ADF-13 MID-TERM REVIEW

Institutional Effectiveness and Efficiency: Delivering Value for Money under the Bank Group Ten-Year Strategy (2013-2022)

Discussion Note

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AFRICAN DEVELOPMENT FUND

Executive Summary

In pursuit of the continuous enhancement of its institutional effectiveness and delivery capacity, the AfDB is implementing four strategic reforms: (i) achieving greater client responsiveness; (ii) delivering services effectively and efficiently; (iii) improving workforce productivity; and (iv) managing change and business continuity. This paper takes stock of how the Bank is delivering on the commitments made at the ADF-13 Replenishment, and discusses continuing challenges and how they are being addressed.

Achieving greater client responsiveness

In order to become more responsive to the needs and preferences of its clients, the Bank has deepened its decentralization model and refined its organizational structure. Decentralization is strengthening the Bank's role as trusted partner to its Regional Member Countries (RMCs). Greater proximity to clients is enhancing the quality of its knowledge work and policy dialogue. A mid-term review of the Decentralization Roadmap was conducted in 2014 and a proposal to update the Decentralization Action Plan for 2015-2017 is under discussion at the Board.

The Bank is consolidating its partnership with Civil Society Organizations through the establishment of a Civil Society Forum, and a new communication and external relations strategy is under review by the Boards of Directors. A new policy on Disclosure and Access to Information is enhancing the Bank's transparency and its commitment to integrity and accountability. The Bank was even ranked 7th among global development agencies by the International Aid Transparency Initiative in 2014 as one of the most transparent organizations.

Delivering services effectively and efficiently

The Bank has introduced a range of initiatives to promote the effective and efficient delivery of services to its clients. It is **strengthening the corporate planning process** to ensure that budgetary resources are aligned to its Ten-Year Strategy. This enables the Bank to maximize results while delivering value for money. It is **streamlining its operations review and clearance processes**, to improve the quality of operations and enhance efficiency of delivering results to its clients. The goal is to promote greater accountability at all levels and deliver high-quality Country Strategies Papers and Operations that are aligned to strategic priorities. The Bank is **improving procurement and financial management** through an ongoing review of its procurement policy, alongside the recently approved financial management policy. It is **enhancing portfolio quality** with the aim of improving country programming and project design, quality-at-entry and accelerated project implementation, including improved disbursement performance. It is **enhancing coordination and performance monitoring**, including through a performance management dashboard that addressees both process and culture issues, with the aim of minimizing barriers to effective performance management. Finally, it is **strengthening risk management**, through a new framework that is better adapted to the evolving business, the external environment and global standards.

Improving workforce productivity

The Bank's **People Strategy** is the centrepiece of its efforts to **improve workplace productivity** and achieve a strategically aligned and motivated workforce. In 2013, a staff engagement index was introduced into the staff survey, to measure staff motivation. A new compensation framework that will allow the Bank to remain a competitive employer capable of attracting and retaining the best talent is under discussion with the Board. A Learning Strategy and Human Resource Action plan, including a strategic staffing exercise, are being rolled out to strengthen the quality of leadership and management and to build the work force for the future.

Managing change and ensuring business continuity

The resilience of the Bank in **managing change and ensuring business continuity** was tested with its relocation from Tunis to its statutory Headquarters (HQ) in Abidjan in 2014. The return was executed smoothly and within the approved budget, with minimal disruption to operations. In fact, 2014 was the Bank's best year in eight years in terms of volume of lending. With strong support provided to staff throughout the return process, just 13.5% chose to accept a separation package.

The matrix below provides a snapshot of the status of Implementation reforms on Institutional Effectiveness and Efficiency under the ADF-13 commitments.

Reform Action		Status
Mid-Term Review of Decentralization Roadmap		Completed
Revision of the ADF Project Preparation Facility Guidelines		Completed
Portfolio Performance Improvement Study		Completed
Strengthening the Corporate Planning Process		Completed
Adoption of the Integrated Safeguards System		Completed
Development of Performance Management Dashboard		Completed
Adoption of a revised Operations Review and Approval Process		Completed
Implementation of the People Strategy		Completed
High Speed Fiber Optic Data Center Connection		Completed
Preparation of an updated Business Continuity Plan		Ongoing
Roadmap for the Return to Abidjan		Ongoing

Challenges ahead

Notwithstanding remarkable progress in implementing these reforms, the Bank still faces some significant challenges relating to human resources and the efficient delivery of its operations. Staff attrition continues to be high, and the Bank is still working to deploy the right skill mix to its field offices to support the revised Delegation of Authority Matrix (DAM). The Bank is addressing this through its People Strategy, updating its decentralization action plan and recruiting consultants to complement its workforce. To support delivery of the People Strategy, Management overhauled the Bank's performance management system by addressing both process and culture issues, aimed at minimizing barriers to effective performance.

Measures to enhance monitoring of operations include a monthly executive dashboard (targeting senior management) and portfolio flashlight (targeting sector and task managers). To promote development effectiveness without compromising fiduciary safeguards, a complete overhaul of the Bank's procurement policy is underway. While the Bank's overall lending has significantly increased over the last two years, the total budget over the same period has declined, implying that the Bank has been doing more with less. In addition, the Bank has introduced measures since 2013 to reduce its administrative costs and ensure value for money across the organization.

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Abbreviations and Acronyms

AfDB	African Development Bank Group
ADF	African Development Fund
ADF-12	Twelfth General Replenishment of the African Development Fund
ADF-13	Thirteenth General Replenishment of the African Development Fund
AGTF	Africa Growing Together Fund
CIF	Climate Investment Fund
COPM	Delivery and Performance Management Office
CSO	Civil Society Organization
CSP	Country Strategy Paper
DAI	Disclosure and Access to Information
DAM	Delegation of Authority Matrix
FM	Financial Management
FRMB	External Finance and Resource Mobilization Department
GCRO	Group Chief Risk Officer
HQ	Headquarters
HR	Human Resources
IDEV	Independent Development Evaluation
IT	Information Technology
KMC	Knowledge Management Committee
LPD	Learning and Professional Development
MDB	Multilateral Development Bank
MTR	Mid-Term Review
ORQR	Results and Quality Assurance Department
PRG	Partial Risk Guarantee
PSF	Private Sector Credit Enhancement Facility
RMC	Regional Member Country
RO	Regional Operation
RRC	Regional Resource Centre
SRAS	Strategy Resources Assessment Software
TYS	Ten-Year Strategy
TRA	Temporary Relocation Agency
TSF	Transition Support Facility
UA	Unit of Account
USD	United States Dollar
VfM	Value for money

Institutional Effectiveness and Efficiency: Delivering Value for Money under the Bank's Ten-Year Strategy (2013-2022)

Key messages

1) *The Bank has deepened its decentralization model, strengthened its internal delegation process, enhanced its information disclosure and access, and is in the process of adopting a new communication and outreach strategy, in a bid to enhance its responsiveness to its clients.*
2) *To deliver its services more effectively and ensure value for money, the Bank has strengthened its corporate planning and budgeting processes and streamlined its operational review and clearance processes. These measures have enhanced portfolio quality.*
3) *The Bank has demonstrated its capacity to manage change, ensure business continuity and work towards improving workplace productivity under challenging circumstances.*

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1. Introduction and Background

1.1 This paper responds to a request by African Development Fund (ADF) Deputies during the 13th Replenishment for an update on the implementation and impact of the Bank's programme of institutional reforms during the ADF-13 period.

