

# **AFRICAN DEVELOPMENT FUND**



## **Human Resources Management Update** (Background Paper #5)

**ADF-XI Replenishment Meeting**  
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## EXECUTIVE SUMMARY

In response to Deputies desire to see 2007 as a “Year of Delivery” on human resources issues, this background paper reports progress on the Bank’s human resource reform agenda.

*Strengthening the Bank’s capacity:* The Bank launched an ambitious re-deployment and recruitment exercise to renew the management team and better align staffing with institutional priorities. Following the renewal of the Senior Management team in March 2006, an enhanced and rigorous selection process to fill 71 senior positions was recently completed. These senior positions represent fifty percent of the Bank’s management positions. The Bank used this unique opportunity to strengthen the recruitment process and make it more strategic and transparent. It has also been an opportunity for the Bank to improve its diversity record and to re-position itself as an employer of choice that promotes inclusion and values diversity. Recruitment of professional level staff is well underway. Out of 131 vacant professional level positions, 6,000 applications have already been received for 71 positions.

*Managing Performance for results:* The Bank has decided to put in place a more credible and appropriate performance management system. This new system, which is being designed with the assistance of external experts, will be fully implemented starting January 2008 and following a pilot program this year. It has two key components, namely, an output based evaluation with a clear linkage between corporate, team and individual objectives and evaluation based on multi-source feedback that will serve as a diagnostic tool to monitor and manage performance as well as to guide staff development. The rationale for a multi-source evaluation system is to encourage greater transparency, objectivity and fairness, as well as promote a client-oriented culture.

*Ensuring adequate rewards:* The Bank is working on a new compensation and benefits framework, for the period 2008-2012, that will support the Bank’s capacity to secure, recognize and motivate talent and provide sufficient incentives for staff members to focus on achievement of the Bank’s overall objectives by focusing compensation and reward on staff contributions and output. The review, which started in November 2006, is expected to be finalized by the end of March 2007. The implementation of any arising reforms is scheduled to become effective on 1 January 2008 when the current compensation framework ends. The new framework will cover the job classification framework, and compensation for all staff including field office international and local staff.

*Promoting staff development:* The Bank has undertaken a number of initiatives over the past year to open up opportunities for career growth and staff development. These include the introduction of a dual career path, promoting greater mobility of staff and offering a wide range of staff and management development programs.

*Aligning human resource management to business strategy:* The success of the Bank’s ambitious program of transformation and institutional reforms is critically dependent on a wide range of human resource related actions anchored on a human resource strategy and action plan that is aligned to the Bank’s business strategy. In 2006, Management started developing such a strategy and is benefiting from ongoing consultation with the Executive Directors, the perspectives of other stakeholders, and from ongoing studies including those on performance management and compensation.

## **1. INTRODUCTION**

1.1 At the ADF-X Mid-term Review in The Hague in December, 2006, the ADF Deputies discussed the human resource issues facing the Bank. While acknowledging the progress made by the Bank, they urged further and faster reforms to ensure the Bank's effectiveness in supporting growth and accelerated poverty reduction in Regional Member Countries (RMCs). Specifically, Deputies invited the Bank to step up action on human resource issues and make 2007 "a Year of Delivery". This background paper therefore reports progress on the human resource reform agenda under five major thrusts, namely strengthening the Bank's capacity, managing performance for results, ensuring adequate rewards, promoting staff development, and aligning human resource management to business strategy.

## **2. STRENGTHENING THE BANK'S CAPACITY**

2.1 The Bank launched institutional reforms in early 2006 to consolidate the Bank's achievements and reposition itself for greater development effectiveness, with the overarching goal of assisting RMCs to meet their development challenges and achieve measurable results. These reforms are also expected to enable the Bank to provide leadership in areas that have been mandated to it or where it has or can develop comparative advantage. Management recognizes that the Bank's success in fulfilling these expectations is based, to a large extent, on the effectiveness of its staff, its key asset. Accordingly and in order to foster a results-oriented institution, human resource management renewal has been an integral part of the institutional reforms. It has covered the development of a coherent governance framework and human resource (HR) strategy, an overhaul of HR policies, practices and procedures, and strengthening the HR management function.

