# Independent Evaluation of the Implementation of the Development and Business Delivery Model of AfDB

Volume 1: Main report

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AFRICAN DEVELOPMENT BANK GROUP

Independent Development Evaluation
African Development Bank

# Independent Evaluation of the Implementation of the Development and Business Delivery Model of AfDB

## Final Evaluation Report

Volume 1: Main report

Prepared for //

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By// IOD PARC

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# Acronyms

| | |
|---|---|
| ADF | African Development Fund |
| AfDB | African Development Bank |
| AHVP | Agriculture, Human and Social Development Vice-Presidency |
| BPR | Business Process Reengineering |
| CAHR | Committee on Administrative Affairs and Human Resource Policy |
| CEDR | Comprehensive Evaluation of the Development Results |
| CHHR | Human Resources Department |
| CHRM | Corporate Human Resources Management |
| CHVP | General Services and Human Resources Vice-Presidency |
| CIMM | Corporate Information Management and Methods Department |
| CIR | Cost to Income Ratio |
| CO | Country Office |
| CPPR | Country Portfolio Performance Report |
| CSP | Country Strategy Paper |
| DAM | Delegation of Authority Matrix |
| DAPEC | Delivery, Accountability and Process Efficiency Committee |
| DBDM | Development and Business Delivery Model |
| DDG | Deputy Director General |
| DG | Director General |
| ECCE | Country Economics Department |
| ECVP | Economic Governance and Knowledge Management Vice-Presidency |
| EL | Executive Staff |
| GCC | Governors' Consultative Committee |
| GCI | General Capital Increase |
| GS | General Support Staff |
| HQ | Headquarters |
| HRBP | Regional Human Resource Business Partnership |
| ICB | International Competitive Bidding |
| IDEV | Independent Development Evaluation, AfDB |
| KPI | Key Performance Indicator |
| LP | Local Professional Staff |
| MDBs | Multilateral Development Banks |
| MOPAN | Multilateral Organisation Performance Assessment Network |
| NCB | National Competitive Bidding |
| NEPAD | New Partnership for Africa's Development |
| NSO | Non-Sovereign Operations |
| OECD-DAC | Organisation for Economic Co-operation and Development's Development Assistance Committee |
| QA | Quality Assurance |

| | |
|---|---|
| PBL | Policy-based Lending |
| PBO | Policy-based Option |
| PEVP | Power, Energy, Climate and Green Growth Vice-Presidency |
| PIU | Policy Implementation Unit |
| PIVP | Private Sector, Infrastructure and Industrialisation Vice-Presidency |
| PMS | Performance Management System |
| RDG | Regional Directorate General |
| RDGC | Regional Directorate General Central Africa |
| RDGE | Regional Directorate General East Africa |
| RDGN | Regional Directorate General North Africa |
| RDGS | Regional Directorate General Southern Africa |
| RDGW | Regional Directorate General West Africa |
| RDIBD | Regional Development, Integration and Business Delivery (renamed RDVP) |
| RDVP | Regional, Integration and Business Delivery Vice-Presidency |
| RMCs | Regional Member Countries |
| RMF | Results Measurement Framework |
| RO | Regional Office |
| SMCC | Senior Management Coordinating Committee |
| SNFI | Fiduciary and Financial Management, Inspection and Procurement Policy Department |
| SNVP | Senior Vice-President |
| SSC | Shared Service Centre |
| SO | Sovereign Operations |
| SOU | Special Operations Unit |
| STS | Short Term Staff |
| SVP | Senior Vice-President |
| TMT | Transformation Management Committee |
| TOC | Theory of Change |
| TOR | Terms of Reference |
| TYS | Ten-Year Strategy of AfDB |
| URBO | Units Reporting to the Board of Directors |
| URPR | Units Reporting to the President |

# Executive Summary

## What was evaluated, why and how?

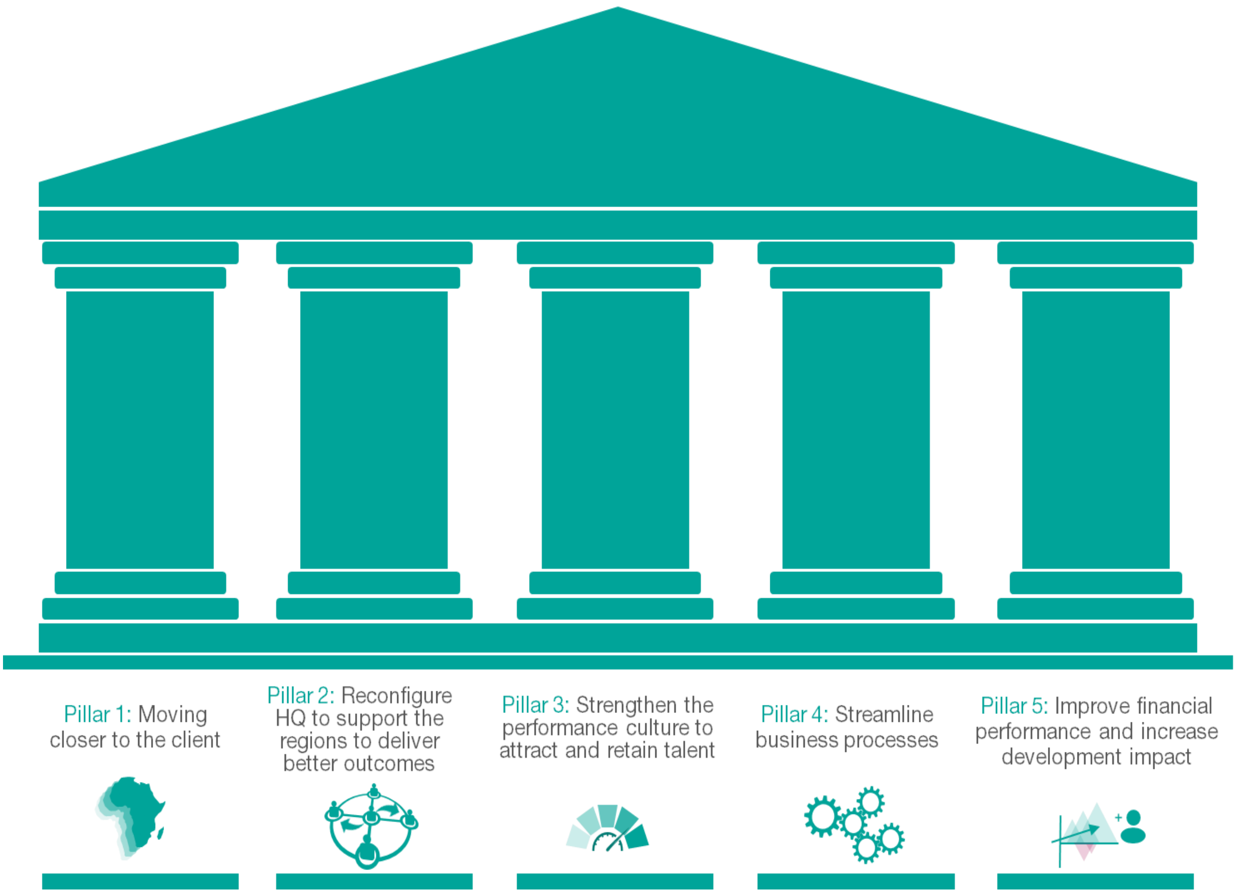
This report presents findings, conclusions and recommendations from an evaluation of the Implementation of the Development and Business Delivery Model (DBDM) of the African Development Bank Group.

The purpose of the evaluation is to take stock of DBDM implementation and to draw lessons that will inform future decisions in the context of the replenishment processes for the African Development Fund (ADF) and the General Capital Increase (GCI). It will also inform further implementation of the DBDM itself and any future reconsiderations or additional reform efforts. Key users of the evaluation are the Bank's Board of Governors, the Board of Directors and management.

The evaluation report aims to answer four key questions:

1. *To what extent have reforms in the five pillars been implemented as conceived/planned?*
2. *To what extent have the reforms increased the Bank Group's capacity to deliver on its objectives?*
3. *What have been the key challenges for implementing reforms in each pillar and what are the lessons to improve the development effectiveness of the reforms?*
4. *Are there unexpected consequences and effects?*

*Figure 1: The five pillars of DBDM*



The evaluation selected a sample of reforms within each of the five pillars for examination. In total, 18 reform initiatives comprising 43 specific elements were considered across the five pillars. The evaluation applied a mixed-methods approach, combining several sources of qualitative and quantitative evidence, including: (i) a review of internal documents; (ii) key informant interviews; and (iii) a survey. Interviews were held face-to-face and virtually with partners and clients, and Bank staff at headquarters, regional hubs and in 17[1] country offices. In total, 285 individuals were consulted in this process. Annex 2 provides further detail on the evaluation methodology.

