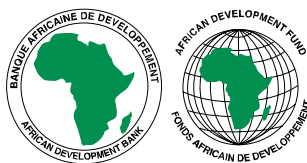


AFRICAN DEVELOPMENT BANK GROUP



**EVALUATION OF THE DECENTRALISATION
STRATEGY AND PROCESS IN THE AFRICAN
DEVELOPMENT BANK**

Concept Note

**OPERATIONS EVALUATION DEPARTMENT
(OPEV)**

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Background and Overall Approach

1. Under the direction of the Committee of Operations and Development Effectiveness (CODE), the Operations Evaluation Department (OPEV) of the African Development Bank (AfDB) will undertake an independent evaluation of the Bank's decentralisation strategy and process. The results of this study will inform the mid term review of the African Development Fund (ADF), scheduled for mid 2009, and the ADF replenishment discussions to be conducted in 2010.
2. The overall aim of the evaluation is to inform and strengthen the Bank Group's approach to decentralisation, through a systematic assessment of the strategic framework guiding the decentralisation process and of its implementation to date. The evaluation will take account of the evolving aims and characteristics of decentralisation within the Bank Group's operations, and of the rising and widening expectations aroused both within the organisation and among its partners.
3. By resolutions adopted in September 1999 and November 2002 the Board of Directors of the Bank Group decided to establish *a network of field offices* in regional member countries (RMCs). In 2004 a gradual and flexible decentralisation model¹ was approved by the Board², targeting the establishment of 25 field offices in RMCs by the end of 2006. The program formed part of a set of mutually reinforcing initiatives in the Bank aimed at strengthening institutional capabilities, ensuring greater development effectiveness and making the Bank more responsive to clients.
4. In March 2006, a status report on the implementation of the decentralisation strategy was produced by management³. This concluded that a foundation had been laid on which to build future initiatives for 'securing an effective transition into *substantive decentralisation*'. It identified a need for the decentralisation strategy to be revisited in order to take into account the new organisational structure of the Bank and other Bank reforms underway. It envisaged a sharper focus on greater empowerment and delegation of authority, on the optimization of field office staffing levels with the appropriate skills mix and on the establishment of strong monitoring and auditing arrangements to ensure the integrity of procedures and processes.
5. Decentralisation as a managed activity now lies at the heart of the Bank's response to the managing for development results (MfDR) agenda. The Bank has a vision of decentralisation for 2012 'to *leverage field presence to deliver outstanding results* for our client countries'. Accelerated decentralisation is one of the three pillars of the Bank's (2008) Action Plan for MfDR (together with promoting international partnership on results and building country

¹ Decentralisation here means the deconcentration of functions from headquarters to various country offices in the region and changes in the Bank's human resource and financial management systems and procurement systems to allow increased devolution of authority to the field office level.

² Proposed Strategy for the Decentralisation of the Activities of the AfDB Group, 2004.

³ Status Report on the Implementation of the Decentralisation Strategy as at March 2006 – Revised.

capacity to manage for results). ‘Accelerating decentralisation for better results on the ground’ and ‘instilling a results oriented supervision culture’ are seen as key thrusts towards increased agency effectiveness. Decentralisation plans are designed to complement and to leverage other reforms within the Bank.

6. The evaluation will undertake systematic assessment of how far the process has progressed against plan and the ‘results’ to date. However, given the fact that decentralised structures and ways of working are still in their infancy, and that thinking about decentralisation has evolved over time, the evaluation will also seek to capture and analyse the way in which decentralisation has been perceived and is experienced as a process both within the Bank and by its key interlocutors in country.

The Purpose of the Evaluation

7. As noted above, the overall aim of the evaluation is to inform and strengthen the Bank Group’s approach to decentralisation, through systematic assessment of the decentralisation strategy and early experience of implementation. The **purpose** of the evaluation is to produce well-grounded evaluation findings, conclusions and recommendations to inform future decision making regarding the decentralisation strategy and its implementation. The evaluation will assess the Bank Group’s performance to date in undertaking the decentralisation process, and will make a preliminary assessment of the likely impact and sustainability of the process and the benefits it delivers. However, as the decentralisation process is still at an early stage, it will be difficult to reach conclusive judgements on impact and sustainability.