2.2 A key aspect of the institutional reforms was the implementation of a new organizational structure to strengthen and shift resources to operations and the Office of the Chief Economist, and build the knowledge generation capacity of the Bank. This new structure, which became effective on 1<sup>st</sup> July 2006, has resulted in Bank staff and budget resources in Operations accounting for more than 60% of total resources, and a scaling up of the Bank's knowledge activities. In addition, the Bank launched an ambitious re-deployment and recruitment exercise to renew the management team and better align staffing with institutional priorities. Specifically, with the appointment of four new Vice Presidents, a Chief Economist and Secretary General in March 2006, the senior management team was renewed almost in its entirety. In July 2006, all staff in operations were reassigned and redeployed, in line with the requirements of the new organization structure. This was followed by an enhanced and rigorous selection process to fill 71 senior positions. These senior positions included Directors, Managers, Resident Representatives and Lead Experts, and represent fifty percent of the Bank's management positions. As shown in Table 1, this selection process attracted 9,456 applications, thereby giving the Bank a wealth of internal and external talent to choose from.

**Table 1: Managerial Selection Process – Diversity Statistics**

	Applicants Received				Candidates Short Listed				Candidates Selected			
	W	M	Total	%	W	M	Total	%	W	M	Total	%
<b>RMCs</b>	1 002	6 425	7 427	79%	55	174	229	75%	14	35	49	73%
<b>NRMCs</b>	285	1 744	2 029	21%	12	64	76	25%	5	13	18	27%
<b>Total</b>	<b>1 287</b>	<b>8 169</b>	<b>9 456</b>	<b>100%</b>	<b>67</b>	<b>238</b>	<b>305</b>	<b>100%</b>	<b>19</b>	<b>48</b>	<b>67</b>	<b>100%</b>
<b>% W/M</b>	<b>14%</b>	<b>86%</b>	<b>100%</b>		<b>21%</b>	<b>79%</b>	<b>100%</b>		<b>28%</b>	<b>72%</b>	<b>100%</b>	

*W = Women; M = Men; RMCs = Regional Member countries; NRMCs=Non Regional Member Countries*

2.3 The Bank equally used this unique opportunity to strengthen the recruitment process and make it more strategic and transparent. The Bank was assisted with this enhanced selection process by an internationally reputed human resource consulting firm, with worldwide experience in all aspects of human resources including recruitment. The three key stages of this process were screening, including upfront preliminary reference checks, use of assessment centres and panel interviews.

2.4 The process used multi-dimensional techniques to assess the key competencies required for senior positions including leadership, strategic thinking, decision-making, results orientation, team leadership, communication, client orientation, resource management, integrity and sensitivity to diversity. Assessment centers with trained external assessors required demonstration of these competencies through a variety of different exercises. Based on the assessments, selected candidates were interviewed by panels of interviewers that included external panelists. In accordance with the Bank's staff regulations and rules, the process was guided by the Appointment and Promotions Board, which includes Vice Presidents and other members of senior management.

2.5 This recruitment effort is part of the Bank's strategy to renew its skill and talent base and has endeavoured to attract a diverse pool of internal and external candidates with a broad range of relevant experience. It has also been an opportunity for the Bank to improve its diversity record and to re-position itself as an employer of choice that promotes inclusion and values diversity. It has specifically begun to address the diversity imbalances that the Bank faces in terms of age, gender and geographical representation in management. For example, the Bank has been able to attract highly qualified candidates from under-represented countries, boost the participation of women in management, and improve its age profile. Specifically, women represent 28% of the newly appointed senior staff as compared to only 11% of the current population. Similarly, the average age of the newly appointed staff is 47.6 years compared to 52.5 years for the current population.