## What did the evaluation find?

**The DBDM reforms were ambitious and numerous.** Each pillar consists of a number of individual reform elements, activities and expected outcomes. Reforms were not linear work streams, but an interlinked set of reforms that together, if well implemented, aimed to strengthen the Bank's delivery capacity and ensure transformational change in the Bank, together with development outcomes in its member countries.

**Overall, the DBDM reforms had some strengths to build on**. The Bank had experience from previous reforms: it had an existing solid structure at the regional and country levels, and it had the support of its shareholders, both regional and non-regional alike. The Board of Directors was fully engaged in the dialogue on the shaping of the Bank's transformative journey through the DBDM reforms. The momentum for change was created and substantial efforts were initially made to generate buy-in from staff at all levels. This momentum, however, was gradually eroded, as staff were faced not only with their normal daily obligations but also with having to simultaneously understand and manoeuvre the multiple changes that were being initiated in many areas of the Bank's work. This was exacerbated by the short implementation timeframe of the DBDM reforms.

**While reforms did take place, the level of organisational transformation was neither at the speed, nor the depth, originally intended**. All pillars are assessed as relevant to the aims of the DBDM, in their own right and taken together. Implementation, however, has been slower than anticipated. The evaluation finds that, while reforms were well identified and a clear logic links each pillar to the aims of the DBDM, the ambition of the proposed transformation was over optimistic given the context, the Bank's history, and its capacity and capability to manage significant change, as well as deliver its core mandate.

**Further implementation should ensure adequate time, consistent with capacity, and recognize existing operational and corporate commitments.** Implemented reforms have already resulted in positive change and there is considerable potential for further benefits if the full reform package is well implemented. The evaluation, while too early to assess impact, does come at a time where its findings can help to inform and strengthen further implementation.

## To what extent have reforms in the five pillars been implemented as conceived/planned?

**Change is visible in all pillars, but not to the level planned or intended.** The evaluation points to several areas where both *implementation efficiency* and *effectiveness* could have been improved, had the Bank applied better change-management practices. For most pillars, the absence of a detailed, time-bound implementation plan, with clear and consistent milestones, and regular reporting against these, has hampered monitoring and course correction for the Bank. The evaluation also finds that a common feature of the reforms is that many are delayed and that implementation was slower than foreseen. This has been a challenge in terms of ensuring timely synchronization and

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[1] Country visits to Benin, Cameroon, Côte d'Ivoire, Kenya, Lesotho, South Africa and Tunisia; remote interviews with Angola, Cameroon, the DRC, Liberia, Nigeria, São Tomé and Principe, Sierra Leone, Sudan, Tanzania and Zambia.

sequencing, and has led to reduced implementation efficiency. The summary of implementation of the reforms examined by this evaluation shows that 10 have been fully completed or are near completion, 13 are ongoing, and 20 are in need of immediate attention to either initiate or accelerate.

## To what extent have the reforms increased the Bank's capacity to deliver on its objectives?

**A significant long-term impact of the reforms will not be visible until they have been fully implemented and had time to bed in.** The reforms are complex, interlinked and progressing at different speeds, and therefore assessment today is necessarily partial.

**In terms of being closer to the client, the Bank does have better resourced and empowered field offices, and the organisational structure is better aligned to the High 5s.** The restructuring and subsequent reconfigurations of headquarters, although still work in progress, are positively perceived by both Regional Member Countries (RMCs), partners and some staff. Overall, the reforms are seen to have contributed to a stronger focus on the High 5s, and improvements in the Bank's contribution to policy dialogue. This confirms the design logic that being closer to the client would result in a better understanding of context and improve the relevance of Bank support.

**The Bank has also significantly increased its staff count and hence knowledge base, but there remains considerable potential for further improvement.** Continued attention is required to the balance of staff and responsibilities between headquarters and the field offices and hubs, and to some emerging issues, such as the appropriate use of consultants, and speedy and effective on-boarding of new staff. The Bank's headquarters has grown and the current matrix organisation fails to provide the necessary framework for a truly performance-orientated organisation.

**The Bank is in a stronger financial position today than it was in 2015.** It has achieved its ambition to increase the Bank's income and has accelerated disbursement—one of the fundamental goals of the DBDM. The Bank has, over the period of the implementation of the DBDM, delivered an increased level of both approvals and disbursements, and mostly reached the targeted levels. However, it is not possible to ascribe these levels of income, lending or disbursement to DBDM initiatives at the aggregate level, as many other factors, not least context and host country demand and capacity, influence this performance.

**The Bank is larger than in 2015 in terms of staff, structure and financial strength; and so making it also a more effective institution requires time and continued efforts.** The reform package as initially designed has the potential to further strengthen the effectiveness of the Bank. But this will require full implementation of the planned reforms, and, in particular, improved management of reforms in order to reap the full benefits. It is the view of the evaluation that further implementation of the existing reforms and any new initiatives must avoid the pitfalls that have to some extent hampered the implementation of the DBDM and jeopardized the effect of the reforms.

## What have been the key challenges for implementing reforms in each pillar and what are the lessons to improve the development effectiveness of the reforms?

**These lessons are particularly important because so many of the reforms remain incomplete: they should help guide further implementation and the completion of the reforms.** Challenges have been numerous, as might have been expected, given the number and level of ambition of the reforms.

**There are useful lessons in terms of the design and the implementation process**. These relate to setting realistic timeframes, ensuring full analysis of underlying assumptions and possible knock-on effects on interlinked reforms, and putting in place a strong oversight mechanism/ team that is able to generate buy-in across the organisation. Without a clear implementation plan and a results framework, proper oversight is not possible, either by the Bank's management or its governance structure.

**Monitoring metrics and key performance indicators (KPIs) and reporting can be improved.** The Bank has both experience and a strong system of working with KPIs, although some improvements are needed in terms of joint KPIs, the clarity of targets and regular systematic reporting. But perhaps more importantly, attention also needs to be given to the behavioural aspects of KPIs to avoid possible adverse behaviours.

**Achievement has been best where prior reforms have paved the way**. The initial analysis underpinning the DBDM draws a clear picture of an institution in need of, but probably with limited capacity for, change. Indeed, departmental capacity has been significantly stretched at all levels, as noted extensively during key informant interviews across the organisation. Nonetheless, some reforms have benefitted from existing ongoing related initiatives that have compounded the positive effect, for example in Pillars 1 and 4.

**Many of the challenges that the Bank faces are already well known to the Bank.** Several of these challenges have been identified as requiring attention for some time. But while the Bank already has the necessary tools for learning, it needs to become better at using them.

## Are there unexpected consequences and effects?

**Reform fatigue among staff is the most serious unintended consequence**. Interviews clearly showed a certain reform fatigue among staff at all levels and across the organisation. This may hamper further implementation and the introduction of new initiatives if not seriously addressed as the Bank moves forward.

**Unanticipated effects and consequences are however unavoidable for a set of reforms as ambitious and comprehensive as the DBDM**. The Bank has managed some of these as they have occurred, and in this sense has demonstrated its ability to learn with implementation. A possible unintended consequence that the evaluation highlights concerns perceptions among staff that reforms aimed at accelerating processing time may do so at the cost of quality. This will require further analysis as it is still too early for this evaluation to conclude.

## Strategic recommendations

An evaluation with as large a scope as this evaluation, covering as many reform initiatives as we have, leads also to a large number of recommendations. These are both at a strategic level and at a more technical level. At the strategic level, we offer only a few actionable recommendations mainly related to management of further change. At the level of the individual pillars we suggest a number of more technical recommendations and areas of attention. These are reproduced below.

1. To ensure the successful implementation of the remaining or ongoing reforms, we recommend that as a priority attention be paid to how change is managed through the establishment of a clear change-management structure, bearing in mind lessons from the Transformation Management Committee (TMT), the Delivery, Accountability and Process Efficiency Committee (DAPEC), and from this work.
2. We recommend that the Bank puts in place a clear implementation plan and results matrix for the remaining, or any new, reforms, including systematic and transparent reporting to ensure oversight both from Bank management and from the Board. This is also in line with senior management's focus on accountability. Such a plan should take into account the underlying assumptions and linkages between reforms.

3. Delays in implementing the reforms have been significant, due to overly optimistic timelines. We therefore suggest that where there are clear, existing timelines, these should be reviewed, and where there are no clear timelines these should be established with due regard to feasibility.
4. KPIs are a key management instrument. These should be reviewed for their behavioural consequences, in particular the joint KPIs. KPIs can be both an incentive and a disincentive; proper analysis is needed to ensure that they have the intended effect.