1.2 In the period leading up to the midterm review, the Bank introduced a series of institutional and policy reforms in the context of various regional and global challenges. It launched its Ten-Year Strategy (TYS) (2013-2022), fine-tuned its organizational structure and revised many of its corporate and operational policies and strategies.

1.3 The Bank's organisational structure has been refined to bring further coherence and synergies across business functions and processes. These reforms have helped to address some of the key challenges to implementation of the TYS, particularly around delivery and performance management. All organisational changes have been accomplished within a neutral budget environment and without disrupting business continuity.

1.4 The ADF-13 period has been marked by the Ebola Virus Disease outbreak in West Africa, first reported in March 2014. The epidemic has aggravated socio-economic challenges in Liberia, Sierra Leone, Guinea and the wider region. The Bank responded swiftly in providing emergency resources to the affected countries and in mobilizing both the international community and the African business community for additional support. These interventions, which had a significant impact on moderating the effects of the Ebola crisis, were made possible with ADF resources.

1.5 The paper provides a comprehensive update on how the Bank is delivering on the commitments it made at the ADF-13 Replenishment on institutional effectiveness and organisational reform. It highlights challenges and emerging issues encountered through these reforms, and informs Deputies on the measures that are planned or underway in response. It points to actions that will be taken through the remainder of the ADF-13 cycle in four strategic areas: (i) client responsiveness; (ii) delivering services effectively and efficiently; (iii) improving workforce productivity; and (iv) managing change and business continuity.

2. Achieving Greater Client Responsiveness

2.1 The Bank has continued to expand its capacity and broaden its financial and knowledge services, to better support Africa's transformation. To support implementation of the TYS, the Bank adopted new strategies and policies, including the Private Sector Development Strategy, the Gender Strategy, the Strategy for Addressing Fragility and Building Resilience in Africa, the Financial Sector Development Policy and Strategy, the Regional Integration Policy and Strategy, Governance Strategic Direction and Action Plan, Human Capital Development Strategy and the Bank Group Policy on Diversifying the Bank's Products. Moreover, the Bank has developed a revised format for its country strategy papers and a supporting toolkit. Two years into implementation, most of the Bank's operations and programmes are squarely in alignment with the core priorities of the TYS and are contributing to the achievement of its overarching objectives of inclusive and green growth.

2.2 The Bank has also strengthened its focus on innovation and business development. It has reinforced its capacity to support innovative and sustainable solutions to infrastructure gaps and other critical investment needs. This has been achieved through organisational reforms, including the establishment of new departments such as the Business Development Department, the Office of the Group Chief Risk Officer, the Financial Sector Development Department, the African Natural Resources Centre and the Special Programme Department. These new structures are enabling the Bank to play a more active role in Africa's financial sector, provide advisory services to resource-endowed RMCs and engage in the highly innovative MDB Sovereign Exposure Exchange necessary for creating headroom for increased risk capital utilisation. A Special Programme Department was set up to deal with evolving challenges in the Horn of Africa, Mano River Union, the Sahel and the Great Lakes Region as a result of fragility.

2.3 The Bank has established the *Africa50 Fund*, an innovative global partnership platform, for addressing Africa's infrastructure gap. It aims to leverage USD 100 billion through equity, insurance, sovereign wealth and pension funds. Incorporated in Casablanca, Morocco, the Fund has already secured total financial commitments of approximately USD 800 million.

2.4 The Bank is also expanding its use of innovative financing instruments like the ADF Partial Credit Guarantee (PCG), to help well-performing ADF countries and State-Owned Enterprises catalyse more resources at reasonable terms. The ADF Partial Risk Guarantee (PRG) was established to insure private lenders against well-defined political risks, while the Private Sector Credit Enhancement Facility (PSF) is being implemented as a special purpose vehicle offering credit enhancement to stretch the AfDB's risk capital to support more projects in low-income countries. Since the adoption of the TYS, the PRG has been used to support two Private Sector Operations under public-private partnerships in Kenya and Nigeria. The PSF Strategic Framework and Guidelines were approved by the Boards of Directors in May 2015. An administrator has been recruited and a pipeline of eligible transactions is under development. It is expected that the pace of implementation of the PSF will soon begin to increase.

2.5 The Bank has been able to leverage additional resources through co-financing and blending instruments, such as the Climate Investment Funds (CIFs), the Africa Growing Together Fund (AGTF) and the EU-Africa Infrastructure Trust Fund. The Bank has been able to leverage about USD 700 million from CIFs for low-carbon and climate resilient programmes and projects, using some USD 1.4 billion of its own resources. Through the AGTF, China has made available to the Bank USD 2 billion for additional co-financing of both sovereign and non-sovereign projects. It is also envisaged that the newly approved PSF will help the Bank leverage more resources. Changes to the Bank's Credit Policy in 2014 have extended the Bank's non-concessionary resources to qualified and eligible ADF countries, which are now able to access more financial resources for critical investments. This has enabled the Bank to diversify its lending and thereby reduce its concentration in North Africa.

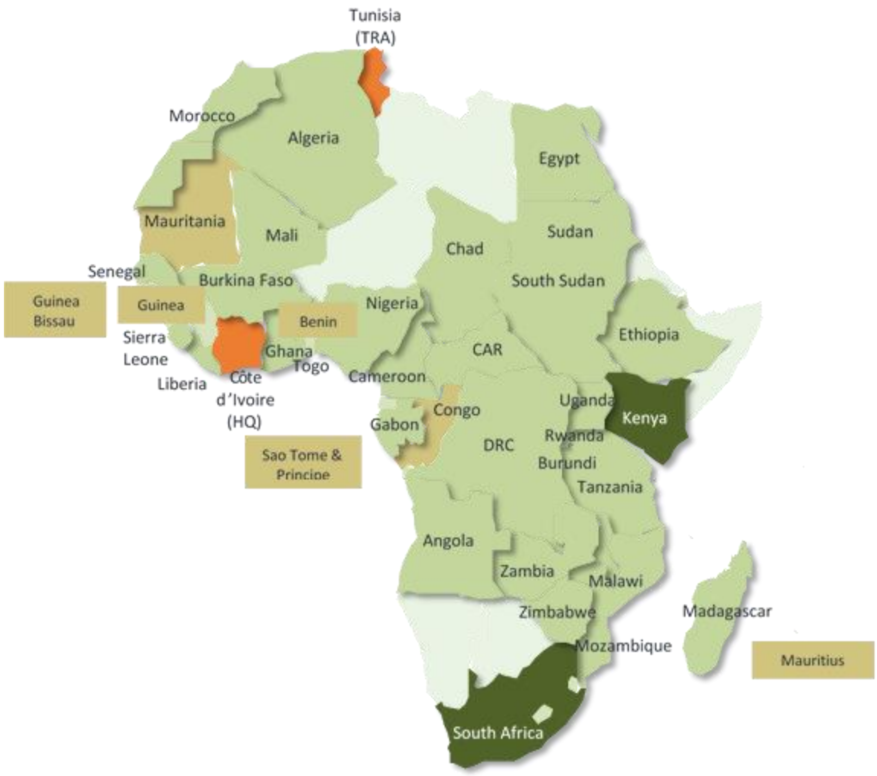
2.6 In accordance with commitments made under ADF-12 and ADF-13, the Bank has prioritised reforms that are expected to yield the greatest impact on performance, including decentralization, strengthening business development, increasing responsiveness in countries in fragile situations, promoting regional integration, strengthening human-resource management, mainstreaming gender and climate change and increasing knowledge development, management and dissemination. The following section sets out achievements to date, challenges encountered and measures being undertaken to address them.

