

# **Impact of Institutional and Business Process Reforms on Programming and Delivery**

**Background Paper**

**ADF-11 Mid-Term Review  
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## Executive Summary

This paper responds to a request by ADF Deputies for an update on the impact of institutional and business process reforms on delivery and programming. The majority of initiatives under the 2007 core reform agenda have now been instituted. As with any major change management initiative, progress and impacts require time. This update primarily measures inputs and outputs as it is too early to fully assess impacts.

Business process reforms and institutional changes, including those related to operational programming, review processes and the delegation of authority, are empowering managers to make decisions based on evidence, experience and results. The creation of the Operations Committee and the Quality Assurance and Results Department has streamlined the review process and contributed to improvements in the quality of operations. Country Teams are playing an enhanced role, helping cross-Complex dialogue and identifying issues at an early stage of the review process. A revised matrix for the delegation of authority has enhanced accountability and ownership.

The decentralization strategy continues with some 23 Field Offices operational at the time of writing<sup>1</sup>. In addition, donor coordination has been enhanced and communications between the Bank Group and its clients have improved. Decentralization guidelines and the ongoing effort to improve Field Offices' procurement capacity have increased portfolio management from Field Offices and improved procurement service standards as well. A recent independent evaluation of the status of decentralization<sup>2</sup> highlights the progress made and the challenges ahead.

Human resource reforms have increased staff both at Headquarters and in Field Offices. An enhanced orientation program is helping new staff to get up to speed on internal processes. Still, to raise recruitment and retention rates, much work remains.

The Budget Management Framework is gradually strengthening a results-based culture, empowering individual managers and emphasizing accountability. The move to Units of Account (UA) budgeting in 2010 will allow for greater flexibility and accountability and enhanced staff planning.

In summary, the institution is in the transition and consolidation phases of its evolution towards a results-oriented organization, shifting from a focus on inputs to one on outputs and, in the medium-term, outcomes. Management is aware of the challenges associated with the initial stage of this process and is committed to continued monitoring and improvement to achieve results.

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<sup>1</sup> including the Temporary Relocation Agency in Tunis

<sup>2</sup> ADF-11 MTR paper *Independent Evaluation of the Decentralization Strategy and Process at the African Development Bank: Summary Report for ADF-11 Mid-Term Review*

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## Abbreviations

|        |  |
|--------|--|
| ADB    | African Development Bank                                       |
| ADF    | African Development Fund                                       |
| ADF-10 | Tenth General Replenishment of the African Development Fund    |
| ADF-11 | Eleventh General Replenishment of the African Development Fund |
| COMPAS | Common Performance Assessment System                           |
| COO    | Chief Operating Officer  |
| CPR    | Country Portfolio Review                                       |
| CSP    | Country Strategy Paper   |
| HQ     | Headquarters   |
| IT     | Information Technology   |
| KPIs   | Key Performance Indicators                                     |
| MOPAN  | Multilateral Organisation Performance Assessment Network       |
| OpsCom | Operations Committee   |
| RMCs   | Regional Member Countries                                      |
| UA     | Unit of Account  |

# **IMPACT OF INSTITUTIONAL AND BUSINESS PROCESS REFORMS ON DELIVERY AND PROGRAMMING**

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## **1. Introduction**

### ***Context***

- 1.1 This background paper is one of the deliverables requested in the Eleventh General Replenishment of the African Development Fund (ADF-11) implementation matrix of the December 2007 Deputies' Report as part of the overall commitment to "strengthening the implementation of the agenda on Managing for Development Results during ADF-11 in order to achieve better outcomes."<sup>3</sup> This paper builds on the "Progress Report on Institutional Reforms" background paper presented during the ADF-11 replenishment consultations held in Tunis in June 2007 and updated in Bamako, Mali in September 2007. In order to better measure and guide improvements, a new two-tiered Results Measurement Framework was developed to monitor and promote development effectiveness and institutional effectiveness. Key Performance Indicators (KPIs, or "indicators") were subsequently put in place for all Complexes and provide an improved framework to measure performance in the context of clearly articulated programs and objectives, and promises of a performance-oriented culture.

### ***Objectives of this Paper***

- 1.2 In the context of the reforms undertaken since 2006 to increase delivery capacity and client focus, this paper focuses on the status and implementation of institutional and business process reforms, some of which are highlighted in Table 1. While the 2007 background paper mainly focused on providing a status report of reforms already undertaken, this paper captures the early impact of these reforms on the basis of indicators related to institutional efficiency as defined in the ADF-11 Deputies' Report. Progress in these areas is closely linked to the results reported in other Mid-Term Review papers, notably "Progress in Implementing the ADF-11 Results Measurement Framework" and "Implementing the Paris Declaration Commitments and Building on the Accra Agenda for Action".

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<sup>3</sup> ADF-11 Deputies' Report, 11 December 2007. Page ii.

