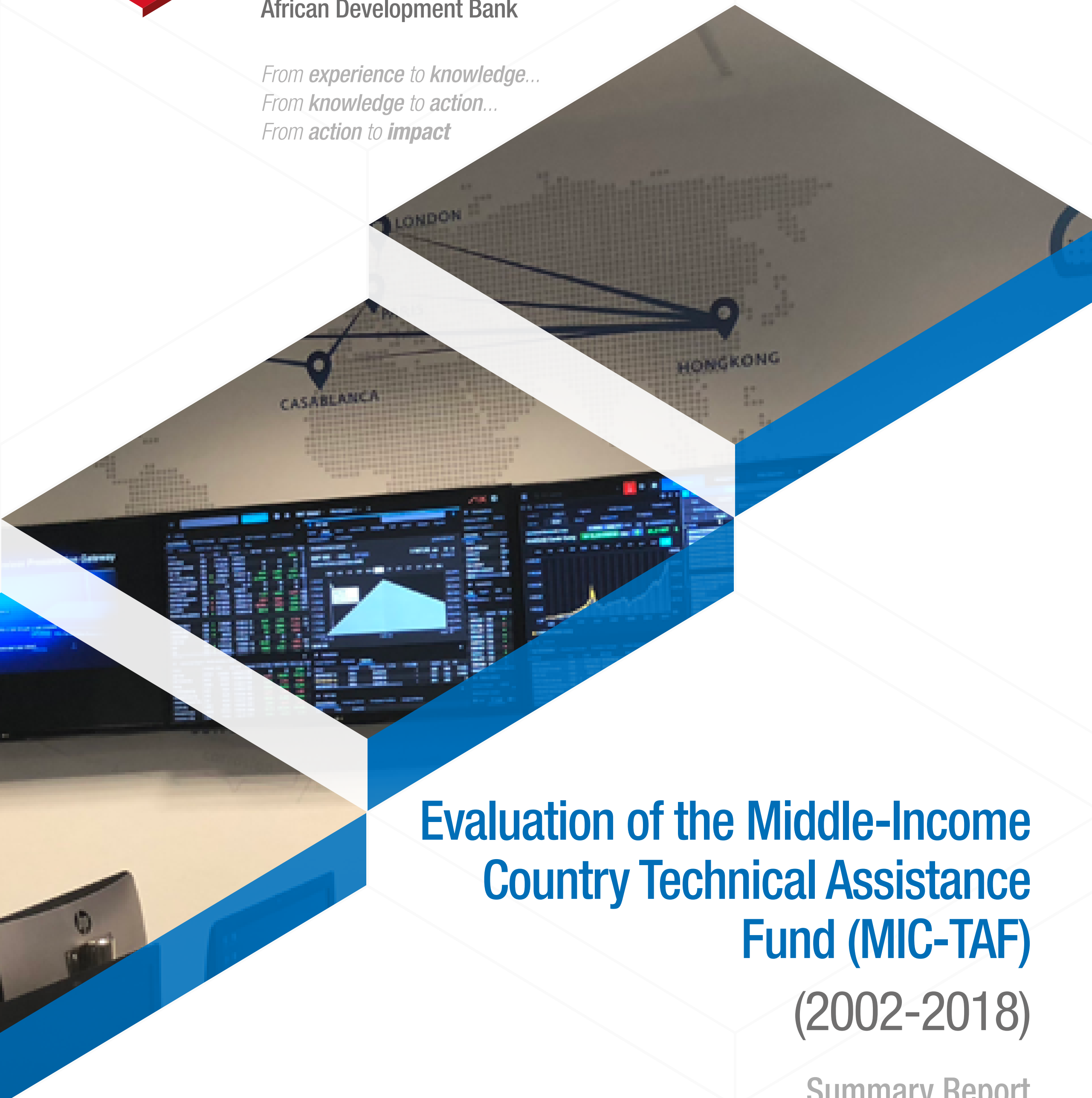

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Evaluation of the Middle-Income Country Technical Assistance Fund (MIC-TAF) (2002-2018) — Summary Report
An IDEV Corporate Evaluation

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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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The mission of Independent Development Evaluation at the AfDB is to enhance the development effectiveness of the institution in its regional member countries through independent and instrumental evaluations and partnerships for sharing knowledge.

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Abbreviations and Acronyms

ADB	African Development Bank
ADF	African Development Fund
AfDB	African Development Bank Group
AsDB	Asian Development Bank
BDIR	Board of Directors
CODE	Committee on Operations and Development Effectiveness
CSP	Country Strategy Paper
DAC	Development Assistance Committee
DSS	Decision Support System
ESW	Economic Sector Work
GoSA	Government of South Africa
GDP	Gross Domestic Product
GNI	Gross National Income
IADB	Inter-American Development Bank
IDEV	Independent Development Evaluation
IMF	International Monetary Fund
LTS	Long-Term Strategy
MDBs	Multilateral Development Banks
METS	Morocco, Egypt, Tunisia, and South Africa
MICs	Middle-Income Countries
MIC-TAF	Middle-Income Country Technical Assistance Fund
MTS	Medium-Term Strategy
OECD	Organization for Economic Co-operation and Development
ORVP	Country and Regional Programs Vice Presidency
OSBP	One Stop Border Post
PAR	Project Appraisal Report
PCR	Project Completion Report
PPF	Project Preparation Facility
PPP	Private-Public Partnership
RAS	Reimbursable Advisory Services
RDGN	Regional Directorate for North Africa
RMS	Results Management System
SOE	State Owned Enterprise
TA	Technical Assistance
TASF	Technical Assistance Special Fund
TFs	Trust Funds
UMICs	Upper Middle-Income Countries
WB	World Bank


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Executive Summary

Background

Despite the relatively high per-capita income of African middle-income countries (MICs), they continue to face significant development challenges, including rising levels of income inequality and pockets of poverty, high youth unemployment, and persistent infrastructure deficits. Furthermore, MICs have varied development needs given their heterogeneity in socioeconomic and demographic characteristics. Importantly, this group of countries varies in terms of economic competitiveness, level of financial market and private sector development, as well as state capacity.

The Middle-Income Country Technical Assistance Fund (MIC-TAF or "the Fund") was established by the African Development Bank Group (AfDB or "the Bank") in 2002[1] to address issues such as the limited access of regional member MICs to financial resources for investment preparation and analytical studies. The objective was to enhance the volume, quality, competitiveness and development effectiveness of the Bank's operations by providing grant resources for capacity building, economic and sector work (ESW), and project preparation in MICs and blend countries.

In April 2018, the Board of the Directors of AfDB directed Independent Development Evaluation (IDEV) to conduct an evaluation of the MIC-TAF, with a view to examining the extent to which the Fund had achieved its original goals and delivered development results in recipient countries. The evaluation also investigated issues around the Fund's governance, as well as the factors that hindered (or promoted) the utilization of funds from both the supply- and demand-side.

The evaluation covered the life of the Fund's operational existence from its establishment in 2002 through to 2018. In particular, the evaluation sampled MIC-TAF operations that had become effective both before and after the revision of the Fund's Operational Guidelines in 2011. In line with the standard OECD-DAC evaluation criteria, the evaluation responded to questions on the MIC-TAF's relevance, effectiveness, efficiency, sustainability, and governance. In terms of methodology, the evaluation relied on content analysis, portfolio and document reviews, and structured interviews in the Bank to analyze information on the MIC-TAF. Field missions and beneficiary consultations were also carried out to triangulate and validate all the findings.

The findings of this evaluation aim to inform future discussions on net income allocations and the replenishment of the Fund. The recommendations are also expected to inform the Management's decisions on how to improve the effectiveness of the MIC-TAF and the Bank's engagements in MICs.

MIC-TAF operations

The MIC-TAF supports activities in the following five priority areas: (i) project preparation; (ii) technical assistance, capacity and institution building; (iii) ESW; (iv) private sector development; and (v) regional integration. Eligibility to the Fund is limited to Regional Member Countries (RMCs) with access to the ADB window (Category C countries) and those with access to both the ADB and ADF windows (Category B, or blend countries).

At the establishment of the Fund, the Bank provided an initial allocation of UA 1 million as seed money. In response to the growing needs of regional member MICs, AfDB made annual allocations from its net income to the Fund, with the exception of years 2003, 2005, 2012, 2013 and 2016. In total, UA 96 million was allocated to the Fund from the ADB net income between 2002 and 2017.

During the period under review, the MIC-TAF funded 185 projects in 17 MICs (including two blend countries and multinational projects) amounting to a total portfolio of UA 103.77 million, of which 10 MIC-TAF projects worth UA 4.93 million were terminated between 2004 and 2016.

Findings

Relevance

The relevance of the Fund and its operations was judged to be generally satisfactory with, however, one caveat with regard to selectivity and quality at entry.

Results from the project reviews indicated that overall, MIC-TAF grants were aligned with the Bank's strategy for recipient countries, as well as their development needs and governments' priorities.

While the Fund aims to accomplish the development objectives of recipient countries, there was no systematic or strategic choice in the selection of financed projects.

The Fund lacked a clear strategic focus. It supported a wide range of activities across multiple sectors. The evolution of the Fund through the various guidelines shows that its purpose has widened over time, with an increasing list of activities. Although interviews with operations staff suggested that broadening the scope was necessary to increase the use and coverage of the Fund, as well as to meet the needs of countries, the evaluation considered that this evolution potentially reduced the Fund's development effectiveness.

This lack of focus has never been considered as an issue largely due to the fact that resources had always been available in the Fund for user countries until recently when it was depleted. As a result, the link between MIC-TAF projects and the Bank's operations was limited with significant variations between recipient countries.

Although the Fund's guidelines mention the need for selectivity, between 2004 and 2016 the focus was more on increasing the Fund's utilization. As a result, requests for MIC-TAF grants did not follow a rigorous analytical process aimed at optimizing the Fund's strategic utility.

Quality-at-entry of MIC grants presented a mixed picture. Project reviews showed a wide variation in the quality of Project Appraisal Reports (PARs) supported by MIC-TAF grants. This weakness in the results framework made it difficult to link project objectives to measurable development outcomes. The poor design of grants was attributable to a lack of incentives to invest adequate time and resources in the design of the relatively low value operations.

The most important weakness of financed projects was their unrealistic implementation timelines, which often resulted in extended implementation delays and high transaction costs. Ultimately, this led to cancellations and political issues with the governments, and a negative impact on the Bank's image.

The quality of MIC-TAF projects was sometimes affected by various forms of country-specific risk. Three categories of risk that required attention were: (i) risks related to a country's internal political environment; (ii) risks related to the capacity of implementing partners to execute an approved project; and (iii) risks in sustaining the development impact of projects beyond the point of exit.

Effectiveness

The effectiveness of the Fund was rated as satisfactory overall and this was based on its ability to achieve one of its main objectives, namely improving the Bank's portfolio in MICs, albeit with an appreciation of the Fund's limited capacity to generate development outcomes.

Improving the Bank's pipeline of projects in MICs was one of the key reasons for establishing the Fund.

Overall, the total MIC-TAF portfolio of 185 projects amounting to UA 103.7 million generated UA 1.51 billion in total investment for the Bank, either directly or indirectly. This means that for every UA 1.00 of MIC-TAF resources spent in MICs, on average UA 14.52 was generated in funding.

However, it is worth noting that only 17 of the 185 projects had clear ties with subsequent Bank operations. Of the 53 grants expected to yield a project, only about one-third (17) actually resulted in a project being approved by the Bank. This implies that only 9 percent of the total number of MIC-TAF projects directly contributed to the generation of new lending operations for the Bank. This points not only to issues with the Fund's effectiveness and selectivity, but also to the Fund's potential to generate more projects.

There was clear evidence that the Fund served as a tool for strategic influence in MICs. In particular, the Fund positioned the Bank as a 'partner of choice' in MICs and facilitated its continuous engagement with countries where it had limited loan operations. Evidence suggests that the Fund could generate a larger pipeline of projects if quality-at-entry and client ownership were improved. The reasons for the minimal number of projects generated by the Fund included: (i) the Bank's inability/lack of interest in funding more projects; (ii) the limited interest of the recipient countries in borrowing from the Bank; and (iii) the implementation delays that rendered studies or project ideas obsolete, as government priorities had shifted in the interim.

ESW financed by the Fund showed mixed results. Various national counterparts noted the usefulness of ESW funded through the Fund to support policymaking and policy dialogue. However, the issues surrounding the effectiveness of the operations had an adverse effect on the usefulness of the ESW, mostly notably its timeliness and relevance for action.

Unfortunately, the ability to assess the achievement of the Fund's outcomes was compromised by a systemic failure to comply with reporting requirements, such as Project Completion Reports (PCRs).

Based on the available documentation and case studies conducted, strong evidence of the achievement of development outcomes could only be documented in 17 out of the 185 grants in the MIC-TAF portfolio that could be linked to new or ongoing lending operations in beneficiary countries. Overall, based on the project review sample, most operations eventually delivered their planned outputs, but the usefulness of those outputs was variable. Furthermore, as was the case for ESW, evidence from the interviews with the Bank's Task Managers suggested that the follow-up on outputs to ensure their continued usefulness and the concrete achievement of outcomes was not systematic.

Efficiency

The Fund's efficiency was rated as highly unsatisfactory. Although it has recorded clear efficiency gains since its inception in 2002, the processing and delivery of the financial instrument has remained inefficient relative to comparable instruments in similar Multilateral Development Banks (MDBs). Long delays in responding to, and processing, MIC-TAF requests have had an adverse impact on the timely completion of investment projects and capacity-building initiatives. In several instances, these extended delays adversely affected clients' interest in, and ownership of, MIC-TAF grants, thus reducing their effectiveness.

Some PCRs identified a lack of capacity of the implementing partners and agencies as a key contributory factor, which should have been identified and mitigated during the appraisal report stage of the project. The nonperformance of the executing agencies could also be explained by an unwillingness in some cases to devote adequate resources (staff, time and finances) to ensure effective implementation. The absence of systematic project launch missions was also one of the contributory factors affecting the smooth implementation of Fund projects.

The average time between a country's request for a grant and its approval by the Bank increased slightly from 6.2 months in 2002-11, to 6.7 months in

2012-17. This timeline was still significantly higher than the target of 30 working days for processing requests up to approval by the Vice-President, as indicated in the Fund's guidelines.

In sum, the efficiency of the Fund varies significantly across beneficiary countries. For instance, whereas it takes an average of nine months for a MIC grant to be implemented in Gabon and Morocco, it takes just three months in Seychelles. A benchmark of similar institutions reveals that the average time taken to process Technical Assistance from Concept Note to Approval was higher in AfDB.

As at the end of 2017, UA 13.4 million of MIC-TAF grants were eligible for cancellation, indicating poor project performance. The amount eligible for cancellation covered projects approved as of 2009 and represented about 15 percent of total approvals during the 2009-17 period. However, only UA 2.3 million of projects were in fact cancelled during 2004-17, reflecting a relatively small proportion of the Fund's projects (16 percent). The high level of projects eligible for cancellation was also linked to the fact that many grants were studies that could only be disbursed in the latter period of implementation.

Challenges to improved efficiency included weak institutional contexts and capacity gaps within the implementing partners and agencies, and issues of quality-at-entry, as well as complex procurement processes at the Bank level, which sometimes rendered the project obsolete. Overall, there was general agreement among Bank staff and user countries that the implementation delays were mainly linked to the complexity of the Bank's procurement processes and gaps in the capacity of the implementing agencies.

Sustainability

This evaluation could not apply a systematic assessment of the sustainability criterion due to the limited number of PCRs available. Nonetheless, some extrapolations regarding the Fund's project sustainability were made based on interviews with Bank staff and recipient regional MICs. However, the evaluation did not provide a final rating for the sustainability criterion.

Project reviews and interviews revealed that Fund projects were more likely to be sustainable when they were constituents (complementary or integral components) of ongoing Bank operations. In contrast, the sustainability of other Fund projects that aimed to generate new investment opportunities for the Bank, such as feasibility studies and project preparation, was likely to be poor if the grants failed to generate an operation.

Determining the extent of government ownership in Fund projects was a challenge, as evidence of client ownership was mixed. Four factors were identified as explanatory for a beneficiary government not to prioritize the use of a MIC-TAF grant: (i) procurement and implementation delays; (ii) the origin of the grant request; (iii) the size of a MIC grant and the capacity of the executing agency; and (iv) the country's regime changes and high Bank staff turnover.

Governance

The lack of strategic focus in the evolution of the Funds had the effect of turning it into a financing instrument that supplements the Bank's administrative budget. While the Fund is not the only source of concessional resources for MICs in the Bank, there appears to be strong Bank interest in the Fund relative to other similar financial instruments. There has been an increasing trend towards resorting to the use of the Fund due to the non-existence or inadequacy of other instruments or procedures that allow for greater flexibility in MICs.

In addition, the quest for swifter responsiveness in approving MIC grants led to a practice of limiting the amount requested for Fund projects up to the approval authority levels of the Vice President and President, in part to avoid the delays and cumbersome nature of the Board's approval requirements. In contrast to the Bank's loan operations, there was no specific readiness review process for Fund projects.

The supervision of Fund projects was inadequate due to the non-availability of dedicated funds and specific provisions to ensure their systematic implementation. In addition, no specific team was assigned to manage the Fund. The focal point role was taken up by RDGN, with a staff serving on a part-time basis as a focal point mainly for information purpose. As such, the Fund had no specific institutional positioning in the Bank. Discussions in SMCC in 2018 led to the decision to take the focal point role away from RDGN, but no clear decision was made as to where the Fund should sit and be managed from. The evaluation did not include in its scope to address where the Fund could be ideally seated, as this is a prerogative of Management to ensure operational effectiveness. However, interviews with staff suggest that appropriate locations could be in the front office of RDVP that covers the regions; in the department of resource mobilization (FIRM) that is in specialized in the management of other funds in the Bank; or in the department of syndication, co-financing and client solutions (FIST).

The main issues identified during the evaluation were related to the Fund's lax monitoring and documentation systems, and concerns over the direct and indirect consequences of the high turnover of Task Managers responsible for managing grants.

Conclusion

Overall, the Fund was effective in producing results and the main objective of generating new operations for the Bank was achieved. The portfolio analysis shows that UA 1.00 of Fund investments directly and indirectly generated UA 4.75 and UA 9.77, respectively. On average, this implies that UA 1.00 of Fund resources spent generated UA 14.52 for the Bank.

However, in terms of development effectiveness, the evidence points towards the weak generation of development outcomes. Project reviews and country cases studies have led to the conclusion that many of the Fund's outputs did not result in follow-up actions by clients, adversely affecting effectiveness and sustainability. Also, there was little evidence that capacity-building projects actually produced results beyond just outputs.

The governance of the Fund also did not focus on development effectiveness. The lack of PCRs limited an assessment of the Fund's contribution to development outcomes.

The review processes for the proposed projects and their appraisal did not result in well-designed projects. Monitoring focused on disbursement and fiduciary issues, and less on development outcomes.

While governance of the Fund should continue to address efficiency issues, attention should also be given to maximizing its contribution to the Bank's development effectiveness.

Recommendations

The Fund is an effective tool for the Bank in MICs and its continued operations have the potential to increase the Bank's development effectiveness in those countries. As such, the following recommendations are addressed to the Bank's Management. The recommendations include potential actions to be considered by Management.

At the strategic level

Recommendation 1. Clarify the institutional arrangement of the Fund and establish an effective management.

- **Define clearly which department in the Bank should host the Fund**[2] and be the primary responsible for its management. This important decision is a critical step to ensure the success of the Fund and the effective implementation of the subsequent recommendations.

- **Consider establishing a dedicated team for the Fund or a shared services platform with other funds in the Bank**. This arrangement should play a significant role in coordinating the selection process, ensuring monitoring and compliance with the guidelines (including proactive cancellation of non-performing grants), and maintaining an updated management information system on the Fund's activities.

- **Define the Fund's strategic directions for a five-year cycle,** to help ensure the maximum development effectiveness with the limited level of resources available. The strategic direction should include only key priority sectors **aligned with the Bank's Long-Term Strategy and the High 5s.** Strengthening the strategic framework would also help to mobilize additional development partner resources for specific objectives that could be reviewed at the end of each cycle.

Recommendation 2. Enhance the financial sustainability of the Fund and set-up a Project Preparation Facility (PPF) specifically for MICs.

- **Increase the net allocation to the Fund** to expand its ability to respond to current and evolving demands from MICs.

- **Diversify the sources of funding for the Fund.** Exploring this possibility is aligned with the provisions of the 2011 guidelines that mentioned seeking contributions from bilateral donors, among others. The Bank should consider exploring non-traditional donors, such as the Arab Fund for Economic and Social Development, Private Foundations and bilateral agencies, and some of the MICs in Africa. While this would help improve the financial sustainability of the Fund, it is advised that the Fund should remain entirely Bank-executed, with no conditionalities attached..