**Table 2: Women in Senior Positions in International Institutions at 31/12/2005**

<b>Organization</b>	<b>No. of Staff</b>	<b>Women in Senior Positions</b>
United Nations Children's Fund	9 305	36%
United Nations High Commissioner for Refugees	5 606	29%
World Bank Group	7 808	26%
World Health Organization	4 053	22%
United Nations Educational, Scientific and Cultural Organization	2 140	21%
Inter-American Development Bank	1 989	20%
African Development Bank (after new appointments)	1 042	18%
International Monetary Fund (at 31/12/2004)	2 714	15%
Organization for Economic Co-operation and Development	2 002	14%
European Investment Bank	1 324	12%
African Development Bank (at 31/12/2005)	1 021	11%
Asian Development Bank	2 452	11%

Source: ORIGIN Member Fact Sheets, 2006 Annual Meeting

2.6 Recruitment of professional level staff is well underway. Out of 131 vacant professional level positions, 6,000 applications have already been received for 71 positions. To ensure that the Bank is able to leverage the wealth of talent identified during the selection process for senior positions, the applicants that were not recommended for these positions will also be targeted as a source of candidates for professional level positions. The Bank's Program for Young Professionals (Program for Senior Analysts), which is in the process of being reformed, to become more competitive, and responsive to the needs of the institution, is also a source of talent for the institution. Specifically, it is seen as a flagship program for attracting young talent with multidisciplinary backgrounds, and has been identified as important in helping to maintain a healthy age profile, especially given that 36% of current Bank staff will retire in the next 10 years. The program will be expanded and based on a rigorous competitive selection process aimed to bring in an even more diverse pool of young talent. Given that decentralization is a critical element of the Bank's strategy, the Bank has also stepped up action to fill all vacancies in Field Offices, and fully staff the eight additional offices that were opened in December 2006.

### **3. MANAGING PERFORMANCE FOR RESULTS**

3.1 The goal of building the Bank into an accountable and results-oriented institution is anchored in the ability to operate a credible system of managing performance, which links individual performance to organizational performance, and rewards high performance whilst tackling poor performers. The Bank has therefore decided to replace its current performance management system with a more credible and appropriate system. This new system, which is being designed with the assistance of external experts, will be fully implemented starting January 2008 and following a pilot program this year. It has two key components, namely, an output based evaluation with a clear linkage between corporate, team and individual objectives and evaluation based on multi-source feedback that will serve as a diagnostic tool to monitor and manage performance as well as to guide staff development. The rationale for a multi-source evaluation system is to encourage greater transparency, objectivity and fairness, as well as promote a client-oriented culture; input will be received into an

individual's performance from multiple sources - supervisors, self, clients and peer reviews. The new system will also leverage the experience of other International Financial Institutions in implementing 360 degree systems. The strengthened system will promote more regular and systematic dialogue between staff and management, encourage staff members to be more accountable for their own evaluation, and shift from a focus on compliance to emphasis on performance improvement and staff development. It will emphasize implementation, teamwork, and knowledge generation and sharing across the Bank.

3.2 The system is expected to become the core component of human resource management at the Bank and will impact promotion and career development as well as identify low performers for coaching and training. It will be the basis for recognition and compensation, staff training, redeployment, promotion, career development and separation. The system will be computer-based and will provide an opportunity for better monitoring and follow-up of staff performance. It will also complement efforts to enhance accountability and empowerment amongst managers, including through increased delegation of authority while strengthening safeguards. Building such a performance-oriented culture with much greater emphasis on accountability is intended lead to a more productive and motivated staff,

#### **4. ENSURING ADEQUATE REWARDS**

4.1 The Bank is working on a new compensation and benefits framework, for the period 2008-2012, that will support the Bank's capacity to secure, recognize and motivate talent. The fundamental purpose of this compensation reform is to provide sufficient incentives for staff members to focus on achievement of the Bank's overall objectives by focusing compensation and reward on staff contributions and output. To encourage high performance and since staff compensation and benefits represent over 70% of the Bank's administrative expense, the Bank's compensation system should offer more attractive financial rewards to top performers. However, there is currently a relatively small difference in annual salary increases for exceptional performers relative to satisfactory or acceptable performers. Though the Bank has improved its compensation framework by harmonizing its compensation package with comparator MDBs, and is able compete for talent in the same markets, there are still some fundamental challenges that the anticipated revised compensation framework will address.

4.2 The objectives of the proposed framework are competitiveness, performance-orientation, an adequate balance between salaries and benefits, efficiency, and long-term sustainability. It is therefore expected that a greater portion of compensation will be linked to performance while benefits not linked to performance that require onerous administration will be rationalized and/or monetized.

