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ADF-13: Institutional Effectiveness and Efficiency

Discussion Paper

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Executive Summary

The Bank Group (Bank) has successfully implemented its Medium Term Strategy (MTS) for 2008-2012. Despite a number of global and regional challenges it has maintained focus on the MTS priorities and implemented strategic initiatives to foster results orientation and better value for money. Through a more decentralized delivery model, it has improved client responsiveness by becoming more involved in policy dialogue and donor coordination, and greater field-based portfolio management. Resources are more aligned to operational priorities and business processes are faster and more flexible. Portfolio quality has substantially improved and stakeholder engagement has been consolidated through greater transparency. All these achievements have been against a backdrop of improved efficiency and cost control in the face of tight fiscal conditions.

A good foundation now exists upon which the Bank can move to the center of Africa's transformation as envisaged under the Strategy for 2013-2022. The next step is for the Bank to establish an appropriate platform that consolidates past gains while at the same time facilitating successful execution of the Strategy. At the heart of this platform will be pursuit of excellence in all future activities, driven by a desire to deliver maximum value for money. The key pillars of the platform will be greater client responsiveness, effective and efficient service delivery, and working conditions that maximise staff productivity. The extensive field office presence will be combined with increased decision making powers to maximise benefits of the decentralized delivery model. Throughout, knowledge will be leveraged to deepen dialogue with RMCs and to better play the role of a trusted advisor, and the "One Bank" spirit will be strengthened to continuously provide innovative solutions to Africa's needs. Mainstreaming of business processes will continue and a stronger leadership and execution culture will be developed to make the Bank the employer of choice for those seeking to work on Africa's growth and development.

In addition, the Bank will continue to engage with all stakeholders in a fully transparent manner while at the same time managing change effectively to ensure business continuity at all times. Furthermore, the Bank will consolidate strategic partnerships with other development partners and the private sector so as to better play its catalytic role in support of the continent's transformation agenda. A critical success factor impacting on all these is technology and ongoing efforts to establish an enabling IT platform will be intensified under the recently adopted IT Strategy for 2013-2015.

Within this context the Bank has embarked on a number of strategic initiatives to be implemented during the next few years in support of the objectives of the Strategy for 2013-2022.

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Abbreviations

ADF	African Development Fund
ADF-12	Twelfth General Replenishment of the African Development Fund
ADF-13	Thirteenth General Replenishment of the African Development Fund
CAS	Cost Accounting System
CIF	Climate Investment Funds
CSO	Civil Society Organization
CSP	Country Strategy Paper
DAM	Delegation of Authority Matrix
IATI	International Aid Transparency Initiative
ISS	Integrated Safeguards System
KPIs	Key Performance Indicators
MDB	Multilateral Development Bank
MTS	Medium Term Strategy
RMCs	Regional Member Country
RMF	Results Measurement Framework
SRAS	Strategic Resource Allocation System
UA	Unit of Account
USD	United States Dollar

ADF-13: INSTITUTIONAL EFFECTIVENESS & EFFICIENCY

1. Introduction

1.1. Over the last five years, the Bank Group (Bank) has been implementing its Medium Term Strategy (MTS) for 2008-2012. During this period, it has embarked on a number of initiatives to transform itself into a more effective and efficient institution. At the ADF-12 mid-term review (MTR) in Praia (Cape Verde), Management updated Deputies on the status of the various initiatives, noting that good progress had been made thus far and positive impacts on performance were being recorded.[1] At the same time, Management acknowledged the need to make improvements in a number of areas in order to move the Bank from "good" to "great".[2]

1.2. In follow-up discussions during the first meeting of the Thirteenth General Replenishment of the African Development Fund (ADF-13) in Tunis in February 2013, Deputies underscored the need for the Bank to demonstrate its effectiveness and efficiency more strongly than ever, given the tight budgetary positions of many donors. Management agreed to present at the second replenishment meeting a short note setting out the nature and timetable of actions directed at corporate efficiency and effectiveness, including an institutional initiatives matrix for implementation during the ADF-13 period.

1.3. The objective of this paper is to respond to the Deputies' request by outlining the concrete measures the Bank intends to take to modernize and transform itself into a great institution, well positioned to deliver greater value for money under its Strategy for 2013-2022 (Strategy). These measures are informed by recommendations from past reviews as well as the need to better align systems and practices to the objectives of the Strategy.[3]

1.4. The paper is structured as follows. After this introduction, Section 2 briefly recaps the Bank's performance under the MTS and the key initiatives to improve efficiency and effectiveness during the period. It also highlights important lessons learnt and remaining challenges that need to be addressed going forward. Section 3 then outlines the measures to be implemented during ADF-13 toward greater effectiveness and efficiency. The concluding remarks are presented in Section 4.

2. Impact of Recent Initiatives and Lessons Learnt

2.1. The period of the MTS 2008–2012 was challenging for the Bank with the onset of the global financial crisis in 2008 and the political turmoil in North Africa in 2011 calling for quick, flexible and adapted responses. There were increased calls for greater attention to the impact of climate change in Bank operations, an expansion of private sector operations and broader engagement with fragile states. Furthermore, since 2011 the Bank has been engaged in an accelerated decentralization program aimed at bringing it closer to clients. All this has been largely within the context of limited resources, with a zero real growth budget since 2010.

2.2. Despite these challenges, the Bank managed to stay focused on its priorities and deliver on all the key MTS targets while keeping costs under control (Annex I). It attained the MTS financing and disbursement targets, at UA 22 billion and UA 15 billion, respectively, and improved portfolio quality by reducing projects at risk from 40% in 2008 to 19% at the end of 2012. Business processes are faster, with projects now becoming effective for first disbursement on average 13 months after approval, against 21 months in 2007. Efforts to reduce staff vacancies have also yielded results, cutting them from 18% at the end of 2007 to 12% at end of 2012. In terms of efficiency, the total administration costs for the five year period represented 8% of total disbursements – with the annual ratio falling by nearly one fifth from 10.3% in 2008 to 8.6% in 2012. As part of its future improvements, the Bank will put in place a cost accounting system so

[1] AfDB. September 2012. *Institutional Effectiveness: Improving Delivery Capacity in a Changing Context*; *ADF-12 MTR Discussion Paper*.