- **Reduce the burden on the Fund by considering establishing a PPF for project preparation in MICs and/or developing a policy to allow the Bank to engage in Reimbursable Advisory Services (RAS) and Reimbursable Grants that could be reimbursed by the country in case the project does not go forward or will be integrated as a component of the project if the latter is generated**. The reimbursable options in supporting project preparation activities would also help to ensure stronger links between the Fund and planned Bank projects, as well as enhancing ownership and sustainability. The attractiveness of such options for MICs should be assessed. While there is a possibility of limited attractiveness at inception, these instruments could become valid alternatives in the future to balance the Bank's services to MICs.

At the operational level

Recommendation 3. Improve the Fund's guidelines and establish a stronger quality assurance process for MIC grants.

With demand currently exceeding available resources, there should be a mechanism for allocating Fund resources based on clear criteria. Project selection should be more selective, rather than being based on a 'first-come first-served' basis. The Bank should consider the following:

- **Enhance the selectivity with a rigorous risk-based quality assurance process.** This could include peer-reviews by sector and technical specialists, and could involve a selection committee which would make recommendations on grant approvals. This process should remain light and with a risk-based approach taking into consideration the size of the grant.

- **Enforce the supervision mechanisms and clarify the contradictions of PCR requirements for MIC grants and ensure the systematic production of quality PCRs. These PCRs should be tailored to the grant's size and** used to identify what the Bank could do to encourage and support follow-up actions to the Fund's project outputs, by drawing lessons based on experience. All grant-related documents, including PCRs, should be stored and accessible in the Bank's information systems.

Recommendation 4. Increase support to ongoing Bank lending operations and consider Bank execution of selected projects when necessary.

- **Increase the integration of MIC grants in ongoing Bank lending operations.** Support to ongoing operations establishes a clear and direct link to AfDB projects. This would yield efficiency gains in procurement, financial management, as well as the disbursement of grants.

- **Reduce the average time between a user country's request for a MIC-grant and the approval (or response) by the Bank,** given MICs preference for timeliness and flexibility in grants for project preparation and ESW. The delivery of the Fund's projects will, therefore, increase its relevance and usefulness to the beneficiary countries.

- **Review and enhance staff incentives for the effective management of the Fund.** Current incentives in the Bank lead staff to focus on large investment operations and pay little attention to other key activities, such as Fund and TA projects. This needs to be remedied by reforming the Bank's staff performance evaluation system. One approach will be to incorporate the performance of the Fund in the Bank's Results Management System (RMS), as well as in the Key Performance Indicators (KPIs) of staff involved the implementation of these grants.

Management Response

Management welcomes IDEV's assessment of the Middle Income Country Technical Assistance Fund (MIC-TAF). The MIC-TAF has proven to be a vital funding tool for the Bank in MICs, mainly to help prepare projects and studies, and provide technical assistance. The evaluation is timely in that the findings and recommendations will be used to improve further the management of this tool, in order to maximise its efficiency, utility and impact. Overall, Management agrees with the recommendations put forward. This note provides context for some of IDEV's findings and sets out actions to address the specific recommendations.

Introduction

Management agrees with IDEV's assessment that, overall, the MIC-TAF has been effective in producing results. The evaluation calculated that every 1 UA deployed via the MIC-TAF generated UA 14.5 in projects; either directly or indirectly. Although it is harder to quantify, management also concurs with IDEV's assessment that the MIC-TAF has served as a tool for strategic influence in MICs, helping the Bank to position itself as a partner of choice. Nevertheless, Management also recognises that adjustments are needed to the MIC-TAF strategic framework and governance, in order to increase impact and efficiency. Management is already seized of the need to revisit both the MIC-TAF guidelines and governance, and recommendations from this evaluation will inform this, providing an opportunity to enhance the Bank's support to deliver better results in MICs.

It is important to keep in mind that the objectives of the MIC-TAF, as set out in the 2011 guidelines approved by the Board, were multifaceted. Project preparation was one of six activity types identified in those guidelines. The others were technical assistance, advisory services and project cycle activities, training of government officials and capacity development, support for activities promoting development of the private sector; and activities promoting regional integration. The diverse portfolio that IDEV has observed, reflects the directions set out in the 2011 Guidelines. However, the Guidelines are also clear that MIC-TAF funded activities should align with the CSP – ensuring that while the fund itself has some flexibility, selectivity takes place through the country-level lens at the level of each region. This is in line with the Bank country based programming approach.

Management plans to move the institutional location and reinvigorate the MIC-TAF. After the new institutional arrangements are clarified new guidelines are expected to be finalized by Sept. 2019, and these guidelines will explicitly address the following:

1. Tighter selection criteria for use of the MIC-TAF.

2. Quality assurance – from quality at entry to project completion.

Relevance

Management agrees that MIC-TAF funded activities have been well aligned with its own and with RMCs respective developmental priorities. Rigour in selection has taken place via the approval process and linked to CSPs. Any proposal was required to fit into the six MIC-TAF objectives, the CSP priorities and to meet certain minimum criteria including, inter alia, (i) details of costs, schedules and procurement and (ii) evidence of the activities' contribution either to generate new projects/programs or lead to capacity that will support portfolio quality, good governance or sound policy. Building on these existing filters, Management agrees that there is scope to further tighten the selection process. The tightening of the selection process, as part of the new MIC-TAF guidelines, will also help improve the strategic focus of the MIC-TAF.

IDEV indicates mixed quality in the quality at entry of MIC-TAF projects, all of which are reviewed at the multidisciplinary Country Team. The weaknesses identified in the evaluation relate to two specific areas: overambitious timelines and identification of risks. These weaknesses will be specifically addressed in the new guidelines. In addition, enhancement of quality at entry of MIC-TAF projects should also be seen within the context of broader reforms to the quality assurance of Bank projects.

Effectiveness

Management agrees that the MIC-TAF's effectiveness can overall be considered satisfactory. However, it is also important to highlight that a failure to collate sufficient information about development outcomes does not mean they were not achieved. By its design, the nature of many MIC-TAF funded projects means they provide a stepping-stone to a larger activity, which will then lead to development results. There are numerous examples where we can see outputs contribute to outcomes, or grants lead to lending which in turn is what delivers the development outcomes. For example, MIC grants opened the door to many important and impactful projects for the Bank including the 2016 budget support to Algeria (preceded by two studies); the agricultural value chains projects in Cabinda, Angola (which has 51,000 direct beneficiaries); or the irrigation projects in Tunisia (which resulted in increased farm incomes and employment in the targeted region). The evaluation does not attempt to make these links and collect such information. Going forward, management will identify a methodology to measure not only the immediate outputs of these small but important grants but demonstrate their contribution to broader objectives or links to future projects.

With regards to PCR completion, unequivocal guidance will be provided to staff. The general PCR guidance (2009) states that a PCR is not prepared for technical assistance projects below UA 1 million; project preparation facilities; or studies. The logic of this approach is that given the nature of PCR content, a PCR for a study would not capture the results of a project that may follow it. In contrast, the 2011 MIC-TAF guidance indicates that a completion report is required, and will be drawn up based on quarterly reporting provided by the grantee. Management will investigate a value for money approach to ensure appropriate reporting and clarify this issue both in the new MIC-TAF guidelines and in the update to the Operations Manual.

Efficiency

Management agrees that efficiency of the MIC-TAF – as measured by processing times – has to be improved.

Management set an unrealistic bar of thirty days for processing times in the 2011 guidelines. It is against this bar that IDEV is assessing efficiency. Such a delay would not allow sufficient time for due diligence and quality assurance. On the other hand, the average of six months identified in the evaluation is too slow for a fund that needs to be nimble and responsive. In the new guidelines, management will seek to find the appropriate balance in the process to be more nimble while also allowing sufficient time to ensure quality.

The evaluation provides figures on the funds eligible for cancellation as at end 2017. However, the situation at end 2018 is very different. The high level of funds eligible for cancellation at end 2017 partly relate to the impact of PD 2 2015, which made any operation eligible for cancellation if a disbursement has not been made within the first six months, (even in the case of studies for which payment is generally made on delivery). Moreover, a proactive clean up exercise led by the respective regions during 2018 reduced the volume eligible for cancellation by almost two thirds. Funds that have been cancelled are being reallocated to new projects. Those projects that have been flagged as eligible for cancellation but are not cancelled (37 projects amounting to UA 4.89m), are being monitored closely.

Sound fund management requires dedicating appropriate human resources. The evaluation recognises that the lack of dedicated human resources for the MIC-TAF has been a constraint. Management will analyse how best to address this in a way that delivers maximum value-for-money. It will take actions by end of Q3 to address this challenge.

Sustainability

Management notes that IDEV was not able to provide an assessment on sustainability. The importance of client ownership for sustainability of benefits is well understood and is reflected in the initial selection criteria, and will be reflected also in new guidelines. Likewise, and as mentioned above, the ultimate results of MIC-TAF-funded grants go beyond the initial output (such as analytical work) and therefore measuring the sustainability of outcomes and impacts is therefore challenging.

Governance

With regards to the institutional location for administration of the MIC-TAF, Management already took the decision in 2018 to remove responsibility for the MIC-TAF from RDGN and to move it to RDVP. This decision is effective. Before returning to the Board with the new guidelines, Management will keep on strengthening institutional settings for the Fund.

Summary of the Way Forward

Management has found this independent evaluation a useful exercise which will complement existing analysis on how to improve management and performance of the fund. Actions to be taken are set out in the action plan below. It is important to note that some of the most important actions will need to take place sequentially.

1. Finalization of new guidelines for the MIC-TAF (Q3 2019).

2. Matters relating to diversifying or increasing the allocation to the MIC-TAF (Q4 2019 – Q1 2020).

Management Action Record	
IDEV Recommmendation	**Management's Response**
1. Clarify the institutional arrangement of the Fund and establish an effective management	
▌Define clearly which department in the Bank should host the Fund and be the primary responsible of its management. This important decision is a critical step to ensure the success of the Fund and effective implementation of these recommendations.	▌PARTIALLY AGREED. This has already been clearly defined by Management: ORVP, which is the predecessor of RDVP, will be the home of the MIC-TAF focal point. This decision is indicated in paragraph 3.1.1 of the "New MIC-TAF Guidelines" approved in November 2011 (ADB / BD / WP / 2011/191 / approved).
▌Consider establishing a dedicated team for the Fund or a shared services platform with other funds in the Bank. This arrangement should play a significant role in coordinating the selection process, ensuring monitoring and compliance with the guidelines (including proactive cancellation of non-performing grants), and maintaining an updated management information system on the Fund's activities.	▌AGREED. The shared services model is one option that will be closely considered, within the context of budget constraints, the variation in the types of funds (e.g. bilateral versus sectoral special funds) Bank, and the importance of ensuring funds like the MIC-TAF are easily accessible for operational users. [RDVP, Q2 2019]
▌Define the Fund's strategic directions for a five-year cycle, to help ensure the maximum development effectiveness with the limited level of resources available. The strategic direction should include only key priority sectors aligned with the Bank's Long-Term Strategy and the High 5s. Strengthening the strategic framework would also help to mobilize additional development partner resources for specific objectives that could be reviewed at the end of each cycle.	▌AGREED. The strategic directions for the coming five years will be set out in the new guidelines, and will be aligned with the broader strategic focus of the Bank. However, selectivity will continue to then be reinforced at country level, by using CSPs to ensure appropriate targeting of MIC-TAF resources in each MIC. [RDVP, in coordination with SNSP and relevant Departments, Q3 2019]
2. Enhance the financial sustainability of the Fund and set-up a Project Preparation Facility (PPF) specifically for MICs	
▌Increase the net allocation to the Fund to expand its ability to respond to current and evolving demands from MICs	▌PARTIALLY AGREED. Net Income allocations are the prerogative of the Board of Governors based on a recommendation from Management and the Board of Directors. The Bank's reserves have the first claim on the Bank's net income. Once a determination has been made on the amount to transfer to reserves, the balance may be transferred to other initiatives. The MICTAF is but one of a number of trust funds that seek income allocations from the Bank's net income, which itself it a limited resource. Management evaluates all requests for net income allocations and makes recommendations based on the above and guided by competing needs. [RDVP, in coordination with relevant Departments, Q1 2020].

Management Action Record	
IDEV Recommmendation	**Management's Response**
▪ Diversify the sources of funding for the Fund. Exploring this possibility is aligned with the provisions of the 2011 guidelines that mentioned seeking contributions from bilateral donors, among others. The Bank should consider exploring non-traditional donors, such as the Arab Fund for Economic and Social Development, Private Foundations and bilateral agencies, and some of the MICs in Africa. While this would help improve the financial sustainability of the Fund, it is advised that the Fund should remain entirely Bank-executed, with no conditionalities attached.	▪ PARTIALLY AGREED. Management will explore the possibilities of different funding sources for this fund. However, whether or not additional new sources are channeled via the MIC-TAF or other route, is also dependent on the preferences of contributors. Management agrees that the Bank should continue to manage the MIC-TAF. [RDVP, in coordination with FIRM, Q4 2019]
▪ Reduce the burden on the Fund by considering establishing a PPF for project preparation in MICs and/or developing a policy to allow the Bank to engage in Reimbursable Advisory Services (RAS) and Reimbursable Grants that could be reimbursed by the country in case the project does not go forward or will be integrated as a component of the project if the latter is generated. The reimbursable options in supporting project preparation activities would also help to ensure stronger links between the Fund and planned Bank projects, as well as enhancing ownership and sustainability. The attractiveness of such options for MICs should be assessed. While there is a possibility of limited attractiveness at inception, these instruments could become valid alternatives in the future to balance the Bank's services to MICs.	▪ AGREED. The issue of sustainability of funds is an important one. Management will consider both expanding the donors to the MIC TF as well as in certain cases (notably project preparation) reimbursement of grants. Reimbursable grants are a good way of ensuring the sustainability of scarce trust fund resources, similar to the case of the African Development Fund's Project Preparation Facility, which is fully reimbursable. However, the initial funding of such a reimbursable facility would need to be established. [RDVP, in coordination with FIRM, Q1 2020].
3. Improve the Fund's guidelines and establish a stronger quality assurance process for MIC grants	
▪ Enhance the selectivity with a rigorous risk-based quality assurance process. This could include peerreviews by sector and technical specialists and could involve a selection committee could make recommendations on grant approvals. This process should remain light and with a risk-based approach taking into consideration the size of the grant.	▪ AGREED. Management will review the selection criteria and quality assurance framework for MIC-TAF grants. Drawing on good practices used in other funds, Management will examine the potential role of a Technical Review Committee on which various Bank departments are represented. The revised approach will be set out in new guidelines. [RDVP, Q3 2019]
▪ Enforce the supervision mechanisms and clarify the contradictions of PCR requirements for MIC grants and ensure the systematic production of quality PCRs. These PCRs should be tailored to the grant's size and used to identify what the Bank could do to encourage and support follow-up actions to Fund project outputs by drawing lessons based on experience. All grant-related documents, including PCRs, should be stored and accessible in the Bank's information systems.	▪ AGREED. Management will ensure clarity on reporting requirements for MIC-TAF grants in the new guidelines (Q3 2019) and alignment with the updated version of the Operations Manual (Q4 2019). Management agrees that both the risk-based approach and focusing on lessons learned is appropriate for the MIC-TAF grants. [RDVP, in coordination with relevant Departments, Q4 2019]

Management Action Record	
IDEV Recommmendation	**Management's Response**
4. Increase support to ongoing Bank lending operations and consider Bank execution of selected projects when necessary	
▮ Increase the integration of MIC grants in ongoing Bank lending operations. Support to ongoing operations establishes a clear and direct link to AfDB projects. This would yield efficiency gains in procurement, financial management, as well as the disbursement of grants.	▮ PARTIALLY AGREED. While management fully agrees that MIC grants can be used to support ongoing operations, one of the principal objectives of the MIC-TAF is to support development of new projects, particularly as long as there is not a separate PPF for MICs. This should remain a primary role of MIC-TAF grants going forward since there is high demand from MICs and it supports the Bank's business development in those countries. The new guidelines will make clear that integrating MIC grants into ongoing operations is encouraged. [RDVP, Q3 2019].
▮ Reduce the average time between a user country's request for a MIC-grant and the approval (or response) by the Bank, given MICs preference for timeliness and flexibility in grants for project preparation and ESW. The delivery of the Fund's projects will, therefore, increase the Fund's relevance and usefulness for action in beneficiary countries.	▮ AGREED. Management is looking closely at the current process to find efficiencies, within the context of the Bank's Delegation of Authority Matrix and other corporate parameters. Any adjustments to the process will be set out in the new Guidelines. [RDVP, Q3 2019]
▮ Review and enhance staff incentives for the effective management of the Fund. Current incentives in the Bank lead staff to focus on large investment operations and pay little attention to other key activities, such as Fund and TA projects. This needs to be remedied by reforming the Bank's staff performance evaluation system. One approach will be to incorporate the performance of the Fund in the Bank's Results Management System (RMS), as well as the Key Performance Indicators (KPIs) of staff involved the implementation of these grants.	▮ AGREED. In general, individual staff members' KPIs reflect the range of operations they work on – both large and small. Such grants are also included in Country Strategy Papers, and the new RBLF for CSPs will ensure their performance is well monitored alongside the lending program. In addition MIC-TAF projects are monitored and flagged just like larger projects, and portfolio monitoring and clean up exercises examine the number of projects, not only the volume – so close attention is being paid to implementation of MIC-TAF projects within this system. However, there is scope to increase the profile of innovative or catalytic small projects funded by the MIC-TAF and indeed other trust funds and special funds. In this regard Management will investigate showcasing such cases in future MIC-TAF reporting, and within the context of the Bank's broader efforts to enhance the quality assurance framework. The new Guidelines will set out how information to enable that showcasing will be collected and integrated within the broader quality assurance and results reporting standards conducted by the Bank. [RDVP, Q3 2019]

Introduction

Middle-income countries (MICs) in Africa are home to about 500 million people.[3] They are also the key countries driving economic growth and expansion on the continent. However, despite their rapid economic expansion, MICs continue to face capacity gaps and challenges in reducing their infrastructure deficits, income inequality and poverty.

To address these needs, the African Development Bank Group (AfDB or 'the Bank') established the Middle-Income Countries Technical Assistance Fund (MIC-TAF, or 'the Fund') in 2002. The general purpose of the Fund was to support MICs by providing grant resources for institutional capacity building, and knowledge and project preparation.

This evaluation report was prepared at the request of the Board of Directors (BDIR or 'the Board') of the Bank and informs the Fund's replenishment decisions. Its overall objective is to examine the extent to which the Fund has achieved its original goals and delivered development results in recipient regional MICs.

The evaluation investigates issues around the Fund's governance and its effectiveness, as well as the factors that hinder or promote the utilization of the Fund. It covers the entire period of the Fund's existence, from its inception in 2002 to 2018[4]. The evaluation adopts a rapid evaluation approach to provide consistent and comprehensive findings to support evidence-based decision-making within the Bank. The evaluation also utilizes mixed methods, including qualitative assessments and quantitative analyses, to enable triangulation and enhance the validity of the findings.

The report is structured in four main sections detailing: (i) the background; (ii) the evaluation framework; (iii) the findings of the evaluation; and (iv) the conclusion and recommendations.

Background

African Middle-Income Countries

From 14 in 2002, the number of MICs in Africa rose to 17 in 2017. The 17 MICs in Africa have varying characteristics, including GDP, economic structure, population size, and position on the human development index (HDI). Their development challenges also differ across a broad spectrum. The consolidated GDP (GDP at current US$) of this group of countries significantly increased from US$369 billion in 2002 to US$1.54 trillion in 2017. Although MICs have grown rapidly in recent decades, their economic performance also varies widely. For instance, the Gross National Income (GNI) per capita of MICs in 2017 ranged from US$14,180 in the Seychelles to US$1,360 in the Congo Republic.

Despite their relatively high per-capita incomes, MICs continue to face significant development challenges, including rising income inequality and pockets of poverty, high youth unemployment, and persistent infrastructure deficits. MICs have varied development needs given their heterogeneity in both socio-economic and demographic characteristics. Importantly, these countries vary in terms of economic competitiveness, financial market and private sector development, as well as state capacity. Most MICs are still vulnerable to external shocks from the global commodity and financial markets, given their reliance on mineral exports and portfolio foreign direct investment (FDI). Given their narrow export and production base, adverse movements in global commodity markets often lead to macroeconomic instability. Similarly, slight increases in the US Federal Reserve benchmark interest rate can lead to capital reversal and flight, weakening the financial sectors of MICs.

Strategic Response of the Bank

Improving the development effectiveness of its assistance to African MICs has been a major concern for the Bank. In 2001, a Task Force was set up with a view to enhancing lending to Middle-Income Regional Member Countries. The Task Force made specific recommendations to improve the capacity of the Bank's intervention in MICs. The main measures included broadening the range of financial products and lending instruments, improving the competitiveness of the pricing model for ADB[5] countries, and improving service delivery, including the provision of advisory services. The recommendations of the Task Force included the creation of the MIC-TAF.

In 2008, the Bank proposed a 'strategic framework' aimed at enhancing the Bank's support to MICs. The framework provided some guiding principles, as well as sectoral and thematic priorities. The main objective of the framework was to position the Bank as a reliable partner for MICs in Africa through an improvement of its lending and non-lending instruments and business processes.