Focus of the Evaluation

8. The rationale for investment in decentralisation within the Bank Group is that a more effective field presence will enhance the results and impact of the agency in client countries and that the benefits of decentralisation will accrue over time and sustain.

9. The evaluation will focus on four main areas of enquiry:

- What were the objectives of the Bank’s Decentralisation Strategy and to what extent have they been realised? What have been the enabling / constraining factors? How far were these objectives consistent with corporate goals?
- How was the decentralisation process supposed to work? Did it actually work that way? Has it worked in different ways in different locations and periods? How is the process perceived?
- How well has the process of decentralisation been managed, in terms of DAC evaluation criteria⁴? How has the Bank monitored, learned from and adapted the process?

⁴ i.e. Relevance, efficiency, effectiveness, impact and sustainability. See http://www.oecd.org/document/22/0,3343,en_2649_34435_2086550_1_1_1_1,00.html

- How has the decentralisation experience ‘impacted’ (positively/ negatively) on the wider operations of the Bank? How comparable is the Bank’s experience with that of similar agencies?

Approach and Methods

10. In view of the above, the evaluation will systematically assess not only what was expected to happen (the strategy), and what actually happened (the activities and their effects), but will also aim to capture and analyse perceptions, expectations and experiences related to the process (the experience of decentralisation).

11. The evaluation will be conducted in two phases. Phase 1 will address the questions set out above, and build up an overall picture of progress to date. Phase 2 will deepen and broaden the analysis, and will in particular undertake more detailed study of critical issues raised in Phase 1.

12. Each phase will include several components. Phase 1 will consist of (a) a formal organisational analysis, adopting a Theory of Change perspective; (b) a country level analysis using the Most Significant Change (MSC) method; complemented by (c) stakeholder perception surveys.

13. The formal structured assessment will focus on effectiveness and efficiency with some consideration of relevance, sustainability and impact. This will cover the following:

- the *inputs* provided and *activities* undertaken in support of decentralisation;
- the extent to which process *outputs* have been achieved, and the associated costs; and
- the observed (initial) effects of decentralisation – both intended and unintended - in terms of ‘*institutional outcomes*’ (desired changes in AfDB’s behaviour/practice and changes observed in the behaviour of government and other stakeholders).

14. The analysis of perceptions, expectations and experience will provide insight into the levels and variety of understandings of decentralisation held across the staff group, which is significant for analysis of the change process and change management challenges inherent within the decentralisation process. Qualitative analysis can also highlight unexpected results and unintended consequences (positive or negative).

15. The combination of an appreciation of the experiential or ‘human’ dimension of the decentralisation process and the more objective formal assessment will provide a basis for identifying changes which can be expected to be sustained. In turn, this will inform assessment of the likely longer term impact of the strategy, in terms of enhancing the effectiveness of the AfDB, through its lending and non-lending operations.

16. The evaluation methodology will also include the development of a *timeline* of the decentralisation process that will facilitate the identification of key events (and their consequences) and stakeholder perceptions of those events and their consequences in terms of their relative significance.

17. The evaluation will include a review of experience in other agencies, with a view to learning from experience elsewhere and in particular to ascertain whether other models of decentralisation were considered or should have been considered by the Bank in contrast to the prevailing model.

18. The key components of Phase 1 are described in more detail in the following sections.

(a) Formal Organisational Analysis

19. Decentralisation is seen as integral to enhancing the overall effectiveness of the Bank. The success of the process can be judged in relation to results achieved or likely to be achieved at a number of different levels. These can be seen as elements in a 'results chain'. The results chain is based on an underlying 'theory of change': i.e. 'if x and y is done, the result will be z'. The theory of change or rationale underpinning the Bank's approach to decentralisation is, stated at its simplest: *'Investment in decentralisation will establish a more effective field presence. This in turn will enhance the Bank's development effectiveness and impact, contributing to sustained and cumulative benefits in regional member countries'*.