Moving Closer to its Clients

2.7 **Decentralization:** In order to become more responsive to its clients, the Bank has deepened its decentralization model and improved its Delegation of Authority Matrix (DAM). The agreed focus areas of the 2011–2015 Decentralization Roadmap were strengthening existing field offices, expanding the Bank's presence in countries in fragile situations and consolidating regional presence. In 2014, the Bank commissioned an independent mid-term review (MTR) of the Roadmap, which concluded that it offers a good basis for strengthening the Bank's decentralized business model. The MTR found that decentralization has already led to significant improvements in the Bank's visibility and franchise value. However, it also identified critical areas that require additional attention by Management, including implementation of the 2012 DAM, alignment of field office staffing with country portfolios and TYS priorities, and the quality and quantity of analytical work produced by field offices.

2.8 The Bank's presence in RMCs has grown from 34 to 38 (Figure 1.), with nearly half of its operations professionals now working from the field and managing 95% of the Bank's portfolio by volume. The preparation of country strategy papers is now led from field offices in 93% of cases (2014 data). In order to minimise the risks associated with enhanced decentralization, a review of Fiduciary Risks and Safeguards was commissioned in 2014. While the review did not find any increased risk exposure in operations managed from the field, it recommended that risk-based approaches to portfolio management be adopted as part of an overall process of introducing a stronger risk culture. The Bank has adopted a number of measures to address this recommendation, including the establishment of the Office of Group Chief Risk Officer and the rolling out of an Operational Risk Management Framework.

Figure 1. The Country Presence in 2015



The Country Presence:

- *29 country offices – 12 of which are in countries in transition*
- *7 customized liaison offices 2 of which are in countries in transition*
- *2 Regional Resource Centers in Nairobi and Pretoria*
- *HQ in Abidjan and TRA in Tunis.*

2.9 These reviews, coupled with a recent review of the two pilot Regional Resource Centres (RRCs), have informed an updated Decentralization Roadmap Action Plan for the period 2015-2017, currently being discussed with the Boards of Directors, and a revised DAM. The update aims to enhance efficiency while containing or reducing the cost of decentralization. The reviews found significant improvements in the management of the Bank's portfolio in countries supported by RRCs. The Updated Roadmap is, therefore, anchored on the RRCs as a platform for strengthening the decentralized business model. The proposed changes will ensure alignment with the ongoing strategic staffing review and independent skills audit. Management reached agreement with the Boards of Directors in July 2015 to establish a third RRC in North Africa. Dialogue is ongoing on further reforms, to improve services and interaction with clients. Rolling out the Roadmap has not been without challenges, most of which have been identified in the reviews commissioned by Management. Most of these challenges have been addressed in the measures contained in the proposed Updated Decentralization Action Plan.

2.10 **Becoming an Effective Knowledge Institution:** The Bank has intensified its efforts in knowledge management, including generation, capture, storage and dissemination of lessons and knowledge. A notable recent achievement has been the launch of the "Africa

Information Highway (AIH)" initiative. It serves as a centre for collecting and sharing data in real time across Africa and beyond. The initiative will also help RMCs to reach international statistical standards. By providing timely and relevant data, the initiative not only supports evidence-based policy making, but also enhances transparency and accountability in decision making.

2.11 In 2013, the Bank established a cross-complex Knowledge Management Committee (KMC), to develop and coordinate knowledge management initiatives. The KMC has helped to increase the coherence of the Bank's research and knowledge management activities, with emphasis on ensuring tangible impacts on Bank policies, operations and advisory work. In 2015, a new Knowledge Management Strategy was approved by the Board. It provides a framework for the Bank's interventions in research and other areas of knowledge generation and management, including advisory services to RMCs and collaboration with other development partners across Africa and beyond. Ultimately, the goal of the Bank's knowledge work is to raise the Bank's capacity to generate innovative knowledge solutions for Africa's transformation.

Enhancing Information Disclosure:

2.12 In May 2012, the Boards of Directors approved the policy on Disclosure and Access to Information (DAI), which re-affirms the Bank Group's commitment to the principles of good governance. It became effective in February 2013, replacing the 2005 Disclosure policy. The new DAI policy is a centrepiece of the commitment made by the Bank Group to shareholders at the latest General Capital Increase to raise the Bank's standards of transparency and accountability.

2.13 With the adoption of this policy, the Boards of Directors have set unprecedented disclosure standards for the Bank. The Bank now commits to making public all information pertaining to its activities or operations, with a limited number of exceptions. This means that AfDB's stakeholders and the public at large will be able to access a much broader range of information than ever before. It also sets up a two-stage appeals mechanism to review information requests denied by the Bank.

2.14 Implementation of the DAI Policy has intensified over the period. In addition to regular disclosure of information through the website, improvements were made regarding the timely disclosure of Board documents. Regular operational, policy and strategic documents are now being disclosed proactively on the website. However, when it comes to private sector operations, more still needs to be done to reach full compliance. Efforts are underway to address these shortfalls, including through the timely disclosure of private sector Project Summary Notes.

2.15 To strengthen its capacity to implement the DAI Policy, the Bank carried out internal and external training of Bank staff, government officials, partners and clients, to ensure that they are fully aware of their roles and responsibilities and to support the institution's commitment to transparency and accountability. Other activities included developing resource materials, all published on the Bank's website, and strengthening IT systems.

2.16 An Information Disclosure Committee, established to develop and implement the DAI policy, has been meeting regularly. However, the establishment of the Appeals Panel, the second level of the appeals mechanism, is still underway and due to be completed by January 2016. Once this body is in place, the DAI governance mechanisms will be fully operational. As a result, the Bank's information is now increasingly accessible through multiple channels (website, social media, field offices, on request, Public Information Centres, etc.). With the ongoing measures such as outreach to field offices, revamping of the website and training of staff on information requests, full compliance will be achieved sooner than planned. The DAI policy complements other transparency and accountability initiatives of the Bank Group, such as the Africa Information Highway, the International Aid Transparency Initiative, the Results Measurement Framework and the CSO Engagement Framework, all of which aim at maximizing stakeholder engagement and development effectiveness.

2.17 Disclosure of information must be supported by a strong communication and outreach capacity. The Bank is committed to ensuring that ADF donors receive appropriate recognition and visibility. The objective is to underscore the results made possible through their contributions. Progress has been made on the elaboration of a new Bank-wide Communications and External Relations Strategy, which sets out the different messages that need to be conveyed to the various eternal audiences, including the donor community itself. This Strategy has been completed and is only waiting for Board approval.

2.18 The proposed Strategy aims to establish communication as a central and transformative element of the Bank's work. Targeted communication can help the Bank maintain its position as Africa's premier development finance institution, while championing the wider cause of Africa's social and economic development. For the former objective, the Bank must first communicate with its most immediate and important stakeholders, both within and outside the institution. For the latter objective, the institution needs to bring its development operations and its knowledge products to the attention of the widest possible audience.