[2] According to the 2012 Client Assessment Survey commissioned by the Bank, 63% of the Regional Member Countries consider AfDB among the top three preferred development partners.

[3] McKinsey & Company have been recruited to support the Bank in identifying some of the quick win elements of the program, with particular emphasis on streamlining key business processes.

as to better monitoring and benchmark costs in a bid to become more cost-effective.

2.3. The Bank is now more focussed on results and has increasingly functioned as “One”, leveraging resources from all financing windows to fund innovative projects. Examples of such projects include the Lake Turkana Wind Farm in Kenya (Annex II), Cabeolica Wind Farm in Cape Verde, Dakar Toll Road in Senegal and the Itezhi Tezhi Hydropower project in Zambia. Furthermore, the Bank is now at the forefront of generating and disseminating knowledge on African issues through key knowledge products, such as the Africa Infrastructure Development Index and the Africa Inclusive Growth Index. Transparency has gradually improved and the Bank is a signatory to the International Aid Transparency Initiative (IATI) since 2011 and a comprehensive Information Disclosure Policy is also in place.

2.4. Several independent internal and stakeholder reviews have confirmed the progress made by the Bank in becoming more responsive, effective and efficient. For example, the 2012 Multilateral Organization Performance Assessment Network survey of respondents rated the Bank as performing adequately in 18 out of 19 performance areas, an improvement from 2009 when performance was adequate in 16 out of 19 areas.[4] A 2012 review by Publish What You Fund ranked the Bank third in transparency out of 58 development agencies. A number of initiatives implemented during the period have contributed to these achievements. Key among these were measures aimed at better aligning the organizational structure and budgets with operational priorities, improving the quality of the operations portfolio and institutionalizing a results-oriented culture, improving the working environment, and creating an enabling IT platform. These are briefly reviewed below.

Re-aligning the Organization to Improve Responsiveness

2.5. Initiatives to better align the organization to the MTS have included rolling out an accelerated decentralization program and creation of organizational units focussing on climate change, results and quality assurance, fragile states, gender, and institutional coordination. Under the 2011 Decentralization Roadmap, the Bank is now present in 34 field locations[5], , including 10 offices in countries benefitting from the Fragile States Facility and two regional resource centres. One third of operations professionals are based in field offices and manage over 40% of the operations portfolio. They have recently been vested with substantial decision making powers following the promulgation of the 2012 Delegation of Authority Matrix (2012 DAM). Through greater field presence the Bank is more involved in donor coordination and policy dialogue and anecdotal evidence suggests that decentralization is having a positive impact on the ground.

2.6. Climate change related activities have been fully integrated into Bank operations through newly created units (including a coordination platform) and adoption of a Climate Change Action Plan for 2011–2015. A climate finance platform has been established to catalyze climate-smart investments and the Bank is now one of the leading Multilateral Development Banks (MDBs) in effective use of Climate Investment Funds (CIF). Eight CIF projects are underway in Kenya, Morocco, Mozambique, Niger, and South Africa, with USD 420 million of CIF resources and USD 1.08 billion of Bank’s own resources. In addition, the Bank is supporting the Regional Member Countries (RMCs) to move to climate resilient and low-carbon development and at the international level it plays an active role in supporting RMC negotiations under the United Nations Framework Convention on Climate Change). Complementary analytical work includes the development of a joint MDB methodology to track climate change financing and preparation of a Green Growth Framework along with upstream analytical assistance to pilot countries in introducing green growth considerations into their economic programming.

2.7. Following the establishment of a results and quality assurance department, the Bank now has a comprehensive One-Bank Results Measurement Framework (RMF), and several tools and guidelines have been produced for use in results monitoring, quality assurance, gender mainstreaming and environmental and social safeguards. Examples include the gender-

[4] In the 2009 Multilateral Organization Performance Assessment Network Survey, the three areas of inadequate performance were managing human resources, delegating authority and adjusting procedures to local conditions. In 2012, only delegation of authority was rated as inadequate by survey respondents; the 2012 DAM is intended to address this. Other reviews and assessments include OPEV reviews, the 2011 UK MAR and the 2013 MAR update, the Bank’s Client Assessment Survey (2012), and the 2012 AusAID Review. The 2011 UK MAR and the 2013 Update rate the ADF as good value for money.

[5] This includes 29 Country Offices, two RRCs and 3 National Program Offices.

dimension for quality at entry, a gender mainstreaming tool for policy based operations, and an Integrated Safeguards Systems (ISSs) that is about to be adopted. In an effort to increase effectiveness and results in fragile states, a dedicated unit has also been set up. Work on the Gender Strategy for 2013-2017 is at an advanced stage.

2.8. Today the Bank shows better institutional coordination and greater attention to strategic issues following the creation of the post of Chief Operating Officer in 2008. Two senior management coordination platforms have enhanced joint senior management decision making on matters of policy and strategic importance. Strengthened oversight functions have been instrumental in ensuring integrity by aligning their functions to international best practice. A cross-debarment agreement between five MDBs is now effective in the Bank, timely audit reporting stands at 88%, and Management has been more responsive in addressing audit recommendations.

2.9. Through future initiatives the Bank will strengthen the focus of senior management coordination platforms on policy and strategy, adopt an integrated planning and performance monitoring framework, rationalize field presence, and implement measures to increase responsiveness in fragile situations. Challenges of dual reporting under a matrix structure will be addressed and steps taken to ensure an optimal skills mix in field offices and adequate training on the 2012 DAM.