In the course of our work, we have also identified a number of data weaknesses and areas where better evaluative knowledge would help the Bank. These are included in Chapter 7 in the Conclusions and Recommendations sections of the main report.

## Technical recommendations and areas for attention by pillar

### *Pillar 1: Moving Closer to the Client to Enhance Delivery*

1. In accordance with the principles underpinning the Bank's decentralisation strategy, reaffirm the current and future functions, roles and responsibilities of headquarters, and regional and country offices.
2. Subsequently, set realistic decentralisation objectives and targets, taking into account the interdependencies with other reforms in other DBDM pillars, and synchronise all execution measures accordingly.
3. Thereupon, reconsider the current imbalances, where relevant, between headquarters, and regional and country offices; between operational and non-operational staff; between management and professional staff; and also between staff at post, and consultants and short-term staff. Subsequently develop a concrete and realistic action plan to address these.
4. Determine and adopt clear definitions of staff categories (e.g., operational and non-operational) and apply these consistently, as a more effective way to monitor and report progress against decentralisation targets, and readjust where necessary.
5. As a matter of urgency, optimise the right-sizing criteria against their validity, rationality and applicability in light of the Bank's current realities, and apply these consistently to identify staffing surpluses, gaps and needs.
6. Make a more focused effort to better communicate the Bank's knowledge products among partners and clients. Recent measures to produce and disseminate knowledge products in languages other than English and French are a step in the right direction, but developing a more comprehensive external communications strategy, focused on the timely production and dissemination of relevant knowledge products, is merited.
7. Implement those outstanding measures that are already fully aligned with the DBDM's key principles, such as the right-sizing exercise.

### *Pillar 2: Reconfigure Headquarters to Support the Regions to Deliver Better Outcomes*

1. Establish a clear and full understanding of the matrix organisation structure and relationships, and what this entails in practice. In particular, the Bank should analyse the challenges faced thus far with typical matrix characteristics, such as dual reporting, joint KPIs and coordination

processes. Thereafter, the Bank should develop a realistic plan to resolve these and monitor execution closely. In doing so, the Bank should acknowledge the complexities involved, recognise the breadth of the changes needed (in terms of process, incentives, skills and leadership), and engage meaningfully with staff to foster staff commitment and ownership.

2. Spell out and operationalise the 'One Bank Principle', including its implications for the ways in which the Bank currently operates.
3. Reassess the current size and composition of the Bank's headquarters' complexes *vis-à-vis* their intended functions, roles and responsibilities (as envisaged under the DBDM), and adjust accordingly.
4. Reconsider the current imbalances, where relevant, between headquarters, regional and country offices; between operational and non-operational staff; between management and professional staff; and also between staff at post, and consultants and short-term staff. The Bank should then develop a concrete and realistic action plan to address these.
5. Based on the outcome of recommendations 3 and 4, reassess current vacancies from a corporate perspective, and reprioritise where necessary.
6. Assess the costs hitherto incurred following the introduction of the DBDM and determine the additional costs needed to bolster the matrix organisation and build the foundations necessary.

*Pillar 3: Strengthen Performance Culture and Attract and Retain Talent*

1. The Bank should ensure timely commission of staff surveys and/or other systematic, Bank-wide perception data collection instruments to gather comparative quantitative/qualitative data on culture.
2. The Bank should fulfil Pillar 3 initiative commitments to provide sufficient systemic incentives for cultural change, ensuring that organisational capacity and capabilities to manage change match the motivation for change.
3. The Bank needs to be more explicit about the cultural characteristics currently required by the Bank, namely what values, behaviours and ways of working are required to achieve corporate objectives.
4. Based on the Bank's internal analysis, identify the remaining number of outstanding performance contracts to be finalised, and develop a realistic but expeditious timeframe to completion. Track assertively.
5. Ensure continued focus on implementing the Performance Management System (PMS) in a credible manner, with robust consequence measures in place to support and actively track compliance.
6. Establish a systematic mechanism for on-boarding new staff commensurate with the demands of accelerated recruitment initiatives, and differentiated professional levels and roles.
7. The Bank should accelerate its work to ensure that it is an attractive place to work for women, including in senior positions, using a compendium of support schemes, including mentoring, targeted career development and family-friendly policies.

8. The Bank should finalise and approve its talent management strategy and framework, and launch expediently.
9. Explore opportunities for exchange programmes with other Multilateral Development Banks (MDBs), and explore opportunities for staff rotation to broaden and deepen staff exposure to different parts of the Bank.

*Pillar 4: Streamline Business Processes to Promote Efficiency and Effectiveness*

1. Develop a realistic timeframe for both the design and implementation phases of process reforms, supported by a detailed implementation plan that is actively used and updated.
2. Within this process, the Bank should ensure adequate time for consultation, especially with frontline staff and, where appropriate, clients. This consultation should include the testing of proposed reforms once developed, to ensure their feasibility and relevance.
3. At the same time, the Bank should explicitly include a risk assessment with proposed business process reforms, in particular considering potential adverse impacts on quality. Where mitigating measures are not warranted, the Bank should identify how risks to quality will be monitored to ensure they do not materialise, in line with the Bank's new Quality Assurance Implementation Plan.
4. In terms of analysing and reporting business process efficiencies, a single 'average' indicator for a process has limitations in terms of explaining performance to stakeholders and identifying areas for improvement. While the size of the Bank's Results Measurement Framework needs to be kept manageable, there is scope to examine aspects of performance in more depth (as illustrated above) and to present this selectively in key performance reports.
5. More immediately, further research by the Bank appears warranted to: (i) explore the apparent relationship between pre- and post-approval processing times; and (ii) the behavioural incentives for clients created by the process deadlines advanced in Presidential Directive 02/2015.

*Pillar 5: Improve Financial Performance and Increase Development Impact*

1. The Bank may wish to consider to what extent the current balance between KPIs focused on approvals and disbursements are well balanced with KPIs focused on project quality, implementation and development results.
2. Given the importance of measuring disbursements for the High 5s, it is recommended that the Bank improves its data and reporting tools to better capture this.
3. Given the expectation that the Bank's country offices are able to cover their costs at a minimum (except in select cases such as transition countries), it is also recommended that the Bank analyses to what extent this has occurred and under what conditions it is feasible.
4. A review of approval and disbursement targets and the underlying assumptions for setting them may help the Bank to better develop more realistic and achievable targets for improved results management and accountability.

# Chapter 1: Introduction and Background

This independent external evaluation has been conducted at the request of the Governors of the African Development Bank Group (the Bank) in the context of a General Capital Increase (GCI).

To some extent, it picks up where a previous independent evaluation stopped, namely the Comprehensive Evaluation of the Development Results (CEDR) of the African Development Bank Group 2004-13. The concluding words in the management response to that evaluation were: "The findings presented in the evaluation are often a sobering reminder of the challenges of promoting development in Africa. The feedback is particularly valuable as the Bank embarks on rolling out the reforms in the DBDM".[2]

Key feedback included ratings on Bank performance that did not paint an encouraging picture: the relevance of Bank interventions was rated 'moderately satisfactory', with effectiveness, efficiency and sustainability all rated 'moderately unsatisfactory'. This provided compelling evidence for change and a strong rationale for the introduction of a new Development and Business Delivery Model (DBDM).

The Bank launched its High 5s in 2015—an ambitious programme defining the Bank's role in promoting Africa's development; a programme that needed an efficient and effective institution to support its delivery. Consequently, the DBDM was introduced in 2016. In 2018, at the Bank's annual meeting, Governors authorised "the Governors' Consultative Committee to launch (…) a review of the reforms to increase the Bank Group's capacity to deliver on its objectives". Subsequently, following a series of discussions between management and the Board of Directors to draw up Terms of Reference (TOR), an independent evaluation was launched in November 2018.[3]

This evaluation is being conducted by IOD PARC, an international development consulting company based in the UK, and it is being facilitated by the Bank's Independent Development Evaluation (IDEV).

## Evaluation framework and methodology

### *Purpose and objectives*

The *purpose* of the evaluation is to assess DBDM implementation and draw lessons that will inform future decisions in the context of the replenishment processes for the African Development Fund (ADF) and the General Capital Increase (GCI), as well as inform further implementation of the DBDM itself and any future reconsideration or additional reform efforts.

The *objectives* of this evaluation are threefold:

- Assess the current implementation status of the DBDM;
- Assess the DBDM's contributions to the Bank's efficiency and effectiveness; and
- Identify the main challenges and lessons to improve the development effectiveness of the reforms.

*Key users* of the evaluation are the Bank's Board of Governors, Board of Directors and management.