2.19 The new Strategy reflects lessons learned and continuing challenges. It sets out a number of new commitments, including a more disciplined approach to Bank-wide messaging, 'audiencing', planning and evaluating. The Communications and External Relations Department will equip and empower a communication network in the Bank and build up a wider body of potential communicators, including VPs, Senior Management and Executive Directors, project managers and experts. This will entail Bank-wide communication training and the creation of a new, comprehensive 'How to communicate' portal. This will be a 'digital first' approach, with significantly increased activity and interactivity via the website and social media. It will be facilitated by a new in-house audio-visual media studio. The Strategy will improve both discipline and creativity in 'development communications' – that is, in communication around the Bank's operations and knowledge work. It will raise the bar on communication in the field, by equipping and empowering existing field staff and by installing communications staff in the Bank's regional hubs. It will offer more strategic and practical support for internal communications, while building partnerships with media outlets and external partners.

2.20 **Consolidating Partnership with Civil Society Organisations (CSOs):** The Bank has progressively moved towards more participatory approaches to development assistance, with an emphasis on accountability, transparency and good governance. This includes outreach to and communication with CSOs, in accordance with the Bank's CSO Engagement Framework (CSO Framework). Civil society partnerships have become an integral part of the Bank's country and regional operations.

2.21 The CSO Framework offers opportunities to deepen and improve development results. Under the Framework, the Bank interacts with hundreds of CSOs across the continent, engaging with them through information sharing, consultation, operational collaboration, institutional partnerships and regular CSOs participation in the Bank's Annual Meetings. This has proven to be highly beneficial, as it increases beneficiary ownership of Bank projects while deepening public knowledge of the Bank and its activities. Moreover, CSOs have often raised important issues during strategy and project formulation. A plan to further operationalize the CSO Framework is being developed and three priority areas have been identified: enhancing CSO networks; CSO capacity building; and building CSO knowledge of the Bank.

2.22 In 2015, the Bank launched the AfDB-CSO Committee (CSO Committee). This body is designed to promote more opportunities for dialogue and stronger partnerships, while advising the Bank on implementation of the CSO Framework. The Bank is now working towards adopting an AfDB-CSO 'Charter' to re-energize the relationship and renew the compact between the Bank and CSOs.

2.23 As part of this engagement, the Bank has conducted a mapping of African CSOs, particularly those active in the Bank's priority areas. The resulting AfDB-CSO database was launched during the 2015 Annual Meetings. A portal has been established on the Bank's website to facilitate CSO consultations on Bank policies and strategies. Furthermore, the Bank has been working on several communication materials specifically targeting CSOs. Through its Governance Trust Fund, the Bank has worked with CSOs as implementing partners in delivering its governance operations, with a focus on strengthening demand-side governance in transition countries. The Bank has initiated open days with CSOs in its field offices, as a platform for exchanging views on collaboration at the country level. These provide a forum for the Bank to listen to the views of CSOs and to share information on its activities.

2.24 While this represents a step change in the Bank's engagement with CSOs, a number of challenges persist. The Bank is committed to doing more to engage CSOs around the development of its policies and strategies, in its policy dialogue with RMCs and across the entire project cycle. It needs to build a more detailed understanding of civil society in each RMC and to channel more resources into CSO capacity building. Measures being considered to achieve this include new tools for field offices to facilitate communication with local CSOs, and a dedicated Trust Fund to support innovative forms of CSO engagement in strategy setting, policy dialogue and Bank operations.

3. Ensuring Effective and Efficient Service Delivery

3.1 The Bank has begun to re-engineer its business processes to promote continuous improvement in the execution of the TYS. It has revamped its operations manual to support the corporate and operational reforms that have taken place since 2006. The most recent fine-tuning of its organizational structure has enabled the creation of new organisational units such as the Delivery and Performance Management Office, the Office of the Group Chief Risk Officer, the Business Development Department and the Special Programme Department. It has consolidated the Resource Mobilisation and External Finance Department, the Strategy and Policy Department, and the Budget Planning and Execution Department. It has transformed the Fragile States Unit into a Transition Support Department and buttressed its capacity to engage effectively with countries in transition or experiencing fragility. These reforms are aimed at ensuring a nimble, agile and innovative institution focused on operational efficiency and cost-effective delivery.

Strengthening the Corporate Planning Process

3.2 The Bank uses a three-year rolling work programming and budgeting cycle to ensure that resources are aligned with its TYS. This enables the Bank to maximize results while ensuring value for money. Several initiatives have been put in place to strengthen corporate planning. Country teams are now more actively engaged in the planning of the Indicative Operational Programme, to ensure that RMC priorities are reflected. This enhances collaboration among sector and regional departments in managing country portfolios and budgets. The Bank is upgrading its budgeting tool, the Strategic Resources Assessment Software (SRAS), and deepening corporate planning by extending SRAS training to all Bank staff.

3.3 In addition, a budget policy and process manual is being developed for all budget actors in the institution. The introduction of the new Cost Accounting System is underway and currently at data clean-up stage. The new system will provide better information on the cost of work programme deliverables, so as to enable more efficient use of resources. Accountability for results has been ensured through a set of performance contracts with Senior Management and Directors.

3.4 **Developing a conceptual framework on value for money (VfM):** The African Development Bank is leading work with other Multilateral Development Banks (MDBs) to introduce a new conceptual framework on value for money. A Concept Paper was completed in June 2015 examining the conceptual foundations of VfM from an economic perspective and outlining the economic principles of an alternative approach, centred around the notions of cost-effectiveness and cost-efficiency. VfM analysis serves three complementary purposes: i) supporting accountability of MDBs to their boards and to wider stakeholders; ii) supporting learning so as to strengthen future use of resources; and iii) supporting management decision-making so as to optimise MDB performance. MDBs have now agreed to develop a joint MDB approach paper on VfM. The intention is to draft a paper that is jointly owned by the MDBs, to explore the value and limitations of VfM in an MDB context. It will present the potential purposes of VfM analysis and outline how a generic VfM framework might look in practice. As MDBs all have different mandates, business models and activities, each MDB will need to adapt the VfM approach to support its own mandate.

Building a Strong and Diversified Pipeline

3.5 In 2014, the Bank was successful in diversifying its loan portfolio, with over UA 265 million in new ADB loans to countries that either graduated or became eligible for ADB funding as a result of changes to the Bank's Credit Policy. Diversification efforts have paid off, with an additional UA 1.15 billion issued to non-traditional ADB borrowers. This was facilitated by a set-aside administrative budget dedicated to business development. These funds have been invested into project identification and building a robust pipeline of projects. As a result, the Bank exceeded its 2014 lending target by 10%. While lending has significantly increased, the total budget has declined, implying that the Bank has been doing more with less. This pattern is consistent with cost rationalization measures implemented by Management since 2013.

3.6 Building on this momentum, country offices are actively engaging with RMCs in exploring business opportunities provided by the revised Credit Policy and the introduction of new Bank instruments. At the request of several RMCs, an inter-departmental team led by the Strategy and Policy Department is carrying out creditworthiness assessments within the Credit Policy and Graduation framework. These reviews could trigger the reclassification of some RMCs as blend countries. In fact, Cameroon (blend), Republic of Congo (ADB) and Zambia (blend) have already been upgraded based on these assessments. Parallel work is ongoing to strengthen the pipeline of projects in countries in transition to ADB resources. These efforts are expected to result in an additional UA 400 million of lending in 2015 and provide a robust pipeline for subsequent years. In fact, it is projected that the Bank will meet and exceed its lending targets this year.