**Table 1: Selected Key Reform Actions and Anticipated Impacts**

| <b>Area of Reform</b>  | <b>Key Action</b>  | <b>Anticipated Impact</b>  |
|--|--|--|
| <b>Human Resources</b>   | Conducting of the Staff Skills Survey  | Enhanced responsiveness to staff views   |
|  | Competitive compensation framework and retirement plan                                 | Improved recruitment and retention   |
|  | Decentralization of human resources functions  | Increased responsiveness to client needs; improved services                                      |
| <b>Business Processes and Organization</b>   | Creation of the Operations Committee (OpsCom) and Country Teams                        | Streamlined review process   |
|  |  | Improved strategic alignment   |
|  |  | Increased cross-Complex communication (Country Strategy Papers, Country Portfolio Reviews, etc.) |
|  | Creation of a Chief Operating Officer (COO) position                                   | Improved cross-Complex decision-making   |
|  |  | Corporate strategy oversight   |
|  | Delegation of Authority Matrix   | Accelerated project processing time  |
| Empowered local management   |  |  |
| Enhanced country relations   |  |  |
| Creation of the Procurement and Fiduciary Services Department (ORPF)                           | Improved quality standards and service delivery  |  |
|  | Lower transaction costs and improved harmonization with multilateral development banks |  |
| <b>Decentralization</b>  | Roll-out of 23 Field Offices with customized staffing                                  | Increased country dialogue and ownership   |
|  |  | Better donor coordination  |
|  |  | Elevated role of the Bank Group  |
|  | Decentralization guidelines  | Empowered Field Office teams   |
| Increased Field Office portfolio management  |  |  |
| <b>Quality-at-Entry and Managing for Results</b>   | Creation of the Quality Assurance and Results Department (ORQR)                        | Integration of results frameworks into operations  |
|  |  | Shift to a knowledge-based culture   |
|  |  | Increased probability of project success   |
| <b>Budget Management Framework</b>   | Delegation of resource management to cost center managers                              | Improved reporting through the timely delivery of Project Completion Reports                     |
|  |  | Better staffing and management decisions   |
|  | Creation of the Strategy and Budget Department (COBS)                                  | Creating a continuum on strategic, planning, programming and budgeting processes                 |
|  |  | Increased response capacity  |
| Fixed cost ratio to replace headcount controls (at the full UA budgeting implementation stage) | Dynamic staff planning   |  |

Key: UA = Unit of Account

## **2. A Transition to Improved Capacity and Greater Impact Measurements**

- 2.1 As noted in the December 2007 ADF-11 Deputies' Report, the African Development Bank (ADB or the Bank) Group is transitioning to a period of "comprehensive and ambitious operational reform, built on sharper strategic focus, a reinforced mandate, and a strengthened core emphasis on results"<sup>4</sup>. To capture the results expected from this reform, the Bank is implementing a robust measurement framework that allows for both reporting success and spotlighting areas that require additional focus.

### ***Improved Business Processes***

- 2.2 The realization of an effective Operations Committee (OpsCom) and effective Country Teams as central fora to review and discuss country programming, delivery and impact has brought the organizational changes of 2006 and 2007 to fruition. OpsCom is an internal review body comprised of senior Management whose mandate is to sharpen the country focus and strategic selectivity of the Bank Group's operations, strengthen the Bank's internal cooperation and cohesion, and improve its development impact. Since its inception, OpsCom has instituted rigorous, systemic changes to the review process, making it both simpler and faster. From January 2008 to June 2009, OpsCom reviewed 187 projects, 39 country and institutional strategies, and 42 policies and formats. This streamlined review process has improved quality and enhanced strategic alignment and coordination across the institution and between the Bank Group and its shareholders and clients. Furthermore, the introduction of systematic checks and balances has made it possible to identify potential issues early so that they can be addressed in a timely and concerted manner. An evaluation of the review process, including OpsCom's role and operations, is planned in order to assess its impact on delivery and programming. The lessons learned will also guide the fine-tuning and further improvement of the review process.
- 2.3 OpsCom also piloted the development of new designs, formats and oversight procedures for Country Strategy Papers (CSPs), Country Portfolio Reviews (CPRs), Concept Papers, Project Appraisal Reports and other critical documents for both public and private sector operations. The CSP format, for example, has been widely praised by Board members and sister institutions as the new business-plan reflection of governments' National Development Plans. Additionally, private sector operations now benefit from a greater emphasis on effectiveness through the implementation of the Additionality and Development Outcome Assessment process.<sup>5</sup>
- 2.4 Accountability and corporate-level ownership have been reinforced through the comprehensive revision of the Delegation of Authority Matrix, at both the Headquarters (HQ) and the Field Office level. Delegating authority for loan negotiations and signature, loan administration, portfolio management, project supervision and dialogue and communication with regional member countries (RMCs) and partners has accelerated project implementation by reducing processing times. The average elapsed time between project approval and first disbursement has almost been halved, falling from 24 months in 2006 to 14 months as of the second quarter of 2009.