The evaluation report aims to answer four key questions:

1. To what extent have reforms in the five pillars been implemented as conceived/planned?
2. To what extent have the reforms increased the Bank's capacity to deliver on its objectives?
3. What have been the key challenges for implementing reforms in each pillar and what are the lessons to improve the development effectiveness of the reforms?

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[2] Comprehensive Evaluation of the Development Results of the African Development Bank Group 2004-13 (CEDR).

[3] For details of the independent evaluation's scope, methodology, process, criteria, questions, indicators and data sources, see Annex 2.

4. Are there unexpected consequences and effects?

While the evaluation will serve both accountability and learning purposes, the TOR states that the evaluation is primarily a formative exercise. A key objective is to provide learning for the Governors regarding what has worked well, and what has worked less well and why, to inform the continuous efforts to improve the efficiency and effectiveness of the Bank. For this reason, the evaluation study will not provide an overall summative judgement on the effectiveness of the DBDM. This focus is also appropriate given the limitations and methodological challenges posed by the ongoing character of the reforms. This speaks in favour of a strong focus on learning, as accountability for results is more difficult given that the results are still emerging.

### *Scope and methodology*

The subject of the evaluation is the set of reforms introduced under the DBDM, as presented in five individual but mutually supporting pillars. For the purposes of the evaluation, the DBDM constitutes what has been agreed by the Board, as reflected in successive resolutions.

*Figure 2: The five pillars of the DBDM and reforms examined in the evaluation*


Guidance obtained from the Board of Governors[4] indicated that the evaluation should be comprehensive, covering all five DBDM pillars, although at different depths. We selected a sample of reforms within each pillar for examination (Figure 3), which were set out in the Inception Report. The sample was chosen purposively, based on a consideration of: (i) significance to the objectives of the DBDM pillar; (ii) maturity of the reform (given implementation and effect lags); and (iii) resources available for the study (see Annex 2 for details).

The evaluation followed Evaluation Cooperation Group (ECG) guidelines and principles as stipulated in our TOR. It used a blend of OECD-DAC and DBDM-specific[5] criteria to guide the enquiry, focusing on the key areas of interest to Governors and Bank management. The choice reflected both the tight timeline, and our consideration of feasibility and opportunity cost associated with other criteria. Table 1 summarises the criteria selected and associated evaluation questions.

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[4] GCC meeting in Rome on 5 December 2018

[5] As proposed in the original Terms of Reference for the evaluation.

*Table 1: Evaluation criteria*

| | | |
|---|---|---|
| Relevance | OECD-DAC | Examined at the level of specific reforms, to test their relevance to the objectives and ambitions of the DBDM |
| Implementation efficiency | OECD-DAC | Examined at the level of specific reforms, to test whether the intended outputs have been delivered in line with effort expended |
| Effectiveness | OECD-DAC | Examined at the level of specific reforms, to test whether the objectives of reforms are considered likely to be achieved |
| Coherence | TOR | Examined at the cross-pillar/reform level, to test whether key dependencies between reforms are understood and risks managed across units |

### *Data collection methods*

Data collection for the study comprised three main methods: (i) key informant interviews and focus group discussions; (ii) a survey of Governors; and (iii) secondary data collection and document review.

## Key informant interviews and focus group discussions

Key informant interviews were held with Bank staff in headquarters and regional hubs, 17 country offices and with several partners and clients. In the case of regional office (RO) and country office (CO) staff and partners/clients, interviews were conducted either face-to-face or remotely. In addition, focus group discussions were held with staff in regional hubs to explore in more depth important aspects of the DBDM reforms. In total, 285 individuals were consulted in this process, comprising 211 Bank staff, 30 representatives from partner/peer organisations and 44 representatives from governments. In order to conduct the interviews, evaluation team members visited seven countries (including all regional hubs) and held remote interviews with key informants in ten additional countries, as follows:

- Country visits: Benin, Cameroon, Côte d'Ivoire, Kenya, Lesotho, South Africa and Tunisia.
- Remote interviews: Angola, Cameroon, the DRC, Liberia, Nigeria, São Tomé and Principe, Sierra Leone, Sudan, Tanzania and Zambia.

The selection of Bank staff informants to interview was driven primarily by the evaluation team in consultation with the Bank. To guide the choice of staff, the evaluation team was provided with a full list of established staff (as of December 2018) by location, title and grade. Practical constraints imposed by the limited time available meant that staff were selected purposively, to provide a good spread across functions, sectors and grades, as well as to ensure inclusion of the relatively small number of staff closely involved in the design/oversight of the DBDM reforms.

In total, 17 countries (30 percent of the RMCs) were included in either face-to-face or remote interviews. The sampling strategy involved stratifying RMCs by Fragile and Conflict Affected State/ ADF/ ADB eligibility categories. Subsequently, within strata, countries were selected randomly using monetary unit sampling to ensure that the sample reflected the significance of the Bank's involvement in different countries. Further adjustments were made to the sample to reflect regional considerations and the date of country office establishment. Our ability to draw more general conclusions about the Bank's performance with confidence was further enhanced by the high level of consistency we observed in responses in the different contexts and congruence with other data sources.

### Survey of Governors

In consultation with IDEV, a short online questionnaire survey was issued in English and French to all 80 Governors. The aim was to assess the perceptions of this key stakeholder group regarding the status of, and recent changes to, both the quality of the Bank's processes in partner countries and the ease of doing business with the Bank. Responses were received from 39 countries (49 percent response rate). Response rates were deemed adequate for the purposes of the evaluation, and provide a representation of qualitative and quantitative perception data from which emerging patterns and themes have been analysed and triangulated with evidence from other sources.

### Secondary data collection and document review

A process of document review and secondary data collation commenced in the inception phase and continued into the data collection and analysis phases. Four main sources of secondary data were accessed:

- AfDB's policies, strategies and manuals, including Board papers relevant to the DBDM process;
- AfDB's own management information (financial, operational and administrative), including corporate performance data and reports;
- Relevant evaluation reports produced by the Bank's Independent Evaluation function; and
- Third-party assessments of the Bank relevant to pre- and post-DBDM.

A list of persons/functions consulted can be found in Volume 2, Annex 3. A list of key documents consulted is provided in Volume 2, Annex 4.

While the range of secondary data consulted was extensive, analysis was constrained in some cases due to limitations in data availability. This is discussed further in the section on data limitations below.

## *Analysis methods*

Our overall analytical approach to the drawing of inferences was qualitative (see Volume 2, Annex 2 for further detail). This approach is appropriate given the rapid nature of the study, the unique nature of the DBDM reforms, the in-progress nature of the reforms and the importance placed in our terms of reference (TOR) on lesson-learning. However, within that overall paradigm, both quantitative and qualitative analysis was undertaken, and we applied a variety of different analytical approaches to increase the robustness of the findings (thematic analysis, framework analysis, comparative, 'before-after' analysis, among others). During the process of synthesis, we shared our emerging findings and observations with IDEV, the Evaluation Reference Group, the Board of Directors and the Governors Consultative Committee (GCC) to test, refine and validate our judgements.

## *Limitations*

The evaluation has faced practical limitations, as well as limitations and constraints related to data.

### Practical limitations

The evaluation faced a number of challenges stemming from the combination of the tight timeline for the exercise, together with the limited maturity of the reform process given the relatively early stages of DBDM implementation reforms bedding in. In particular, given the breadth of the evaluation, the fact that the DBDM is an ongoing change process, and given the timeframe within which it has conducted, these have been constraining factors. However, given the prioritisation of those elements of the reforms to consider in depth and an understanding that this is a formative evaluation focusing on implementation to date, the challenges and lessons rather than summative conclusions help to mitigate against these constraining factors.

### Data constraints and limitations

Issues pertaining to quality, accessibility and the timeliness of information, as highlighted in the inception report, have been experienced. Data and information quality presented a material limitation, while there were challenges in accessing consistent and reliable data that allow for a deep exploration of issues within each pillar for interval comparability. In some instances, different figures were reported, such as the Transformation Management Committee (TMT) updates versus Annual Development Effectiveness Review (ADER) data. In other cases, data were entirely absent, for example the recent staff survey or KPI data on employee engagement and managerial effectiveness. Annex 1 in Volume 2 on each pillar sets out these challenges in more detail.

## Structure of the report

The report consists of two volumes: Volume 1 (this document) is dedicated to the main report and Volume 2 contains a series of annexes.

The main report is a summary assessment, looking both across each of the five pillars, and at the interdependence between them, while answering the four evaluation questions. In a summary assessment some nuance and detail are necessarily sacrificed for the aim of a coherent and more strategic assessment.