Streamlining the Operations Review and Clearance Process

3.7 In July 2013, a revised Operations Review and Approval Process was adopted and related guidelines and procedures were introduced to support effective implementation. A review of its implementation in 2014 showed progress in streamlining the Bank's internal operations review process, with greater delegation of clearance to lower levels, allowing Senior Management to focus more on strategic issues and on larger and riskier operations. Steps have also been taken to enhance accountability and consistency in the review and clearance process. This represents a major step towards making the Bank more agile, nimble and responsive to its RMCs. A further fine-tuning of the Bank's operations review process is underway and is expected to be finalized by December 2015. The Bank is also refining the way it identifies strategic interventions in RMCs, in line with the TYS. A new annotated format for Country Strategy Papers was developed and considered by the Committee on Operations and Development Effectiveness in October 2014. The new format will help the Bank support RMC priorities and maximize the impact of its interventions. It also responds to recommendations by the Independent Evaluation Department (IDEV) following its recent assessment of CSP quality-at-entry. The new format is being piloted during the preparation of the Mozambique Country Strategy Paper 2016-2020, with a view to its adoption by December 2015.

Increasing Responsiveness in Fragile Situations

3.8 Under ADF-13, and in line with the objectives of the Strategy for Addressing Fragility and Building Resilience in Africa (2014-2019), the Bank has been increasing its efforts to be more responsive to the volatile environments found in countries affected by conflict and fragility (see paper on Fragile situations). This has involved developing a new strategy, upgrading the Fragile States Unit into a fully-fledged Department and introducing a new fragility assessment tool. The recent Ebola crisis in West Africa afforded an opportunity for the Bank to demonstrate this increased responsiveness. It moved quickly to mobilize around USD 210 million to strengthen public health systems in response to the epidemic. The AfDB President was amongst the first international leaders to travel to the region to show solidarity and galvanise international support. The revised resource allocation framework of the Transition Support Facility (TSF) proved its value, with unallocated reserve from Pillar I used for this emergency response.

Promoting Regional Integration

3.9 The Bank Group adopted its Regional Integration Policy and Strategy (2014-2023) in

November 2014 to replace its previous strategy. It focuses on two thematic areas: regional infrastructure development and enhancing trade and industrial development. The Bank is also promoting public-private partnerships in regional infrastructure development – from planning, designing, preparation and construction to operations, management and monitoring.

3.10 In the face of growing demand, the share of regional operations (RO) has now reached around 25% of the Bank's project pipeline. The demand for ADF-13 funds for ROs continues to exceed available resources almost threefold. In response, in 2014 the Bank adopted a revamped Regional Operations Prioritization Framework that allows the envelope to be used more strategically. The focus is on ROs that offer enhanced development and regional integration impact and advanced readiness and leveraging capability, with added special incentives for countries in transition. Accelerating regional integration through the development of transformative infrastructure requires enhanced support to project preparation capabilities across the continent. Strengthening the NEPAD Project Preparation Facility to contribute to regional integration remains a priority for the Bank. With the support of the ADF-13 set aside for regional integration, the Bank has been able to finance a number of corridor projects across the different regions of the continent.

Mainstreaming Gender

3.11 To raise the profile of gender issues and guide the delivery of its ambitious gender agenda, the Bank established the Office of the Special Gender Envoy (SEOG) and appointed a Special Envoy in 2013. This Office reports directly to the President, with its day-to-day activities overseen by the First Vice President and Chief Operating Officer. It works in collaboration with the Results and Quality Assurance Department (ORQR) on gender-related issues and with other Complexes to ensure gender mainstreaming and empowerment in all Bank interventions. A Gender Strategy was adopted in 2014. SEOG is working closely with all relevant units, RMCs and international organizations to deliver this ambitious agenda (see Paper on Update on the Bank's Gender Agenda).

3.12 The Bank recently adopted an action plan to Operationalize Gender Mainstreaming in its rules, procedures and practices. A Bank-wide Coordinating Committee on Gender Equality (CCGE) was created to promote collaboration and coordination and provide strategic guidance across complexes for effective implementation of the gender strategy. The Bank is elaborating a new format for a Country Gender Profile. It will propose ways in which the preparation and use of gender profiles can be strengthened, so as to improve their quality and operational usefulness. A Gender Marker system is also being introduced, to promote focus on operations that have greater potential to promote gender equality.

3.13 Internally, corporate and institutional policies are being reviewed and revamped to make the Bank a more gender-sensitive workplace. A lactating room has been opened to support breastfeeding mothers. The Bank's travel policy now provides the option for lactating mothers to travel on mission with their infants. In April 2015, the Bank appointed 85 staff to act as gender focal points across all departments, units, field offices and Regional Resource Centres. The role of the focal points is to integrate gender into business operations, policies and strategies and encourage more gender-sensitive attitudes and behaviours, such as identifying and curbing harassment, sexist attitudes and behaviours. The policy on prevention of sexual harassment will be revamped.

3.14 There are still a number of challenges to be overcome to achieve gender equality within the Bank. As at September 2015, 26.6% of professional staff and 36.2 % of total staff are females. An additional 146 female staff need to be recruited to reach the target of 33% female representation at professional grade level. At the managerial level, the target of 32% will require an additional 10 female managers, 7 female directors and 1 Vice President. In addition, the 2015 staff survey highlighted wide gender gaps.

3.15 Several recommendations for institutional reform have been proposed to senior management to address these concerns. These include the revision of the sexual harassment prevention policy, KPIs for managers to ensure gender parity in teams, proactive headhunting of qualified women for recruitment, zebra-style shortlisting to ensure equal representation of male and female candidates, and mentorship and career advancement for female professionals.

3.16 A review of maternity and paternity policies will be undertaken to ensure that they comply with global best practices. Family-friendly policies to encourage the employment of spouses and single parents are currently under consideration. Measures to be implemented also include the establishment of an equal salary framework and equal treatment and management of promotions for female employees. These proposals have the potential to improve the work environment and attract and retain talented women and men.

Mainstreaming Climate Change

3.17 Through the Climate Change Action Plan and the TYS, the Bank has brought greater coherence to its investments in climate change. So far, the Bank has invested about USD 6.5 billion to support climate change adaptation and mitigation actions in Africa. The Bank has deepened its partnerships with other institutions and leveraged external funding from the Climate Investment Funds and the Global Environment Facility. The Bank also hosts special Trust Funds such as the Congo Basin Forest Fund, the ClimDev-Africa Special Fund and the Sustainable Energy Fund for Africa, which facilitate Africa's access to climate finance. The Bank has also submitted its application for accreditation to the Green Climate Fund.

3.18 Capacity on climate change in the Bank and among RMCs is being enhanced through focused training and the development of tools and knowledge products. About 60 climate change-related knowledge products have been produced and widely disseminated, and more than 600 Bank and 1000 RMC nationals have been trained. Through the Bank's climate risk screening tool, Task Managers are able to screen all projects for climate risk and to build resilience into vulnerable projects during project design. The Bank led an MDB-wide effort to design a tracking methodology and tool for adaptation finance. The Bank is developing a greenhouse gas accounting tool, and has supported national development or sectoral policies, plans and strategies that incorporate incentives for low-carbon growth in eleven countries.

3.19 The Bank is helping to strengthen Africa's voice at international fora through the technical, logistical and financial support it provides to the African Climate Change Negotiators, the African Board Members of the Green Climate Fund, the African Ministerial Conference on the Environment and the Committee of African Heads of State and Governments on Climate Change.