### ***Decentralization: Improved Client Focus and Awareness***

- 2.5 The goals of a strengthened, effective country presence through decentralization include greater delivery impact; enhanced dialogue between the Bank Group and RMCs; greater RMC ownership of their development agenda; better alignment of the Bank Group's interventions with country priorities; and closer donor coordination in line with the Paris Declaration commitments. Improved disbursement processes and project performance are also being achieved through decentralized and empowered Field Offices. A recent

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<sup>4</sup> ADF-11 Deputies Report, 11 December 2007. Page i.

<sup>5</sup> The Additionality and Development Outcome Assessment framework analyzes and groups development outcomes in seven categories: (i) economic performance; (ii) effects on governments; (iii) environmental effects; (iv) gender and social effects; (v) private sector development and demonstration effects; (vi) effects on infrastructure; and (vii) effects on macroeconomic resilience.

independent evaluation and Management's preface present key aspects of decentralization in greater detail<sup>6</sup>.

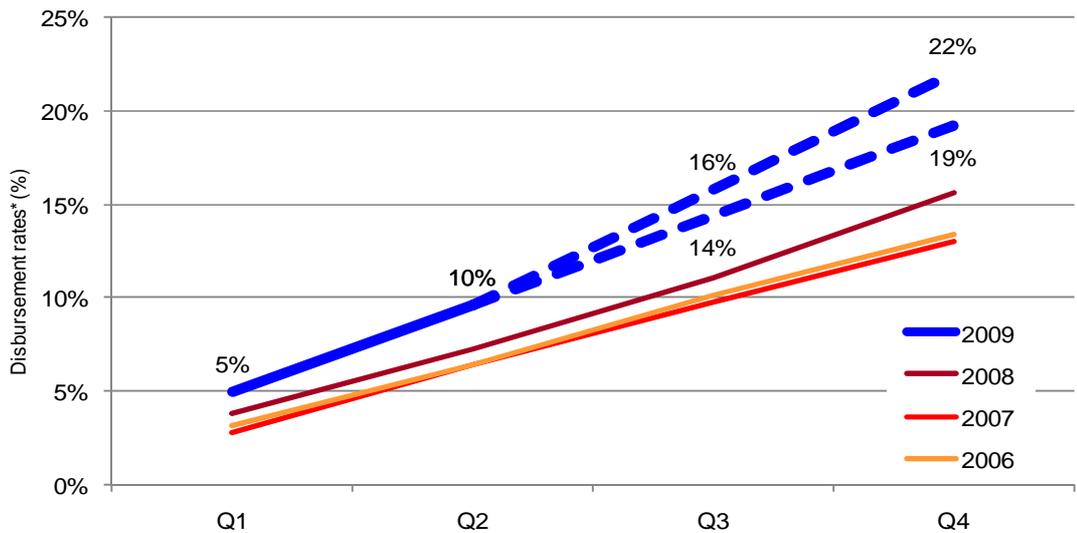
- 2.6 Decentralization is moving forward actively, with 23 Field Offices already operational and three further Field Offices<sup>7</sup> at an advanced stage. To make these Field Offices fully operational, measures for accelerated and tailored staffing, including the redeployment of HQ sector-specific staff, have been put in place. Nearly 90 percent of the 200 Professional-Level international and local field-based positions have now been filled or are awaiting assumption of duty. As a result, the Bank Group is in the process of staffing each operating Field Office with the required core expertise, including country economists, country program officers and sector specialists relevant to the priorities of clients' national development strategies. This progress, in conjunction with the additional business process reforms, is moving the institution from a culture of individual reviews and sporadic supervision to one of continuous dialogue and monitoring.
- 2.7 Dedicated decentralization guidelines and delegation of authority matrices were issued to clarify the relationship between Field Offices and HQ and empower resident representatives and their staff. Continued devolution of procurement and fiduciary service activities to country offices is proceeding with a view to increasing the percentage of projects with procurement authorization in country offices in line with the Accra Agenda for Action. A process is underway to create a decentralized and critical mass of experts comprised of procurement and disbursement officers, supplemented by financial management experts, in selected Field Offices. This will be a key factor in improving effectiveness with regard to responsiveness and project implementation. As task leadership is increasingly delegated to the field, the focus is shifting towards strengthening task management capacity in country offices by delegating portfolio management and project supervision.
- 2.8 Efforts to improve information technology (IT) connectivity are being undertaken to facilitate communication and full workflow integration, a sine qua non condition to successful decentralization. Progress has been made but there is still room for improvement. The connection to HQ is operational in all Field Offices. Nonetheless, to accompany the increase in staff numbers, the IT framework and infrastructure will require further strengthening to enhance Field Office service and connectivity. The recently launched overhaul of the overall information systems architecture is the first step towards reaching this important objective.
- 2.9 The decentralization program is well under way both in the field and at HQ. A number of Field Offices have only recently become operational and are still in the process of fully staffing up. In some countries where the Field Office has been operational for a longer time, initial results can be measured by the progress made on key indicators. For example, in Ethiopia and Mozambique, disbursement rates have increased to 47 and 52 percent, respectively. As shown more generally by Figure 1, disbursement ratios have improved significantly in 2009, following the already better performance recorded in 2008 when compared to previous years. On a more qualitative level, the Bank's on-the-ground presence enables the institution to take the lead in a number of coordinating fora and sector dialogues, serving to reinforce synergies between donor interventions and promote the harmonization of donor procedures. A key challenge going forward will be to mainstream decentralization into the Bank Group's corporate culture, promoting a "One Bank" mindset that further empowers and incentivizes staff to support the decentralization process.