Since then, the Bank has continued to refine its approach to MICs, as evident in a 2018 proposal for the grouping of MICs and a framework for understanding MICs' diversity and commonalities (Figure 1).

Figure 1: Grouping of MICs by Characteristics

Algeria, Angola, Rep. of Congo, Equatorial Guinea, Gabon, Libya, and Nigeria	Botswana, Cabo Verde, Mauritius, Namibia, Seychelles and Swaziland	Morocco, Egypt, Tunisia and South Africa
Moderate level of indebtedness. Below average access to capital markets. Lagging behind other African MICs in private sector development.	Most developed and business-friendly private sectors among African MICs. higher equality attributes. Higher equality attributes.	Moderate levels of indebtedness. Moderate access to capital markets. Well-developed private sector markets
Oil Exporting Economies	**Small Middle-Income Countries**	**METS Countries**

Source: AfDB. July 2018. Approach to Middle Income Countries: Addressing Differing Profiles and Needs. Briefing to the Committee on Operations and Development Effectiveness.

Figure 2: Evolution of the MIC-TAF

- **2001** MIC-Task Force
- **2002** Creation of MIC TAF
- **2003** MIC TAF Guidelines
- **2005** New MIC Strategic framework
- **2008** New MIC strategic framework
- **2009** MIC TAF Working Group
- **2011** Revised MIC TAF Guidelines
- **2018** Strategic direction for MICs

Source: Prepared by the evaluation team based on documentation

Evolution of the Fund

The creation of the MIC-TAF originated from the recommendations of the Task Force on Enhancing Lending in Middle-Income Regional Member Countries, created in 2001 at the request of the Board of the AfDB. The establishment of a Technical Assistance (TA) fund to finance non-lending activities in MICs was 'geared towards increasing the volume of Bank operations in the countries, as well as enhancing the quality of operations'.[6]

The Task Force identified guiding principles on the use of the proposed TA fund, and on this basis the initial Fund Guidelines were issued in May 2003.[7] The 2003 Fund Guidelines listed two priorities for Fund financing: (i) activities in the final stages of the project preparation process leading to new business opportunities; and (ii) capacity-building and institutional strengthening activities. While contributing to the implementation of the Bank's strategy as articulated in the Country Strategy Papers (CSPs), the Fund's focus was on the generation of new Bank lending consistent with the concerns at that time regarding its competitive position in MICs.[8] The Fund recorded further improvements through updated guidelines adopted in 2005 and 2011.

In 2005, the revised guidelines identified four priority areas: (i) project preparation; (ii) technical assistance/capacity and institution building; (iii) ESW (and other country analytical work); and (iv) activities that promote the private sector.

To support the 2008 Strategic Framework for Enhancing Bank Support to Middle Income Countries, and based on the findings and recommendations from the MIC-TAF Working Group in 2009, a revised set of Fund guidelines[9] was issued in 2011. The promotion of regional integration was added as a new priority activity, giving rise to five priority areas. Thereafter, the ceiling per grant was doubled from UA 0.6 million to UA 1.2 million, and the approval levels under the delegation-of-authority matrix were increased.[10]

Under these new guidelines, requirements for reinforced monitoring and evaluation (M&E) were provided, including: (i) quarterly progress reports by the beneficiaries; (ii) annual assessments of the utilization of the Fund's resources by the Bank's Management; and (iii) project completion reports (PCRs) at the end of each grant by the Bank's user departments. A MIC-TAF focal point was also established with the objectives of monitoring grant implementation and assessing issues that hindered disbursement. This focal point role was played by the North Africa Regional Department, now the Regional Directorate for North Africa (RDGN), from 2012 to 2018.[11]

The Evaluation Framework

Objectives and Methodology

This evaluation aims to provide credible evidence on the development effectiveness of the Fund. The overall objective is to examine the extent to which the Fund has achieved its goals as articulated in various documents in the period 2002-11 and delivered development results in recipient regional MICs. Thus, the evaluation also examines the extent to which the redesign and refocus of the Fund over 2002-11 helped to improve the efficiency, utilization, and effectiveness of the Fund. The evaluation also assessed issues around the Fund's governance, as well as the factors that hindered (or promoted) the utilization of funds from both the supply- and demand-side.

The primary users of the report are intended to be: (i) the Board of Directors, (ii) the Bank's Management, and (iii) the Fund's recipient countries. There are policy and structural issues for the Fund that the Board may wish to address in its replenishment decisions, including the sustainability of its financing. The report contributes to efforts by the Management to improve the Fund's governance and effectiveness. The report also provides client countries with more information regarding the Fund and identifies key aspects that could be improved upon to enhance its ability to support countries' development goals.

The scope of the evaluation spans the period 2002-18, during which the Bank approved 185 projects[12] amounting to a portfolio of UA 103.77 million, with a focus on the latter period of 2011-18 following the revision of the Fund's guidelines. The Fund's performance during the two periods of its operational existence (2004-10 and 2011-18) was compared to assess the impact of Fund reforms. This evaluation assesses the relevance, efficiency, effectiveness, and sustainability of the Fund as a whole. In addition, the evaluation provides feedback on the Fund's governance, including recommendations for improvement.

The evaluation was based on a rapid evaluation methodology due to the compressed timeline available. This enabled both operational and strategic perspectives on the Fund to be viewed. The evaluation used mixed methods, including qualitative assessments and data analyses, to ensure triangulation and the validity of the findings. The tools deployed in the evaluation were: (i) project reviews of 100 projects and in-depth reviews of 50 projects in eight countries; (ii) country visits to selected projects in Morocco, Tunisia, Gabon, and South Africa; (iii) semi-structured interviews with relevant stakeholders; and (iv) benchmarking of similar instruments at the World Bank (WB) and the Asian Development Bank (AsDB).

Overview of the Portfolio

The dataset of the Fund's portfolio since its first disbursement in 2004 was retrieved from the Bank's system (SAP) on 7 October 2018. The loan portfolio of beneficiary middle-income regional member countries (RMCs) was also retrieved.

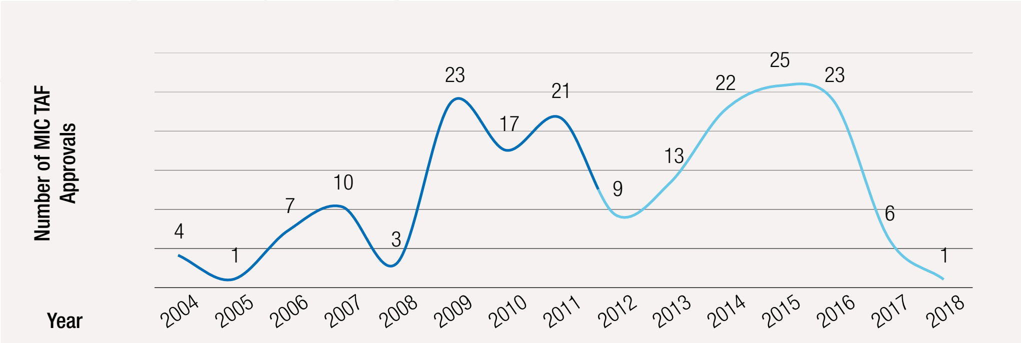
The portfolio analysis covered the operational period of the Fund: 2004-18. The end-line for the datasets used for the analysis was set at 30 September 2018. During the period under review, the MIC-TAF funded 185 projects in 17 MICs (including two blend countries[13] and multinational projects) amounting to a total of UA 103.77 million, of which 10 Fund projects worth UA 4.93 million were terminated between 2004 and 2016. It should be noted that the list of countries eligible for the Fund evolves depending on their classification as MICs or blend countries. More countries are expected to graduate into the MIC classification between 2018 and 2020.

After a slow start from 2004 to 2008, the highest levels of approvals per year were recorded between 2012 and 2016 (Figure 3). However, due to the depletion of the Fund in 2016, the number of approvals fell to only one grant in 2018. For comparative purposes, these two periods, 2004-11 and 2012-18, were analyzed. The record level of approvals in the latter period reflects the aftermath of the 2011 revised guidelines, as well as the increased knowledge of the existence of the Fund among beneficiary countries.

Demand for the Fund increased among first-time users (Nigeria, Kenya, and Zambia) following the revision of the guidelines in 2011 (Figure 4). According to interviews, the increased practice by Task Managers of providing clients with information about the Fund as an option for financing certain initiatives and the greater incentive to increase Fund utilization as part of the Bank's Results Measurement Framework (RMF), led to increased awareness of the Fund[14] and thus increased its utilization. Thus, internal Bank reforms helped to improve the responsiveness of the Fund's Task Managers. Nonetheless, there were other contributing factors including increased funding pressures faced by MICs that also increased the demand or interest in the Fund.

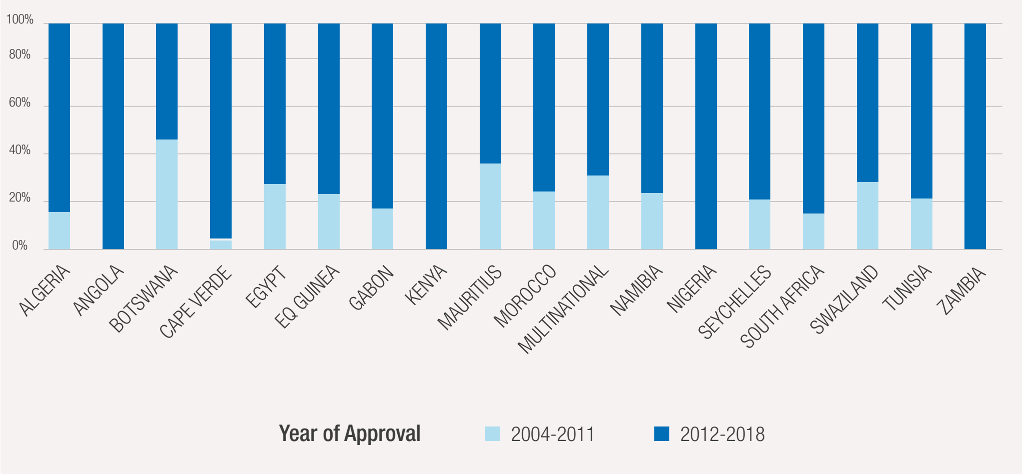
A similar trend was apparent in the Fund's utilization (Figure 5). With the average approval amount increasing from UA 346,000 to UA 627,000 after the revised 2011 guidelines, the maximum amount allowed per project also increased. The top three beneficiaries of grants from the Fund were Tunisia (26 projects), Morocco (21 projects), and Egypt (20 projects). These countries were also the highest beneficiaries by total grant size. The bottom three beneficiary countries in terms of both grant number and volume were Equatorial Guinea, Kenya, and Angola.

Figure 3: Evolution of MIC-TAF Approvals (2004-18)



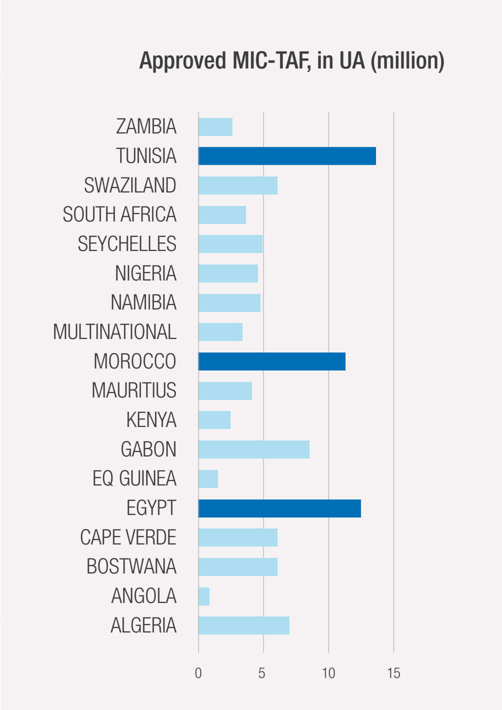
Source: Portfolio analysis. AfDB SAP data (Oct 2018)

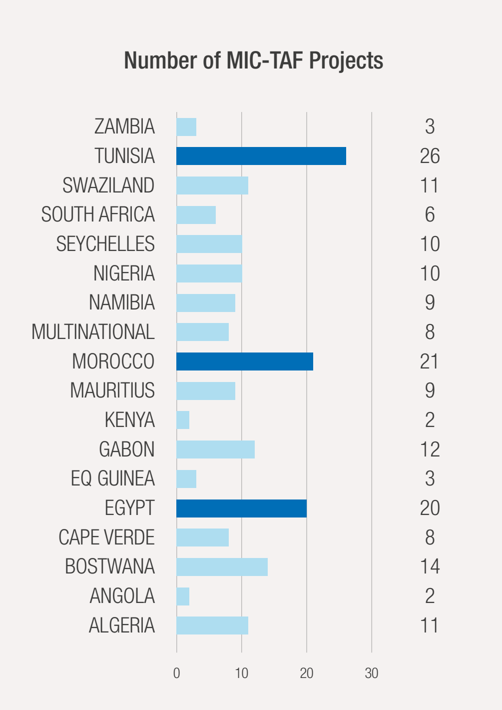
Figure 4: MIC-TAF Approvals (Before and After the 2011 Revised Guidelines)



Source: Portfolio analysis. AfDB SAP data (Oct 2018)

Figure 5: Distribution of MIC Grants across MICs by Amount and Number





Source: Portfolio analysis. AfDB SAP data (Oct 2018)

Relative to other MICs, the top beneficiary countries also accounted for the highest amount of ADB lending activity. Recipient countries can be classified into three lending categories (Figure 6).[15]

During the period, high lending activity countries[16] accounted for 52 percent of Fund approvals, while medium lending activity countries[17] accounted for 27 percent (Figure 7). Thus, most of the grants went to countries where the Bank generates income from non-concessional loans. In terms of regional distribution, 70 percent of Fund approvals went to North Africa (43 percent) and Southern Africa (27 percent).

Figure 8 shows that Fund approvals were concentrated in three sectors, namely multisector (33%), the social sector (18%), and agriculture (18%). About half of the multisector initiatives were related to institutional strengthening and public sector management. These top three sectors had significant shares in the Bank's lending program to MICs during 2002-18, with a focus on the agriculture and social sectors reflecting the Bank's efforts to promote inclusive growth.

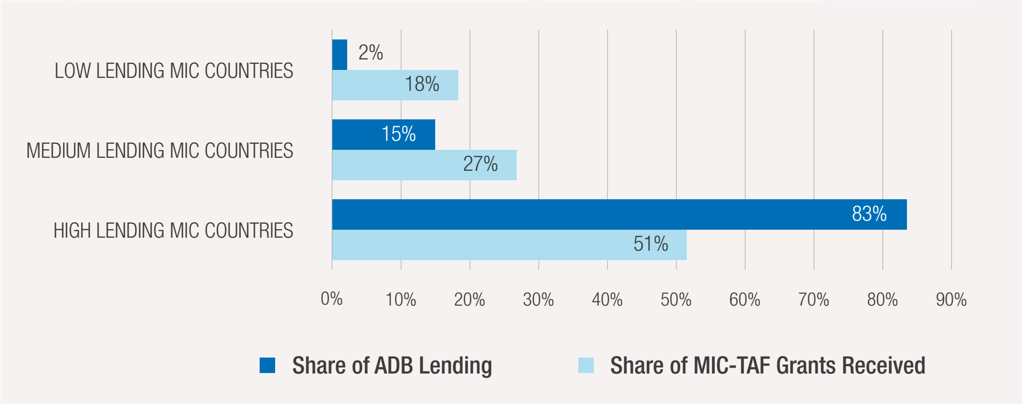
Based on the review[19] of the Fund's portfolio comprising of 185 projects, about 49 percent of Fund projects were TA/institutional building, while ESW represented 18 percent. Project preparation/ feasibility studies and private sector development accounted for 17 percent[20] and 11 percent, respectively. Regional integration represented 5 percent of the entire portfolio. The aforementioned distribution of this portfolio follows the five activities outlined in the 2011 guidelines.[21]

Figure 6: Grouping of Countries Based on the Bank's Lending Activity in MICs (2002-2017)

High Lending	Medium lending	Low lending
Angola, Botswana, Egypt, Kenya Morocco, Nigeria, South Africa, Tunisia	Algeria, Gabon, Mauritius, Namibia, Zambia	Cape Verde, Equatorial Guinea, Seychelles, Swaziland
UA 19,397,190,204	UA 3,467,152,317	UA 393,089,704

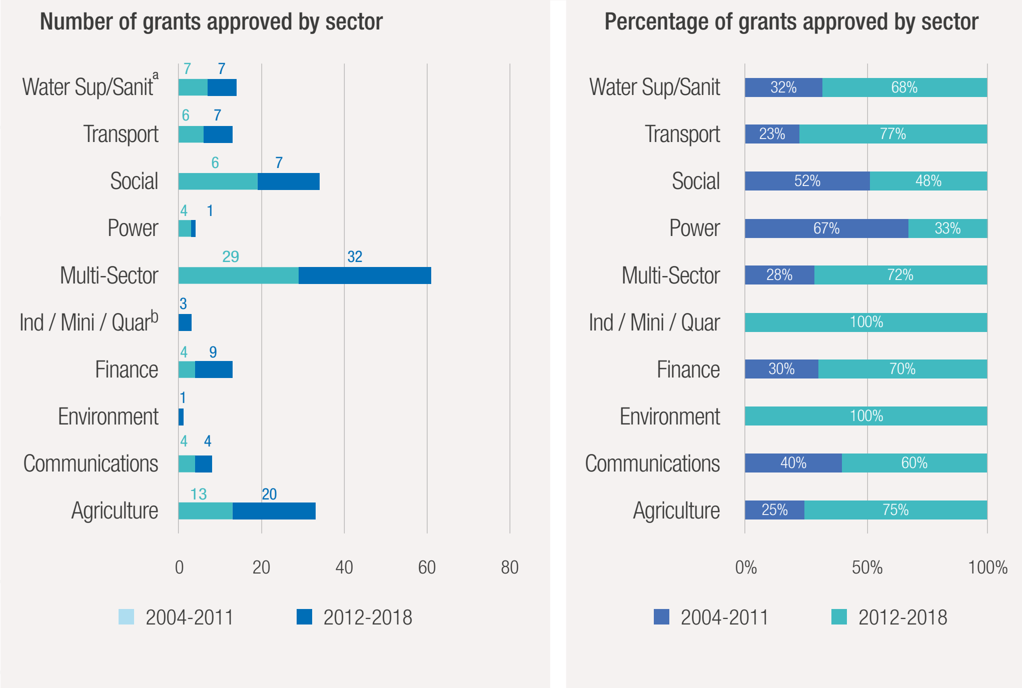
Source: AfDB. July 2018. Approach to Middle Income Countries: Addressing Differing Profiles and Needs. Briefing to the Committee on Operations and Development Effectiveness.

Figure 7: Fund Projects by Country Grouping Based on ADB Lending Activity[18]



Source: Portfolio analysis. AfDB SAP data (Oct 2018)

Figure 8: Number and percentage of Fund Approvals across Sectors



a Water Sup/Sanit = Water Supply/Sanitation

b Ind/Min/Quar = Industry/Mining/Quarrying

Source: Portfolio analysis. AfDB SAP data (Oct 2018)

Findings

Relevance

Relevance	Satisfactory
Alignment with the Bank and recipients' priorities	Highly satisfactory
Selectivity	Unsatisfactory
Quality at entry	Unsatisfactory

Alignment with Governments' and AfDB's Priorities

Results from the project reviews indicated that, overall, MIC-TAF grants were aligned with the Bank's strategy for recipient countries, as well as those countries' development needs and government priorities. Appraisal reports provided an adequate description of each government's objectives. In several instances, the specific government objective and program that the Fund contributed to was identified, ex-ante. In Egypt, for example, a feasibility study for the rehabilitation of the Zefta Barrage was aimed at supporting the implementation of the National Integrated Water Resources Management Strategy to address the issue of increasing water scarcity. Other similar complementarities were also identified throughout the Fund's portfolio.

In the vast majority of recipient countries, the Fund was well integrated within the Bank's overall country strategy. The Bank's Country Strategy Papers (CSPs) often referenced specific Fund interventions, as well as potential lending operations that might emerge from these grants. The TA, analytical studies and ESW that the Fund supported were generally described in these papers as being targeted towards improving dialogue between the Bank and recipient countries and contributing towards improvements in quality-at-entry of the portfolio. The impact of these grants was also well documented in the CSPs. For instance, the 2016-18 interim CSP for Algeria mentioned that the lessons learned from the initial operations financed by the Fund were instrumental in reducing the start-up delays of subsequent operations.

"At the Asian Development Bank, to strengthen links between Technical Assistance (TA) and country strategies, the Country Operations Business Plans (COBPs) are required to include planned TA projects and how they are utilized to address key issues in the Country Partnership Strategies (CPSs) or support planned lending operations. The review of TA concept papers includes consideration of whether the expected results are aligned with the results framework of the CPS. A TA evaluation found that 71 percent of TA projects were integrated in their CPSs and COBPs, compared with a target of 75 percent."