20. The evaluation will review the Bank's decentralisation strategy to identify the results chain and the underlying theory (or theories) of change (which may be explicit or implicit). The analysis should identify strengths and weaknesses in the theory of change underpinning the approach to decentralisation: assessing, for example the consistency and coherence of the approach, how far it is relevant to the context, its feasibility, and whether it is adequately or appropriately resourced. The theory of change approach provides a powerful tool for assessment, and for developing conclusions and recommendations to improve performance and impact.

21. The first step, based on the Bank's decentralisation strategy and related documentation, will be to refine and articulate an initial set of indicators within a theory of change. The next step is to test whether in practice decentralisation does work that way. The outline below provides an illustration of the nature of the task ahead.

22. As the Strategy is implemented and beds down within the institution we would expect to see evidence of delivery of key expected *outputs* related to the decentralisation process, including:

- Greater empowerment and delegation of authority - systems and delegation of authority allowing decision making in the field;
- Optimizing of field office staffing levels and skills (with mix based on country strategy priorities and the size and nature of the portfolio);
- Change in the level of policy dialogue (e.g. Country Strategy process, reviews and follow up), and in the level of economic and sector work;
- Appropriate monitoring and authority mechanisms to ensure the integrity of procedures and process;
- An increase in the quality and frequency of supervision and timely, comprehensive and result oriented supervision reporting;

- Continuous implementation support particularly from the field (replacing infrequent supervision);
- Reducing trend in the number and rate of problem projects and projects at risk (proximity improves portfolio management);
- Procurement and disbursement are accelerated through decentralisation of processes.
- Accelerating progress against country specific indicators for the Paris Declaration on Aid Effectiveness;
- Key opportunities more rapidly identified and partnerships built with others on new agenda's and priorities (e.g. climate change adaptation and mitigation); and
- Clear visibility and actions taken on corporate priorities such as gender equality at the (i) programme and project level, and (ii) at the RMC level.

23. Intermediate gains arising from the Decentralisation Strategy would be reflected in⁵:

- An understanding of *client needs* through proximity to clients;
- Taking *leadership* on Africa's development through deep local knowledge;
- A fostering of country *ownership*;
- Stronger alignment, harmonization and *partnership working* with others;
- Significant improvements in the *quality of the portfolio*;
- A strengthened focus on results providing a stronger basis for *mutual accountability*;
- Greater development effectiveness (enhanced contribution to country led development from Bank lending and non lending operations); and
- Increased responsiveness to clients.

24. Following from the kinds of actions indicated above, we could expect to see *institutional outcomes* in the form of strengthened institutional capabilities (to deliver development services to client countries).

25. We would also expect to see some *development outcomes*, relating to changes in the behaviour of other parties beyond the AfDB, especially its clients in government and other concerned stakeholders.

(b) Most Significant Change Analysis

26. The Most Significant Change (MSC) technique⁶ is a participatory method of monitoring change that makes systematic and transparent use of people's ability to 'summarise-by-selection' the most significant events around them by exercising their judgment, as informed by their own values and those of the organization they work for. It can be used to complement less participatory and more quantitative forms of monitoring and evaluation, as in this evaluation. It provides useful information on the *range* of experiences, versus

⁵ In July 2008 ORPC provided for the Board the results of an initial assessment of the impact of the decentralisation strategy on portfolio quality and country dialogue (*Impact of the Decentralisation Strategy on Country Dialogue and Portfolio Quality*). This drew on a set of performance indicators (and associated data sets) approved by the Board in 2005 and looked at the experience of the 13 field offices which have been in operation for more than 12 months as of December 2007. This provides the evaluation with a potentially valuable source of data on a number of the above progress indicators.

⁶ The use of MSC is detailed in the "The 'Most Significant Change' (MSC) Technique: A Guide to Its Use", available online at <http://www.mande.co.uk/docs/MSCGuide.pdf>

numerical averages and totals. The approach involves collection of participants' experiences of key changes, and structuring follow on discussions and analysis around these narratives. The findings from the use of MSC will be quantified and checked against other information sources during the main phase of the evaluation.