3.20 However, the implementation of climate change initiatives in the Bank still faces a few challenges. The Bank still needs to strengthen its capacity to address Africa's adaptation priorities and mobilize resources from global funds.

Improving Bank's Procurement and Financial Management

3.21 In 2013, the Bank recognized the need for a comprehensive review of its two procurement policy documents: the "Rules and Procedures for Procurement of Goods and Works" and the "Rules and Procedures for the Use of Consultants". Although the existing procurement policy has served the Bank, RMCs and bidder communities well in past years, recent trends, both internal and external to the Bank, underscore the need for a more dynamic policy framework that fully supports development effectiveness within acceptable fiduciary standards.

3.22 A new procurement policy and associated methodology have been prepared for consideration by the Boards of Directors before the end of 2015. The new policy aims to promote greater VfM through risk-based engagement with borrowers, in which procurement arrangements and levels of fiduciary oversight depend on the quality and performance of the procurement system used for implementation, as well as the complexity of procurement transactions. When approved, the new policy will be supported by an Operations Procurement Manual to provide guidance to Bank and RMC staff. Detailed Guidance Notes on specific topics and model procurement documents and formats will be provided in the form of an Electronic Toolkit. The policy will enter into force in the fourth quarter of 2015, after Board approval.

3.23 The Bank's Procurement Services are now fully decentralized, with over 90% of its staff deployed in field offices. This is contributing to improvement in procurement processing timelines, as well as allowing for greater support to the Bank's clients in RMCs throughout the project cycle. This has been further enhanced with the introduction of the 2012 DAM. Over 90% of procurement transactions (by number) are now handled at field office level. The Bank is currently working on an IT-based solution that will provide a workflow for procurement decisions and allow procurement processing timelines to be tracked in real time. This will enable quick follow-up on procurement decisions. The pilot phase for this initiative is nearly completed and changes are being effected based on feedback from users. Bank-wide deployment will be phased, with eight countries covered in the fourth quarter of 2015, with a view to covering all countries by the end of 2015. Since 2011, the Bank has made use of Fiduciary Clinics on procurement, financial management and disbursement issues to support its borrowers. These focus on practical project implementation issues. A total of 35 fiduciary clinics have been held since September 2013 in different countries, based on need. The results have been very positive and have resulted in improvements in project implementation and disbursements.

3.24 The financial management (FM) framework applicable to Bank-funded operations has been updated, with the adoption and approval by the Board in 2014 of the Financial Management Policy. The principles underpinning this Policy are effective service delivery and good governance through support for and use of country FM systems, support to national oversight institutions, and active management of fiduciary risk at both country, regional and operational levels. To disseminate the Policy, the Bank has developed manuals and guidelines on practical FM approaches throughout the project cycle, as well as a methodology for the progressive use of country systems. Training of staff in these tools began in 2014 and will continue.

3.25 The Bank has stepped up its diagnostic work. Working closely with other development partners, in 2014 it provided financial management input into CPIAs, Public Expenditure and Financial Accountability Assessments (PEFAs), Fiduciary Risk Assessments (FRAs) and Capacity Assessments of Supreme Audit Institutions (CASAIs) across a number of countries. Readiness Review ratings improved across the board in project appraisal reports, indicating an overall improvement in FM compliance. To build the quality of independent audit of Bank-funded projects, audit workshops were held with external auditors. This helped the Bank exceed its 85% target for timely submission of audit reports.

Enhancing Portfolio Quality

3.26 In order to identify measures to improve portfolio quality and accelerate implementation, the Bank commissioned a comprehensive study to review persistent portfolio quality issues and constraints on the implementation of past recommendations on portfolio performance. The study, which was presented to the Board for information in November 2014, proposed an Action Plan to improve country program and project design and quality-at-entry, reduce implementation delays, enhance supervision and improve coordination with stakeholders. It is expected that all the above measures should result in improvements in the implementation and disbursement performance. Implementation of this Action Plan is now underway, with significant progress expected by December 2015. It includes a range of short-term measures, such as new tools and procedures to support robust analysis, due diligence assessments, implementation planning and monitoring, and increased advisory and technical support for RMCs.

Enhancing Coordination and Performance Monitoring

3.27 Following the establishment of the Delivery and Performance Management Office (COPM) in January 2014, significant progress has been achieved in changing the institutional culture from retrospective performance monitoring to proactive performance management. Initial results achieved in 2014 include:

- institutionalization of the monthly Executive Dashboard at Senior Management level, bringing into focus performance challenges, providing early warning of areas requiring attention and generating a greater sense of urgency for delivery;
- full delivery of lending targets across ADB and ADF windows (above 100%), a first since 2009;
- granular review of portfolio performance through the monthly Portfolio Flashlight, enhancing accountability at regional, country and sector levels;
- gradual improvement of corporate data integrity through enhanced transparency and accountability for data quality; and
- close follow-up of strategic institutional initiatives.

3.28 Priority areas of COPM going forward are the automation of performance dashboards at institutional and complex levels, sustained focus on portfolio management, support to delivery systems and continued emphasis on data integrity.

Strengthening Risk Management

3.29 The Bank has always emphasised the importance of robust risk management and risk governance. To that end, it has continuously adapted its risk management framework to the evolving business, external environment and global best practice. Through several internal studies and drawing on expertise from reputable risk advisory services, the Bank has successfully implemented a sound risk management framework. Approved in 2012, the Operations Risk Management Framework facilitates the achievement of development results while ensuring financial integrity. It is progressively being implemented to ensure a well-structured and coordinated approach to risk identification, assessment, mitigation, control and reporting. Several important milestones have been achieved:

- **Repositioning of the risk function**: With the creation of the Group Chief Risk Officer (GCRO) position in 2013, the risk management function was elevated and made independent of the Finance Complex. GCRO reports directly to the President. This repositioning is in line with best practices for most MDBs and major financial institutions. GCRO is currently embarked in several critical initiatives, such as the MDB exposure exchange, risk sharing and credit transfer programme. These initiatives are aimed at maintaining the relevance of the Bank to its RMCs.
- **A Credit Risk Committee:** A formal credit committee is now in place, with growing functions such as monitoring, portfolio reviews, reviews of credit exposure and clearing of investment proposals.
- **Strengthening risk capacity**: The Bank has built up its staffing levels and skills mix, commensurate with the complexity and degree of risk inherent in its lending activities.
- **Managing operational and reputational risks**: The Bank continues to strengthen its operational risk and control functions with adequate resources and tools and training of staff with the ultimate goal of developing a strong risk culture in the institution.

3.30 With the aforementioned achievements, the Bank has succeeded in putting in place a sound risk-management framework, with the following strengths: (i) a dedicated and qualified risk management team and defined processes for measuring, monitoring and reporting on risks; (ii) a sound portfolio credit risk management strategy, to weather any adverse downturn or stress event; (iii) prudent capital and liquidity management; (iv) minimization of non-core risks (such as currency and interest rate risks); and (v) strong Board involvement, to ensure robust oversight.

4. Improving Workforce Productivity

4.1 Adopted in 2013, the Bank’s People Strategy aims at establishing a stronger leadership and management culture to enable it become the employer of choice for those seeking to work for the growth and development of Africa. The first phase of the Human Resources (HR) Action Plan, aimed at prioritizing interventions to deliver the People Strategy, expired in 2014. The second phase is currently being finalized.