It is worth noting that the CSPs placed particular emphasis on the analytical studies and advisory support that resulted from the Fund's grants. These outputs assisted recipient countries in highlighting key issues in various sectors and identifying reforms to be supported. In the case of Morocco—one of the largest beneficiaries of the Fund—the 2012-16 CSP identified studies on key issues such as employment and competitiveness that were expected to be conducted with the assistance of the Fund in an effort to increase competitiveness. Lastly, the CSPs of countries such as Botswana, that have not taken advantage of the Fund, largely included commitments by the Bank to encourage the government to make greater use of the Fund.

MIC-TAF grants were also aligned to the Bank's Medium- and Long-Term Strategies (MTS, 2008-12 and the Ten-Year Strategy [TYS], 2013-22). Grants approved since 2015 have also shown an alignment with the High 5s. These grants were also consistent with the Bank's Country Strategies as evident in Project Appraisal Reports (PARs). The CSP pillars that were supported by the Fund were typically identified in the PAR. Often, CSP pillars that are broadly defined, such as strengthening governance and institutional capacity, allow a wide range of Fund grants to be aligned with the pillar. Similarly, projected Fund grants were also embedded in CSPs as possible activities to be funded. A review of CSPs of the six largest recipient countries[22] indicated that the Fund was mentioned as an instrument to be used to support the strategic pillars.

Selectivity

While the Fund aims to accomplish the development objectives of recipient countries, there was no systematic and strategic choice in the selection of financed projects. As a result, the link between Fund projects and the Bank's operations was limited, albeit with significant variations between recipient countries

Task Managers and the Bank's Management were effective in providing an adequate and fairly reactive response to countries' demands. However, the selectivity was opportunistic rather than strategic. To a large extent—and in contradiction to the guidelines—selectivity was not a managerial concern during most of the period under review, when the main concern was, in fact, Fund utilization.

Although the Fund's guidelines mentioned the need for selectivity between 2004 and 2011, the focus was rather on the increased utilization of the Fund. Consequently, requests for Fund grants did not follow a thorough or analytical process aimed at optimizing the Fund's strategic utility. In some cases, the implication of the limited selectivity was that MIC grants were not clearly linked to an area of the Bank's specialty, or a specific priority at the country level. However, given that the project pipeline for MIC grants far exceeds the available resources, the need for clear guidance and enforcement on selectivity is imperative.

The Fund's current guidelines (2011) widened the scope of activities eligible for support. As a result, selectivity became a factor of secondary importance. The 2003 Fund guidelines had provided more specific eligibility criteria for project selection, mainly by emphasizing and defining the links between the Fund and future Bank projects in the recipient country. Feasibility studies, for example, were funded for investment projects at advanced stages of preparation. Broadening of the Fund's objectives from support for the preparation of the Bank projects to more general support for MICs transformed the Fund into more of an additional source of funds readily available for MICs for a wide variety of purposes, with less stringent approval processes. The more general support for MICs after the 2011 Fund Guidelines came into force partly in response to persistent concerns regarding the lack of the Fund's full utilization.

Quality-at-Entry

Quality-at-entry of MIC grants presented a mixed picture. Project reviews showed a wide variety in the quality of Fund grants' Project Appraisal Reports (PARs). Several issues related to the design of Fund projects were noted.

While the analysis suggested that the quality of the design had improved over time, based on the project reviews there are opportunities for further improvements in project design. On average,

Box 1: Institutional Support Project at the General Secretariat of the Arab Maghreb Union Approved in April 2009 for UA 495,365

This MIC-TAF project aimed to contribute to regional integration efforts by supporting capacity-building efforts of the Arab Maghreb Union (AMU), which consists of five-member countries: Mauritania, Morocco, Algeria, Tunisia, and Libya. While relevant, the project design was not consistent with the capacity of the AMU.

The project went through three extensions and was completed in 54 months instead of 18 months. One of the lessons identified in the PCR was to avoid designing programs that were too ambitious and beyond the capacity of the implementing agencies. The PCR recommended designing projects that included only a few actions to avoid "overloading" the project. In addition, the project's timetable should be realistic and take into account the institution's capabilities.

the results framework of Fund grants lacked a clear articulation of the development objectives, including the links between outputs and measurable outcomes. Many outcomes were too high-level, making attribution to the Fund's projects difficult.

This weakness in the results framework made it challenging to link project objectives to measurable development outcomes. The poor design of grants was attributed to the lack of incentives to invest adequate time and resources in the design of the relatively low value operations.

Apart from difficulties in attribution, interviews with staff indicated that the lack of realism in the expected results from some Fund projects was a growing concern.

The most significant weakness of financed projects was their unrealistic time schedules for implementation, which often resulted in extended implementation delays and high transactions costs. Ultimately, this led to cancellations and political issues with the governments, and a negative impact on the Bank's image. Generally, this issue was linked to capacity constraints within the implementing partners and agencies. This in turn led to a mismatch between project design and implementation capacity (see Box 1). In addition, the low level of readiness of proposals submitted by beneficiaries adversely impacted quality-at-entry.

Furthermore, in many capacity-building projects, the specific needs were not well defined at appraisal, and the needs assessment had to be conducted as part of the project with implications for the scope, skills, timetable, and resources. Similarly, in some feasibility studies a first phase involving data-gathering leading to strategic options required decisions to be made prior to the development of the actual feasibility study. Lack of mechanisms to ensure timely decisions based on appropriate criteria resulted in delays, especially in projects that had several phases (see Box 2).

The quality of Fund projects was sometimes affected by various forms of country-specific risk. Three categories of risk that required attention were: (i) risks related to a country's internal political environment; (ii) risks related to the capacity of implementing partners to execute an approved project; and (iii) risks in sustaining the development impact of projects beyond the point of exit.

Effectiveness

Effectiveness	Satisfactory
Generation of New Bank Operations	Satisfactory
Support to Ongoing Bank Operations	Satisfactory
Knowledge and policy dialogue	Unsatisfactory
Achievement of development outcomes	Unsatisfactory

The effectiveness of the Fund was rated overall as **satisfactory** based on the ability of the Fund to achieve one of its main objectives of improving the Bank's portfolio with in MICs. The Bank was able to generate new bank operations through its grants

Box 2: Egypt: Feasibility study for the rehabilitation and reconstruction of the Zefta barrage
Approved in June 2009 for UA 598,840

This project was to be conducted in four phases. The third phase involved the development of a project design to either rehabilitate the old Zefta barrage or build a new barrage based on the results of the second phase. The third phase would entail financial and economic analysis of the selected option, as well as environmental and social impact assessment in line with the Bank's standards.

However, the project did not have an institutional mechanism for decision-making. The PCR noted that there should have been a Decision Support System for the prioritization and selection of types of intervention. In addition, the PCR recommended that for similar complex studies that require taking decisions on several options, a set of criteria should be identified early on. At the time of the PCR, the government had not made a decision on the preferred option.

and to support ongoing operations more effectively. However, the performance was weak on other sub-criteria. More effort is needed to render the Fund effective in achieving its development outcomes and supporting knowledge and policy dialogue.

Effectiveness was assessed based on: (i) the extent to which the Fund generated new lending opportunities for the Bank, whether directly, indirectly, or as a component of a large financed project; (ii) whether it enhanced the quality of ongoing lending operations financed by the Bank at the time of the Fund's project; (iii) the extent to which the Fund's support for ESW contributed to knowledge and policy dialogue; and (iv) the extent to which it achieved the expected outputs, outcomes, and development impact, as stated in the project's results framework ex-ante. The analysis was based on a review of PCRs,[23] interviews with staff during field missions, and the identification of AfDB projects in the portfolio that linked to the Fund's projects.

Generation of New Bank Operations [24]

An analysis of the linkage between the Fund and actual loan operations in recipient MICs revealed the following results. Overall, the total Fund portfolio amounting to UA 103.77 million contributed to UA 1.5 billion in new loan operations[25] for the Bank, both directly and indirectly.[26] Of the 185 grants, 17 loan operations could be linked to 17 grants. While eight grants amounting to UA 3.9 million directly generated nine loans worth UA 492.7 million, nine grants totaling UA 5.3 million contributed to the approval of eight loans worth UA 1.00 billion. The latter were the result of the ongoing dialogue and negotiations between the Bank and user RMCs made possible by the grants.

The data above show that every UA 1.00 of MIC grant spent generated, directly and indirectly, UA 4.75 and UA 9.77, respectively, for the Bank in loan operations. On average, this implies that each UA 1.00 of Fund resources spent was able to leverage UA 14.52 in loans. A further review of the documentation revealed that of the 185 approved grants, 52 (or 29 percent) were expected to generate loan operations for the Bank, given that they were tailored for generating a pipeline of projects. Of these 52 grants, 17 (or 33 percent) directly or indirectly contributed to a new loan for the Bank. Overall, 17 out of the 185 approved grants (or 9 percent[27]) in the MIC portfolio contributed to new lending operations for the Bank.

This result of one-third of the grants being expected to lead to projects that generate loans for the Bank can be viewed as positive, considering the volume of loan operations generated vis-à-vis the limited resources committed to the Fund. However, more remains to be done to improve the Fund's ability to generate new lending opportunities, given the small number of loans generated from the Fund. Two-thirds of grants failed to materialize in a loan while in the total portfolio only 9 percent led to loan operations.

MICs are very competitive markets where the Bank needs to position itself against competing institutions but also financial markets where MICs can mobilize resources easily and quickly for their investments. In this context, improving the pipeline of MIC projects for the Bank was one of the reasons for establishing the Fund. Indeed, an SMCC Note on the Fund reported that 54 percent of approvals as of 31 March 2018 were for project preparation and TA activities. However, the Fund is not expected to support only the expansion of the Bank's project pipeline. In other words, some grants are not designed to lead explicitly to Bank-financed projects. In addition, MIC grants can be used by user countries to develop projects financed by client countries and other development partners, depending on the country's specific interest.

The above estimates explicitly exclude the following cases of loan generation by the Fund.

1. **Loan generation from non-AfDB resources:** The direct estimation of non-AfDB resources generated by the Fund falls outside the scope of the present evaluation. However, the available evidence shows that the Fund contributed to the development of investment programs financed

by resources outside the Bank. In Morocco, for instance, the Water Supply Master Plan financed by the Fund identified several projects, some of which were subsequently financed by the government and other development partners. Similarly, in Tunisia, an agricultural project identified by the Fund was financed by the government after the Bank dropped the project following a change in its sector strategy. The same applies to the Waste Water Management Masterplan funded in Mauritius where the Government of Mauritius resorted to other development partners for funding. This evidence suggests that the Fund generated more external resources over those identified in the project reviews and PCRs.

2. **Strategic influence of the Bank:** The Fund has helped the Bank to build its strategic image as a reliable partner over the years, thus putting the Bank in a more favorable position to attract lending opportunities that may not be attributable to the Fund's operations in a recipient country. There is evidence that the Fund serves as a tool for strategic influence in MICs. In particular, the Fund positioned the Bank as its 'partner of choice' in MICs and facilitated its continuous engagement with countries where it had only limited loan operations. However, the present evaluation could not quantify the financial value derived from the Fund's strategic influence or convening role.

3. **Potential future loan generation:** Some MIC grants used in conducting ESW or industry-specific feasibility studies are yet to generate new project pipelines. Arguably, these could take some years to materialize. Two cases in point are the grants for the Development of the One Stop Border Post (OSBP) in South Africa and the Development of Export of Health Services in Tunisia. These projects require several intermediate steps and decision points prior to identification of projects that could be financed by the Bank and/or other financing sources. More time after the implementation of Fund projects could be required to determine the extent to which a Fund grant can generate a lending opportunity for the Bank.

The Fund can generate a greater pipeline of projects if quality-at-entry and client-ownership are improved. Information gathered through interviews suggested various reasons for the minimal number of projects generated by the Fund.

- **The Bank's inability or lack of interest in funding the project:** For instance, one project each in the water and agricultural sectors that could have been funded in Tunisia were dropped because the country had no headroom for additional loans.

- **The limited interest of the recipient country in borrowing from the Bank:** In Botswana, an example was identified where the government decided not to pursue any borrowing following the study funded through the MIC grant. In Mauritius, the government expressed a clear preference for other donors, citing the lack of competitiveness of the Bank's loan conditions. In other contexts, countries did not want to give priority to AfDB, or preferred to mobilize resources directly from the market.

- **The implementation delays:** Other factors that adversely affected the Fund's ability to generate a pipeline of projects for the Bank included delays both in the Bank and in the business of government, due to lengthy bureaucratic processes in procurement and implementation of approved projects. Numerous examples of delays due to poor communications on the side of the Bank, delays in providing non-objections and long iterations to conclude procurements as per Bank rules can be found across the portfolio. Delays sometimes rendered studies obsolete, as governments' priorities had shifted in the interim.

Together, these factors reduced the effectiveness of the Fund to achieve its generation of new lending opportunities for the Bank.

Support to Ongoing Bank Operations

About 6 percent of the entire Fund portfolio supported ongoing operations.[28] Most of the grants were integrated with the Bank's lending operations, with the Fund identified in the PARs as one of the financing instruments. Typically, the Fund's grants provide TA for institutional and capacity-building components of the Bank's operations. The PCRs of Bank operations where the Fund was a financing instrument did not have a separate assessment for the latter. There was, however, evidence to suggest that MIC-TAF projects were more effective when integrated into larger Bank loan operations, in part due to greater attention from the government and the Bank.

Some of the Fund's projects played a complementary role to the Bank's operations. The Morocco project on promoting young entrepreneurs in the agriculture sector, which complemented an ongoing operation, was a notable example. In addition, the project was expected to lead to an investment program, parts of which could be financed by AfDB. However, the project did not produce all its expected results.

On one hand, some projects built on ongoing operations to identify additional interventions that could scale up the Bank's support, including the appropriateness of such support. One example was a project in Gabon that financed a study to support the second phase of an agricultural operation. In this regard, the Fund was deployed to scale up existing operations and had the advantage of embedding the learning and experience from the existing operation, as well as the institutional arrangements already in place. Arguably, this increases the likelihood of projects achieving their results and development effectiveness.

On the other hand, the MIC-TAF projects supported the Bank's lending operations by improving the general capacity of governments to implement projects effectively. In Tunisia, a MIC grant supported the improvement of procurement processes and project execution efficiency. A Fund project was conducted to strengthen the Gabonese national capacity for environmental assessment, while in Cabo Verde a project aimed at establishing a Private-Public Partnership (PPP) Unit that would implement reforms was supported by the Bank's budget support operation. Taken together, these projects are likely to strengthen the capacity of recipient MICs. However, a systemic issue in assessing the effectiveness of capacity-building projects was the lack of indicators in the results framework that measure results beyond the expected outputs.

Knowledge and Policy Dialogue

The ESW financed by the Fund showed mixed results. Various national counterparts noted the usefulness of ESW in supporting policymaking and policy dialogue. However, the issues surrounding the effectiveness of the operations had an adverse effect on the utility of ESW, notably, its timeliness and usefulness for action.

As a case in point, the evaluation's field mission revealed that the Morocco study on developing private sector education was never utilized, with the Head of the Unit responsible for private education unaware of the study's existence.

Positive examples include a Fund-financed agriculture sector study in Angola that was a key input into a Bank project, while in Tunisia a study on economic diversification was part of the underpinning analytical work for a large budget support operation. Other documented contributions included the Economic Diversification Study (UA 781,350 MIC grant) in Algeria, which provided advice on economic industrialization, competitiveness, and diversification, and helped position the Bank as a key player to influence Algeria's new economic growth model.

Strengthening the links to prospective or planned operations seemed to improve the effectiveness of ESWs financed by the MIC grant. It could be argued that, while sustained dialogue between the Bank

Box 3: MIC-TAF operations in South Africa

IDEV's evaluation of the Bank's 2004-2015 strategy in South Africa found limited impact of MIC-TAF grants. The evaluation noted that: "The two studies funded by the MIC Fund have had only limited impact to date. The MIC grant to Broadband Infraco (BBI) was used to develop a strategy for a State-Owned Enterprise (SOE) that has since been merged with another, making it irrelevant. The One Stop Border Post (OSBP) study that is highly relevant to Bank priorities was completed and has been with Government of South Africa (GoSA) for over a year, but it was unclear whether or not it would have an impact on the government approach."

During the MIC-TAF evaluation, interviews with GoSA officials on the OSBP study revealed the complexity of implementing the recommendations due to the numerous stakeholders involved. New institutional arrangements had to be developed and the implementation of the study has not seen major move for almost four years. There is no evidence of a periodic follow up of the use of the study by the Bank. This could be explained partly by the turnover in AfDB staff managing the MIC-TAF project.

Staff feedback included the need for higher level dialogue with the government to accelerate the implementation of the study. According to the government counterparts, the OSBP study was integrated in a large reform program that is underway to create a one border agency. However, it has been made clear that this study is not giving the Bank any preferential position if investments of OSBP materialize.

and the government on the Fund's outputs helped maintain the focus on the implementation of ESW recommendations, this was not done systematically.

Cases where ESW was used by the Bank to provide policy advice and play an effective role as a knowledge broker are documented. Interviews with Task Managers suggested that ESW was useful in deepening the understanding of specific sectors in MICs, however, there was no systematic pursuit of policy dialogue activities or investment generation. It could be argued that the Bank did not effectively use the opportunity to develop further business.

Achievement of Development Outcomes

The ability to assess the achievement of development outcomes by the Fund was compromised by a systemic failure to comply with reporting requirements, such as PCRs. Overall, based on the project review sample, most operations eventually delivered their planned outputs, but the usefulness of those outputs was variable. Furthermore, as was the case for ESW, evidence from interviews with the Bank's Task Managers suggested that the follow-up on outputs to ensure their usefulness and the concrete achievement of outcomes was far from systematic.[29]

Furthermore, interviews with Bank stakeholders indicated a broad perception that Task Managers were usually more interested in ensuring that funds were disbursed than in achieving results. They also pointed to the Bank's limited internal expertise in contributing to the delivery of some operations. Stakeholders argued that the Bank's expertise was more important only in the context of project preparation and feasibility studies. On other types of activities, such as ESW and knowledge creation, they argued that the technical contribution of Task Managers was limited.

Some outcomes have been achieved through some of the generated projects and support to ongoing operations. However, these account for only 17 grants out of 182 where verifiable outcomes can be documented. Overall, based on the project review sample, most operations eventually delivered their planned outputs, but the usefulness of those outputs was variable. In addition, as was the case for ESW, evidence from the interviews with the Bank's Task Managers suggested that the follow-up on outputs to ensure their continued usefulness and the concrete achievement of outcomes was not systematic.

Varying perceptions were recorded in terms of the performance of Task Managers. Performance related to the quality of communication, technical expertise, advice and supervision. While the evaluation team could not conduct a specific analysis to support this finding, interviews with government counterparts suggested that grants managed by local Task Managers were better managed and benefited from closer supervision than those managed from the Bank's headquarters in Abidjan. It was also argued that Task Managers did not always have an incentive to focus on the delivery of the grants due to the small size of MIC resources compared with larger loan operations. The limited incentive that Task Managers faced in implementing Fund projects was also linked to the fact that the projects were not properly aligned with their Key Performance Indicators (KPIs), and thus not salient.

Efficiency

Efficiency	Highly unsatisfactory
Responsiveness to country's request	Highly unsatisfactory
Timeliness of implementation	Highly unsatisfactory
Effective use of resources	Unsatisfactory

In terms of the efficiency, the Fund is rated as **highly unsatisfactory** overall. Although the Fund has recorded clear efficiency gains since its inception in 2002, the processing and delivery of the financial instrument remained longer than comparable instruments in similar MDBs. Long delays in responding to and processing Fund requests had an adverse impact on the timely completion of investment projects and capacity-building initiatives. In several instances, these extended delays affected clients' interest and ownership of the Fund's projects, thus reducing their effectiveness.

Since the revision of the Fund's guidelines in 2011, its performance has improved in terms of both the 'time from approval to entry into force' and the 'time from entry into force to first disbursement'. In the former, the average time reduced from 5.7 months to 4.7 months between 2002 and 2011, and 2012 and 2017, respectively. Similarly, the latter decreased steeply from 18.6 months to 10.7 months in the period 2002-17 (Figure 10).

"Procurement packaging is often too complex in MIC-TAFs and often leads to delayed implementation. It should be noted however that the disbursement profile for the Fund often means that disbursements tend to come nearer the end, for example when studies are completed and accepted by the recipient country."