Improving Operations Quality at Entry for Greater Impact

2.10. Policy and operational changes implemented to improve quality at entry and portfolio quality have included a country focused operations review clearance process, readiness filters and development impact assessments for private sector operations. The country focussed operations review process was introduced in 2008, along with revised report formats for policy and operations documents and improved results-based logical frameworks. Subsequent to this, a framework for assessing the additionality and development impact of private sector operations (Analysis of Development Outcomes and Additionality) was implemented in 2009. A readiness review process was introduced in 2010 for public sector operations and extended to Country Strategy Papers (CSPs) in 2011. In 2012, a Credit Risk Committee responsible for end to end credit risk oversight was established.

2.11. The second independent quality at entry assessment carried out by the Operations Evaluation Department (OPEV) in 2013 concluded that these measures have had a positive impact. Among other things, the review recommended that the Bank should continue to improve Bank-wide understanding of quality at entry, implement a portfolio quality improvement process, clarify guidelines and procedures for preparation of project documents, and harmonize all guidelines and procedures so that they are consistent with results terminology and concepts. Ongoing actions in this regard include a revision of the operations review and approval process, a realignment of the readiness review process, and revision of the Operations Manual.

Budgeting for Results

2.12. A set of Budget reforms was approved by the Board in June 2007 with four key objectives - to improve strategic alignment; devolve budget management and make it more flexible; improve the accountability and performance management framework, and build wider capacity for budget management. The ultimate objective is expanded budget fungibility and a decentralized resource management framework through a strategy-driven Unit of Account (UA) budgeting system. Phase 1 of the reforms was implemented in 2008 and strengthened the link between institutional priorities and resource allocation, increased budget fungibility and devolved resource management, moved the Bank to a multi-year programme and budget framework, and established a new accountability and performance monitoring framework by linking deliverables to Key Performance Indicators (KPIs). In Phase 2 the Bank extended budget fungibility through Unit of Account (UA) budgeting, removed headcount control and introduced staff planning and a fixed cost ratio, and linked resource use to specific outputs/activities[6].

2.13. Phase 3 focuses on implementing a Cost Accounting System (CAS) with the objective of (i) establishing an effective budget methodology and ensuring efficient allocation of Bank resources based on the real cost of activities and deliverables; (ii) determining the actual cost attributable to the African Development Fund (ADF), AfDB and NTF activities, based on which a

[6] Expenses are linked to outputs/activities through Work Breakdown Structures.

more transparent cost sharing formula can be established; and (iii) implementing a country budgeting system in order to ensure an effective work programming between sector and regional departments. The launch of the Activity Time Recording System in July 2012, a key component of CAS, marked a significant move forward in gathering the data for estimating the real cost of activities. The full launch of the CAS will solidify the link between expenses and deliverables, leading to improved performance monitoring and reporting. At completion of the phase the Bank will transition to full budget fungibility and a decentralized resource management framework underpinned by an adequate performance monitoring and accountability framework.

2.14. Good progress has been achieved against the four objectives of the reforms as noted by an independent review (Annex III). Remaining challenges identified by the review relate to actions planned to be taken during Phase 3 of the program.

Supporting a Productive Workforce

2.15. The Bank's most valuable resource is its people and several adjustments have been made in the recent past to create the right conditions for attracting, retaining and motivating high-performing staff. Key initiatives have focused on better people management, career development, staff diversity and market alignment of compensation practices. Recruitment practices have been simplified and the average recruitment cycle is down from seven months to five months. The performance evaluation system has been revamped and fully automated, and an in-situ promotion system has been adopted. To enhance skills and competencies, training has been intensified and is increasingly customized, with particular emphasis on leadership and people management. For example, between May 2010 and December 2012, a total of 127 staff participated in the revamped Leadership and Management Development Program. In 2012, 820 staff members undertook various courses on the Bank's Learning Management System, while many more received training through the Bank's e-learning system.

2.16. The 2010 staff survey and a recent independent review by Mercer Consulting confirmed that these measures have yielded some positive results (Annex III). Areas requiring more attention in future include people management, career development and alignment of human resource management with Bank strategy. A recent re-organization of the human resource function is part of a broader effort to address remaining challenges and has transformed the function into a more client focused structure in line with industry best practice. The new structure is expected to better link human resources with the Bank's strategic objectives and a skills survey completed in 2012 will inform efforts to align human resources with the Strategy for 2013-2022. Finally a People Strategy setting out a vision of how the Bank will ll become the Employer of Choice for those working on growth and development in Africa has been finalized and Board approval is expected by the end of June 2013.

Enabling Business through Information Technology

2.17. A modern and reliable IT platform has been a key ingredient in the achievement of many objectives under the MTS. A satellite connectivity system has been installed and is fully operational in 31 field locations (29 country offices and the 2 regional resource centers) and connection of the South Sudan office is scheduled for the second quarter of 2013. An improved work programming and budgeting tool (Strategic Resource Allocation System (SRAS)) is in place and has greatly facilitated the improved alignment of budgets with priorities. The SAP system has been upgraded during the period is scheduled for a further upgrade within the next year. Operations related activities are now coordinated through a recently launched online tool (Bank-wide Project Processing Schedule). For improved portfolio management and results tracking, an Implementation Progress and Results Report (IPR) and a Results Reporting System (RRS) were finalized in 2012 and will be fully rolled out in 2013. To facilitate performance monitoring, a KPI dashboard has been established and will be upgraded in 2013. A financial risk management dashboard is under development and several statistical and knowledge management databases are in place. In addition the Bank has taken concrete steps to move toward a 'Unified Communications" system. Under the IT Strategy for 2013-2015, future initiatives will include enhanced office connectivity, upgrade of management information systems, and development of easy to use work collaboration tools.