Volume 2 contains four annexes. Annex 1 provides a detailed assessment of the reforms in each pillar, including details of the evidence behind findings. Annex 2 details the evaluation methodology. Annex 3 includes details of the interviews conducted. Annex 4 is a list of references employed for the evaluation.

# Chapter 2: The Development and Business Delivery Model

*Context*

Changes in the global development architecture, with an ever-expanding number of actors, have led to increasing competition for resources. As a result, there is a need for agencies to clearly define their comparative advantage and to be able to demonstrate efficiency and effectiveness in delivering development results. The Bank is no exception to this, and expectations of the Bank as the premier development finance institution on the continent are high.

Since 2016, the Bank has sought to sharpen its focus, based on the existing Ten-Year Strategy (TYS), through the articulation of five high priority objectives, known as the High 5s: Light Up and Power Africa; Feed Africa; Industrialise Africa; Integrate Africa; and Improve the Quality of Life for the People of Africa. As part of its strategic reorientation, the Bank also decided to re-design its operating model, organisational structure and pricing framework, for three reasons: (i) to consolidate its achievements and reposition the institution for greater effectiveness and efficiency to deliver on the TYS' High 5s and the Sustainable Development Goals (SDGs); (ii) to ensure financial sustainability of the Bank and to meet the evolving development challenges of RMCs; and (iii) to provide leadership in areas in which the Bank has or can develop comparative advantage, as well as in areas mandated by RMCs and the international community. Consequently, a set of reforms—the Bank's DBDM—was approved by the Board in May 2016, with an implementation timetable set for the end of December 2018.

When assessing the implementation of the DBDM, it is important to consider where the Bank was prior to the DBDM's approval. The DBDM's design had been informed by the Comprehensive Evaluation of the Development Results (CEDR) of the African Development Bank Group 2004-13 and the commitments that management had made in view of the findings, among others. Other important contextual issues also need to be kept in mind. Chief among these is the Bank's return to Abidjan in 2014 from its decade-long temporary location in Tunis, coupled with the prior implementation of another series of operational and institutional reforms initiated since 2012. The longstanding effort to strengthen the Bank's presence in its RMCs is also relevant. Indeed, the Bank had moved from four to 38 operational Bank offices at country and regional levels in the period 2004-15. Furthermore, it promulgated a Delegation of Authority Matrix (DAM) in 2012 and adopted a decentralization action plan in 2015. Other ongoing reforms linked to the objectives of the DBDM include the introduction of tools to improve project and programme quality, and to ensure better development results, such as the reform program 'From Good to Great', introduced in 2012. As a result, staff were very familiar with reforms and the demands for ever-increasing efficiency and effectiveness.

## DBDM Conceptualization and Design

The DBDM was conceptualized amidst an increasingly complex and competitive global development landscape. This included many new actors, many new providers of funding, many sources of knowledge, and an increasingly diversified client base.

The DBDM was designed as a package of reforms that together would increase efficiency, streamline the management process to improve financial performance and increase the Bank's operational impact on development by bringing its operations closer to clients and raising the level of services it provides. This, in turn, was intended to help align the Bank's operations with the needs and systems of its RMCs, promote closer interaction on sector-specific policies and activities, create new business opportunities, improve coordination among development partners, increase the efficiency of its activities, and strengthen its impact in the countries in which it is involved. In short, it was a clear and ambitious undertaking.[6]

The DBDM can be seen as a deliberate attempt to realign the organisation with its revised strategy. It was developed following a joint analysis of the Bank's delivery against the TYS, conducted by a team of Bank staff and consultants from McKinsey. Underpinning the DBDM is a set of key findings:[7]

- The Bank's profitability had declined sharply. Operations disbursements were not keeping up with approvals, suggesting that available capital was being tied up in undisbursed approvals and not generating income.
- The Bank's resources were too concentrated in headquarters, while field offices were not resourced or empowered to effectively drive business development and delivery.
- The prevailing organisational structure was not aligned with the TYS and especially the High 5s, negatively impacting the Bank's ability to effectively deliver on its strategy, while also ensuring business growth and development impacts on the ground.

With regard to the then-prevailing organisational structure, the Bank's self-analysis pointed to several shortcomings that needed addressing. These included, among others, a high degree of autonomy of sector departments, insufficient coordination between sector departments and country departments, and an inverse relationship between strategy and operations, with the latter determining the former. Although the Bank had decentralised staff to COs and the two pilot regional resource centres, key decision-making authority remained centralised at headquarters. This weakened the Bank's ability to effectively bring the right knowledge to the right clients. The Bank was seen to lack appropriate leadership capabilities, thus compromising its ability to lead on policy dialogue and respond to the local needs of clients which, in turn, limited its influence and effectiveness on the ground. Efficiency and process, not effectiveness and results, were seen as driving the Bank's business.

Other organisational areas in need of examination included the Bank's HR performance management and culture, which were perceived as bureaucratic, hierarchical and authoritative, and the alleged slow and bureaucratic business processes.

In response, the Bank's management identified three *core principles* to drive the organisational changes needed:

- Aligning the structure with the strategic objectives (TYS, the High 5s);
- Bringing the Bank closer to its clients, and more efficiently and effectively into regions and countries; and
- Improving organisational effectiveness through faster decision-making, greater transparency and a stronger performance culture.

The broad logic of the DBDM was that, by strengthening its institutional and operational capacity through a comprehensive set of mutually reinforcing reforms, the Bank would improve its development effectiveness. This, in turn, would lead to transformative, positive outcomes for the African continent.

A set of reforms in line with this logic was the basis for the DBDM, which was approved by the Board in May 2016 and scheduled for completion in December 2018.

The DBDM focuses on five institutional pillars: (i) Move closer to the client to enhance delivery; (ii) Reconfigure headquarters to support the regions to deliver better outcomes; (iii) Strengthen the performance culture to attract and maintain talent; (iv) Streamline business processes; and (v) Improve financial performance and increase development impact.

The five pillars are interlinked, mutually supportive and, if implemented well, meant to give the Bank a qualitative lift. They were intended to put the Bank in a better position to support its delivery of the High 5s and the achievement of development results in its RMCs.

[6] ADB/BD/WP/2018/18/Rev.1/Final of 3 May 2016.

[7] Ibid.

## The DBDM from a Change Management Perspective

Compared with previous and other ongoing institutional reform processes within the Bank, the DBDM was very ambitious in terms of scope, complexity and timeframe. The DBDM was presented as a transformative journey, aiming to simultaneously respond to a range of organisational pressures: not only to improve cost-efficiency and increase development effectiveness, but also to instil a new performance culture and become more customer-centred. The reforms were highly interrelated, with progress in one area affecting progress in others. The Bank set an ambitious timetable: by the end of 2018 the reforms were expected to be completed and the first effects visible.

The Bank's senior management and external consultants had a clear understanding of the journey they wanted the Bank to embark upon, the direction of travel and its destination.[8]

Alongside the pursuit of programmatic priorities across the High 5s, the DBDM implementation plan's design consisted of four priority areas: (i) Build consensus and commitment; (ii) Reorganise and improve capabilities; (iii) Streamline key processes; and (iv) Drive the right delivery of change. These were complemented with a high-level communication plan, a high-level action plan, an overview of how and when structural changes would be rolled out, and a proposal for the institutional arrangement needed to manage the DBDM. While a communications plan was developed,[9] no evidence was found to demonstrate that the analysis underpinning the DBDM, explaining why such far-reaching changes were necessary, was shared with Bank staff. Such sharing and explanation could have helped to build better staff buy-in.

The DBDM's level of ambition, scale and the interdependence of the reforms demanded firm institutional arrangements, including a dedicated Transformation Management Team (TMT), and tight planning and monitoring mechanisms. There is evidence that the Bank recognised this: the DBDM implementation plan included a set of institutional arrangements to manage the organisation's transformation. These were established in two Presidential Directives[10] covering the TMT, and the Delivery, Accountability and Process Efficiency Committee (DAPEC). The TMT was tasked with ensuring "implementation of the DBDM and guaranteeing timely institutionalisation of the new organisational structure and related institutional reforms",[11] while the DAPEC was expected to "review the Bank's existing business processes, organisational culture, policies and procedures, and redesign as necessary to advance the objectives of the transformation agenda".[12]

The TMT was headed by the Senior Vice President (SNVP). In addition to the TMT, eight sub-teams were created, with each sub-team covering a particular area of work.[13]

While it was intended to be a dedicated transformational management team with key strategic insights into how the Bank operates and an understanding of what needed to be done, in practice the TMT comprised a large number of senior management members (21), some of whom were new to the Bank. Overseeing and rolling out the transformation process was to be done alongside their normal duties. The DAPEC was to operate under the direction of the TMT and perform its functions through ad hoc subject matter working groups. It was to report on a monthly basis to the TMT and relevant senior management committees.