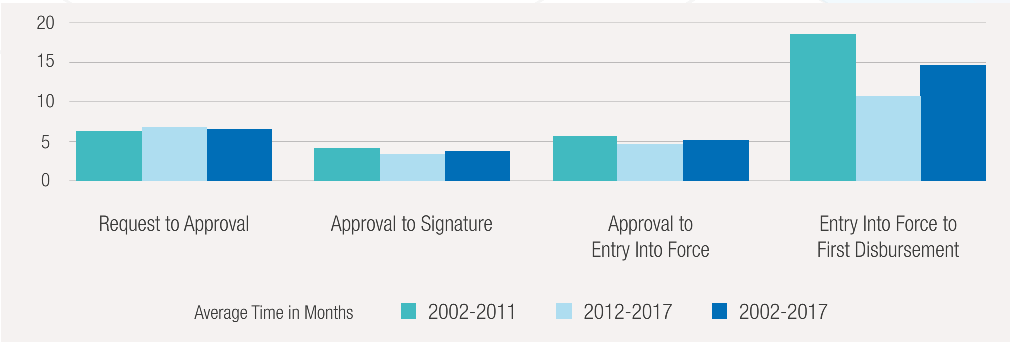
SMCC Note on the MIC-TAF, Page 6, April 2018

Despite the above-mentioned improvements, interviews from the Bank's staff and recipient MICs pointed to rather cumbersome and complex Bank procedures on procurement,[30] resulting for example in delays in the hiring of consultants. These issues are well-known to Management, as mentioned in a 2018 SMCC Note, and are likewise shared by other institutions, such as the AsDB.[31]

Some PCRs identified a lack of capacity of the implementing partners and agencies as a key contributing factor, which should have been identified and mitigated during the appraisal reporting stage of the project. The non-performance of the executing agencies could also be explained by their unwillingness in some cases to devote adequate resources (staff, time and finances) to ensure effective implementation. The absence of systematic project launch missions was also one of the contributory factors affecting the smooth implementation of Fund projects.

In MICs such as South Africa and Morocco, the use of National Procurement Systems was identified as one of the key ways to reduce implementation delays. Clients also found variability in AfDB's response to no-objection requests, with less attention paid to the smaller transactions of the Fund relative to those of larger operations.

Figure 9: Timeliness Indicators, 2004-17



Source: Portfolio analysis. AfDB SAP data (Oct 2018)

The average time between a country's request for a grant and its approval by the Bank increased slightly from 6.2 months in 2002-11 to 6.7 months in 2012-17. This timeline was significantly higher than the 30 working days targeted for processing requests up to approval by the Vice-President, as indicated in the Fund's 2011 Guidelines. Fund performance was highly variable between countries, with an average of nine months for Gabon and Morocco and three months for the Seychelles. A benchmark of similar institutions revealed that the average time taken to process TA from concept note stage to approval at the AsDB was less than four months compared with its target of 2.6 months (77 days).[32]

There was also an improvement in the time to project completion, albeit with significant variations. The average delay in project completion was 28 months in 2002-11 and this was reduced to 20 months in 2012-17. Nonetheless, delays in completion remained a concern for both the Bank's staff and recipient countries. In addition to procurement issues, there were other contributory factors to completion delays. First, several staff noted that the schedules were unrealistic, ex-ante. Second, several PCRs identified a lack of capacity of the implementing partners and agencies to implement projects, which was not identified at entry and therefore were not mitigated. Third, there were delays in fulfillment of certain counterpart requirements, such as providing counterpart funds or opening accounts. Fourth, several projects required specific government decisions, such as the choice of options presented by consultants, before proceeding to the next phase of the project with a well-defined decision-making process. Finally, several projects lacked sufficient client ownership, resulting in a lack of attention to project implementation.

As at the end of 2017, UA 13.4 million of Fund grants were eligible for cancellation, indicating poor overall project performance. The amount eligible for cancellation covered projects approved from 2009 onwards and represented about 15 percent of total approvals during the 2009-17 period. However, only UA 2.3 worth of projects million were actually cancelled during 2004-17, reflecting the relatively small proportion of Fund projects (16 percent).

The high level of projects eligible for cancellation was also linked to the fact that many grants were studies that could only be disbursed in the latter period of implementation. Nevertheless, these high numbers remain a concern for the Bank. The reluctance of the Bank's Management to cancel nonperforming grants reflected its unwillingness to strain its working relationship with recipient countries, or manage the political implications of such cancellations. In some countries, the Fund may be a vital instrument of dialogue between the Bank and the client. Many of the reasons for cancelling MIC grants reflected the factors that delayed implementation, as discussed in the previous section. Some of these included weak institutional contexts and capacity gaps within the implementing partners and agencies, issues of quality-at-entry, as well as complex procurement processes at the Bank level, which rendered some projects obsolete. On average, it was revealed during data collection that client countries did not systematically replace cancelled grants with new sources of finance (including budget financing), pointing to issues of lack of ownership and the strategic relevance of the grants in recipient countries.

Overall, there was a consensus among Bank staff and user countries that implementation delays in the Fund were mainly linked to the complexity of the Bank's procurement processes and gaps in the capacity of the implementing agencies. Arguably, not all procurement delays can be compressed simply by improving processes, but they should be foreseeable at the design stage. Various approaches can be used to mitigate the persistent issues of extended delays caused by procurement- and implementation-related issues. One approach is to use the recipient country's National Procurement Systems for the implementation of MIC grants, while another is to provide procurement training to both new and old users of the MIC grants prior to the entry of projects into force. The latter option, however, presents a trade-off between an increased cost burden, and the increased gains in efficiency and effectiveness.

Another approach draws on the experience of other partners. At the AsDB for instance, Task Managers are responsible for the implementation of TA. The staff perform the recruitment and selection of consultants based on AsDB guidelines. Hence, unlike in AfDB, knowledge of internal processes is less of an issue. AsDB staff also supervise the work of consultants and perform administrative activities. The AsDB piloted the delegation of consultant recruitment and supervision of TA projects to executing agencies, but did not mainstream the practice (see Box 5 on AsDB's TA).

Finally, compared with AfDB, an important feature of the World Bank Trust Fund System is that staff are allowed to charge time to trust funds. About two-thirds of the World Bank's advisory services and analytical work are financed from trust funds.[33] This enables the World Bank to provide directly both ESW and TA faster than the Fund's delivery system (see Box 6 on The World Bank's Support to MICs). The ability of the World Bank to provide "just-in-time" assistance was also highly valued by clients.[34]

Sustainability

The sustainability of a Fund grant is understood to be the ability of the project to generate results, knowledge, plans, or operations that will still be operational or utilized by the beneficiary after the end of the project. In the case of institutional capacity building and TA, sustainability relates to the ability of the beneficiary to pursue with its own resources the activities once funded through the grant, as well as the use of the enhanced capacity generated through the grant. In project preparations, the sustainability is directly linked to the likelihood of the generated project, policy or reform, becoming sustainable.

This evaluation could not apply a systematic assessment of the sustainability criteria due to the limited number of PCRs available to reach a credible conclusion. In total, the evaluation could only access the PCRs for less than 10 percent of the completed projects.[35] Nonetheless, some extrapolations regarding the sustainability of Fund projects were made based on interviews with the Bank's staff and recipient regional MICs. However, the evaluation did not provide a final rating for the sustainability criterion.

Durability of Outcomes

Projects' reviews and interviews revealed that Fund projects are more likely to be sustainable when they are constituents (complementary or integral components) of ongoing Bank operations. In contrast, sustainability of other Fund projects that aim to generate new investment opportunities for the Bank, such as feasibility studies and project preparation, is unlikely if the grant does not generate an operation. In the case of grants supporting policy reforms and strategies, sustainability is conditional on client ownership, the adoption of the report's recommendations, and the implementation of such reforms. This differential performance was largely driven by the fact that, while issues of sustainability were adequately addressed in the Bank's loan operations, Fund projects focused more on the delivery of expected outputs. While it could be argued that more attention should be placed on the issue of sustainability, it should also be acknowledged that this issue can only be assessed on a case-by-case basis, including the nature of the MIC grant.

Only about 16 percent of Fund projects that supported feasibility studies or project preparation activities resulted in new Bank lending operations. Moreover, the utilization of ESW that was financed by the Fund depended on the priority of the thematic area to the government, and whether there was a mutual understanding of its findings and recommendations. Standalone Fund projects also experienced mixed performance in uptake by the beneficiary government. In Mauritius, for example, the Mauritius Municipal Planning project Fund study was used to plan the development of five municipalities, whereas the Fund's support to young agricultural entrepreneurs in Morocco was less likely to be sustained due to lack of follow-up actions and limited financing.

Clients' Ownership

Determining the extent of government ownership in Fund projects was a challenge, given the mixed evidence on client ownership. Four factors were identified as explanatory for a beneficiary government not prioritizing the use of a Fund grant, as follows:

a. Procurement and implementation delays. These can lead to the late delivery of a project output, thereby reducing its usefulness to the recipient country.

b. The origin of the grant request. The source of a Fund operation may have implications for its eventual ownership. Evidence from interviews suggested that ownership was stronger when a Fund grant was requested by a country and there was limited influence from the Bank's Task Manager or following its inclusion in the CSP. Cases where an agreement for a specific operation existed and the Bank provided a Fund grant for the preparation were also more likely to be sustainable.

c. The size of a MIC grant and the capacity of the executing agency. The extent to which a recipient government prioritized the operation may be directly related to the fact that the Fund is a grant resource, with a small financial envelope. Similarly, the capacity of a user country had implications on the ownership of the financed project.

d. Political regime changes and bank staff turnover. Changes in government administration and staff turnover may lead to changes in priorities, thus affecting the delivery and sustainability of the Fund's Project Implementation Unit (PIU).

Box 4: Morocco: Development of Strategy for Private Teaching Skills Approved in March 2011 for UA 470,406

The MIC-TAF project supporting the promotion of private education addressed an important challenge, especially in the context of reducing the financial burden of public education on the state budget. At the time of the project, Morocco had several reforms that aimed to facilitate the expansion of private education and training. The MIC-TAF project produced a diagnostic study, strategy and operation plans to further facilitate the growth of private education.

However, the outputs from the MIC-TAF project were never utilized. Changes in the institutional framework – the ministries and High Council for Education – before the project launch made the original project design irrelevant. Nonetheless, the project continued to be implemented without revisions in the original design resulting in low ownership and significant delays. Furthermore, project management was assigned to a small unit in a ministry, limiting the involvement of other concerned ministries.

An important lesson from the project is the need for flexibility in making design adjustments to take into account changes in the institutional framework.

Several completed projects did not result in the governments taking on new projects or in implementing the recommended reforms. For example, the Fund's feasibility study and master plan for an airport in Namibia did not result in any follow-up action by the government, raising issues of a lack of client ownership and priorities. Given that the Fund is a grant, there is a risk that Fund projects are not high on the list of government priorities. In addition, changes in government may result in changes in government priorities. In the case of the Morocco Developing Strategy for Private Teaching Skills project, the original project design was not adjusted to take into account changes in the relevant sector ministries and institutions (see Box 4).

Strengthening the links between grants and AfDB projects helped ensure government ownership. As noted earlier, about 6.21 percent of the Fund's portfolio was part of a wider the financing package, as in the cases of Swaziland's Manzini to Mbladlane Highway Project and Egypt's Micro and Small Enterprise Support Project, in which ownership was high. Also, Fund projects supporting operations that had been planned and identified in the CSP programs were more likely to have strong ownership, compared with Fund projects that aimed to develop a project pipeline or an investment program.

Governance

Strategic focus

"The beauty of the Fund is that it can be used to support a wide variety of activities. And it's fast. Basically, you just need to convince the country team of the importance of the idea and have your VP on board." ***Quote from the interview of an AfDB member of staff.***

The Fund was not strategically focused. It supported a wide range of activities across multiple sectors. The evolution of the Fund through the various guidelines showed that its purpose has widened over time, with an increasing list of activities. This widening of scope was necessary to increase the Fund's utilization and coverage, as well as respond to country needs. This evolution made the Fund a financing instrument supplementing the administrative budget of the Bank. Since many African countries aspire for MIC status in the next decade, some thinking needs to go into the nature of institutional changes that will be required to keep the Fund relevant. There was an increasing trend of resorting to the Fund due to the non-existence or inadequacy of other instruments or procedures that allowed for increased flexibility in MICs. With the recent increase of interest in the Fund, resources have been depleted and the question of the Fund's financial sustainability has become more relevant.

In 2002, the Fund was a valid response to the needs expressed by MICs to see AfDB devote more concessional resources to knowledge and capacity building. In 2018, the Fund remained a relevant instrument to both beneficiary countries and Bank staff with a wide approval rate. The success and risks of failure (including ineffectiveness and inefficiency) of the Fund are largely driven by the Fund's flexibility.

While the Fund appears to be central in AfDB's financial offerings to MICs, other multilaterals such as the World Bank have developed a different strategy. Unlike AfDB, the World Bank does not have a separate fund to support MICs and most funds are financed from the World Bank's budget, except for three (Agriculture Research; State Building Fund; and the West Bank in Gaza) that are being phased out following the World Bank's 2014 reforms. The World Bank Fund most similar to the MIC-TAF—the Institutional Development Fund (IDF)—provides TA grants to all countries in Africa regardless of income status. However, the IDF is now being phased out.

Box 5: Asian Development Bank Technical Assistance

At the Asian Development Bank (AsDB), technical assistance is financed through the Technical Assistance Special Fund (TASF), special funds, and funds from Japan (Japan Special Fund and Japan Fund for Poverty Reduction). TASF has two funding windows based on the source of the resources. One window is funded from donor contributions to the Asian Development Fund (AsDF) and can be used only by low income and blend countries. A second window is funded through donor contributions to TASF and AsDB's net income from ordinary capital resources and can be accessed by all countries.

At the AsDB, TA is financed through the Technical Assistance Special Fund (TASF) and funds from Japan (Japan Special Fund and Japan Fund for Poverty Reduction). TASF has two funding windows based on the source of the resources. One window is funded from development partner contributions to the Asian Development Fund (AsDF) and can be used only by low-income and blend countries. A second window is funded through development partner contributions to TASF and AsDB's net income from ordinary capital resources, and can be accessed by all countries.

The World Bank has Reimbursable Advisory Services (RAS) available to member countries of all income levels, though most of the users are upper middle-income countries (UMICs). The RAS enables access to World Bank expertise and customized TA on a cost basis, either as a standalone, or to complement existing programs. For example, in the Africa region, the World Bank has provided RAS to Equatorial Guinea (Improving Skills to Meet Changing Labor Market Demands) and Gabon (Accelerating Development through Better Budget Management and Boosting Gabon's Competitiveness through Tax and Customs Reforms), both countries being eligible for MIC-TAF grants.

While the Project Preparation Facility (PPF) of the AfDB is limited to Category A countries, the World Bank's PPF is available to support both International Bank for Reconstruction and Development (IBRD) and International Development Association (IDA) projects. Under the World Bank's PPF, preparation advances are refinanced from a follow-on loan and are used to provide TA for project design and implementation start-ups, institutional strengthening, and incremental operating support. A recent policy modification enables project advances to support cross-cutting capacity building to facilitate implementation of future projects, even before these projects have been identified. This approach provides more flexibility for borrowers. Operationally, the Managing Director makes indicative allocations to the regions based on historical experience and projected demand. The Africa Region is the largest user of the PPF.

Selection Process

As per the 2011 Fund Guidelines, grants are approved following specific preparation and approval processes with an appropriate delegation-of-authority matrix. The guidelines do not provide for a quality assurance process or a regional allocation mechanism.

Box 6: World Bank Support to MICs

The World Bank does not have a separate fund to support MICs, but a variety of Trust Funds with donor funding for various purposes. The number of World Bank financed funds, such as the Institutional Development Fund, has declined.

The World Bank also has a Project Preparation Facility (PPF) that unlike in AfDB is available to support both IBRD and IDA projects. The Africa Region has been the biggest user of PPF.

The process was designed to be decentralized, with the operational departments (including the private sector) and field teams carrying out the review of proposals and preparing requests for the utilization of the Fund for endorsement by the appropriate department, country team, and regional director prior to submission to the Vice President for consideration. It is considered, however, that the criteria for grant approvals could be significantly improved, as interviews with Bank staff suggested that there were multiple instances where grants were awarded for subjective reasons, which could lead to questions of their relevance and subsequent effectiveness.[36]

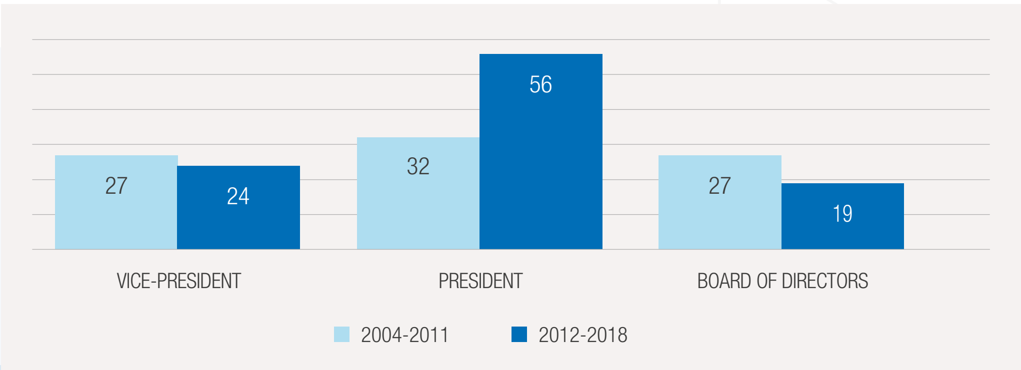
The quest for responsiveness in approving MIC grants led to the practice of limiting the amount requested for Fund projects up to the level of the approval authority of Vice President and President, in part to avoid the delays and cumbersome nature of Board approval requirements. This information was confirmed by Task Managers during interviews. The rather limited number of approval requests sent to the Board is likely to have affected the quality of Fund projects at entry. As shown in Figure 11, approvals at the level of the President have spiked since the 2011 Fund Guidelines, while approvals at the Board level have declined.

In contrast to the Bank's loan operations, there was no readiness review process for Fund projects. Though this is acceptable for studies, it is less the case for capacity-building projects where a strong results framework, a clear set of activities, and an assessment of implementation capacities are needed. The actual state of implementation of the guidelines calls for improvements that have already been identified.[38] While most of the proposed improvements appear valid, it does not seem valid at this stage to eliminate the Board approval level, but rather to carefully set up a quality assurance process that is better designed and leads to more effective implementation.

Monitoring and Evaluation

The supervision of Fund projects was poor due to the non-availability of dedicated funds and specific provisions to ensure their systematic implementation. Instead, Task Managers usually took advantage of other projects' supervision missions to conduct grant supervision. Importantly, PCRs were not regularly produced for completed Fund projects. Based on staff interviews, there was lack of clarity regarding the Bank's requirement for PCRs in MIC grants. While the Fund's 2011 guidelines call for PCRs to be completed, the Bank's PCR guidelines establish that PCRs are not required for operations of less than UA 1.0 million, creating confusion that needs to be addressed. In addition, Task Managers were unfamiliar with the PCR model for TA projects.

Figure 10: Number of Fund Projects Approved and Changes in the Level of Authority[37]



Source: Portfolio analysis. AfDB SAP data (Oct 2018)

The main issues identified during the evaluation were related to lax monitoring and documentation systems of the Fund, and concerns over the direct and indirect consequences of the high turnover of Task Managers responsible for managing the grants. The latter concerns clearly led to inconsistencies in the availability of the evidence base to demonstrate the impact of Fund operations. There was also the issue of inadequate incentives for Task Managers to devote the necessary time and resources needed to meet the reporting and monitoring requirements of Fund projects compared with larger investment projects that were often more attractive in terms of achieving their KPIs.

The paucity of PCRs limited the ability of the Board and Management to assess the effectiveness of the Fund, and to identify measures to improve the Fund's results focus and performance. The PCRs are also an important source for lessons to improve the design and implementation of new Fund projects. The lack of effective reporting mechanism displayed deficiencies in the monitoring system.

This evaluation could not access monitoring and supervision reports, notwithstanding requirements for the regular submission of progress reports by clients. The lack of an effective monitoring system constrained the timely response to implementation issues by both Management and staff. Overall, there was no systematic reporting of implementation progress of Fund projects. The inability of this evaluation to access project documents pointed to poor institutional systems, or systems that were not suited to smaller TA projects. Eliminating quarterly reporting requirements and allowing greater flexibility to set reporting requirements should therefore be considered.

The 2011 Fund Guidelines established a Fund Focal Point under the Country and Regional Programs Vice Presidency (ORVP) to coordinate the reporting requirements, broaden the knowledge of the Fund among MICs, assess issues that hinder disbursement, and ensure that both the Bank and the clients abide by Fund requirements. This mandate was ensured by ORNA (RDGN) from 2009 and later transferred by SMCC in 2018 but still pending approval. Nevertheless, such a responsibility cannot be ensured by just one person, especially in a context where the Fund's management activities are additional to the Focal Point's daily duties. Such a mandate for a single Focal Point vis-à-vis the size and importance of the Fund's operations at any given time highlight the insufficient resources allocated to the Fund's coordination efforts.

As such, the Fund had no specific institutional positioning in the Bank. Discussions in SMCC in 2018 have led to the decision of taking the focal point role away from RDGN, but no clear decision was made as to where the Fund should sit and be managed from. The evaluation did not include in its scope to address where the Fund could be ideally seated as this is a prerogative of Management to ensure operational effectiveness. However, interviews with staff suggest that appropriate locations could be in the front office of RDVP that covers the regions or in the department of resource mobilization (FIRM) that is in specialized in the management of other funds in the Bank or the department of syndication, co-financing and client solutions (FIST).