Lessons Learnt

2.18. A number of lessons have emerged from the implementation of the initiatives and reforms outlined above, which will inform future performance improvement programs. Key among these are:

a) To realize the full benefits from a set of strategic initiatives, it is critical to clearly demonstrate their coherence, complementarity and linkage to strategic objectives.

b) Where a program of strategic initiatives is very broad, implementation should be guided by a prioritization exercise, especially where budgetary conditions are tight.

c) Each program of strategic initiatives should be accompanied by a clear and realistic set of performance measures and a monitoring framework that ensures ongoing and new initiatives are properly synchronized and gaps addressed in good time.

d) A strong coordination platform is necessary where a complex set of strategic initiatives is involved.

3. In Pursuit of Excellence

3.1. To be at the center of Africa's transformation as envisaged in the Strategy for 2013-2022, the Bank will pursue excellence in all its future activities. This section outlines the steps to be taken during the ADF-13 period to support the Bank's goal of becoming the preferred development partner for Africa.

Achieving Greater Client Responsiveness

3.2. The Bank will expand its presence on the ground as well as expand in depth and breadth the financial, advisory and knowledge solutions to better support the needs of Africa. It will be bolder in its approach, and take more leading roles in co-financing initiatives where it has a competitive advantage, and exploit its unique catalytic position to harness regional integration and cooperation. In particular, it will endeavour to diversify its range of financial solutions by innovating within the existing windows as well as expanding the sources of financing to address the demands of a differentiated client base. The below initiatives are planned to this end:

a) ***Moving Closer to the Client***: The Bank will further rationalize its field presence to ensure strategic deployment of staff across the region, paying particular attention to working more closely with Fragile States as well as countries seeking the Bank's customized presence. Field office IT systems will be modernized and plans are under way to establish a disbursement center in Pretoria to provide services to Southern and Eastern Africa RMCs. The effectiveness of the current decentralization program and the two pilot RRCs will be assessed at the end of 2013 and 2014, respectively. Lessons learnt will inform subsequent decentralization activities, and an independent evaluation of decentralization will also be undertaken by OPEV.

b) ***Building a strong and diversified pipeline:*** The Bank Group has increased its efforts to build a strong pipeline of projects which is aligned to its Strategy for 2013-2022. Field offices will play an important role in that regard through quality dialogue with RMCs, other development partners and key stakeholders. Better inter-departmental coordination will increase alignment of IOP with priorities identified in country/regional strategy papers and readiness filters for migration of projects from the pipeline to the IOP will be enforced. There are significant benefits to be derived from a project preparation facility in helping to continuously build the pipeline and the on-going review of the ADF project preparation facility is expected to better align it to clients' needs. In addition, the Bank will continue leveraging ADF resources through innovative financing instruments such as those proposed in the *Financial Capacity Paper.*

c) ***Enhancing portfolio quality:*** A portfolio improvement study is currently ongoing to assess the challenges facing the Bank-funded portfolio, especially with respect to the delays between approval and first disbursement. The findings will lead to an action plan to put in place appropriate corrective measures and a pilot portfolio quality improvement program will be implemented in selected RMCs in 2013. The outcome of the pilot program will be a key driver to improve Bank support to national and multinational operations, sharpen selectivity in the Bank's areas of focus and strengthen the Bank's internal delivery system. In addition, with the entry into effectiveness of the 2012 DAM, the Bank is stepping up action in 2013 to reinforce implementation on the ground.

d) ***Being a trusted advisor:*** Efforts will be intensified in the generation, capture, storage and dissemination of knowledge to expand the Bank's capability to carry out evidence-based policy dialogue with RMCs and embed knowledge in its services/products.[7] Towards this end, the Bank has recently launched the "Africa Information Highway"[8] initiative, which serves as a knowledge center for collecting, and sharing data on Africa making it more easily accessible and visible from multiple sources. The initiative also supports the Bank's objective of improving data collection, management and dissemination in Africa, as well as promoting international statistical standards across all RMCs. A Knowledge Management Committee has been constituted to serve as an advisor and strategic think tank on knowledge management and related initiatives, including the preparation of the updated Knowledge Management Strategy. To facilitate better use of operational knowledge, OPEV will launch a database of lessons learnt from operational reviews by end of 2013.

e) ***Increasing Responsiveness in fragile situations:*** The Bank will prepare an updated Strategy for engaging in fragile situations with the assistance of a High Level Panel and this will chart the way for the Bank to deepen its effectiveness in these countries. Greater responsiveness will be assured through broader field presence, adaptation of processes and procedures to the specific requirements of fragile situations, streamlined business processes to introduce adequate flexibility in allocation of adequate resources and creation of right incentives for high caliber staff to work in such situations. In addition, the role of the Fragile States Unit will be reviewed to ensure the best support to Bank operations across all fragile situations *(more details in the Fragile States paper.)*

f) ***Mainstreaming gender and climate change:*** To increase the Bank's effectiveness in addressing gender inequality, the Gender Strategy for 2013-2017 is being prepared to be finalized by September 2013[9], and a Special Envoy on Gender will be appointed. A Green Growth Framework will be prepared to guide Bank support to RMCs in transitioning to green growth, and the ISS currently in the last stages of review will be rolled out by the end of 2013. The ISS will ensure best practice environmental and social safeguards are applied across all Bank operations in future.

Ensuring Effective and Efficient Service Delivery

3.3. As one management axiom states, the underlying root cause of over 70% of corporate problems is a weak business process, and hence business processes are the corner stone of efficient and cost-effective service delivery. The time taken from approval to first disbursement and the overall disbursement ratio are still below desired targets and the Bank will streamline the core processes to eliminate redundancies and unnecessary checks, with the ultimate objective of becoming faster and more cost-effective. In addition, coordination will be strengthened and performance monitoring systems aligned with the Strategy for 2013-2022. Key initiatives in this area include:

a) ***Strengthening the Corporate Planning Process:*** The three-year programming and budgeting exercise will be consolidated into a corporate planning process to facilitate execution of the Strategy for 2013-2022. The new planning process will guide the translation of strategic objectives into coherent medium-term objectives, cascaded down to organizational units, through an upgraded budgeting tool (SRAS). An operations classification system under development will facilitate mapping of operations to the objectives of the Strategy and a CAS will be implemented to better link costs to deliverables. Accountability for results will be ensured through a set of performance

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[7] Includes infrastructure, agriculture and rural statistics, harmonized consumer price index, purchasing power parities, labour statistics, MDG monitoring, etc.