Based on the available evidence, the TMT established solid foundations engaging with staff through newsletters, messages from the President, town-hall style meetings in Abidjan, and regional presentations, among others. The TMT sub-teams developed short-term action plans (July-December 2016), with milestone dates for delivery. In January 2017, the TMT presented its priorities

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[8] See DBDM Proposal (May 2016); DBDM Presentation Slides (May 2016), TMT Updates; Organisational change Process TMT Priorities for 2017 (January 2017); Transformation Newsletter #3 (December 2017).

[9] TMT Update 2, January 2017 (p. 6).

[10] 02/2016, 03/2016.

[11] Presidential Directive 02/2016 Concerning the Establishment and Terms of Reference of the Transformation Management Team, 17 June 2016

[12] Presidential Directive 03/2016, 23 June 2016 (p.3).

[13] Performance and Alignment; Effectiveness; Efficiency & Risk; Talent; Engagement & Communications; Resource Mobilisation; Systems and Technical change; and Overall Support.

for 2017 to the Senior Management Coordinating Committee (SMCC), this time without milestones, an indication perhaps that the momentum was somewhat weakening. Interviews confirm this and suggest that the TMT met less frequently and that full participation of all members at its meetings became less frequent as time went on.

Meeting on a routine and regular basis to review and discuss progress is one of the conditions for strong change management. Another is regular monitoring and course correction, and monitoring of the DBDM's execution required a solid monitoring and reporting system set against detailed plans. In practice, this was limited by the absence of detailed, logically sequenced, well-synchronised and adequately resourced action plans and results frameworks. There is no evidence to show that the plans drafted in 2016 were regularly updated, or that regular, systematic progress reporting was carried out thereafter.

The Board of Directors was officially updated five times, in September 2016, January 2017, October 2017, May 2018 and finally in November 2018 (draft).[14] Each of these documents adopted a different template, scope and terminology, which made it difficult to monitor implementation progress consistently and coherently. This has not facilitated the Board's oversight responsibility.

As time progressed, the DBDM became less of a project with a starting time of May 2016 and a finishing date of December 2018, and more of a 'process', with moving targets. Goalposts were shifted during implementation without sufficient communication from management to staff, as for example evidenced by questions for clarification about the DBDM to the evaluation team during interviews and focus group meetings in the regions.

Transforming the prevailing organisation into an effective matrix structure was predicated on having in place a solid foundation of teamwork, joint accountability, management processes and reward systems that support collaboration, joint objectives and performance management, and team-building skills. These preconditions were not sufficiently in place and, as a consequence, the transformation into an effective matrix organisation is still work in progress. For example, presidential announcements in early 2019 during Planning Week regarding the 'One-Bank' concept, the Pilot–Co-pilot arrangement, and consideration to introduce Sector Boards, point to further change being envisaged (see further detail in Volume 2, section on Pillar 2).

Despite a strong business case, comprehensive design and an initial solid start, the Bank somewhat underestimated the scope and complexity of the transformation process, as well as the critical role of the 'human factor'. The Bank set itself overly ambitious 'stretch' targets,[15] without giving due consideration to the reasons behind the Bank's identified shortcomings. The fact that the Bank's leadership initially saw the Bank as a centralised, hierarchical, top-down and process-oriented organisation, which also lacked the necessary leadership and effective teams on the ground, was a solid justification for far-reaching change. But the diagnosis should also have made clear that, for such change to happen in such a complex organisation in those conditions, adequate provision of resources (time, human and financial resources) would be needed. Indeed, the DBDM's somewhat top-down approach, and high ambitions and directive, rather than engaging, implementation, occurred at a time when staff were still settling down after spending a decade in Tunis. They were also under significant pressure to expand the Bank's portfolio and lending, impacting on delivery and staff motivation and satisfaction, as was made clear from interviews across the Bank, at all levels.

[14] ADB/BD/WP/2016/152/Add.1/Rev.1 of 29 September 2016; ADB/BD/IF/2017/18 of 30 January 2017; ADB/BD/WP/2017/133/Rev.1/Final of 10 October 2017; ADB/BD/WP/2018/82 of 14 May 2018; ADB/BD/WP/2018/272 of 30 November 2018 (draft).

[15] Stretch targets are objectives that force organisations to significantly alter their processes in a way that often involves a whole new paradigm of operations.

# Chapter 3: The Extent to Which Five-Pillar Reforms Have Been Implemented as Conceived/Planned

This chapter assesses the reforms using the four evaluation criteria: relevance, implementation efficiency, effectiveness and coherence.

## Relevance

All pillars are judged as relevant to the aims of the DBDM in their own right and taken together. There is a clear logic linking each pillar to the aims of the DBDM (see Volume 2 for the underlying Theory of Change for each pillar). There is compelling, documented evidence that they are directly aligned to DBDM aims.

The full reform package was developed with strong engagement by the Executive Board and thus was shaped by client needs, priorities, and not least, by context. The reforms were ambitious and numerous, and in this sense in line with the overall goal, which was just as ambitious. To what extent they were also realistic given the context and existing capacity for change in the Bank is addressed below.

There is no clearly articulated Theory of Change for the reforms showing how they are interlinked or what the underlying assumptions are. Nonetheless, this can be deduced to some extent subsequently, based on evidence from various documents and interviews. We have done so for each pillar (see Volume 2). It is often insufficient attention to underlying assumptions that derail or hamper a change process. Indeed, from the evidence collected it appears that in several cases the implicit assumptions were in fact not met, or in place, leading to delays in implementation, or to unforeseen barriers to implementation. For example, one of the underlying assumptions was that the Bank could be transformed into a fully-fledged, well-functioning matrix organisation within a limited time span of just 30 months. This, in turn, necessitated a combination of factors that this evaluation highlights as not being in place (see Volume 2, Pillar 2 for details). Or for Pillar 1, an underlying assumption was that staff could be swiftly moved to where they were most needed, given their competency profile. In practice, staff were not always willing or motivated to accept such transfers.

## Efficient implementation

Assessing implementation efficiency considers whether outputs have been delivered on time, as planned, and at the level, quantity and quality expected, leading to the intended short-term results (see Annex 2, Volume 2 for details on evaluation criteria).

Each of the pillars has different intended outcomes, different underlying assumptions and different actors. This is described in detail in Volume 2. However, when looking at implementation overall, some common issues that affect efficient implementation, and are key to consider for the future, are clear. These are analysed in more detail in Chapter 5.

For all pillars, the absence of a detailed, time-bound implementation plan, with clear milestones and regular reporting against these, makes it difficult to assess to what extent implementation was delivered as planned. This has also hampered efficient implementation, as it has made the Bank's monitoring more difficult. Furthermore, it has meant that there has not been a strong basis to assess clearly the implications of how progress, or lack thereof, in one area would affect delivery in another area, and hence decide what remedial action should be taken.

Although timelines were not available for all the initiatives reviewed, they can be retrospectively constructed from documentation and updates, to identify what the expected timeline was. This indicates that reforms have been implemented, but with significant delays for selected reforms in

Pillars 1, 2, 3 and 4. In retrospect, given the context and the prevailing conditions at the time of approval of the DBDM, timelines were overly optimistic.

For example, the revised DAM was introduced with an almost two-year delay. Another example is the right-sizing exercise. While criteria were swiftly established and approved by the Bank's Board of Directors in June 2016 as part of the Updated Decentralisation Action Plan, the right-sizing exercise, together with headquarters and regional footprint studies themselves—envisaged as forming the basis for the (re-)allocation of staff to each CO and RO—have still to be undertaken in full.

In terms of what has been implemented, there are clear descriptions of the scope and activities of the reforms and their individual elements, and evidence shows that the Bank has initiated implementation of the vast majority of the reforms. With the exception of Pillar 2, some reforms have been completed in every pillar. The initial effort to launch reforms, therefore, should be recognized and several major reforms, such as the introduction of the pricing policy under Pillar 5 or the DBDM recruitment drive in Pillar 3, among others, have been fully implemented or are close to full implementation. A few reforms show little progress, such as business process reengineering in budgeting and performance monitoring and resource mobilisation in Pillar 4, and the majority are ongoing. Table 2 gives an overview (for more detail refer to Volume 2). The table shows the reforms we have looked at and the individual elements under each of these reforms. It should be kept in mind that the Banks performance in a specific area cannot be judged exclusively on these elements.