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<sup>6</sup> ADF-11 MTR paper Independent Evaluation of the Decentralization Strategy and Process at the African Development Bank: Summary Report for ADF-11 Mid-Term Review.

<sup>7</sup> including the planned office in South Africa

**Figure 1: Evolution of disbursement rates from 2006 to 2009**



\* disbursement rates are calculated as disbursements within the calendar year divided by stock of undisbursed loans and grants at the beginning of the year; Budget Support operations and transfer to FSF are excluded

**Quality-at-Entry and Managing for Results**

2.10 With a view to enhancing the quality-at-entry of operations and strategies and conducting better results reporting, a new review process was initiated and a Quality Assurance and Results Department established in mid-2008. As illustrated in Table 2, ADF-11 internal reforms have already resulted in improvements during the 2006-2008 period. In particular, results frameworks in CSPs and operations increasingly include baseline data and targets that facilitate the assessment of the impact of ADF-financed interventions. Project readiness, as gauged by the time elapsed between approval and first disbursement, also improved both for budget support programs and investment projects. Proactive follow-up on the timely production of Project Completion and Project Supervision Reports is now in place and has contributed to improved performance in these areas. The ADF-11 Mid-Term Review paper “Progress in Implementing the ADF-11 Results Measurement Framework”, examines the current status of the implementation of the Action Plan on Quality and Results in greater detail.

**Table 2: Tier II of the Results Measurement Framework: Institutional Effectiveness - Internal Reform Indicators During ADF-11**

|   | Baseline Value 2006 | Target Value 2009 | Achieved as of December 2008 |   |
|---|---------------------|-------------------|------------------------------|---|
| <b>Ensuring Quality-At-Entry for Strategies and Operations</b>                    |                     |                   |                              |   |
| Percentage of new CSPs with satisfactory baseline data at entry                   | 33                  | 70                | 38                           | ✘ |
| Percentage of operations with satisfactory baseline data at entry                 | 37                  | 70                | 50                           | ✔ |
| Percentage of budget support disbursed on schedule                                | 55                  | 75                | 69                           | ✔ |
| Average elapsed time between approval and first disbursement (months)             | 24                  | 12                | 15.8                         | ✔ |
| <b>Instilling a Continuous Supervision Culture</b>                                |                     |                   |                              |   |
| Percentage of operations formally supervised twice a year                         | 36                  | 50                | 45                           | ✔ |
| Percentage of problem projects in ongoing portfolio                               | 14                  | 10                | 14                           | ✘ |
| Annual disbursement rate of ongoing portfolio* (%)                                | 18                  | 22                | 21                           | ✔ |
| Average elapsed procurement time (weeks)  | 70                  | 40                | 58                           | ✘ |
| Share of projects eligible for cancellation (%)                                   | 27                  | 15                | 23                           | ✘ |
| <b>Enhancing Learning and Accountability Through Evaluation</b>                   |                     |                   |                              |   |
| Percentage of exiting projects with a timely completion report                    | 9                   | 45                | 96                           | ✔ |
| Percentage of PCRs rated satisfactory   | 45<br>in 2003-05    | 75                | 90                           | ✔ |
| Percentage of PCRs reporting gender-disaggregated data                            | 45<br>in 2006-07    | n/a               | 47                           |   |
| <b>Improving On-the-Ground Results Through Decentralization and Harmonization</b> |                     |                   |                              |   |
| Percentage of professional staff based in Field Offices                           | 5                   | 15                | 15.4                         | ✔ |
| Percentage of portfolio managed from Field Offices                                | 0                   | 15                | 7.4                          | ✘ |
| Percentage of missions conducted jointly (Paris Indicator 10a)                    | 19<br>in 2005       | 40<br>in 2010     | 13<br>in 2007                | ✘ |

\* includes PBLs

Key: CSPs = Country Strategy Papers

- 2.11 The Bank Group acknowledges a number of persisting challenges with regard to the quality-at-entry of CSPs and operations, also highlighted in the recent Independent Review of Quality at Entry 2005-2008 conducted by the Operations Evaluation Department. New initiatives are being piloted to address these issues and further enhance the Bank's focus on quality and results. Investment projects now undergo a systematic Readiness Review which, together with OpsCom's review, aims to improve the focus on quality and results of Project Appraisal Reports submitted to the Board of Directors. Revised formats for completion and supervision reports in conjunction with independent evaluations of the quality-at-entry of operations are also enhancing accountability and contributing to learning.
- 2.12 The 2007-2008 budget reforms introduced greater devolution of budget management authority to the level of individual managers and strengthened accountability through the monitoring of Key Performance Indicators. The focus on accountability and results will be further enhanced through the final phase of the budget reforms and the move towards Unit of Account (UA) budgeting in 2010. Among other goals, UA budgeting<sup>8</sup> aims to further decentralize budget management, providing managers with flexible resources to help them focus on delivery and results. Financial resources management will be further delegated to cost center managers, empowering them to make rational, knowledge-based decisions. When fully implemented, UA budgeting will replace the headcount control policy with budget-based controls (i.e., the fixed cost ratio and a total budget envelope). This, in accordance with work program priorities, will allow for dynamic staff planning to enhance the Bank's capacity to respond to emerging priorities in a more rapid, flexible and rational manner.