[8] Initially designed to cover 20 African countries, work is on course to complete platforms for the rest of African countries by July 2013. (visit http://www.afdb.org/en/knowledge/statistics/open-data-for-africa)

[9] The Bank has prepared two background papers to inform the Gender Strategy - "The State of Gender Equality in Africa" and the "Gender Equality Results of Public Sector Projects and Programs of the AfDB, 2009-2011). A review of the Updated Gender Plan of Action (2009-2011) was carried out in 2012 and the findings will contribute to the formulation of the Strategy.

contracts with Senior Management.

b) ***Streamlining the operations review process:*** Following the roll out of the new operations review process, the existing formats for CSPs, Project Concept Notes and Project Appraisal Reports will be revised to adapt them to the Strategy. Quality at entry standards will be revised to better reflect strategic priorities and cross-cutting issues, and the readiness review tool will be fully integrated into the review and clearance process. Common standards and quality controls will be put in place for all operations, supported by a revised Operations Manual. The project cycle will be automated end-to-end upon the full roll out of the Bank-wide Project Processing Schedule.

c) ***Improving Procurement and Financial Management:*** With the 2012 DAM about 97% of procurement contracts (36% by value) will eventually be handled by field office staff that will be trained and accredited. Support towards strengthening country systems will continue with the objective of increasing their adoption by the countries in Bank funded operations. To this end, a Country Fiduciary Risk Assessment Diagnostic Tool and Guidelines on enhancing the progressive use of country systems in procurement and financial management are under preparation. The existing Reporting and Auditing Guidelines will also be revamped and a procurement and financial management collaboration tool developed to increase the speed and effectiveness of both functions.

d) ***Enhancing Coordination and Performance Monitoring:*** To improve strategic management, the existing coordination platforms will be reviewed, strengthened, and refocused on policy and strategic issues[10]. The existing KPI dashboard will be upgraded to a robust and comprehensive corporate performance monitoring platform, including a high level strategic dashboard. Organizational performance indicators will be harmonized across the Bank and aligned with the new RMF. The framework will include specific indicators to monitor implementation of the initiatives outlined in this paper and associated implementation action plans. A system of benchmarks will be established against which the Bank can measure its performance in delivering greater value for money from its operations *(see the Results Measurement Framework paper for a definition of VfM in the context of Bank Group operations).* Furthermore, monitoring of results on the ground will gradually move to real time as the new Results Reporting System (RRS) is rolled out and a system of service level standards will be adopted. In addition, the Bank will endeavor to do more impact evaluations at the country level and undertake analytical monitoring

e) ***Strengthening Risk Management:*** The Bank has completed the first phase of a risk management dashboard which will be presented to the Board of Directors by end June 2013. In the second phase the services of an external consultant will be procured to enhance the quality and functionality of the internally developed dashboard. Revision of the capital adequacy policy has also commenced with a target completion date of end 2013. The Operational Risk Management Framework approved in 2012 will be fully operationalized to ensure a structured and well-coordinated approach to operational risk identification, assessment, mitigation and control, as well as reporting. The Bank will continue to enhance its risk management framework, processes, procedures and systems in the light of the continuing evolution of regulatory reforms and best practices amongst MDB peers.

Maximizing Workforce Productivity

3.4. Under the recently finalized People Strategy, the Bank aims to establish a stronger leadership and execution culture as it seeks to become the employer of choice for those seeking to work on Africa's growth and development. A Human Resources Strategy will be prepared to prioritize interventions to deliver on the People Strategy. There will be greater effort to facilitate learning for individuals as well as teams towards building core competencies aligned with emerging needs. At the same time the Bank will continue efforts to find ways of assisting staff attain the right work-life balance. The specific initiatives are described below and their expected impact is a more optimal alignment of personal and organizational goals, resulting in a more motivated and productive workforce.

[10] An ongoing review of the COO Office to be completed by end of June 2013 will provide guidance in this regard.

a) ***Effective Performance and Talent Management:*** The current performance management and feedback system will be revamped. A talent management program will be adopted to identify the pool of staff with potential to take on additional managerial responsibilities and leadership roles. The aim is to create a culture of meritocracy, where high performing staff are recognized and awarded with more responsibilities and authority. Not only will this reduce employee stress, but it will also encourage staff to deliver more and higher quality work. The new system will provide clear linkage to corporate objectives as well as clarity in focus and targets to reinforce team and individual goals.

b) ***Reforming the Compensation Framework:*** Management is currently preparing a total compensation framework for the period 2013-2016, aligned with the Strategy for 2013-2022, and in support of the People Strategy.

c) ***Developing core competencies:*** A long term strategic approach will be defined for managing people as a resource rather than headcount, as well as managing core competencies rather than positions. The results of the 2012 skills survey[11] will be carefully reviewed to inform the Bank on how best to proceed in developing core competencies and updating the current skills in line with strategic requirements. Where skills do not exist internally, a strategic recruitment approach will be applied.

d) ***Monitoring staff engagement:*** The Bank will roll out a Staff Engagement Index as part of the new RMF. Targets will be set for the Index and it will play a critical role in ensuring successful implementation of the People Strategy.

e) ***Supporting a Mobile workforce:*** A decentralized work force necessitates access to information services independent of geographic location. The IT Strategy for 2013-2015 aims at modernizing the MIS platform and plans are in place to revamp the Intranet portal to provide a secure single point of access to the Bank's information services from anywhere at any time. Furthermore, there will be flexibility in use of access devices (laptops, iPads, Blackberries etc.) available at the Bank as well as those owned by staff.