4.3 The review, which started in November 2006, is expected to be finalized by the end of March 2007. The implementation of any arising reforms is scheduled to become effective on 1 January 2008 when the current compensation framework ends. The new framework will cover the job classification framework, and compensation for all staff including field office international and local staff.

4.4 By promoting a compensation and rewards system that is equitable, competitive and fiscally sound, the Bank is striving to encourage employee productivity, and better position itself to attract and retain potential talent. Like an enhanced performance management

strategy, such a framework is central to shaping a results based institution and improving performance.

## **5. PROMOTING STAFF DEVELOPMENT**

5.1 The Bank has undertaken a number of initiatives over the past year to open up opportunities for career growth and staff development. These include the introduction of a dual career path, promoting greater mobility of staff and offering a wide range of staff and management development programs.

5.2 To remedy the lack of appropriate promotion opportunities for technical experts, the Bank has begun to introduce a dual career path in 2006 with a separate stream for technical experts to run alongside the existing managerial stream. The objectives are to: (i) provide incentives for staff to build their technical skills; (ii) enhance sector and cross-cutting depth and knowledge by promoting and attracting top sector experts; and (iii) encourage a better use of talent in key positions by clearly distinguishing between technical and managerial skills and needs. New promotion procedures will enable staff to be promoted within their specialist stream on acknowledged achievement of agreed competencies for different grades.

5.3 Increased staff mobility is also being encouraged to enhance staff performance, foster knowledge sharing, teamwork and cross-fertilization of skills. In the context of its decentralization strategy, the Bank is encouraging staff to gain field experience to help broaden their professional scope, and enhance client-orientation. In addition to the major reassignment exercise highlighted in section 2, sixty staff members took advantage of the presidential directive on mobility in 2006.

5.4 The Bank has also continued to strengthen its staff and management development programs to ensure that it is better able to develop core competencies of all staff. In 2006, the Bank, in partnership with HEC Montreal, complemented the flagship management development programs with other programs, such as the new managers' development program, the resident representatives program and the leadership development program targeted at project and team leaders. These programs are aimed at developing core competencies of staff members in leadership positions, and equipping them with the right tools to become accountable managers and team leaders responsible for results as well as for people development and performance management. The Bank is also planning to introduce structured programs that target core capabilities such as information technology (IT), time management, and client engagement skills.

5.5 To promote a knowledge building and sharing culture, in its bid to brand itself as the as a first port of call for knowledge on the African continent, and to ensure an African voice in international development debates, the Bank is enhancing training in targeted sectors and cross cutting issues that support of its operational and knowledge agenda. In 2006, 28 training programs were organized, targeting 496 staff members and using alternative learning practices including inviting eminent personalities to share their experiences and strategies on key development and emerging issues.

5.6 Since improved language capabilities can help enhance client orientation, the Bank has also embarked on a program to broaden and deepen language training. In addition to programs for English and French, the Bank has developed a pilot Portuguese language

training program (with financial assistance from the Government of Portugal) to improve effectiveness in Lusophone countries.

5.7 In terms of delivery, the Bank will use e-learning techniques to broaden access to training and learning especially in the context of decentralization. Certification will also be introduced, where possible and appropriate, to ensure and sustain value of learning, and Managers will be given more responsibility for identifying staff training needs and priorities.

## **6. ALIGNING HUMAN RESOURCE MANAGEMENT TO BUSINESS STRATEGY**

6.1 The success of the Bank's ambitious program of transformation and institutional reforms is critically dependent on a wide range of human resource related actions that will help build capacity, promote higher performance, and develop and empower staff, while holding them accountable for results. These actions are anchored on a human resource strategy and action plan that is aligned to the Bank's business strategy. In 2006, Management started developing such a strategy and has leveraged the wide-ranging consultation and thinking undertaken as part of the institutional reforms approved by the Board, and by the ADF Action Plan. The pillars on which the strategy is built are attracting the required talent, promoting staff learning and career development, managing performance for results, recognizing and rewarding performance, and ensuring a work environment and staff well-being in support of high performance, as well as emphasizing the cross-cutting imperative of promoting and valuing diversity. The related Action Plan is shown in Annex I. The strategy is benefiting from ongoing consultation with the Executive Directors, the perspectives of other stakeholders, and from ongoing studies including those on performance management and compensation.