<sup>8</sup> Under UA budgeting, resource allocation will be determined by first identifying the work programme to be funded and thereafter translating the workload into the total resource envelope needed to execute the work programme.

- 2.13 These measures will ensure stronger links between resource allocation and institutional priorities on one hand and performance on the other. By maintaining a strong oversight framework, they will also enhance flexibility and devolve resource management to allow for more results-oriented and cost-efficient delivery.

#### ***Improved Institutional Efficiency***

- 2.14 The creation of the position of Chief Operating Officer (COO) and approval of the organizational fine-tuning<sup>9</sup> designed to improve corporate performance are expected to produce gains in efficiency and alignment between the corporate structure and reform processes.
- 2.15 Appointed in May 2009, the COO has overall responsibility for monitoring performance with the support of the newly created Performance Monitoring Group. The COO also has a mandate to improve delivery.
- 2.16 The Procurement Unit was upgraded to a full-fledged department that comprises procurement and financial management functions. It was also rationalized to improve services delivery and efficiency for both internal and external clients, with quality control at international standards<sup>10</sup>. The restructuring of procurement and financial management functions has ensured high-quality, rapid and consistent decision making. This accomplishment is also gradually facilitating greater harmonization with other donors and empowering borrowing member countries while ensuring the maintenance of the Bank's fiduciary responsibilities. The simplification of the procurement policies and harmonization with other multilateral development banks will facilitate joint financing and minimize transaction costs.

#### **Box 1: Impact of the Restructured Procurement Function**

The streamlining and restructuring of procurement and financial management services of the Bank contributed to improved service delivery while minimizing fiduciary risks and enhancing accountability through the following actions:

- (i) Revising the ***rules and procedures*** to reduce administrative and implementation-related burdens;
- (ii) Restructuring and upgrading the incumbent organizational unit while building a critical mass of well-trained procurement and financial management specialists decentralized at the country and regional levels and scaled up at HQ;
- (iii) Increasing the use of specialized private sector entities to undertake systematic independent procurement post-reviews and audits for small-value contracts and financial audits;
- (iv) At the country level, conducting a greater number of diagnostic studies and reviews in collaboration with other donors, thereby strengthening client capacity and facilitating the targeted provision of assistance to borrowers;
- (v) Delegating adequate procurement clearing authority to procurement specialists commensurate with their level of accreditation; and
- (vi) Setting up a Bank-wide quality assurance mechanism to ensure that procurement and financial management functions are carried out in accordance with best practices.

The revision to the Approval Authority for procurement and financial management is a critical piece, well aligned with the practices of other multilateral development banks. With its implementation, it is expected that over 90 percent of procurement decisions (by number) will be made at the Field Office level. This should accelerate the implementation of procurement-intensive projects significantly and enhance the development impact of the Bank's projects.

<sup>9</sup> African Development Bank. 2008. *Improving Corporate Performance*. ADB/BD/WP/2008/104/Approved, 15 July 2008.

<sup>10</sup> African Development Bank. 2008. *The Bank's Streamlining Procurement & Financial Management Functions - Proposed Process Improvements*. ADB/BD/IF/2007/37/Rev.1; ADF/BD/IF/2007/31/Rev.1, 8 January 2008.

- 2.17 The Quality Assurance and Results Department was also created to lead the corporate action plan to strengthen the Bank's focus on results, reinforce countries' capacity to manage for results, and monitor progress.
- 2.18 The Fragile States Unit and a Gender, Climate and Sustainable Development Unit were established to promote and improve delivery on these cross-cutting issues, increasing awareness through the dissemination of related guidelines and action plans. A system to better track and monitor the newly introduced KPIs for climate-proofing projects and gender mainstreaming is currently under development.
- 2.19 In the long run, these organizational changes will make delivery more efficient. Tangible results have already started to materialize, but efforts must be sustained and strengthened to meet KPI targets.