Engaging Stakeholders with Full Transparency

3.5. Partnerships and stakeholder engagement will be central to achievements of results and the Bank is committed to engaging partners and stakeholders in a fully transparent manner. Key pillars of this engagement include the recently adopted Disclosure and Access to Information Policy, participation in the IATI, and the updated Civil Society Engagement Framework. Effective engagement will create opportunities for mutual learning and accountability, leading to improved ways of working together for more aid effectiveness. There are three ongoing initiatives related to this as follows:

a) ***Enhancing information disclosure:*** To facilitate the implementation of the DAI policy approved in 2012, an Information Disclosure Committee has been formed and the Bank will establish an integrated Record and Information Management System (RIMS). In additional, the implementation plan for the Bank's commitments under the IATI will be finalized during 2013 and rolled out beginning 2014. The geographic visual mapping of all Bank's ongoing operations in RMCs through the Geo-coding exercise will further enhance transparency.

b) ***Consolidating partnership with civil society organizations:*** The Bank's Framework for Enhanced Engagement with Civil Society Organizations (CSOs) approved by the Board in 2012 is currently being rolled out and two regional dissemination seminars have taken place in Burkina Faso and Uganda during 2013. A mapping of CSOs will be done to facilitate better engagement in future, and the Bank will organize annual in-country CSO Open Days through the field offices.

c) ***Communicating more strategically:*** Building on the previous strategy, a new communication strategy is under preparation and will be effective in the second half of 2013. Through the strategy the Bank will develop a comprehensive communications framework that enables effective engagement with all stakeholders. The Bank's corporate identity will also be revamped through an ongoing rebranding exercise.

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[11] The 2012 skills survey was conducted in order to generate a baseline of the current skills in the Bank, and provide a platform for discussion on (i) areas of the Bank's strengths (ii) potential gaps in relation to future needs, as defined by the Strategy for 2013-2022, and (iii) employee mobility and weaknesses.

Managing Change and Business Continuity

3.6. A culture of continuous change management will be institutionalized to enable the Bank navigate through planned and unexpected changes in future. Similarly, planning for business continuity will continue to be central to the Bank's operations, especially as it prepares to relocate back to its headquarters in Abidjan. There are three main activities related to this.

a) ***Planning for Business Continuity:*** To further strengthen existing business continuity measures, the IT strategy envisages the establishment of multiple hubs for information resources (data, applications, etc.). Such hubs will be established in Tunis, Pretoria and Abidjan and will be fully operational by mid-2014. The hubs will be interconnected with a high capacity digital pipe to ensure that they can be accessed from any geographic location at any time.

b) ***Returning to Headquarters:*** As detailed out in the Roadmap of return to Abidjan[12], the move back to Abidjan will happen in a systematic manner to ensure an effective transition with minimal downtime to Bank business. Administratively, an executive monitoring and advisory committee has been constituted to provide overall direction and guidance on the return operation, supported by a fully dedicated Directorate to over-see the day-to-day management. The three information resource hubs to be established in Tunis, Pretoria and Abidjan will mitigate risks related to business continuity when the relocation takes place.

c) ***Managing Change Effectively:*** Considering that change is going to remain a constant in the business environment, the Bank will establish a replicable change management model through which any Bank-wide change will be defined, the change process and the way people are expected to change articulated, and the end picture clarified.

4. Conclusion

4.1. Facing multiple challenges, the Bank has managed over the past five years to keep its focus on the MTS priorities and to increase its development impact to RMCs. It has sought better ways of doing business through institutional initiatives and reforms focusing on results and on better value for money. It has decentralized operations to move closer to clients and empowered field offices to take more decisions. It has moved to creating an environment that attracts and retains a high-quality and productive workforce and has streamlined and modernized business processes. Resources are now better aligned to strategic priorities and costs have been well controlled through zero real growth budgets and cost saving measures. Stakeholder engagement is better than ever before, with increased information disclosure and better in-country donor coordination.

4.2. These achievements have transformed the Bank into a much more effective and efficient organization and laid the foundation for it to become the preferred development partner for Africa. To propel itself to the next level, the Bank must consolidate past gains and create the right conditions for realizing the ambitions of Strategy 2013–2022. It is therefore working to dovetail the platform for delivering greater development impact and value for money under Strategy for 2013-2022. At its heart will be a motivated and productive workforce that delivers exemplary service to clients with speed and flexibility. Sustained transparency with all stakeholders will continue to be a guiding principle. Finally, the Bank will strengthen the systems and processes that guarantee business continuity at all times and formulate a programme to guide the institution through times of change. The Matrix of Institutional Initiatives to be implemented during ADF-13 present in Annex IV will contribute to these objectives.

[12] AfDB. October 2012. *Roadmap for the return of the operations of the African Development Bank to the Headquarters in Cote d'Ivoire*.

Annex I: Medium Term Strategy (2008-2012) Performance Indicators

Performance Indicator	Unit	Baseline Date/Period	Target Date/Period	MTS Actual	MTS Target	Baseline
Development Financing Operations						
Total Financing	UA Billion	2003-2007	2008-2012	22.2	22.7	14.2
Gender Mainstreaming	%	Dec-07	12-Dec	78	45	0
Climate Proofing of Investment Projects	Number	Dec-07	12-Dec	7	12	0
Disbursements						
Disbursement Amount	UA Billion	2003-2007	2008-2012	15.1	13.0	6.5
Disbursement Ratio (Total) *		Dec-07	Dec-12	22	NA	18
AfDB Public Disbursement Ratio	%	Dec-07	Dec-12	24	25	19
AfDB Private Disbursement Ratio	%	Dec-07	Dec-12	37	50	40
ADF Disbursement Ratio	%	Dec-07	Dec-12	18	25	16
Portfolio Management						
Problem Projects	%	Dec-07	Dec-12	3	7	9
Projects Managed by Field Offices	%	Dec-07	Dec-12	42	35	0
Process Efficiency						
Lapse of Time Approval to effectiveness for First Disbursement	Months	Dec-07	Dec-12	13	8	21.3
Lapse of Time for Procurement	Weeks	Dec-07	Dec-12	38	35	68
Budget and Expenses						
Admin Budget Implementation	%	Dec-07	Dec-12	94	95	89
Field Office Expenses	%	Dec-07	Dec-12	14	20	9
Operations Expenses	%	Dec-07	Dec-12	53	65	50
Human Resources (PL)						
Field Based Staff**	%	Dec-07	Dec-12	36	31	27
Gender Balance	%	Dec-07	Dec-12	27	34	23
Staff Attrition Rate (RMF Targets)***	%	Dec-09	Dec-12	1.6	1.5	1.9
Staff Vacancy (RMF Targets)****	%	Dec-09	Dec-12	12	8	12