27. This approach will be an important element in providing management and staff with a greater understanding of the ongoing decentralization process by providing a systematic means to analyze perceptions of the strengths and weaknesses of the decentralisation process to date, and identify opportunities for further strengthening the process as well as surfacing threats and risks to effective implementation of the decentralization strategy. In particular, the study will review how far the policy and approach adopted is understood and appreciated by Bank staff and other key stakeholders; how efficient and effective the process is considered to have been to date; and how far staff and other stakeholders consider it to have changed the way they work and the results they are achieving in terms of development outcomes including better coordination, policy dialogue and partnership.

28. The use of the MSC method in Phase 1 of the evaluation may also help to identify several 'theories of change' held by people working in different parts of the organisation (field / HQ) at different points in time and also various theories of change amongst AfDB partners.

29. The proposed purpose of using MSC during Phase 1 is as follows:

- To identify significant *unexpected changes* and *difficult-to-quantify changes*, which are not being captured by existing monitoring and review processes within AfDB.
- To provide more *in-depth descriptions* of events already being monitored by AfDB using quantifiable indicators. For example, the set of indicators used in the August 2008 impact study.⁷
- To identify areas of agreement and disagreement about the process of decentralisation and the expected outcomes of decentralization.
- To broaden and structure of dialogue between AfDB country offices and HQ about the decentralisation process.
- And through these process, to:
 - Identify innovations in the Bank's ways of working that might have wider applicability;
 - Identify risks to the Bank's current level of performance that may need a response; and
 - Identify larger (strategic) choices to be made about how the Bank Group approaches decentralisation:

30. The MSC analysis will contribute to Phase 2 of the evaluation in the following ways:

⁷ *Impact of the Decentralisation Strategy on Country Dialogue and Portfolio Quality*, page 8

- Use stakeholder stories of change to complement other information sources to build and test a theory of change about the decentralisation process and to clarify the most important strategic choices facing the Bank Group in respect to decentralization.
- Identify what new process and outcome indicators might usefully be adopted by AfDB after the evaluation, to track the process of decentralisation in future.

(c) *Perception Surveys*

31. Perception surveys among the Bank's partners in regional member countries (both in Government, in other agencies and within civil society) will provide valuable complementary information. Questionnaires would be carefully constructed to ensure that the results can be meaningfully interpreted and checked against other information sources.

(d) *Further Methodological Issues*

32. The evaluation will look at the *diversity of situations* facing the AfDB, with which the decentralisation strategy must engage. These include a range of client country contexts (i.e. Middle Income Countries (MICs), African Development Fund (ADF) recipients and Fragile States (FS)); linked to country context, differences in the country portfolio and the nature of the pipeline, as well as levels of ODA and the number of actors. The evaluation will consider the extent to which the decentralisation model has responded to the particular challenges and opportunities in different operating contexts. It will consider the extent to which gains arising from decentralisation flow from flexibility of response to context or whether uniformity of response is important; and will review how far gains are evident (or are likely to be realised) in countries where the Banks resources are most likely to be concentrated, given its wider corporate goals.

33. Assessment of diversity issues will be complemented by comparison between of "with or without" Field Office scenarios. This will be possible through perception surveys. In addition, deeper study could involve undertaking an *ex ante* assessment in a given country without a field office (e.g. Burundi) and undertaking a benchmark of the AfDB performance in that country with that of other comparable donors (i.e. World Bank, UNDP). This would shed light on how other comparable agencies organise themselves in the same country.

34. *Cost effectiveness* is a significant issue. Cost information on decentralisation will be collected and analysed. Comparative work between various kinds of field office or field offices in different locations could be undertaken. However, a comprehensive analysis of costs and benefits would be extremely difficult, and would be based on many assumptions, and will not be attempted.

35. It is important to note that successful decentralisation is not simply a question of performance of the Field Offices. The process has far reaching implications across the whole organisation. Particular attention will be paid to the extent that *supporting actions* in terms of the strengthening of Bank Groups policies, practices and systems to underpin effective

decentralisation have been defined, implemented and evaluated in terms of desired effects. Some of the key areas which support programme management and implementation are

knowledge management, business reforms, staffing and incentives, training and capacity building, budgeting and partnerships.