Financial Sustainability of the Fund

There was an increasing resort to the Fund due to the inadequacy of other instruments, such as trust funds within the Bank, or procedures that allow for greater flexibility in MICs' usage of the Bank's resources. The depletion of the Fund in 2017 posed questions over its financial sustainability in the eventuality that the Fund was not replenished to sufficient levels. With the current demand for MIC grants (estimated at UA 55 million for 2017-18) far exceeding the available resources of UA 60,240 as at 31 December 2017, the Fund faces challenges to its future ability to meet the demands of increasingly eligible RMCs. Without a doubt, strategic decisions will need to be made to streamline the activities and sectors on which the Fund should focus.

While the Fund is not the only source of concessional resources for MICs in the Bank, it appears from interviews with the Bank's staff and country officials that there is a strong interest in the Fund relative to other similar financial instruments in the Bank. The three main reasons were: (i) the limited assurance of accessing other Trust Fund resources;[39] (ii) the time taken to obtain the approval of development partners; and (iii) the limited information on how to secure Trust Fund resources. In the context of declining Trust Funds in the Bank, there is a need to increase resource mobilization for these Funds and ensure their use in MICs whenever they can be used to supplement the MIC-TAF.

Although the Fund is facing a high cancellation rate, an aggressive cancellation policy is not sufficient to ensure the Fund's sustainability. This will require three main avenues to be considered: (i) focusing the use of existing resources on a more limited number of activities; (ii) increasing the allocation from net income; and (iii) ensuring the mobilization of additional income from innovative sources, including traditional and non-traditional donors. Other options include: (i) limiting eligible expenses; (ii) increasing the clients' share of project financing; (iii) excluding the private sector as eligible beneficiaries; and (iv) reducing the maximum project amounts.

Interviews with Bank staff and Task Managers indicated a consensus on the importance of the Fund and the need to ensure its sustainability. However, there were divergent views on what the future priorities for the Fund should be. For instance, there is an urgent need to reconsider the Fund's allocation policy to avoid the present perception of a 'first-come, first-served' basis, as this creates a perverse incentive to seek early approvals to lock in resources, regardless of whether project preparation has been completed.

Conclusion and Recommendations

Conclusion

The Fund contributes to the Bank's development objectives by: (i) providing resources to increase the Bank's ability to generate knowledge and advisory services; (ii) boosting the Bank's pipeline in the recipient countries through project preparation; and (iii) improving the strategic positioning of the Bank to enhance its ability to engage in policy dialogue with RMCs. While the specific harmonization of the Fund's objective with the Bank's strategic framework has still to be done, the threefold contribution of the Fund is considered fairly consistent with the Bank's Ten Year Strategy and the High 5s.

The Fund is considered by both Bank staff and government counterparts to be an important instrument for strategic engagement with MICs. In various MICs where there was limited interest in borrowing, such as Gabon and Algeria, the Fund proved to be an important financing instrument. The Fund was cited by Country Managers and Country Economists as one of the main instruments they had at their disposal to remain relevant and participate in government policy dialogue, especially in periods when the context presented limited opportunities for new lending operations. In other instances, such as in Egypt, the Fund's grants were useful in a period when the Bank could not lend to the country due to headroom constraints.

However, beyond a small number of projects contributing to new Bank lending operations that could be considered as performing well, the Fund's grants suffered from poor quality-at-entry and the Fund's inadequate governance. The benchmarking exercise of the Fund with similar financing instruments in other MDBs revealed that the Fund stands out as a specific response in the peculiar context of MICs in Africa. Similar multilateral organizations' responses to the needs for concessional resources diverge from the Fund's approach. Nonetheless, some elements of the World Bank and AsDB models and practices may help improve the Fund's effectiveness and efficiency.

Unlike AfDB, the World Bank does not have a separate fund to support MICs and most of its funds are financed from the World Bank's budget, except for three that are being phased out since the 2014 reforms. During the evaluation's benchmarking exercise, it was found that the only comparable fund to the MIC-TAF in the World Bank—the Institutional Development Fund, which provided TA grants to all countries in Africa—was being phased out. However, the World Bank has a Project Preparation Facility (PPF) that can be accessed by all borrowers regardless of income classification. The World Bank also provides Reimbursable Advisory Services (RAS), which MICs, as well as other borrowers, can utilize. The World Bank's PPF and RAS models are worth considering in supporting AfDB's MIC objectives.

At AsDB, TA is financed through the Technical Assistance Special Fund (TASF), special funds, and funds from Japan (Japan Special Fund and Japan Fund for Poverty Reduction). TASF has two funding windows based on the source of the resources. One window is funded from donor contributions to the Asian Development Fund (ADF) and can only be used by low-income and blend countries. A second window is funded through donor contributions to TASF and AsDB's net income from ordinary capital resources and can be accessed by all countries. The governance of AsDB's TA operations has gone through major reforms, some of which may be adapted to the Fund.[40]

The focus of governance of the Fund was on increasing the Fund's utilization and, to a certain extent, improving its efficiency. In the period 2012-17, utilization of the Fund increased, with current demand exceeding available resources. Although the Fund is a highly relevant instrument in MICs, according to interviews with government officials,

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it remains less competitive than instruments from similar institutions such as the World Bank that have developed products that respond to the MICs' preferences for responsiveness and quality.

Poor quality-at-entry of Fund projects was a major cause of limited effectiveness and contributed to inefficient implementation. Many of the projects reviewed had complex designs, displayed poor assessment of implementation capacity, weak ownership, inadequate results frameworks, unrealistic timelines, and a lack of clear institutional arrangements for monitoring and decision-making. Improving quality-at-entry should be a priority action to improve both the effectiveness and the efficiency of the Fund.

Overall, the portfolio analysis shows that UA 1.00 of the Fund's resources generated, both directly and indirectly, UA 4.75 and UA 9.77, respectively. On average, this implies that UA 1.00 spent by the Fund generated UA 14.52 for the Bank. In terms of development effectiveness, evidence pointed to weak generation of development outcomes. Many Fund outputs did not result in follow-up actions by clients, adversely affecting effectiveness and sustainability, and there was little evidence that capacity-building projects had actually produced results beyond outputs. The contribution of ESW to development outcomes was mixed. However, the Fund's support to ongoing operations seemed to be more effective in contributing to development outcomes. In addition, project preparatory activities for planned operations identified in the CSPs were more likely to produce results.

The Fund's governance failed to focus on development effectiveness. The lack of PCRs limited the assessment of the Fund's contribution to development outcomes. The review processes for proposed projects and their appraisal did not result in well-designed projects. Monitoring focused on disbursement and fiduciary issues, and less on development outcomes. While the Fund's governance should continue to address efficiency issues, more attention should be placed on maximizing its contribution towards development effectiveness.

Recommendations

The following recommendations are addressed to the Bank's Management. Most of the recommendations need Senior Management's consideration to ensure their swift and effective implementation, including decisions in terms of new directives, internal processes, and adequate resource allocation. The recommendations include potential actions to be considered by Management.

At the strategic level

Recommendation 1. Clarify the institutional arrangement of the Fund and establish an effective management.

- **Define clearly which department in the Bank should host the Fund**[41] and be the primary responsible for its management. This important decision is a critical step to ensure the success of the Fund and the effective implementation of these recommendations.
- **Consider establishing a dedicated team for the Fund or a shared services platform with other funds in the Bank.** This arrangement should play a significant role in coordinating the selection process, ensuring monitoring and compliance with the guidelines (including proactive cancellation of non-performing grants), and maintaining an updated management information system on the Fund's activities.

- **Define the Fund's strategic directions for a five-year cycle,** to help ensure the maximum development effectiveness with the limited level of resources available. The strategic direction should include only key priority sectors **aligned with the Bank's Long-Term Strategy and the High 5s.** Strengthening the strategic framework would also help to mobilize additional development partner resources for specific objectives that could be reviewed at the end of each cycle.

Recommendation 2. Enhance the financial sustainability of the Fund and set-up a Project Preparation Facility (PPF) specifically for MICs.

- **Increase the net allocation to the Fund** to expand its ability to respond to current and evolving demands from MICs.

- **Diversify the sources of funding for the Fund.** Exploring this possibility is aligned with the provisions of the 2011 guidelines that mentioned seeking contributions from bilateral donors, among others. The Bank should consider exploring non-traditional donors, such as the Arab Fund for Economic and Social Development, Private Foundations and bilateral agencies, and some of the MICs in Africa. While this would help improve the financial sustainability of the Fund, it is advised that the Fund should remain entirely Bank-executed, with no conditionalities attached.

- **Reduce the burden on the Fund by considering establishing a PPF for project preparation in MICs and/or developing a policy to allow the Bank to engage in Reimbursable Advisory Services (RAS) and Reimbursable Grants that could be reimbursed by the country in case the project does not go forward or will be integrated as a component of the project if the latter is generated.** The reimbursable options in supporting project preparation activities would also help to ensure stronger links between the Fund and planned Bank projects, as well as enhancing ownership and sustainability. The attractiveness of such options for MICs should be assessed. While there is a possibility of limited attractiveness at inception, these instruments could become valid alternatives in the future to balance the Bank's services to MICs.

At the operational level

Recommendation 3. Improve the Fund's guidelines and establish a stronger quality assurance process for MIC grants.

With demand currently exceeding available resources, there should be a mechanism for allocating Fund resources based on clear criteria. Project selection should be more selective, rather than being based on a 'first-come first-served' basis. The Bank should consider the following:

- **Enhance the selectivity with a rigorous risk-based quality assurance process.** This could include peer-reviews by sector and technical specialists and could involve a selection committee that could make recommendations on grant approvals. This process should remain light and with a risk-based approach taking into consideration the size of the grant.

- **Enforce the supervision mechanisms and clarify the contradictions of PCR requirements for MIC grants and ensure the systematic production of quality PCRs. These PCRs should be tailored to the grant's size and** used to identify what the Bank could do to encourage and support follow-up actions to the Fund's project outputs by drawing lessons based on experience. All grant-related documents, including PCRs, should be stored and accessible in the Bank's information systems.

Recommendation 4. Increase support to ongoing Bank lending operations and consider Bank execution of selected projects when necessary.

- **Increase the integration of MIC grants in ongoing Bank lending operations.** Support to ongoing operations establishes a clear and direct link to AfDB projects. This would yield efficiency gains in procurement, financial management, as well as the disbursement of grants.

- **Reduce the average time between a user country's request for a MIC-grant and the approval (or response) by the Bank**, given MICs preference for timeliness and flexibility in grants for project preparation and ESW. The delivery of the Fund's projects will, therefore, increase the Fund's relevance and usefulness for action in beneficiary countries.

Review and enhance staff incentives for the effective management of the Fund. Current incentives in the Bank lead staff to focus on large investment operations and pay little attention to other key activities, such as Fund and TA projects. This needs to be remedied by reforming the Bank's staff performance evaluation system. One approach will be to incorporate the performance of the Fund in the Bank's Results Management System (RMS), as well as in the Key Performance Indicators (KPIs) of staff involved the implementation of these grants.

Annexes

Annex 1 — Approach and Methodology

Approach

The evaluation approach took into account the large number of projects and countries relative to the resources, time, and documentation available for the evaluation. The approach had three components: (i) a desk review of a sample of projects complemented by surveys of task or project managers in the Bank and countries; (ii) in-depth case studies in selected countries to be visited; (iii) semi-structured interviews of Bank counterparts in selected countries; and (iv) semi-structured interviews of selected Bank Executive Directors, managers, and staff.

Document collection by IDEV covered all 17 countries and Multinational with Fund projects during 2002-18. Annex 3 of the inception report provides the list of Fund projects in the 17 countries plus Multinational. The evaluation was severely limited by the lack of documentation concerning Fund grants.

Appraisal documents were available for about 45 percent of the approved projects. This enabled an assessment of the relevance of the Fund. However, project completion reports were available for only 15 percent of the closed/completed projects. The low percentage of closed/completed projects with PCRs presented a major constraint to the evaluation of the effectiveness of the Fund.

The selection of countries that were visited—Tunisia, Morocco, Gabon, and South Africa —for in-depth case studies was based on several factors, including regional distribution, the number of Fund projects, the Fund's project pipeline, and Bank lending activity.

Methodology

The evaluation utilized a range of methods including:

- Project Reviews: The evaluation reviewed projects based on available documents, including: Fund proposals from clients; project appraisal reports; approval documents; progress and supervision reports; audit reports; and project completion and evaluation reports (for completed projects).

- Case Studies: The evaluation conducted case studies for several projects in Morocco, Tunisia, Gabon, and South Africa. The case studies included field visits and interviews of project stakeholders and beneficiaries.

- Semi-structured Interviews: The evaluation conducted semi-structured interviews covering the Fund, including the project pipeline, in 11 countries. The focus was the value added of the programs; systemic issues that affect efficiency, effectiveness, and sustainability; and the project pipeline. In addition, there were interviews of selected Bank Executive Directors, managers and staff to get their views on the Fund's program.

- Surveys of Client Project Managers and Bank Task Managers: The evaluation sent short surveys to country project manager and Bank task managers of all projects. The responses will complement the findings from the desk reviews of the projects.

- Benchmarking: Programs similar to the Fund were identified in the World Bank Group and AsDB.

Evaluation Theory of Change

In the introduction of the "Revised Guidelines for the administration and utilization of the MIC-TAF" of November 2011, the fund is presented as "an integral part of the Bank Group's commitment and strategic thrust to enhance the quality, development effectiveness, volume and competitiveness of its operations in its regional member Middle Income Countries (MICs)"[42]. A fifth intervention area has been added to the list identified in the 2005 revision, aiming at promoting regional integration. The guidelines revised in 2011 are still ruling the current action of the Fund. The 2011 Fund guidelines are consistent with the 2008 strategy, since they define focus areas, which cover the four expected outcomes identified in the strategy.

A simplified interpretation of the fund's theory of change, consistent with the initial recommendations of the task forces in 2001, could be that the three main activities, and therefore the main outputs to be delivered with the support of the Fund, are the following:

- Project preparation work;

- TA and advisory services; and

- ESW.

These outputs are expected to lead to three major outcomes:

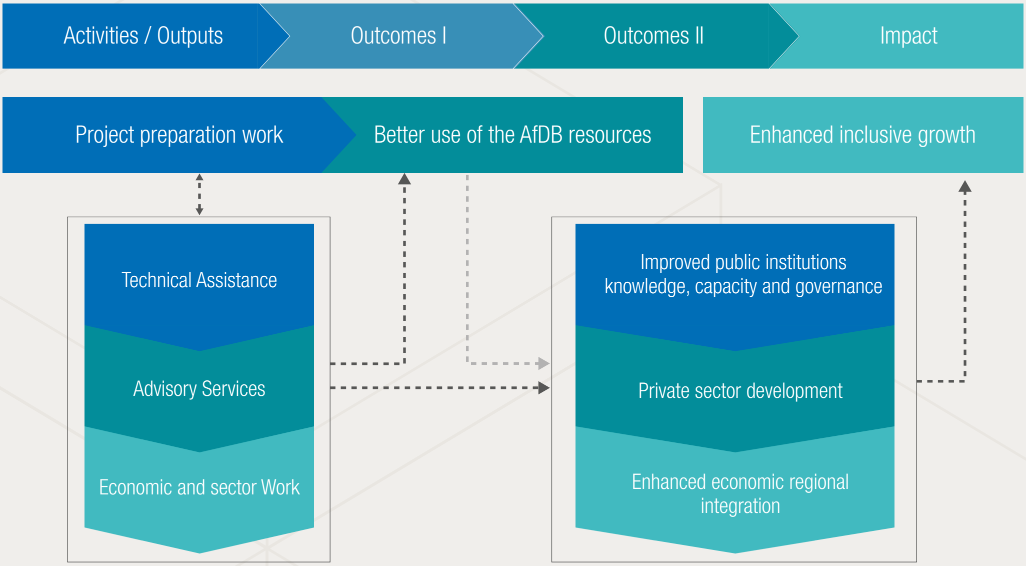
- Improved public institution knowledge, capacity and governance;

- Private sector development; and

- Enhanced economic regional integration.

To achieve these outcomes, the projects financed by the Fund can act directly (a TA project or a study can contribute directly to improving capacity or knowledge) or indirectly, by supporting ongoing ADB loan financed interventions or contributing to the identification of such interventions (see Figure A1.1). The presentation of the ToC was used as a basis to assess the instrument's effectiveness.

Figure A1.1: MIC-TAF Evaluation Theory of Change



Annex 2 — Evaluation Matrix

Evaluation Questions	Sub-questions	Indicators	Sources of Information
Relevance			
1.1 To what extent did the design of the MIC-TAF interventions align with the purpose and objectives of the Fund in beneficiary MICS?	What are the objectives of the MIC-TAF? To what extent do the objectives of the interventions align with these objectives?	Objectives of the interventions under review	Intervention's objectives available in the appraisal reports.
	Did the project's objectives fall within the areas of focus set out in the applicable MIC-TAF Guidelines at the time of approval?	Distribution of MIC-TAF projects by areas of focus	MIC-TAF Guidelines; MIC-TAF Request; Request for Approval Memorandum
	Does the MIC-TAF have specific objectives in each of the beneficiary MIC? If yes, do the interventions carried out in these countries align with these objectives	Specific objectives formulated for the TAF in the CSP	CSP, Appraisal reports
1.2 To what extent are the MIC-TAF interventions aligned with the policies and strategies at the (i) AfDB level and (ii) national level?	Did the project's objectives fall within the Bank's operational priorities?	Project's objectives; Bank policy and strategy statements	AfDB Medium Term Strategy, High 5s, Regional, Sector and Country Strategy Papers
	To what extent are the projects aligned with national priorities?	National/sectoral policy objectives; objectives of the TAF projects; evidence of government commitment or support to the project.	MIC-TAF Request; Request for Approval Memorandum Government Policy/Strategy papers, Bank Policy/Strategy papers, Interviews/surveys.
1.3 How robust are the design of MIC-TAF interventions with regard to assumptions, risks, and mitigation measures?	Were risks, assumptions etc. identified? Did the risks and mitigation measures identified in the project design, materialize and how did these affect the project? How did the intervention adapt to unexpected changes in the context?	Evidence of ex ante explicit assumptions and risk identification. Evidence of important changes in the political, economic or environmental context. Evidence of project's objectives and/or implementation procedures adaptation to these changes.	Projects Intervention logics, logical framework; PCR, PCRN, annual reports, Supervision reports, interviews, surveys, field case studies
1.4 How consistent and complementary were the MIC-TAF interventions with ongoing operations in the country?	Did the project support ongoing operations?	TAF projects objectives; Ongoing operations objectives or identified implementation problems.	MIC-TAF Request; Request for Approval Memorandum; Country Strategy Paper; Supervision reports of major AfDB projects in the country. Projects pipeline in the country. Interviews
	Was the project intended to support future operations identified in the Country Strategy Paper?	TAF projects objectives; Planned operations objectives and implementation expected challenges.	