The reforms are indeed very ambitious, comprising many reform elements, while the assumptions underlying each of these elements were not always sufficiently clear or considered, leading to lower-than-anticipated results. For example, while performance contracts were identified in the original DBDM proposal as a key lever of improved performance management, implementation delays have undermined this reform initiative. The Bank's own progress reporting notes that the intention to have all VPs finalise their performance contracts by December 2017 failed to occur and successive adjustments were made to the delivery timeframe. At the time of drafting, Executive Performance Contracts remained on an amber status of remaining actions. Another example is from Pillar 1, where reform targets were revised periodically; the 3rd and 4th TMT Updates (October 2017 and May 2018, respectively) show that most targets incurred serious delays of one year or more.

Several reforms, once implemented, still require a number of supporting actions, such as staff training, IT updates, development of guidelines or standardised templates. This is the case, for example, in underpinning reforms in business processes reengineering (see Volume 2, Annex 1 on Pillar 4 for details).

Sequencing of reforms that are interlinked is a key issue, and there is evidence that lack of timely synchronisation and sequencing has led to reduced implementation efficiency. For example, sequencing challenges and implementation delays linked to the completion of the People Strategy, the Talent Management strategy and framework, and staff academies have at each stage impacted upon the subsequent delivery schedule. While not yet finalised, in the GCI proposal (March 2019), the Bank commits to finalising its People Strategy with a view to attracting and retaining top-notch skills. It commits to submit the People Strategy for Board approval (by the fourth quarter of 2019), with an expressed intention to fully implement the Bank Staff Academy to build knowledge and skills that will nurture and develop institutional capacity to deliver on the High 5s.

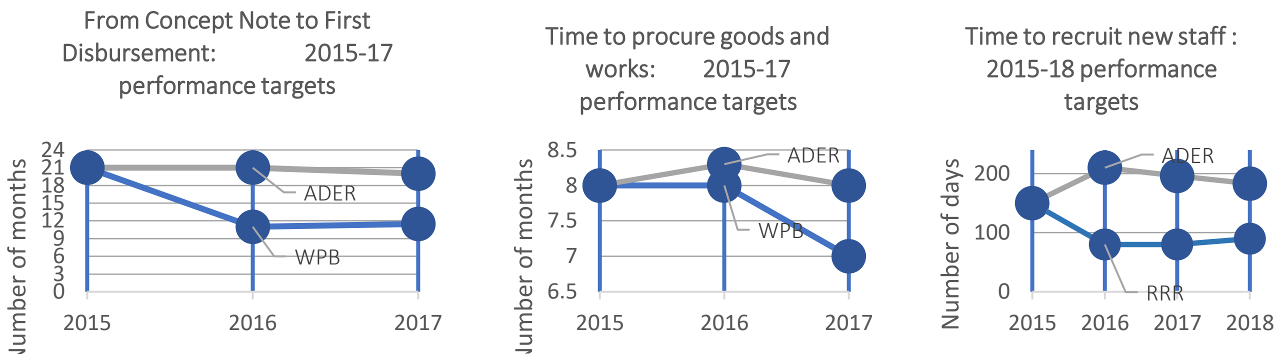
*Table 2: Status of implementation of DBDM reforms assessed in this evaluation per pillar*

| DBDM Reform | Progress towards reform objectives<br>↑ Implementation completed/ close to complete ↗ Implementation ongoing – continued effort required → Implementation not initiated/ no substantive progress made – immediate attention/ action required |
|---|---|
| **Pillar 1: Move closer to the client to enhance delivery** | |
| 1. Regionalisation and expansion of country offices | ↑ 5 Regional Hubs established<br>↑ 3 new COs opened<br>↗ RDG Central yet to be relocated to Yaoundé |
| 2. Right-sizing of field presences | ↑ Right-sizing criteria established and approved<br>→ Headquarters and regional footprint studies announced but not undertaken/ finalised<br>→ Right-sizing of ROs and COs yet to be undertaken |
| 3. Devolved decision-making authority from headquarters to field level | ↗ Clarity on roles and responsibilities of functions and regions, on both SO and NSO needed<br>↗ Clarity on coordination and collaboration mechanisms and envisaged changes to Pilot–Co-pilot and other arrangements needed |
| 4. Streamlining of functions, responsibilities and oversight | → Accountability mechanisms between ROs and COs need optimizing<br>→ Shortage of Task Managers, disbursement officers; investment officers; procurement officers; HR liaison officers in ROs and COs needs addressing |
| 5. Enhancing the Bank's value-added as a partner at country level | → Further improvements considered needed by partners and RMCs |
| **Pillar 2: Reconfigure HQ to support the regions to deliver better outcomes** | |
| 6. Establish sector complexes and associated reconfigurations | ↗ Completed and then partially reversed |
| 7. Streamline internal collaboration and coordination between sector complexes, regional hubs, departments and units | → Matrix structure functioning sub-optimally and in need of review<br>↗ Revised DAM to be reviewed against latest decisions and complemented: clarity on how collaboration and coordination between Bank entities is done, when, and by whom, and why<br>→ Clarity needed on the roles and responsibilities for NSO operations, complex and niche operations |
| 8. Rationalise and implement structural changes to roles and responsibilities between functions and regions, including Pilot–Co-pilot mechanism | → Imbalances in staffing size and composition still pending assessment and resolution |
| 9. Develop specialist knowledge, sectoral expertise and new products | → More Private Sector Expertise needed<br>↗ Knowledge development and dissemination improved but needs further strengthening |

| | | |
|---|---|---|
| **Pillar 3. Strengthen performance culture to attract and retain talent** | | |
| 10. Performance appraisal/ management system (incl. performance contracts) | ↑ | Identification and development of corporate, complex and individual KPIs complete |
| | → | Development of Performance Contracts and Performance Monitoring Tools require further action |
| | ↑ | Performance Management System improvements complete |
| | → | PMS Training to be developed and implemented |
| 11. Attracting talent | ↑ | Staff mapping complete |
| | ↑ | Refreshment and validation of job descriptions complete |
| | ↗ | DBDM Recruitment Drive close to complete; requires final push |
| 12. Talent management and retention | → | Talent management strategy and framework to be fully developed and implemented |
| | → | Staff Academies need operationalization based on preliminary conceptual work |
| | → | Staff rotation opportunities to be accelerated |
| | → | Rewards and Incentives to be fully conceptualized and operationalized |
| **Pillar 4: Streamline business processes to promote efficiency and effectiveness** | | |
| 13. a Project life cycle management processes | → | Business process reengineering for knowledge, analytics and advisory activities still to be initiated |
| | ↑ | Programmatic Engagement with Countries & RECS |
| | ↗ | Project and Program Development and Lending (Government/ Public Sector) |
| | ↗ | Project and Program Development and Lending (Private Sector) |
| | ↗ | Implementation Support Monitoring & Evaluation |
| 13. b Institutional processes | → | Human Resources processes reengineering (excludes Recruitment – see below) still to be initiated |
| | → | Reviewing and reengineering business processes for Administrative support still to be initiated |
| | → | Improved business processes for Budgeting & Performance Monitoring - still to be initiated |
| | → | Streamlining business processes for Resource Mobilization - still to be initiated |
| 14. Procurement | ↗ | Implementation arrangements of 2015 revised Policy still in hand |
| 15. Recruitment | ↗ | Process times from Opening Call-to-Offer reduced; challenges remain for Offer-to-In Post |
| **Pillar 5: Improve financial performance and increase development impact** | | |
| 16. Disbursement | ↑ | Volume of disbursement increased |
| 17. Pricing policy | ↑ | New policy approved and implemented |
| 18. Portfolio management | ↗ | Fully implement 10 priority actions to enhance quality and impact of Bank operations |

The Bank set out ‘stretch’ targets as a way to communicate the ambition and to guide and motivate staff. However, targets are not consistently reported against, reducing their overall usefulness. Targets set under Pillar 4 are a case in point, as shown in Figure 3.

*Figure 3: Selected performance targets for key business process reforms*




**Note**: ADER-Annual Development Effectiveness Report; WPB-Work Programme and Budget document; RRR-Retrospective Review Report

In the case of decentralisation targets, for example, in terms of numbers and share of staff on the ground there are also widely shared misconceptions on the target, pointing to insufficient clarity when presenting and discussing the issue. The evaluation notes that neither the DBDM proposal (April 2016) nor the subsequent Updated Decentralisation Action Plan (June 2016) contain specific targets in terms of staff volume and composition to be based at headquarters, and in ROs and COs. However, the 2016-25 Results Measurement Framework[16] includes a quantitative target for the share of *operations staff* based in COs and regional hubs, to increase from 40.6 percent in 2016 to 85 percent by 2025. The Annual Development Effectiveness Review 2018 refers to this target, reporting a 58 percent achievement by the end of 2017, which is 4 percent higher than the target for that year.