36. Accordingly, the evaluation will look closely at the changes of *roles and responsibilities* since 2004 within the ‘back office’ functions of the Bank, as well as at the changing character of ‘country teams’ involving staff from Regional Departments (RDs), Sector Departments (SDs) and Field Offices (FOs). Shifts in accountability will be of particular interest. The extent to which practice reflects formal definition of roles (HQ-TRA and Field Offices) will be examined, as this is an area where practice may be running ahead of formal policy, and useful lessons may be learned.

37. The extent to which *risks* associated with decentralisation have materialised will also be assessed. For example, the following issues could be reviewed:

- client focused agenda overshadowed by corporate agenda driven by sector advocacy in HQ;
- too thinly dispersed country, region & sector knowledge;
- compliance and centralised culture may slow down implementation of decentralisation agenda and hinder its benefits;
- relocation of staff from HQ-TRA may not be gender neutral; and
- strengthening of the telecoms and IT architecture may be too slow to enable the performance of functions in the FOs.

Proposed Timeframe, Methodology and Resources

38. The evaluation will be conducted in two main phases. Phase 1 will run from November 2008 to March 2009, and deliver a report which will be used to feed into the ADF mid-term review. However, it can be anticipated that this study will raise many issues which require further in-depth assessment. Accordingly, it is proposed that these should be examined in a second phase (April – September 2009), providing further evaluation evidence to feed into ADF replenishment discussions in 2010. Phase 2 is expected to consist of a series of more formal studies focused on key questions identified in Phase 1 as pertinent to the future success of the decentralization strategy.

39. Phase 1, beginning in November, would comprise 3 main elements:

- A formal review of the strategy and its implementation based mainly on documentary evidence, interviews and focus group discussions.
- A review of stakeholder perceptions, expectations and experiences, using a carefully structured ‘Most Significant Change’ (MSC) methodology, based mainly on interviews and discussions with staff and external stakeholders in country.
- Perception surveys of stakeholders in country (Government, civil society, other agencies).

Deliverables (Phase 1)

40. The selected consultants will produce a detailed response to the Terms of reference, including an itemised budget.
41. A synthesis report on Phase 1 will be delivered in March 2008. This will draw on both the formal review and the MSC analysis. This will include a “Next Steps” proposal for follow up study in Phase 2.
42. The MSC analysis will be completed in January and will provide a separate technical report setting out findings, conclusions and recommendations from this work. An Annex will provide for reference the material collected during review.
43. The perception surveys will also be reported separately, as this may provide a useful basis for repeat surveys to monitor changes in the future.
44. The final report from Phase 1 and in due course phase 2 will be presented to CODE for consideration. The Phase 1 report will include proposals for the second phase, for consideration by CODE.

Reporting

45. The study will be managed by Mr. M. P. Madhusoodhanan, a long term consultant working with OPEV.

Internal and External Reviews

46. Within OPEV, a small Steering Group chaired by the Director will be set up to ensure effective oversight of the evaluation process, and in due course to review draft reports as these are completed.
47. To ensure quality, OPEV will also set up a 3 person panel of senior external advisers, with experience of the regional context, aid management, and evaluation methods. The panel will comment on all key deliverables.

Communication Strategy

48. The evaluation team would maintain dialogue throughout with Bank management through PECOF⁸ and the relevant decentralisation working group structures.
49. The MSC approach will involve close dialogue with staff and management, as the method depends upon generating discussion and debate. It is proposed to establish a ‘blog’ on the Bank’s internal website to encourage broad participation and engagement.
50. Internally, given the importance of the topic and the involvement of staff in the decentralisation process, draft reports will be widely circulated for discussion and comment.

⁸ Permanent Committee on Field Offices

Draft reports will also be distributed to external stakeholders for comment where they were previously approached for input into the process.

51. After discussion with CODE, the final reports of Phase 1 and Phase 2 will be published on the Bank's Internet site. The working papers will also be made publicly available, although any sensitive references to named individuals will be removed.

Resources

52. The evaluation will be conducted by a team of senior evaluation consultants with experience in aid management and organizational analysis, including specific experience with the MSC approach. The consultant team will provide approximately 220 days of input. In addition, the OPEV Task Manager will provide an estimated 40 days of input.

53. The overall budget cost for Phase 1 is estimated to be approximately UA 200,000. This includes consultant fees and the costs of travel, subsistence, communications and miscellaneous expenditure.