Effective Performance and Talent Management

4.2 The Bank designed and adopted a bespoke performance management system in July 2014. The new system emphasises that performance management is a major responsibility of managers and requires continuous assessment throughout the year. Managers are encouraged to communicate with their staff on objectives, expectations, shortcomings and areas of success throughout the year, rather than just at an annual performance assessment. Key enhancements include annual agreement by the Bank's senior management of the year's corporate standards; departmental moderation meetings to ensure consistency in approach across the organization; and user-friendly interface that encourages face-to-face discussion of individual performance rather than compliance and form filling. A new enhanced five-level rating scale was also introduced to enable high, average and low performers to be identified. Another key innovation is a streamlined recourse mechanism for greater efficiency, equity and fairness.

4.3 Bank Management and Board members have discussed progress under the Performance Management System and agreed that the new system represents a step change in openness and consistency. The compliance rates for the 2014 performance year saw completion rates at around 61% and 91% as at end of March and June 23rd 2015, respectively; the highest since systematic performance management has been in place. A staff engagement index was introduced in 2014 into the Staff Surveys that are now conducted periodically. Staff engagement is defined as a social and psychological contract between the Bank and its staff. The Bank commits to providing an enabling and safe environment for its staff to deliver and grow in their career, while staff commit to delivering quality products on the Bank's goals and business case and be worthy employees and ambassadors of the Bank. This contract is anchored on the Bank's People Strategy (2014-2017) and its performance is measured through Staff Surveys (also known as the Employee Engagement Surveys).

4.4 The Employee Engagement Index is calculated using different parameters, depending on the on-going engagement commitments between the Bank and its staff. It is based on the percentage of favourable responses to certain anchor questions that are repeated in each Staff Survey. Currently, the Bank uses the following five Employee Engagement anchor questions in each Survey: (i) overall rating of the Bank as a place to work; (ii) the respect with which staff members are treated; (iii) whether staff feel inspired by the Bank to do their best work; (iv) intentions to stay on at the Bank; and (v) pride in working for the Bank. The results of 2015 Staff Survey for the Employee Engagement Index was 64%, a reduction of 2% on 2013 results. Management is committed to continuous review of progress to identify areas of improvement of performance, such as delinking the setting of forward objectives from the annual review process to prevent delays in the former. A strong and trusted performance management system will lay the foundation for an effective Talent Management and Succession Planning system that Management is aiming to put in place in the next two years, in line with the People Strategy and HR Action Plan.

Reforming the Compensation Framework

4.5 After several discussions between Bank Management and the Board, a decision on the Total Compensation Framework (including salaries, social benefits, field benefits and expatriate benefits) has been delayed. The Board requested clarification on a number of areas of concern, including: (i) final recommendation on staff retirement and medical plans; (ii) a full update on the new Performance Management practice and system; (iii) a concept note highlighting options on key expatriate benefits such as education allowances and home travel support; (iv) update on the strategic staff planning exercise; and (v) the launching of an independent skills audit. The updates and papers on most of the above issues will not be concluded until the first quarter of 2016, given the level of review and in-depth analysis required, with options for the review of benefits therefore planned for later in the year. Thus, further discussions and decisions on the compensation framework paper are currently planned for the second quarter of 2016.

Knowledge Management and Learning

4.6 Given the challenges surrounding the Bank's return to its Headquarters, less emphasis was placed on learning in 2014. The Learning and Professional Development (LPD) Strategy 2014-2016 set out a programme for learning and knowledge management to strengthen the Bank's position as Africa's premier development finance institution. The new LPD strategy sets out to re-energize the Bank's approach to staff development by bringing a new focus on results and VfM, while ensuring that business needs drive the agenda alongside personal development. Despite a moratorium on training, a range of knowledge and learning products were designed and disseminated throughout the year and a number of in-house learning programmes and courses were designed and launched. Also, specific learning initiatives that support ADF commitments (e.g. introduction of a fragility lens) were implemented in collaboration with the relevant sector departments. Knowledge management was enhanced by the introduction of international certification programmes (e.g. HR Certification, PRINCE2 Certification, Operations Certificate Programme (OCP), Project Finance Certification, IFID Certification, and Young Professionals' Certification). Other certification programmes are being developed. In order to ensure that all staff acquire basic skills and knowledge of Bank products and systems, there are plans to identify and develop courses, which all newly recruited staff would be required to undertake before confirmation in post. There are also plans to design compulsory courses for all staff as a requirement for contract renewal.

4.7 E-learning: The Bank's Knowledge and Learning Management System gives staff access to learning and training in all areas of Bank operations. It enables the building and acquisition of multiple skills for staff in areas of interest outside their main work domain. E-learning packs, including online courses, e-books, book summaries, articles, journals, magazines, management and training videos, are hosted on the Bank's web platform in both French and English, to provide universal access to learning for staff and RMCs. Enhanced virtual learning was launched through Webinars, Adobe Connect, WebEx and Mobile learning technologies.

4.8 Leadership Development: The Leadership and Management Development Programme (LMDP), which ended in 2012, is being reviewed, with the aim of launching a new programme in 2016. In collaboration with Management's designated Champion on Leadership, the Bank is reviewing key training programmes, including for Resident Representatives, newly recruited managers, executive leadership and emerging leaders. Communication training sessions are provided to the Bank's Senior Management on an annual basis. This will be expanded to include all staff in the near future.

4.9 Monitoring Staff Engagement: The Staff Survey is one of the tools that the Bank uses to engage with and obtain feedback from staff. It measures progress across the pillars of the People Strategy, including on employee engagement, managerial effectiveness, performance and accountability, and developing the Workforce of the Future. As well as monitoring employee motivation and wellbeing, the Survey collects feedback on the quality of management and leadership and enables the Bank to diagnose organisational issues that require intervention.

4.10 The Bank has conducted four Staff Surveys between 2007 and 2015. The last survey was in April 2015, with a participation rate of 82%: the highest rate ever and the best when benchmarked with sister MDBs. There has been significant improvement over this period. The 2015 results were not significantly different to those gained in 2013 – an exceptional result, given the potential for disruption from the return to Abidjan. Based on industry trends, scores would normally be expected to deteriorate between 4% and 6% during such a period of significant change.

4.11 There are nonetheless some recurring themes that need to be addressed. These include building a culture of openness, trust and respect, the persistent gender gap, career development/coaching and toleration of poor performance. Against these can be set a number of areas where the surveys reveal real strengths, such as: pride in working for AfDB, sense of accomplishment, clarity of expectations and improvements to work/life balance.

Workforce of the Future

4.12 In keeping with its goal of building the Workforce of the Future, the Bank is reviewing its policies to make them more family friendly. This has included re-launching of the Presidential Directive on flexitime and more support from Senior Management to keep meetings within the core hours of 10am and 4pm. The travel policy has been revised to enable nursing mothers to travel with their babies and a helper, if they are exceptionally required to work during the lactation period. A number of family-friendly policies, including spouse employment, guidelines for remote working and more flexible working patterns such as compressed hours and job-share are also under preparation. In taking forward this work, the Bank is mindful of the requirement to balance organizational imperatives with staff needs and welfare.

Breaking the Glass Ceiling

4.13 The Bank is actively seeking innovative ways to reach, attract and retain women in its workforce. This calls for a good understanding of the Bank's internal gender profile and the priorities and expectations of women staff. In all key staff survey questions on engagement, leadership, performance and accountability and work force of the future, the female staff responses have consistently been less favourable than those of male staff. After the 2013 staff survey, there was a World Café group discussion for Bank female staff to participate and share their views on how to improve this gender gap. Senior Management has been engaging with the Bank's Special Envoy on Gender, to discuss options for addressing these challenges and bringing about positive change in the workplace.