Notes:

* *There is no aggregate disbursement target in the MTS and these are 2012 actual against 2008 baseline. The high RMF target of 32%, set in 2010, was based on an exception disbursement ratio of 28% achieved in 2009 following the Bank's emergency response to the 2008 crisis. The MTS target was based on the historical trend of 18-19% pre-2008.*

** *The Target set on approval of the Decentralization Roadmap is 35% at the end of 2012.*

*** *The computation of the attrition rate has been revised; baseline is 2009 and the target is as per the RMF.*

**** *The PL staff vacancy rate is not an explicit target in the MTS; baseline is 2008 and target is as per the RMF.*

Annex II: Examples of Innovative Clean Energy "One-Bank" Projects

Lake Turkana Wind Power Project (Kenya)

The Lake Turkana Wind Power Project is located in a remote area of North Eastern Kenya, approximately 12 km east of Lake Turkana. The main objective of the project is to provide clean, reliable, low cost power to consumers by increasing the national installed power by approximately 17%. The Project involves the development and construction of a EURO 625 million 300 MW wind farm, the largest such project in Africa today. The wind farm will comprise 365 wind turbines of a capacity of 850 KW each. Power will be transferred from this substation to the National grid through a 428km transmission line to be constructed by Kenya Electricity Transmission Co. Ltd (KETRACO). The transmission line will include a fibre optic cable which will carry communications data for the Project. In addition, due to the remote nature of the site, 201km of off-site road upgrades will be commissioned, in addition to an 11km onsite road network and a village to house construction and operations staff.

Over the past four years the Bank has effectively played its role as a trusted partner and honest broker, working closely with the Project Sponsors, the Government of Kenya and other partners to finalise the commercial structure of this complex and innovative Project. The structure includes a credit enhancement to the off-take agreement, and the GoK has recently approached the Bank to provide an ADF Partial Risk Guarantee (ADF PRG) to protect the Project against the risk of transmission line construction delay. Additionally, the Bank is playing the role of Lead Arranger and will raise €127M of Senior Debt and €58M of sub-debt. The project complements other projects currently underway to increase Kenya's and East Africa's energy supply capacity including the Thika Thermal Power Project and the Menengai Geothermal Power Projects, which have benefitted from Bank Group funding.

This Project is an excellent example of how the Bank is working innovatively to support inclusive and green growth in RMCs. First, it represents a large scale demonstration of clean energy technology and will result in a reduction of up 736,615 tons of CO_2 equivalent per year, based on conservative estimates. Second, it is opening up opportunities for communities living in a previously remote and disadvantaged part of Kenya. Third, it is a demonstration of how the different Bank Group entities can work together as One-Bank, using innovative financial solutions, for greater development impact. Finally, the Bank's ability to act as a trusted partner and an honest broker is invaluable in delivering Africa's transformative Projects, such as the LTWP.

Itezhi Tezhi Hydropower Project (Zambia)

This Itezhi Tezhi Project (ITT) involves the construction, operation and maintenance of a 120 MW hydropower plant at the existing Itezhi Tezhi dam on the Kafue River in Zambia, with an estimated generation output of 611 GWh per year, and a 276km transmission line to Lusaka to connect the power station to the national grid and the Southern African Power Pool. The project combines public-private partnership clean-energy generation and a public transmission line to evacuate power in Zambia. The ADF will support the utility's equity participation as well as co-finance the transmission line with the Nigeria Trust Fund, while the AfDB private window will provide senior debt for the generation plant.

This is the Bank's first effort to use ADF resources to facilitate the implementation of a public-private partnership through supporting the state-owned utility's effort to crowd in private investors in a project finance structure. It contributes to leveraging 10 times the amount in debt. To address the current shortages and unpredictability of power supply that is hampering industrial growth in Zambia, private sector participation in the project will reduce the burden on scarce public resources, freeing them to support other crucial sectors, such as roads, health and education. Furthermore, this is the first time that three Bank financing instruments are being utilised in one project and the Bank Group's involvement will yield important lessons about the use of multiple products and windows to support one project.

This project is in line with the Bank's objective of providing support for renewable energy projects across the continent. The ITT project is producing and evacuating clean energy and will result in greenhouse gas emission reductions of over 360,000 tCO_2 per year. Since Zambia exports power into the SAPP system, the project will reduce the relatively high carbon footprint of the system emanating from coal-based systems in Botswana and South Africa. The project will also reduce CO_2 emissions that would normally come from use of wood and charcoal in the Itezhi-Tezhi and Mumbwa areas, supplied by a very unstable distribution line. People living in these areas (approximately 300 000), will benefit from improved electricity access.