Evaluation Questions	Sub-questions	Indicators	Sources of Information
Effectiveness			
2.1 To what extent were MIC-TAF's strategic objectives as a Fund achieved, through effective implementation of its interventions?	What are the strategic objectives of the MIC-TAF? How can we assess the extent to which they have been reached? To what extent do we find evidence that MIC-TAF financed interventions have contributed to this evolution?	Number of MIC-TAF projects with «above the line» rating for «relevance» and «effectiveness»; number of projects supporting ongoing operations; number of projects contributing to approval of subsequent operations	MIC-TAF Intervention logic (see EQ 1.1) MIC-TAF guidelines+ revised version; desk review of individual operations: PCR, Evaluations, Surveys; Interviews Justification of the board decision not to replenish the fund after FY 2016.
2.2 To what extent has the MIC-TAF contributed to improving performance - at the level of timeliness, implementation progress and cost effectiveness - of AfDB's pipeline in those targeted countries?	Have MIC-TAF operation contributed to the improvement (continuation, progress, scale up, etc.) of existing operations?	Survey results	Surveys of AfDB and client countries, interviews in Abidjan and during field mission
2.3 To what extent have MIC-TAF grants contributed to the identification of new business opportunities for the AfDB in MICs?	Was there subsequent operation(s) linked to the MIC-TAF project; How do we assess they are linked? Have MIC-TAF operations generated new loans/operations?	List of operation(s) linked to project; Evidence of links between these operations and the TA interventions. Portfolio analysis	PCR, PCRN, surveys of AfDB and client countries
2.4 To what extent have the interventions funded by the MIC-TAF been technically sound?	How would you assess the quality of the technical and institutional design and of the implementation of the TAF intervention?	Evidence of management problems, conflicts with the partner administration, decision and implementation delays, budget overruns.	Evaluation notes and audit reports, PCR, Supervision reports, Surveys of AfDB and client countries, implementation progress of operations supported by or linked to the project.
2.5 To what extend has the MIC-TAF operation been effective?	Have the outputs expected from the grant been delivered? What, if any, were the unexpected outputs? Have the expected outcomes been achieved? What were the unexpected outcomes if any?	Delivery of planned outputs Identified outcomes	PCR, interviews, field visits

Evaluation Questions	Sub-questions	Indicators	Sources of Information
Efficiency			
3.1 How responsive has the MIC-TAF been in responding to funding requests from users?	How many days did it take for the Bank to approve an official MIC-TAF request? What proportion of requests resulted in a grant? How many days between approval and actual starting date of the intervention's implementation?	Number of days between official request and AfDB approval; Number of grants requests received and number approved, Actual/expected implementation time frames	MIC-TAF Request; Request for Approval Memorandum; PCR.
3.2 Has the MIC-TAF responded adequately to the evolving needs of MICs?	What were the «needs of the MICs»; How did they evolve during the period? What were the outcomes of the TAF? To what extent did they meet the «needs of the MICs» during the period under review	The answer to this question will be mainly on the perception of the Bank's clients and task managers	Surveys and interviews (phone and field visits)
3.3 Were AfDB processes and procedures, as well as the internal coordination with other partners, adequate?	How do the AfDB processes and procedures related to the TAF compare with the ones applied by similar institutions What are the main comments/ complaints of the TAF project teams, the clients, auditor about the processes and procedures?	Staff, client and auditor comments in activity, supervision and audit reports as well as collected through surveys and interviews.	Surveys of AfDB staff and client; Appraisal reports, PCR; PCREN, Evaluation note, audit and supervision reports,
3.4 If any, how does the MIC-TAF perform compared to similar funds in other multilateral institutions?	How do the MIC-TAF compare with similar funds in terms of: decision/implementation delay, effectiveness (effect on the operation pipeline), efficiency (cost effectiveness)?	Indicators will be selected on the basis of indicators available in existing evaluations of similar funds (European Commission, EBRD, ADB)	Evaluation of similar funds with results of MIC-TAF evaluation
Sustainability			
4.1 To what extent have these interventions contributed to long lasting, institutional capacity strengthening; improved political and governance environment, greater risk management and resilience to exogenous factors in targeted countries?	What were the sustainability findings in the PCR and PCREN; what was the feedback from AfDB and client surveys. To what extent was the quality and quantity of the intervention pipeline maintained after the end of the TA in this country/ministry…? question should only be applied to projects that have been closed down at least a few years ago.	Sustainability ratings from PCR and PCRN, CSP evaluation and country assessments, evidences of (non)sustainability identified through comments provided through surveys and interviews.	PCR and PCRN; Surveys of AfDB and client; interviews.
4.2 How sustainable are the funding mechanisms of the MIC-TAF?	Interviews of appropriate officials		Annual funding of MIC-TAF

Evaluation Questions	Sub-questions	Indicators	Sources of Information
Governance			
5.1 How is the governance framework for the MIC-TAF assessed in the context of other similar funds at AfDB and in other multilateral institutions?	What are the similarities and differences between the governance framework of different funds and institutions, what are the reasons for the differences (different accountability mechanisms, sources of funding, organizational arrangements etc.), and what could be the consequence of these difference on efficiency and effectiveness?	Most significant differences with similar funds.	Guidance on similar funds in AfDB, WB, and ADB Interviews
5.2 To what extent has the MIC-TAF developed a coherent results-based monitoring and evaluation system?	Were the reporting requirements in the Guidelines implemented? Did the progress reports contain adequate information? Were the projects evaluated as expected? To what extent can we find any transversal result synthesis/analysis?	% of interventions for which some critical monitoring information (to be identified) is available. A first indicator could be the ratio of completed project that have a Completion Report Evaluation Note per country of intervention and over the whole portfolio, all period covered and before and after 2012	Progress reports from beneficiaries; supervision reports; annual Management reports to the Board, PCREN, monitoring reports (if any), transversal result synthesis (per country, per sector…) if any.
5.3 What governance framework is suitable for MIC-TAF going forward	**What are the main weaknesses in the current governance; what are the options?**		
5.4 What key lessons can be learnt, and recommendations drawn from the implementation of MIC-TAF operations, and how can these be translated into better operational performance and engagement with MICs			

Annex 3 - MIC-TAF Rating Scale and Sub-criteria[43]

Criteria	Highly Unsatisfactory	Unsatisfactory	Satisfactory	Highly Satisfactory
Relevance				
Alignment with the Bank and recipients' priorities a. Alignment with the Bank's Country Strategy Papers (CSPs) for recipient country. b. Project and portfolio alignment with government development priorities c. Alignment and coherence with the Bank's strategies and the approved MIC-TAF Guidelines.	75% or more of reviewed grants demonstrate misalignment with the guidelines, the Bank's objectives and that of the beneficiary country.	50% or more of reviewed grants demonstrate misalignment with the guidelines, the Bank's objectives and that of the beneficiary country.	50% or more of reviewed grants demonstrate alignment with the guidelines, the Bank's objectives and that of the beneficiary country.	75% or more of reviewed grants demonstrate alignment with the guidelines, the Bank's objectives and that of the beneficiary country.
Selectivity d. Selectivity in chosen areas of intervention and consistency throughout the evaluation period (strategic level) e. Selectivity in the projects financed by the Fund, and the link to the Bank's existing operations in recipient countries (operational level). f. Extent to which management's response to country demands is strategic and aligns with the Bank's expertise.	75% or more of reviewed grants demonstrate a weak selectivity both at strategic and operational levels.	50% or more of reviewed grants demonstrate a weak selectivity both at strategic and operational levels.	50% or more of reviewed grants demonstrate good selectivity both at strategic and operational levels.	75% or more of reviewed grants demonstrate good selectivity both at strategic and operational levels.
Quality at entry g. Extent to which the design of MIC-TAF interventions was conducive to the achievement of stated objectives, including coherent articulation of development objectives in the results framework. h. Clarity and realism of program/project internal logic framework, including implementation timelines i. Implementation capacities of government partners and agencies to execute financed projects, and appropriate staff incentive structure.	75% or more of reviewed grants demonstrate - Lack of realism in project design and a weak logical framework. - Weak implementation capacities	50% or more of reviewed grants demonstrate - Lack of realism in project design and a weak logical framework. - Weak implementation capacities	50 % or more of reviewed grants demonstrate - Realism and coherent logical framework - Moderate gaps in implementation capacities	75% or more of reviewed grants - Realism in project designs and coherent logical framework. - Adequate implementation capacities
Effectiveness				
Generation of New Bank Operations a. Extent to which the Fund generated new lending opportunities for the Bank, whether directly, indirectly, or as a component of another financed project.	No link between the Bank's new lending operations and the MIC-TAF portfolio.	Limited links with the Bank's new lending operations.	Moderate links with the Bank's new lending operations.	Clear and significant links with the bank's new lending operations.
Support to Ongoing Bank Operations b. The extent to which a MIC-TAF project enhanced the quality of an ongoing lending operation financed by the Bank.	No link between the MIC-TAF and on-going Bank's operations.	Limited link between the MIC-TAF and on-going Bank's operations.	Moderate links with the Bank's ongoing lending operations.	Clear links with the Bank's ongoing lending operations.

Criteria	Highly Unsatisfactory	Unsatisfactory	Satisfactory	Highly Satisfactory
Knowledge and policy dialogue c. Whether projects financed by the fund enhanced knowledge and policy dialogue in beneficiary countries.	No link between the MIC-TAF and activities related to knowledge and policy dialogue at the beneficiary country.	Limited links with knowledge and policy dialogue related activities.	Moderate links with knowledge and policy dialogue related activities.	Clear links with knowledge and policy dialogue related activities.
Achievement of development outcomes d. The extent to which financed projects achieved their expected outputs, outcomes, and development impact as stated in their results framework.	75% or more of reviewed grants demonstrate ▪ Expected outputs not achieved ▪ No evidence of the achieved outcomes and the development impact	50% or more of reviewed grants demonstrate ▪ Limited level of expected outputs not achieved ▪ Weak evidence of the achieved outcomes and the development impact	50% or more of reviewed grants demonstrate ▪ Good level of expected outputs achieved ▪ Some evidence of the achieved outcomes and the development impact	75% or more of reviewed grants demonstrate ▪ High level of expected outputs achieved ▪ Strong evidence of the achieved outcomes and the development impact
Efficiency				
Responsiveness to beneficiary countries request a. Timeliness in approving and deploying MIC grants in beneficiary countries. Timeliness in implementation b. Extent of implementation delays experienced in the life-cycle of a financed project.	75% or more of reviewed grants demonstrate ▪ Very low performance in project management ▪ A wide gap between the expected and actual implementation timeframe.	50% or more of reviewed grants demonstrate ▪ Low performance in project management ▪ A significant gap between the expected and actual implementation timeframe.	50% or more of reviewed grants demonstrate ▪ Good performance in project management ▪ Some gaps between the expected and actual implementation timeframe.	75% or more of reviewed grants demonstrate ▪ Very Good performance in project management ▪ Little or no gaps between the expected and actual implementation timeframe.
Effective use of resources c. Extent to which MIC-TAF projects were implemented within their planned budget	75% or more of reviewed grants were assessed as cost-ineffective in meeting their outputs and development outcomes.	50% or more of reviewed grants were assessed as cost-ineffective in meeting their outputs and development outcomes	50% or more of reviewed grants were assessed as were cost-effective in meeting their outputs and development outcomes	75% or more of reviewed grants were assessed as cost-effective in meeting their outputs and development outcomes

Annex 4 — Methodology Note for Assessing Loan Generation by the Fund

This methodology note describes the analytical protocols followed to derive the volume and number of new business generated by Fund resources in RMCs. It shows the steps taken for direct and indirect loan generation for the Bank, including instances when the Fund was packaged together with a loan operation, as a financing instrument.

1. The dataset of the Fund's portfolio since its first disbursement in 2004 was retrieved from the Bank's System (SAP) on 7 October 2018. The loan portfolio of beneficiary middle-income RMCs was also retrieved. The end line for the datasets were set at 30 September 2018.

2. The entire portfolio of 185 grants were deployed for the estimation of loan generation for the Bank.

3. In each country, loan operations that took place before the approval of its 'first' Fund project were automatically dropped from the analysis. Put differently, the first order condition for a Fund project to generate a loan operation is if it was executed before a loan operation.

4. Sub-components of larger loan operations, as long as they were financed by the Fund, were considered in the analysis. This must, however, share the same project finance number with the loan operation and be approved concurrently.

5. A loan operation is classified as **directly generated,** if Fund resources were used for its preparation and feasibility study. The resulting project must enter into force after the completion of the Fund project, with the PAR clearly stating that it was used for project identification and preparation of the loan operation.

6. Loan operations are classified as **indirectly generated** if there is sufficient evidence to show that the Fund played a 'contributory role' in the identification and development of a determined loan project. At the minimum, evidence from the loan operation's PAR must demonstrate the plausible link. Nonetheless, the Fund project and the loan operation should fall into the same sector category.

7. After meeting the above necessary conditions, Fund projects and loan operations, in beneficiary countries, are matched to establish a clear linkage. The resulting loan operations from Fund projects are aggregated across all beneficiary MICs.

8. To examine how much UA 1.00 of investment in the Fund's portfolio generated for the Bank in loan operations, the aggregate value of linked loan operations is divided by the total value of the projects in the Fund's portfolio. A similar approach is used to derive the number of Fund operations that generated 'x' number of business opportunities for the Bank. In addition, the proportion of Fund projects that successfully generated business opportunities can be equally estimated.

Conclusion

When can a strong business case be made for the MIC-TAF, in terms of new business opportunities generated for the Bank? Two equally important approaches can be used to examine this issue. The first approach is to use the volume of business generated by the entire Fund portfolio, while the second approach is to use the number of new business generated by the total number of projects in the Fund. Which outcome from these approaches is more relevant to the Bank?

In the first approach, a clear business case is made when the total volume of investment generated directly and indirectly by the Fund exceeds the volume of funds allocated to the portfolio. In this instance, UA 103.77 million brought in UA 1.51 billion for the Bank in new loan operations.

The second approach is to examine the proportion of projects that were 'expected' to yield new projects, that is, project preparation/feasibility studies. The analysis reveals that out of the 53 of such projects, 17 (or 33 percent) generated new loan operations.

Which of the above-mentioned approaches makes a stronger business case for the Fund, especially, against the backdrop of the 2011 revised Fund guidelines? To answer this question, the rationale for the creation of the Fund has to be reinstated. Specifically, the MIC-TAF is a grant resource rather than a project preparation facility. This implies that not all the Fund's grants are designed to generate new lending operations for the Bank. As stated earlier, out of the five operational activities of the Fund, only the project preparation function was explicitly expected to yield new projects.

The key question, therefore, is whether the Fund is being expected to produce results it was not designed to produce, ex ante. Furthermore, how can the fact that the Fund has generated UA 1.5 billion in projects be reconciled with the opposing fact that only 33 per cent of the project preparation/feasibility studies in the portfolio generated this amount of investment for the Bank?

While this is open to varied interpretation, the results show that the volume of business that has been generated by the Fund is above the amount of resources (UA 103.77 million) the Bank approved for the Fund. Moreover, the low number of loan operations generated by the Fund indicate that it has been inefficient in generating new pipeline of projects. In addition, it suggests that the Fund lacked selectivity in which projects are financed. Going forward, ensuring more 'selectivity' in project selection will be key to unlocking the potential of the Fund to generate more business opportunities for the Bank.

Annex 5 — Directly Generated Projects in MICs from the Fund

	MIC-TAF Amount (UA)	Directly Generated Project	Amount (UA)	No of Projects
Namibia				
New Port of Walvis Bay Container Terminal Project - Grant (P-NA-DD0-003)	1,000,000	Namibia Transport Infrastructure Improvement Project (P-NA-DZ0-001)	97,753,143.99	1
Seychelles				
Seychelles East Africa Submarine Cable Link Project/Study (P-SC-GB0-001)	292,185	Seychelles Submarine Cable Project (P-SC-GB0-002)	7,011,033.92	1
Tunisia				
Préparation Du PDAI De Kairouan Sur Fonds MIC (P-TN-A00-001)	75,160.00	PDAI de Kairouan (P-TN-AA0-007)	13,609,464.10	1
Don Mic - PDAI De Gabès Et GAFSA (P-TN-A00-006)	380,000.00	PDAI du Nord de Gafsa (P-TN-AA0-011), PDAI de Gabes II (P-TN-AA0-013)	35,371,229.61	2
Appui A La Mise En Œuvre De L'e-Gouvernement Et Open-Gouvernement (P-TN-G00-001)	683,550.00	Appui A La Mise En Œuvre Du Plan National Stratégique (PNS) (P-TN-G00-013)	59,185,006.91	1
Morocco				
Mic - Appui Technique Au Développement Des Infrastructures (P-MA-AAZ-005)	494,200.00	Projet D'appui Au Programme National D'économie D'eau D'irrigation (P-MA-AAC-016)	63,296,625.89	1
Elaboration D'un Programme De Confortement Et De Réparation (P-MA-DD0-002)	600,000.00	Projet De Construction Du Complexe Portuaire Nador West Med (P-MA-DD0-004)	93,342,927.33	1
Angola				
Cabinda Province Agriculture Development Study (P-AO-AAZ-002)	420,045.00	Cabinda Province Agriculture Value Chains Development Project (P-AO-AAZ-001)	123,154,920.00	1
TOTAL			**492,724,351.75**	**9**

Annex 6 — Indirectly Generated Projects in MICs from the Fund

	MIC-TAF Amount (UA)	Indirectly Generated Projects	Amount (UA)	No of Projects
Zambia				
MIC-TAF Grant Youth in Agribusiness and Agriculture Commodity (P-ZM-AA0-026)	790,000.00	Line of Credit to Development Bank of Zambia (P-ZM-HAA-001)	35,614,470.82	1
Seychelles				
TA for Development of PPP Legal, Regulatory and Operational (P-SC-K00-007)	600,000.00	Inclusive Private Sector Development and Competitiveness PBO-II (P-SC-K00-005)	7,188,142.44	1
Botswana				
MIC Fund - Agriculture Sector Review (P-BW-AAZ-001)	476,795	Pandamatenga Agricultural Infrastructure Development Project (P-BW-AAC-001)	43,143,230.93	1
Mauritius				
MIC Grant Review of Outline Planning Schemes for Municipal (P-MU-DB0-011)	600,000.00	Development Budget Support Loan for The Economic Reform Programme (P-MU-K00-002)	21,564,427.32	1
Technical Assistance and Capacity Development for Dam Development (P-MU-EAZ-001)	300,000.00	St. Louis Power Station Redevelopment (P-MU-FA0-002)	83,885,622.28	1
Algeria				
Etude Sur La Diversification Economique En Algérie (P-DZ-B00-001)	781,350.00	Programme D'appui Budgétaire À La Compétitivité Industrielle (P-K00-007)	744,361,461.93	1
Projet D'appui Au Développement De La Pme (PAD-PME) (P-DZ-KF0-002)	792,165.00			
Gabon				
Projet Appui Chambre De Commerce Du Gabon (P-GA-K00-006)	785,168.00	Projet D'appui A La Diversification De L'économie Gabonaise (P-GA-K00-007)	51,891,008.94	1
Cape Verde				
Data Center Project (P-CV-G00-001)	297,188.00	Technology Park (P-CV-G00-002)	26,127,087.31	1
TOTAL			**1,013,775,451.97**	**8**

Annex 7 — Fund Projects as Components of Larger Bank Operations

Countries/Grants	MIC- TAF Amount (UA)	Component of a larger Project	Amount (UA)	No of Projects
Zambia				
Integrated Small Towns Water and Sanitation Project (P-ZM-E00-011)	1,200,000.00	Integrated Small Towns Water and Sanitation Project (P-ZM-E00-011)	95,400,000	1
Swaziland				
Manzini-Mbadlane Highway Project (P-SZ-DB0-012)	1,200,000.00	Manzini-Mbadlane Highway Project (P-SZ-DB0-012)	32,993,573.80	1
Namibia				
New Port of Walvis Bay Container Terminal Project - Grant (P-NA-DD0-003)	1,000,000.00	New Port of Walvis Bay Container Terminal Project - Grant (P-NA -DD0-002)	145,749,937.68	1
Kenya				
Kenya Towns Sustainable Water Supply and Sanitation Program (P-KE-E00-011)	1,200,000.00	Kenya Towns Sustainable Water Supply and Sanitation Program (P-KE-E00-011)	279,651,904.50	1
Seychelles				
Mahe Sustainable Water Augmentation Project (P-SC-EA0-004)	490,600.00	Mahe Sustainable Water Augmentation Project (P-SC-EA0-004)	14,807,573	1
Botswana				
Morupule "B" Power Project (P-BW-FA0-001)	600,000	Morupule "B" Power Project (P-BW-FA0-001)	126,541,449	1
Multinational Projects				
PIDA Capacity Build. Project Infrast Auc (P-Z1-KF0-021)	100,000.00	PIDA Capacity Build. Project Infrast Auc (P-Z1-KF0-021)	5,000,000	1
Tunisia				
Projet De Modernisation Des Infrastructures Routières (PMIR) (P-TN-DB0-013)	1,200,000.00	Tunisia Road Infrastructure Modernization Project (P-TN-DB0-013)	120,117,847.00	1
Gabon				
Etude D'un Projet D'appui Au Programme Graine-Phase 2 (P-GA-A00-005)	993,878.00	Appui À Graine : Programme PPP Agricole Et Agro-Industrie Ph (P-GA-A00-003)	81,500,136.47	1
Egypt				
National Drainage Technical Assistance (P-EG-AAC-025)	400,000.00	National Drainage Program (NDP) (P-EG-AAC-019)	41,518,828.21	1
Social Fund For Development: Micro And Small Enterprises Sup (P-EG-IE0-002)	600,000.00	Social Fund for Development: Micro and Small Enterprises Sup (P-EG-IE0-002)	62,644,661.37	1
Rural Income and Economic Enhancement Project (RIEEP) In The (P-EG-IE0-003)	600,000.00	Rural Income and Economic Enhancement Project (RIEEP) TN the (P-EG-IE0-003)	50,316,996.36	1
TOTAL			**1,056,242,907**	**11**

Annex 8 — List of Fund Projects reviewed during Field Data Collection in South Africa, Gabon, Morocco and Tunisia