### ***Improved Human Resources to Ensure Better Delivery Capacity***

- 2.20 One of the key institutional challenges facing the institution is its ability to attract, retain and effectively utilize the capacities of qualified staff in order to deliver on its mandate. Accordingly the Bank Group is implementing its Human Resources Strategy, which focuses on (i) the recruitment and deployment of high-caliber staff to operations and country/regional offices and (ii) a more competitive and rationalized staff Compensation and Benefits Framework. These types of institutional human resources (HR) reforms require a long-term time frame to take hold, particularly in a dynamic, multicultural environment.
- 2.21 A staff skills survey and general survey have allowed Management to better identify HR and employee expectations. Within the more general context of enhancing corporate services delivery<sup>11</sup>, ongoing HR reforms will move the centralized HR administration model to a more client and partnership-focused model, enabling the HR department to provide a wider range of services, including strategic planning, career development and advisory services.
- 2.22 The restructured HR function, while still in progress, has already improved the Bank's capacity to institute the large staff increase approved by shareholders (Table 3). Key staffing needs in the private sector, legal, safeguards, risk management and results areas as well as other areas have been filled with the addition of over 40 relevant experts. This has bolstered the Bank Group's effectiveness and the quality of its work. Through a strong recruitment drive, a revamped Young Professionals Program and decentralization of the recruitment process to Complexes, the vacancy rate dropped from 15 percent in December 2008 to 8 percent in June 2009 and is expected to reach approximately 4 percent as selected candidates assume duty and currently advertised positions are filled. A more competitive and rationalized compensation framework<sup>12</sup>, an online performance evaluation system that has strengthened the link between performance and reward, an improved orientation program for new staff and other innovative initiatives have provided the institution with state-of-the-art tools to manage and optimize the capacity of its growing staff.

**Table 3: Human Resources Indicators**

|   | <b>Baseline Value 2007</b> | <b>Target Value 2009</b> | <b>Achieved as of June 2009</b> |   |
|---|----------------------------|--------------------------|---------------------------------|---|
| <b><i>Achieving the Capacity to Deliver</i></b>       |                            |                          |                                 |   |
| Vacancy rate <sup>13</sup> (%)                        | 15                         | 5                        | <b>8*</b>                       | ✓ |
| Total number of Professional-Level staff              | n/a                        | n/a                      | <b>1000</b>                     |   |
| Gender balance index for Professional-Level staff (%) | 22                         | 23                       | <b>24</b>                       | ✓ |
| Field-based Professional-Level staff (%)              | 9                          | 15                       | <b>16</b>                       | ✓ |
| Operations Complexes Professional-Level staff (%)     | 45                         | 55                       | <b>63</b>                       | ✓ |

\*expected by Q3 2009

<sup>11</sup> African Development Bank. 2008. *Proposal to Enhance Corporate Service Delivery*. ADF/BD/WP/2008/137, 13 December 2008

<sup>12</sup> This framework includes an amended Staff Retirement Plan now applicable to local staff as well as life insurance, medical coverage and compensation for school fees.

<sup>13</sup> Reflects actual staff at post and excludes staff awaiting to assume duty

- 2.23 The capacity of the HR department itself has also been scaled up through the intensive use of external consulting services: individual consultants were engaged for the equivalent of 150 full-time staff in 2008 and the equivalent of 101 full-time staff in the first 6 months of 2009. These staff resources, added to staff who will assume duty over the next few months and combined with the next sequence of reforms, will improve staff performance, increase staff retention rates and multiply staff's capacity to deliver results.

#### ***Improved Technology to Support ADF's Mission***

- 2.24 The institution has embarked on an ambitious technology improvement plan to contribute to streamlined work flows and equip staff with the tools necessary for efficient delivery.
- 2.25 The Broadband Integrated Telecommunication Services project was completed at the end of 2008 and provided a major upgrade to the IT infrastructure. The network was further upgraded through a fiber optic-based infrastructure at the Temporary Relocation Agency, which improved its reliability and throughput and offered a viable alternative to slower satellite-based technology. IT systems will be further improved by the implementation of the recommendations stemming from the report on the IT architecture recently concluded by an external consultant.
- 2.26 The Bank Group's Enterprise Resource Planning platform (SAP®) will be upgraded to facilitate reporting, support new financial products and provide field offices with a secure disbursement platform and better integration with HQ. Procurement workflows have been revised. The pilot phase currently underway will result in more automated and streamlined processes to be rolled out by the end of 2010.
- 2.27 Finally, the Bank Group's revamped website, in conjunction with the communication strategy approved end-2008, has improved the Bank's visibility, its knowledge-sharing capacity and its outreach to its clients.
- 2.28 These achievements notwithstanding, the full implementation and realization of benefits relating to IT upgrading face significant constraints intrinsically linked to the temporary nature of the Tunis-based operations. This situation impedes medium-term investments that would provide staff with state-of-the-art systems and work-conducive office space.