Annex III: Independent Reviews - Budget Reforms and HR Strategic Framework

Review of the Budget Reforms

At the end of 2012 Management commissioned an independent review of the status of implementation of the budget reforms. The review noted substantial progress in all the four areas targeted by the reforms. It also identified five principal areas where concerted efforts are essential to consolidate and extend progress in focusing resource allocation on results. The recommendations are as follows:

- **Strategic alignment**. The Bank should develop a reliable information base on product costs that can be used for work program planning and resource allocation. This will take a few years to fully accomplish, but the prerequisite is a sound cost accounting system, which is currently in the early stages of planning and design.
- **Budget flexibility**. The UA budgeting risks appearing like a variant of earlier central control mechanisms, providing little improvement in budget flexibility. Management should examine the roles of staff planning and fixed cost ratios and ensure they are applied as intended within the overall framework of budget devolution and fungibility.
- **Accountability and performance management**. Accountability has not been strengthened to keep pace with decentralization of resource management. The Bank as a matter of high priority, should implement work program and performance contracts for each business unit that has devolved budget management authority.
- **Capacity building and communication**. Efforts to build capacity have not yet been sufficiently successful. Management should examine cost-effective options for regular training of new managers and staff. Such capacity building should be complemented by regular communication between senior management and line managers and staff on budget reform issues.
- **Role of the budget department.** Transition of the budget department to a corporate analytical role has not fully occurred as envisaged in the 2009 Board Paper on UA budgeting implementation—providing support for monitoring and reporting performance in terms of outputs, results, and resource use. There is a need for the department to shift from its pre-reform role of direct budget management to one that adds corporate analytical and support value. For effective decentralization of budget management responsibility, such transition should be recognized and accepted by line managers.

Review of the Implementation of the 2007-2012 HR Strategic Framework and Action Plan

The consulting firm Mercer was retained by the Bank to carry out an independent review of the Bank's performance in implementing the 2007 HR Strategic Framework and Action Plan. The review concluded that achievements had been recorded in some areas as captured by the 2010 staff survey, but highlighted the need for a People and HR strategy to address the following:

- An increased emphasis on the people management skills required by managers, and role modelling of these people skills and values by senior leaders
- A shift in the culture of the Bank towards more empowerment, ownership and personal accountability for actions
- A strengthened performance management culture, together with removal of the poorest performers
- A higher focus on talent management, and careers for strong performers
- A stronger focus on employee engagement and the management of change and transition
- An updated look at the overall employment proposition for employees in the Bank

Annex IV: Matrix of Institutional Initiatives under ADF-13

		Action/Deliverable	Delivery Date	Expected Result/Impact
Achieving Greater Client Responsiveness				
a)	**Proximity to Clients**			A more effective decentralized model leading to faster client response, more involved in policy dialogue and donor coordination, and a better quality portfolio
	i)	Mid-term Review of Decentralization Road Map	March 2014	
	ii)	Evaluation of Pilot RRCs	June 2015	
	iii)	Engage the Process of Acquisition/Construction of Premises in two Field Offices	June 2016	
b)	**Portfolio Quality and Cross Cutting Issues**			Improved quality of portfolio, and more effective engagement in fragile states, and better incorporation of gender issues into operations design and implementation
	i)	Revised Fragile States Engagement Strategy and Framework	Dec. 2013	
	ii)	Gender Strategic Framework 2013-2017	Sept. 2013	
	iii)	Updated Enclave Projects Policy	June 2015	
	iv)	Portfolio Improvement Review/Piloting of Action Plan in 4 Countries	June 2015	
	v)	Revision of the ADF Project Preparation Facility Guidelines	Jun2 2014	
Ensuring Effective and Efficient Service Delivery				
a)	**Corporate Planning**			A comprehensive planning process that enables operationalization of the Strategy for 2013-2022 through the PBD
	i)	Consolidation of the PBD into a Medium-term Planning Tool for the Strategy for 2013-2022	Dec. 2013	
	ii)	Adoption of Performance Contracts with Complexes	Dec. 2013	
	iii)	Operations Classification Guidelines	Dec. 2013	
	iv)	Upgrading of SRAS	Dec. 2013	
b)	**Coordination and Performance Monitoring**			Improved focus on performance monitoring, results, and value for money
	i)	Development of a New Results Measurement Framework	Dec. 2013	
	ii)	Implementation of the Cost Accounting System	June 2014	
	iii)	Strengthening of Institutional Coordination and follow up	Dec. 2013	
	iv)	Upgrading Performance Monitoring Dashboard and harmonizing Performance Indicators	June 2014	
	v)	Implementation of a Financial Risk Management Dashboard	June 2014	
	vi)	Implementation of Service Level Standards	June 2014	
c)	**Operations Processes**			Faster processing of Strategy-aligned operations, with adequate quality control and safeguards;
	i)	Implementation of the Revised Operations Review and Approval Process	Jan. 2014	
	ii)	Revised CSP and Appraisal Report Formats	June 2014	
	iii)	Adoption of the Integrated Safeguards System	Dec. 2013	
	iv)	Updated Operations Manual	Dec. 2013	
	v)	Upgrading Operations Management Tools	June 2014	

		Action/Deliverable	Delivery Date	Expected Result/Impact
<u>Maximizing Workforce Productivity</u>				
	i)	Finalization of a People Strategy	Sept. 2013	A strategically aligned, motivated and productive workforce
	ii)	Preparation of a Human Resources Strategy	June 2014	
	iii)	Overhaul of the Performance Management System	June 2015	
	iv)	Compensation Framework Reform	Dec. 2014	
	v)	Leadership & Management Development Program	March 2014	
	vi)	Development/Measurement of a Staff Engagement Index	Dec. 2013	
<u>Operating with Full Transparency</u>				
	i)	Formulation of a new Communications strategy	Sept. 2013	Improved data and information integrity across the Bank; ability to effectively and efficiently disclose information.
	ii)	Establishment of an Integrated Records and Information Management System	Dec. 2014	
	iii)	Mapping of CSOs	Dec. 2013	
<u>Managing Change and Business Continuity</u>				
	i)	High Speed Fiber Optic Data Center Connection (Tunis, Abidjan, & Pretoria)	Dec. 2013	Stronger business continuity platform