Country	Finance Project	Long name	Sector Name	Approval Date	Planned Completion Date	Amount (in UA)	Project Status
South Africa	P-ZA-K00-002	Statistical Capacity Building Program Phase II (SCB-II)	Multi-Sector	07/07/11	3/31/16	490,600.00	APVD
	P-ZA-KD0-001	Development of SA OSBP Strategy	Multi-Sector	12/22/11	6/30/15	178,000.00	COMP
	P-ZA-G00-002	BBI MIC Grant	Communications	2/21/14	12/31/15	798,000.00	COMP
	P-ZA-IE0-003	Enterprise Development Pilot Project	Social	4/23/15	12/30/19	1,200,000.00	Ongo
	P-ZA-IA0-002	Education for Sustainable Development in Natural Mineral Resources Management	Social	2/19/16	11/30/20	205,950.00	Ongo
	P-ZA-KA0-002	South Africa Municipal Financial Management Technical Assist	Multi-Sector	09/07/16	8/30/2019	683,527.00	APVD
Botswana	P-BW-AAC-004	Wastewater Reuse and Water Harvesting for Irrigation Study	Agriculture	04/10/11	5/30/15	600,000.00	CLSD
	P-BW-FF0-001	Feasibility Study for A 200 MGW Concentrating Solar Power Plant	Power	03/11/09	12/31/12	600,000.00	COMP
Namibia	P-NA-AAF-001	Support to Aquaculture Development	Agriculture	06/05/09	5/31/13	259,812.24	CLSD
	P-NA-DA0-001	Namibia Airport Study	Transport	06/05/09	5/31/13	259,812.24	CLSD
Mauritius	P-MU-DB0-011	MIC Grant Review of Outline Planning Schemes for Municipal	Transport	7/24/07	3/30/14	600,000.00	COMP
	P-MU-EB0-007	Wastewater Master Plan Study	Water Sup / Sanitation	7/20/10	12/30/13	594,000.00	TERM
Tunisa	P-TN-KF0-003	BTS Microcredit System Evaluation Study	Multi-Sector	06/01/10	6/30/14	139,484.00	COMP
	P-TN-E00-002	Improvement Rate of Aep - Bizerte And Beja	Water Sup / Sanitation	7/24/07	3/30/14	600,000.00	COMP
	P-TN-E00-004	PCI Study In Greater Tunis	Water Sup / Sanitation	04/12/09	12/31/14	574,988.00	COMP
	P-TN-E00-004	Strategy study sanitation Tunisia	Water Sup / Sanitation	6/1/09	3/31/13	562,890.00	CLSD
	P-TN-IA0-002	MIC-Strategic Study on the Development of Industries	Social	10/20/09	9/30/16	587,138.00	COMP
	P-TN-AAC-013	MIC - Support For Gda	Agriculture	06/01/10	6/30/14	139,484.00	COMP
	P-TN-K00-004	Mic Trade Integration Strengthening Study	Multi-Sector	9/28/09	12/31/14	460,225.31	COMP
	P-TN-KF0-002	Support to the Tunisian Institute of Competitiveness and Studies	Multi-Sector	04/12/09	12/31/14	574,988.00	COMP
	P-TN-A00-007	Don Mic - Project Preparation Studies 500 Km of Tracks A	Agriculture	11/22/10	12/31/14	271,493.00	COMP

Country	Finance Project	Long name	Sector Name	Approval Date	Planned Completion Date	Amount (in UA)	Project Status
	P-TN-A00-001	Preparation Of Kairouan PDAI On Fund Mic	Agriculture	10/20/09	9/30/16	587,138.00	COMP
	P-TN-OBI-002	Study on the Development of the Export Strategy of Health Services	Social	9/24/10	12/30/14	323,377.00	COMP
Morocco	P-MA-HZ0-007	Strengthening the Regulation and Control Framework	Finance	03/12/09	12/31/11	198,848.00	COMP
	P-MA-H00-002	Project to Support the Improvement of the Guarantee System in Ma	Finance	12/18/13	3/31/17	787,000.00	COMP
	P-MA-AAZ-002	Mic - Safeguarding and Socio-Territorial Development Project	Agriculture	4/30/04	12/31/07	75160.00	TERM
	P-MA-AAZ-006	Technical Assistance for the Promotion of Young Entrepreneurs	Agriculture	09/10/09	6/30/14	526,583.00	COMP
	P-MA-IA0-005	Mic-Study on the Educational Development Strategy	Social	06/01/10	6/30/14	139,484.00	COMP
	P-MA-IAD-001	Mic- Support to Rabat International University	Social	12/13/10	12/31/15	480,350.00	COMP
	P-MA-K00-012	Capacity Building Support Project of the Court of Justice	Multi-Sector	1/19/11	12/31/15	464,988.00	COMP
	P-MA-AAZ-005	MIC - Technical Support for Infrastructure Development	Agriculture	4/28/09	12/30/13	496,000.00	COMP
	P-MA-HZ0-009	Modernization Project of the Organizational Management Framework	Finance	01/12/12	12/31/15	497,200.00	COMP
	P-MA-DD0-002	Elaboration of a program of comfort and repair	Transport	3/11/11	12/31/15	470,406.00	COMP
Gabon	P-GA-I00-001	National Survey On Employment And Unemployment	Social	10/10/13	12/31/17	774,600.00	COMP
	P-GA-002-IBD	MIC - Strengthening the National Health Insurance Fund	Social	11/25/15	6/30/20	792,000.00	Ongo
	P-GA-AAB-004	Pro. Support Dev.Inf. Rice - Mic (PADIACN)	Agriculture	2/21/11	12/31/15	494,200.00	COMP
	P-GA-003-IBD	MIC - Realization of the Demographic and Health Survey 201	Social	2/27/13	3/31/19	536,976.00	Ongo
	P-GA-KF0-001	Project Supporting the Establishment of an Incubator Device	Multi-Sector	04/01/10	8/31/12	600,000.00	COMP
	P-GA-K00-006	Project Support Chamber Of Commerce Of Gabon	Multi-Sector	06/04/09	6/30/13	499,942.74	COMP
	P-GA-A00-004	Technical Support to the Agricultural Transformation Strategy and the Promotion of Youth Entrepreneurship in the Agricultural Sector and Agribusiness	Agriculture	10/15/10	6/30/13	498,724.00	COMP
	P-GA-A00-005	Study of a Support Project for the Seed-Phase 2 Program	Agriculture	1/20/11	12/31/14	477,488.61	COMP
	P-GA-C00-001	Technical Support to the National Environmental Assessment Program	Environment	04/02/11	9/30/13	447,139.00	COMP

Annex 9 — List of respondents surveyed during field data collection in South Africa, Gabon, Morocco and Tunisia

	Name	Organization	Position
MOROCCO			
1	Leila MOKKADEM	African Development Bank	Country Manager
2	Brice MIKPONHOUE		Principal Country Program Officer
3	Leila KILANI JAAFOR		Senior Social Development Specialist
4	Driss KHIATI		Agricultural Sector Specialist
5	Mohamed EL OUAHABI		Water and Sanitation Specialist
6	Mohamed EL ARKOUBI		Procurement Officer
7	Mohammed DIYER	Supreme Audit Authority	Permanent Secretary
8	Mohammed ESSAOUABI		Vice President
9	Noredine RABHI		Director, Training Center
10	Rachid MERABET		Advisor
11	M'hamed BELGHITI	Ministry of Agriculture, Maritime Fishing, Rural Development, Water and Forests	Irrigation Department, Deputy Director
12	Zakaria YACOUVBI		Division Chief
13	Maryam MAICHE		Agency for Agriculture Development, Financing Division
14	Mohamed EL GHOLABZOURI,	Ministry of Economy and Finance	Treasury, Deputy Director for financing and external relations
15	Khalid KENSI		Treasury, Division Chief for relations with the Americas and MFIs
16	Badiaa SETTA		Treasury, Head of Unit for relations with regional financial organizations
17	Nisrine BELGHITI		Treasury, Unit for relations with regional financial organization
18	Safae KARFI		Department of Public Enterprises & Privatization, Financing Unit
19	Rachid RYAD		Budget Department, Head of Unit for AfDB
20	Asmae HABIBI		Budget Department, Unit for AfDB
21	Adil HIDANE		Department of Studies and Financial Projections, Deputy Director
22	Malak TAZI	Ministry of Education, Vocational Training, Higher Education, and Scientific Research	Deputy Director, Department of International Cooperation & Private Education
23	Mohammed BOUNOU		Department of International Cooperation & Private Education
24	Samira BADRI	National Office of Drinking Water (National Water Company)	Division Chief, Department of Finance
25	Sanaa CHOBI		Unit Head, Department of Planning
26	Mohamed ABDELLAOUI	Université international de Rabat	Executive Vice President
27	Abdellah CHOUIKH		Director, Information Systems

	Name	Organization	Position
TUNISIA			
28	Yacine FAL	African Development Bank	Deputy Director, RDGN
29	Yasser AHMAD		Chief Country Program Officer, RDGNO
30	Kaouther ABDERRAHIM		Senior Macroeconomist, RDGNO
31	Mouhamed GUEYE		Principal Education Economist, RDGN2
32	Olivier BRETECHE		Principal Country Program Officer, RDGN
33	Mohamed TOLBA		Division Manager, Implementation and Support, RDGC
34	Yasmine EITA		Country Program Officer, RDGNO
35	Mamadou KANE		Chief Irrigation & Rural Infrastructures Engineer, AHFR2
36	Prajesh BHAKTA		Chief Country Program Officer
37	Vincent CASTEL		Regional Sector Manager, Agriculture and Human Development
38	Farah GHNBAL	FIOP/UCC	Director General (DG)
39	Sane SMIDA	UCC PDAI/FIOP	Director General
40	Jemali HAJE	UCC/PADAI	Director
41	Mustom NOHSEN	CRDA	Chef Service
42	Mnajjo ABDELHANID	AEPR	Director
43	Abderraouf LAAJIMI	FIOP	Director General
44	Kaltoum HAMZAOUI	Ministry of Trade, Investment, and International Cooperation	General Director of Multilateral Cooperation
45	Faika LAOUANI	Ministry of Culture	Director of International Cooperation
46	Mhamed MOHAMED	Tunisian Bank of Solidarity	Chief Financial Operations Departmen
47	Zouhair EL KADHI	Tunisian Institute of Competitiveness and Quantitative Studies	Director General
48	Saida HACHICHA	Department of Commerce	
49	Ridha GABOUJ	Ministry of Agriculture	DG/GREE
50	Lamia JAMALI		DG/FIOP

	Name	Organization	Position
51	Nedia FNINA	Ministère de la Santé publique de la République de Tunisie	
GABON			
52	Robert MASUMBUKO	African Development Bank	Country Manager
53	Jean-Louis MOUBAMBA		Senior Agriculture Economist
54	Adalbert NSHIMYUMUREMYI		Chief Country Economist
55	Ramata HANNE DIALLO		Senior Procurement Officer
56	Jean-Félix EDJODJOM'ON-DO		Transport Specialist
57	Candy MOUKOUANGUI		Disbursement Officer
58	Danielle Cibelle BIWAOU	Chamber of Commerce	Director General
59	Alain REMPANOT MEPIAT		MIC-TAF Project Coordinator
60	Francis Thierry TIWINOT	Directorate-General for Statistics	Director General
61	Hélder MUTEIA	FAO	Sub-regional Coordinator for Central Africa
62	Eric Fernand BOUNDONO	Libreville Multisector Incubator	President
63	Habib Christian BAKAKAS		Association Action for Youth Autonomy, Deputy Secretary General
64	Jean-Jacques BOUKA	Ministry of Economy, Forecasting, and Development Programming	Advisor to the Minister
65	Joseph IBOUILI MAGANA		Forecasting Department, Director General
66	Bosco Grant MOUBECKA		Forecasting Department, Research Officer
67	Jean Paul EYEBE LENDOYE	Ministry of Agriculture and Livestock	Permanent Secretary
68	Aubierge MOUSSAVOU		Deputy Permanent Secretary
69	Eric MBINAMBINA		Permanent Secretary's Office, Chargé d'études
70	Diane Gwladys MBADINGA		Coordination Unit for AfDB projects, Coordinator
71	Rachelle EWOMBA-JOCKTANE	IFAD	IFAD Projects Department, Director
72	Aymar MOMBO MOMBO		IFAD Projects Department Research Officer
73	Presque MEZUE		IFAD Projects Department, Research Officer

	Name	Organization	Position
74	Ludovic NGOK	Steering Committee on Industrial Site Environmental Evaluation, GABON	Industrial Site Environmental Evaluation Program, Steering Committee
75	Nicaise MOULOUMB		Industrial Site Environmental Evaluation Program, Coordinator
76	Sonia ONDO NDONG	World Bank	Economist
SOUTH AFRICA			
77	Kalayu GEBRE-SELASSIE	African Development Bank	Chief Governance Expert, EGCF / RDGS4
78	Mohamud Hussien EGEH		Senior Natural Resources Management Officer, RDGE
79	Rosemary Bokang MOKA-TI-SUNKUTU		Regional Integration Coordinator, RDGS
80	Enock YONAZI		ICT Specialist, PITD3
81	Nancy A. A. OGAL		Senior Water & Sanitation Engineer, RDGE2
82	Raymond E., BESONG		Senior Rural Infrastructure Engineer, RDGS2
83	Epiphanius Farai KANONDA		Chief Energy Investment Officer, RDGS1
84	Richard MALINGA		Principle Transport Engineer, RDGS0
85	Neeraj VIJ		Regional Sector Manager – Industry, Agriculture & Human Development
86	Mr. Lehlagare MOTHAPO	Department of Trade and Industry	Coordinator of Industrial Parks, Department of Trade and Industry
87	Dorcas KAYO	National Treasury.	Director Infrastructure Finance, Budget Office, National Treasury.
88	Gershon SIBINDA		Director, MFMA Capacity Building and Training.
89	Dr. Newton STOFFELS		Program Coordinator, Capacity Development Unit, National Treasury
90	Elda GALEKA		Project Finance Manager
91	George TEMBO		National Treasury
92	Timothy MURWA		National Treasury

Endnotes

1. AfDB. 2011. "The Revised Guidelines for the Administration and Utilization of the Middle-Income Country Technical Assistance Fund." Abidjan, Côte d'Ivoire: African Development Bank.
2. Main options gathered from interviews include front office of RDVP, FIRM and FIST.
3. African Development Bank. Approach to Middle-Income Countries: Addressing Different Profiles and Needs.
4. The Fund became operational in 2004.
5. African Development Bank financing window.
6. African Development Bank MIC Task Force. March 2002. Improving Bank's Operations in Middle-Income Countries.
7. African Development Bank. May 2003. Guidelines for the Administration and Utilization of the Technical Assistance Fund for Middle Income Countries.
8. AfDB. April 2008. Strategic Framework for Enhancing Bank Support to Middle Income Countries.
9. AfDB. November 2011. The Revised Guidelines for the Administration and Utilization of the Middle-Income Countries Technical Assistance Fund.
10. Vice President could approve requests below UA 400,000, while the President could approve requests between UA 400,000 and UA 800,000. Requests above UA 800,000 would be approved by the Board on a lapse of time basis.
11. A dedicated MIC-TAF focal point was proposed but the Board did not approve such a position and instead asked ORVP to continue ensuring this focal point role (which was played by ORNA (RDGN) from 2012 until 2018).
12. Ten Fund projects worth UA 4,928,451 were terminated by the Bank between 2004 and 2016.
13. Blend countries assess both the ADF and ADB financing windows of the AfDB.
14. Some staff mentioned that MIC-TAF delivery and performance were part of the departmental key performance indicators (KPI). See African Development Bank. 2017. The Bank Group Results Management Framework 2016-2025.
15. The paper classified MICs by Bank lending activity during 2002-17 using two equally weighted criteria. The first criterion was use of Bank resources: high usage – total approvals greater than UA 1 billion or average annual approvals greater than 1 percent of GDP; moderate usage – total approvals greater than UA 500 million or average annual approvals greater than 0.5 percent of GDP; low usage – total approvals less than UA 500 million and average approvals less than 0.5 percent of GDP. The second criterion was the frequency of Bank lending: high frequency – lending approvals in five or all of the past six years; medium frequency – lending approvals in three or four of the past six years; low frequency – lending approvals in one or two of the past six years.
16. Angola, Cabo Verde, Egypt, Morocco, Namibia, Nigeria, South Africa, Swaziland, and Tunisia.
17. Algeria, Republic of Congo, Gabon, Mauritius, and Seychelles.
18. IDEV's computation based on data from SAP and classification of MICs by lending activity as indicated in the Approach to MICs: Addressing Differing Profiles and Needs. Presented to CODE on July 10, 2018. MICs were classified into lending brackets based on whether the Bank's total lending activities where within the following thresholds: High lending countries: > UA 1 billion; Moderate Lending: > UA 500 million; Low Usage: < UA 500 million.
19. This evaluation conducted an in-depth review of 64 projects based on availability of project documents.
20. The sub-sectors supporting private sector development were those in banking, finance, and industry.
21. The SMCC Note on the Fund reported the following distribution of Fund projects as of 31 March 2018: (i) capacity building – 12% (by number) and 19% (by approval amount; (ii) project preparation – 52% (by number) and 54% (by approval amount); and economic and sector work – 23% (by number) and 22% (by approval amount). The remainder of the projects were almost equally distributed between private sector development and regional integration.
22. Tunisia, Morocco, Egypt, Algeria, Botswana, Gabon.

23. While this evaluation was able to review appraisal reports for 64 projects, only six PCRs of Fund projects were available. In addition, there were six PCRs for investment operations where the Fund financed certain components.

24. The Methodology Note for Assessing Loan Generation by the Fund is presented in the Appendices.

25. By design, only MIC grants that financed feasibility studies and project preparation ought to generate pipeline of projects for the Bank. In practice however, other categories of Fund grants can be used to identify bankable projects in client countries. The latter strand of argument was evident in the Fund's portfolio.

26. The analysis only considers approved projects in the Bank's systems that are consecutive to the grants.

27. When decomposed, only eight projects (4% of the Fund's portfolio) directly generated new lending operations while nine projects (or 5% of the Fund's portfolio) generated projects indirectly.

28. About 10 percent of the sampled Fund project reviewed by the evaluation supported ongoing operations.

29. Based on the SMCC Note, about 2% (by approval amount) and 2.5% (by number of projects) of Fund projects as of 31 March 2018 supported private sector development. About 2% (by approval amount) and 1.7% (by number of projects) supported regional integration. The Fund had limited contribution to these two thematic priorities. As noted below, there are also staff incentive issues.

30. While procurement systems may be a Bank-wide issue, the smaller packages for Fund projects tend to receive lower priority attention compared with large investment projects. In addition, the counterpart (client) capacity for a Fund project to implement Bank requirements is typically lower than for larger investment projects.

31. AsDB staff capacity for consultant recruitment – including preparation of terms of reference, evaluation criteria, and assessment of candidates- needs to be further developed" (p.49). AsDB. 2014. Role of Technical Assistance in ADB Operations. Manila.

32. Ibid.

33. WBG. 2017 Trust Fund Annual Report. Washington D.C.

34. Independent Evaluation Group. 2011. Trust Fund Support for Development. World Bank Group. Washington D.C.

35. The Inception Report had a document coverage target of 51% of the number of Fund projects covered by the evaluation.

36. Survey evidence revealed political considerations whereby there are expectations to satisfy ministry requests for grants. This could imply that the grant has already been approved at a high level before it has been assessed leaving little room for the Task Manager to provide strategic input. In this context, some specific grants have been approved in sectors that are far from areas of specialization of the Bank.

37. (i) The amount approved per Fund project was combined with these data to generate the number of projects at each authority level; and (ii) Data on the MIC-TAF were retrieved on 30 September 2018.

38. SMCC Note on the MIC-TAF April 2018.

39. Trust Fund grants are usually approved on a competitive basis with approval from the Donor who may have specific conditions not acceptable to the MIC requesting the grant.

40. TA projects in AsDB are bank-executed, and while AsDB has piloted recipient-executed projects, it continued to utilize the bank-execution model. The advantage of bank-execution is that Bank TMs are more familiar with Bank procedures compared with clients. The question of whether the Fund should be bank-executed was discussed at length in 2014/15 both internally and with the Bank's external auditors. The conclusion at that time was that it was not possible to consider bank-execution pending further assessments on the nature of the Fund, its governance set-up, and its FM oversight environment.

41. Main options gathered from interviews include front office of RDVP, FIRM and FIST.

42. Revised Guidelines for the administration and utilization of the Middle-Income Countries Technical Assistance Fund of November 2011, para. 1.1.1

43. Due to insufficient and inadequate information, the evaluation of sustainability does not have a specific rating scale, but is rather based on a simple qualitative assessment and benchmarking information.

IDEV

Independent Development Evaluation

African Development Bank

About this Evaluation

This report summarizes the findings of an independent evaluation of the Middle-Income Country Technical Assistance Fund (MIC-TAF or "the Fund") of the African Development Bank (AfDB), covering the period 2002 to 2018.

In 2002, the AfDB set up the MIC-TAF with the aim to enhance the volume, quality, competitiveness and development effectiveness of the Bank's operations in African middle-income countries (MICs). The Fund gives grants for project preparation and institutional strengthening, among others, based on the specific needs of the country. By 2018, the Fund had disbursed close to USD 143 million across 185 projects in 19 eligible countries.

The evaluation examines the extent to which the MIC-TAF has achieved its goal of delivering development results in the beneficiary countries during the period 2002 to 2018. It also investigates issues around the Fund's governance, as well as the factors that hindered (or promoted) the utilization of funds from both the supply- and demand-side. The evaluation used mixed methods (qualitative assessments and data analyses) and multiple lines of evidence including portfolio and document reviews, comparator benchmarking, country visits, and interviews with both staff and clients of the Bank.

The evaluation found that the MIC-TAF is an effective tool for the Bank and that its continued operations have the potential to increase the Bank's development effectiveness in the MICs. However, the Bank is advised to sharpen the Fund's strategic focus and to address the shortcomings in the governance, the quality assurance process, the financial sustainability and the timeliness of the Fund.

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