#### ***Alignment with International Best Practices***

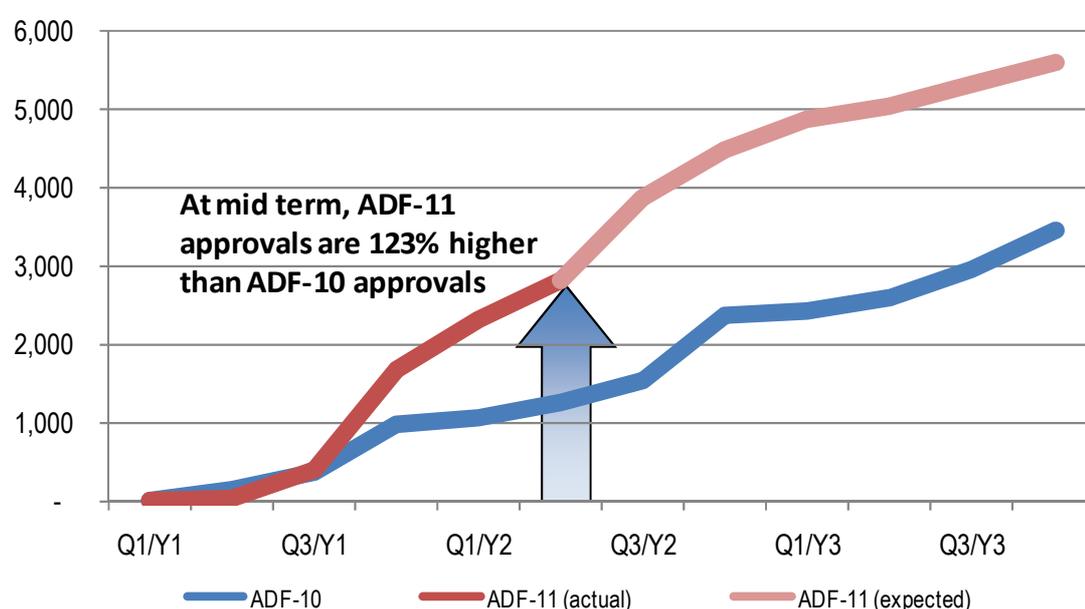
- 2.29 The Bank is an active participant in external and peer review processes, including the Multilateral Organisation Performance Assessment Network (MOPAN), an informal network of 15 like-minded donor countries with a common interest in assessing the organizational effectiveness of the major multilateral organizations. The MOPAN approach assesses four strategic dimensions of organizational effectiveness: strategic, operational, relationship and knowledge. The Bank Group was assessed in 2003, 2004 and 2007 and is being assessed in 2009 along with three other multilateral organizations. The results of the assessment will be available in 2010.
- 2.30 The Bank Group is also an active participant in the Common Performance Assessment System (COMPAS), which provides the seven participating multilateral development banks and their partners with information on strengths as well as on areas for improvement relating to managing for development results. COMPAS focuses on measuring multilateral development banks' capacity to apply and improve operational processes designed to achieve on-the-ground results. The responsibility for coordinating COMPAS reporting rotates among members; the Bank coordinated the 2007 report.
- 2.31 Overall, managing for development results performance indicators for 2008 were satisfactory. The Bank Group fared well in one category (harmonization among development agencies) and was stable in four categories (country capacity to manage for development results, allocation of concessional resources, project management systems, and institutional learning from operational experience).
- 2.32 The Bank Group's participation in these best practice exercises helps to promote accountability, improve bilateral and multilateral cooperation, strengthen partnerships and provide guidance to enhance the debate on and improve development effectiveness.

### 3. Impact on Programming and Delivery

#### *Impact on Delivery*

- 3.1 The impact of institutional and business process reforms on delivery can already be felt in terms of approvals by the Board of Directors. As shown in Figure 2, the volume (in UA) of approvals has increased in line with the increased confidence and expectations manifested by African Development Fund (ADF) shareholders during the ADF-11 replenishment negotiations. Now at mid-term (June 2009—the second quarter of the second year of ADF-11), the level of approvals more than doubled (123 percent higher) compared to the level of approvals during the Tenth General Replenishment of the African Development Fund (ADF-10). This significant increase demonstrates a surge in delivery capacity. In addition, the time elapsed between approval and first disbursement has simultaneously improved by nearly half, from 24 months in 2006 to 14 months at mid-term.

**Figure 2: ADF-10 Versus ADF-11: Cumulative Approvals**  
(UA millions)



- 3.2 An improved staff base, strengthened systems and robust review processes have supported the institution's capacity to handle the increased ADF financing made available by donors and have promoted proper channeling to recipient countries. This was achieved in the context of the Bank Group's response to the financial crisis, which strained institutional resources through simultaneous and significantly increased lending activities under the African Development Bank window, which shares staff resources with the ADF.
- 3.3 Even as the institution's capacity has increased, the Bank has become more flexible. In responding to the food crisis<sup>14</sup> and to the economic and financial crisis<sup>15</sup>, it was able to implement new mechanisms and procedures that allowed it to react rapidly to important challenges facing client countries. This increased flexibility has augmented the Bank's ability to handle peaks without disrupting normal operations.