5. Managing Change and Ensuring Business Continuity

Returning to Headquarters

5.1 The Bank's return to its Headquarters in Abidjan was a major undertaking, requiring strong change management and business continuity planning. The return was accomplished successfully, with minimum disruption to the Bank's business. The Bank is the only multilateral institution that has moved its entire operations and staff internationally, on two occasions.

5.2 At the 2012 Annual Meetings in Arusha, in light of the improving situation in Côte d'Ivoire, the Board of Governors instructed the Bank to work with the Ivoirian government to develop a Roadmap for the orderly return to its Headquarters. The Roadmap was approved at the 2013 Annual Meetings in Marrakech. A Board Working Group on the return was established, alongside a strong change management system with a monitoring mechanism and communication plan. The Roadmap emphasises the fundamental importance of staff welfare and security, with triggers that had to be met for the return to happen, relating to security, office space, housing, schools and healthcare facilities (see annex I for an update on these triggers).

5.3 The return process proved to be remarkably successful. It was executed within the approved budget of USD 163 million. As of September 2015, USD 136 million has been spent. The balance of USD 27 million provides the required comfort that all return-related expenses will be met before the expiration of the budget at the end of 2015.

Planning for Business Continuity

5.4 The return means relocating all of the Bank's staff and their families (around 5,000 people), as well as its systems, equipment, documents and business activities to its Headquarters in Abidjan. This was accomplished while continuing to meet all obligations to stakeholders and deliver a full portfolio of lending operations.

5.5 A Business Continuity Strategy was approved in 2014, drawing on robust business continuity planning processes that had been in place since 2001. A business continuity site (datacentre) was established in South Africa to support the process. Other factors contributing to the successful move included strong oversight by the Board Working Group; phased implementation of the return according to a clear Roadmap; leveraging of capacity within the Bank's field offices; a strengthened IT backbone; training of staff on change management; and the use of a range of business continuity tools and processes.

5.6 In the end, disruption was minimised and the Bank was able to exceed many of its 2014 performance targets. Loan and grant approvals for the year amounted to UA 4,786 million, against a target of UA 4,335 million, representing an implementation rate of 110%.

Managing Change Effectively

5.7 The return to Abidjan was a major step into the unknown for many at the Bank: 68% of the 2014 workforce was recruited in Tunis. Many staff who came from Abidjan when the Bank moved in 2003 had not visited Abidjan during the temporary relocation period.

5.8 For this reason, Management put in place a comprehensive Change Management Strategy and communication plan. It focused on helping staff deal with the emotional impact of change, alongside the practical and logistical aspects. The training on change management was even extended to the family members of staff.

5.9 The Change Management Strategy was underpinned by a major communication strategy to ensure the availability of timely and comprehensive information about the return. At the centre of the communication strategy were the President's Town Hall meetings with staff, where plans for the return were explained and each staff member was asked to work with Senior Management to ensure its success. Regular Town Hall meetings were also held by VP complexes, supported by the Vice President Corporate Services (CSVP) complex, change facilitators, the Staff Council and the Family Association, as appropriate. Moreover, to keep staff informed and facilitate feedback, the Bank used communication tools such as a dedicated Return to HQ Intranet site, with a user-friendly Facebook-style interface, together with blogs and newsletters.

5.10 A further important aspect of communication around the return was dialogue with the Governments of Tunisia and Côte d'Ivoire. This was led through a series of regular bipartite meetings between the Bank and the two Governments in order to analyse, assess and take action on key aspects of the Road Map.

5.11 **Staff attrition:** Whilst Management did all it could to support and encourage staff through the return process, it was recognized that some staff would be unable to relocate for personal reasons. A separation package was therefore made available, initially for General Service staff and later for professional staff. However, despite early fears that the Bank would lose up to 30% of its workforce, by September 2015 only 13.5% of the Bank population had opted to take the separation package because of the move. This represents 4.3% of General Service staff and 9.2% of professional staff.

6. Conclusion

6.1 The ADF-13 period has been highly dynamic and eventful for the Bank. Alongside the historic return to Abidjan, its Headquarters, the Bank has undertaken a range of ambitious internal reform and renewal processes. It has made remarkable progress in re-engineering the institution to meet the challenges that lie ahead. Its return coincided with the outbreak of the Ebola Crisis in the West Africa region.

6.2 Nonetheless, the Bank still faces some substantial challenges relating to human resource management and the delivery of its operations. The former relates to continued high staff attrition rate and the need to reinforce human resource capacity, as well as deploy appropriate skill sets to field offices. The Bank is addressing these challenges by implementing its People Strategy, strengthening its decentralization model and recruiting consultants to complement its workforce. To support delivery of the People Strategy, Management overhauled the Bank's performance management system by addressing both process and culture issues, in order to minimise the barriers to effective performance management.

6.3 On the accelerated delivery of the Bank Group's operations, measures to enhance monitoring of delivery are being addressed through a monthly executive dashboard for senior management and a portfolio flashlight for sector and task managers. To maximise development effectiveness within an acceptable fiduciary compliance framework, a complete overhaul of the Bank's procurement policy is underway. While the Bank's overall lending has significantly increased over the last two years, actual budget over the same period has declined, implying that the Bank has been doing more with less. In addition, the Bank has introduced concrete cost rationalization measures since 2013, to reduce the high costs of administration and to ensure that value for money is maintained across the institution.

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Annex I: Update on the Return to Headquarters Triggers

RETURN TO HEADQUARTERS 5 TRIGGERS	
SECURITY	The countrywide security evaluation of the United Nations Security Level System (SLS) remains at LEVEL-3 Moderate, or lower as indicated by the UN and monitored by SECU.
OFFICE SPACE	The renovation of the HQ building has encountered significant slippage on its timetable. The Government of Cote d'Ivoire rehabilitated and graciously made available a building – the Centre pour le Commerce International d'Abidjan (CCIA). The CCIA has been provided rent-free for a period of two years, after which a lease agreement will come into force.
HOUSING	The Government and the Bank put in place a joint commission to look into the matter and established dedicated teams to work on securing housing. New staff joining the Bank in Abidjan and those returning from Tunis and field offices have been able to secure housing.
SCHOOLS	The International Community School of Abidjan (ICSA) returned to its original site in time for the start of the 2014-15 academic year. The Ivoirian Government met its commitment to rehabilitate the Lycée International Jean-Mermoz which opened for the start of the 2014-2015 academic year. In addition to these two major English and French schools, staff also enrolled their children in other French and English schools in Abidjan.
HEALTHCARE FACILITIES	Over the period of the Return, there has been noticeable improvement in the quality of health services, including expansion in surgical care. There are about 38 private health establishments in Abidjan, including three (3) clinics of reference. These clinics and the Service d'Aide Médicale d'Urgence (SAMU) are increasingly expanding the range of services. There are about 132 service providers (clinics, pharmacies and laboratories) who are currently within the Henner (ex-GMC and the main insurance provider for staff health services) network in Cote d'Ivoire. In addition, the Bank has set up a new medical centre in the CCIA, which includes on-site laboratory facilities. In response to the Ebola outbreak, the Bank has also set up an isolation unit on campus for managing infectious diseases.