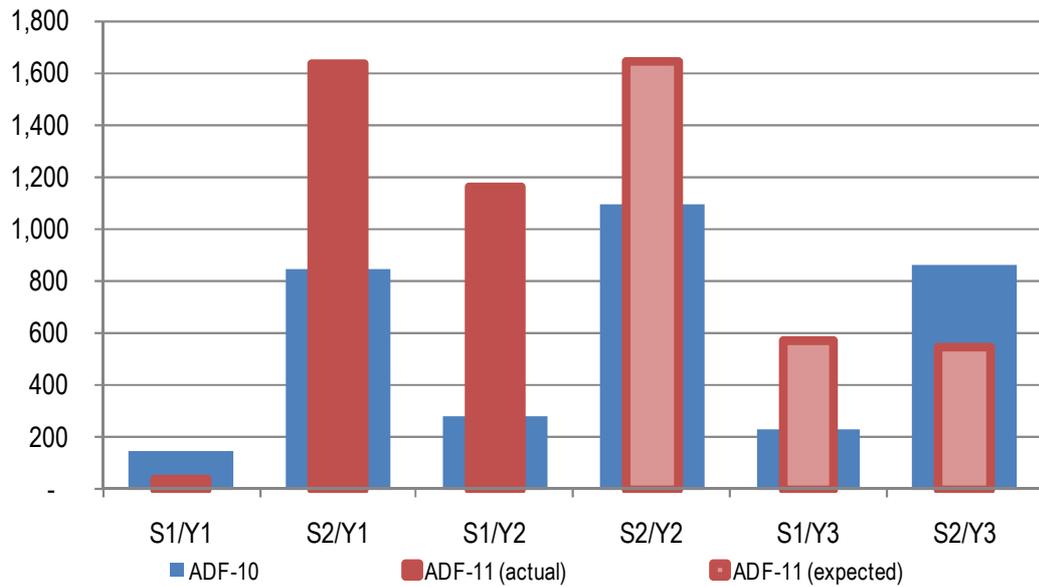
<sup>14</sup> African Development Bank. 2008. *The Africa Food Crisis Response*. ADF/BD/WP/2008/64/Add.1/Rev.1, 23 July 2008; and close to 20 subsequent operations

<sup>15</sup> African Development Bank. 2009. *Bank Response to the Economic Impact of the Financial Crisis*. ADF/BD/WP/2009/32/Add.1/Rev.1, 5 March 2009

**Impact on Programming**

3.4 Previous ADF cycles were characterized by skewed programming with approvals heavily concentrated towards the end of the programmatic year. Though this pattern continued in the first year of ADF-11, the improvements that resulted from the budget reforms and the creation of OpsCom supported additional programming (Figure 3). The first semester of 2009 (S1/Y2) already saw the realization of 41 percent of the annual work program and a more regular flow of documents scheduled for Board approval. The 2009 peak in approvals (especially in the second semester) illustrates ADF’s response to the financial crisis and the resulting front-loading of resources. Even programming is anticipated for the remainder of the ADF cycle and guarantees a more predictable flow of resources to RMCs together with improved quality and readiness.

**Figure 3: ADF-10 Versus ADF-11: Approvals by Semester**  
(UA millions)



**Impacts yet to Materialize**

3.5 The new institutional and business process reforms have been introduced and are being communicated and integrated across Complexes and Field Offices. Metaphorically speaking, the key building blocks are now in place and are starting to deliver on their promise of increasing the impacts of ADF-funded operations. The key challenge going forward is to further inform and incentivize staff to institutionalize the reforms and make them part of day-to-day operations.

3.6 The Bank Group has initiated or put in place the vast majority of institutional and business process reforms envisioned by Deputies, enabling a full and better utilization of the increased funding made available during ADF-11. In other words, the seeds have been planted and are being nurtured. However, the fruits of the reforms and their true impact in terms of qualitatively enhanced development outcomes will be felt on a larger scale only in the long run, once projects designed after the reforms but still in the pipeline or in the early stages of implementation, yield their results.

## **4. Conclusion**

- 4.1 Much was accomplished during the first half of ADF-11 as many promised reforms were initiated and implemented with the goal of promoting a culture of efficiency and accountability. These reforms have had a noticeable quantitative and qualitative impact on delivery and programming. They have led to a more efficiency-driven organization and have enhanced the Bank's capacity to handle an increased volume of operations. These quality improvements will ensure better development results.
- 4.2 Many reforms have been completed too recently to yield results. Nonetheless, it is expected that ongoing efforts to achieve and maintain low vacancy rates, to enhance budget flexibility and management capacity in the Complexes and Field Offices, to make the planning and monitoring of the execution of work programs more rigorous, and to better manage capital projects will result in higher performance levels going forward. Changing mindsets in terms of decentralization and results through quality will also be key success factors. Management has demonstrated its ability to undertake much needed reforms to guarantee future success, and will strive to extend and deepen the results reform agenda.
- 4.3 Selected KPIs and qualitative measures confirm that the Bank Group is making progress in implementing business process reforms and relevant systems and frameworks for long-term impact. Still, concrete, measurable benefits for RMCs will only be realized in the long run: CSPs and projects currently being designed under the increased scrutiny and collaboration fostered by the new business processes and the quality-at-entry framework have not yet had time to demonstrate their full development impact.
- 4.4 At the ADF-11 Mid-Term Review, it can be concluded with confidence that the Bank Group's institutional growth and improved business processes have put the institution in a position to increase its development impact through the enhanced replenishment resources entrusted to it. In the coming months and years, the Bank Group will continue to monitor, test and adjust its reform agenda as appropriate to create a more effective, results-oriented institution.