Several reforms have benefitted from existing ongoing related initiatives that have compounded the positive impact. This is clear in reforms aimed at becoming closer to clients, for example, as the decentralization effort is a continuation of a longstanding process. Similarly, in Pillars 4 and 5 in 2015 there was a strong emphasis on the need to accelerate disbursement. This is a clear lesson to be taken forward: where previous and/or ongoing related initiatives have created the right conditions for implementation, there is stronger momentum for reforms and an improved chance of success.

There are, however, examples where the capacity for implementing change is impacted by a department's own reforms efforts. A key example is the staff mapping exercise and staff needs assessment for the High 5s, which were conducted[17] to underpin further decentralisation. The staff mapping exercise took place at a time when the Human Resources Department itself was undergoing significant restructuring and re-profiling, with high staff turnover and perceived anxiety over job security. This impacted on the HR Department’s capacity to deliver against some of the DBDM reforms under Pillars 1, 2 and 3.

## Effectiveness

Effectiveness is a results-oriented evaluation criterion, focused on whether an initiative has achieved its immediate objective, i.e., a longer-term view than the efficiency criterion above. Given that each

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[16] ADF/BD/WP/2016/152/Rev.2/Final – The Bank Group Results Measurement Framework 2016-2025-Revised 2*, 19 April 2017 (p. 20).

[17] TMT Update 3 (October 2017 p. 30)

pillar, as described above, consists of a large number of individual reforms, further detail for each of the pillars can be found in Volume 2, Annex 1. The following section assesses the effectiveness at a more aggregate strategic level, and also looks at perceptions of change, as seen from the Bank's RMCs and partners, for each pillar.

### *Pillar 1: Moving closer to the client*

Decentralisation has been pursued since 1999, but accelerated with the DBDM. The DBDM reforms under Pillar 1 have definitely contributed to a further strengthening of regional capabilities by bringing more responsibility for client activities closer to the region. More staff are on the ground today and more projects are managed from COs and ROs: the share of Bank staff physically based in ROs and COs (excluding consultants and short-term staff [STS]) stood at 33.5 percent (677) as at 18 December 2018. Staff in the field have more and clearer authority than before, with evidence from interviews suggesting that headquarters-led oversight mechanisms are functioning well, even though fiduciary risk and safeguard functions were said to suffer staff shortages. The revised DAM has also contributed, although it will need further refinement, in view of recently announced adjustments and fine-tuning to the Bank's changing structure (see Volume 2, Annex 1 sections on Pillars 1 and 2 for more details).

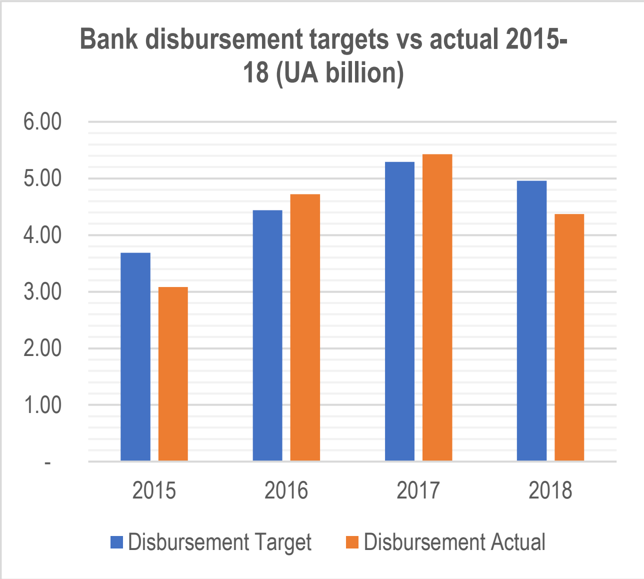
Procedures for better engagement have also been put in place, with the Bank's own staff and its partners on the ground perceiving the effects of decentralisation on the Bank's engagement with clients and its responsiveness to their needs as generally positive, albeit insufficient. This is evidenced both in interviews with staff, and feedback from clients from both the survey and interviews. Client perceptions varied across each region but, in general, governments were happy to have offices or regional hubs in their countries and see evidence of this presence strengthening through the process of decentralisation. The caveat is that decision-making should be further devolved so that more decisions can be taken at the country level, in particular with respect to procurement and disbursement. There is a perception that Bank procedures are still overly bureaucratic, and the lack of a web-based system to submit claims for disbursement, for example, was raised in several interviews. There was also a feeling among partners that more staff could still be posted at country level, in particular task managers and investment officers.

Notwithstanding these successes, the Bank's decentralisation as envisaged in the initial DBDM has been less than expected. Various factors, including slower-than-expected improvements to business processes and performance culture, and notable shortcomings in the management of the DBDM (see Volume 2, Annex 1 sections on Pillars 3 and 4) slowed down the decentralisation process. Consequently, the net effect of the implementation of Pillar 1 reforms has been lower than envisaged.

The expectation was that the DBDM would provide scope for: (i) faster disbursement and better portfolio management because staff would be 'closer to the client and could react faster'; (ii) better pipeline development because staff would be on the ground to better identify and pursue opportunities; and (iii) better policy dialogue because staff would be more experienced and more familiar with country circumstances. The initial assessment of effects and direction of travel on these three issues is mixed.

In terms of speedier disbursement, much has been achieved and there is unanimous appreciation and clear evidence of impact in terms of the amounts disbursed. However, as is demonstrated in Pillar 5, this cannot for the most part be directly ascribed to the DBDM (Figure 4).

*Figure 4: Disbursement targets vs. actual*




There is also still potential for improvement. Planned back-office programme delivery support functions (financial management, disbursement, procurement, risk and fiduciary) and Regional Shared Service Centres have not been fully implemented. While some regions and countries do now have disbursement officers, IT is a serious constraining factor. This means that claims in some cases have to be sent by DHL or brought to the office for subsequent introduction by the disbursement officer into the SAP system.

Evidence from interviews points to delayed effect on portfolio improvement as an implication of delays in recruiting and appointing the relevant staff to the regions. Documents also confirm this: the Annual Development Effectiveness Reviews (ADER) for 2016 and 2017, for example, highlight significant delays in producing the Country Portfolio Performance Reports (CPPRs) owing to a lack of country managers in post. However, CPPRs are an important tool to track performance, anticipate problems and undertake course correction in the portfolio. A lack of Country Program Officers (CPOs) in post also adversely affected policy dialogue and economic work because country economists were called upon to fill the gap.

Pipeline development, which should also show improvement with increased proximity to clients, is constrained by the shortage of task managers, investment officers and sector experts. This issue is widely acknowledged by the Bank and frequently raised in interviews. While these posts may be filled temporarily by external consultants, this poses a serious challenge to the Bank's knowledge management and institutional memory; important knowledge and experience are lost when consultants fill staff posts and then subsequently move on. This is different for consultants who are brought in for a shorter period to bolster the Bank's knowledge on a specific issue. In these cases, these consultants share their knowledge with colleagues and help to build new capacity.

Overall, a correlated decline in the number of consultants employed by the Bank as the vacancy rate declined has failed to materialise. The Bank continues to rely heavily on external consultants and STS, employing 683 and 201, respectively, as at 31 December 2018, compared with a staff complement of 1,951. The expectation that these figures would fall in 2018 has not been met (see Volume 2 section on Pillar 1 for details). It would be useful for the Bank, once the vacancy rate has been brought down to the targeted level, to assess how big a share of consultants are 'gap filling' vacant staff positions, and thereby constitute a potential loss of knowledge and experience, and how many are 'topical experts' bringing the Bank valuable new knowledge. This has implications for the management of one of the Bank's key resources: knowledge.

The June 2016 Updated Decentralisation Action Plan[18] included some cost calculations and projections related to decentralisation. Total cost implications of the DBDM, including Decentralisation Plans 2016-18, were set at UA 24.7 million: UA 10.4 million for 2016; UA 10.4 in 2017, and UA 3.9 million for 2018. Recurrent savings were estimated to total between UA 24 and 28.9 million, by rationalising staff benefits (up to UA 15.3 million, largely on cuts in housing allowances), reorganising office space (moving to the new headquarters in Abidjan, which would save up to UA 4.1 million), changing the staff mix of the Bank (with an increased proportion of local professional (LP) staff and long-term consultants, which would save up to UA 9.5 million), cutting travel costs, adjusting staff headcount in COs and ROs, and optimisation of the Bank's infrastructure footprint at headquarters, as the Bank put it. These recurrent savings were not time-bound, however.

[18] Op. Cit., pp. 17-19

The April 2016 DBDM proposal did not include an overview of expected costs and benefits, nor did the evaluation find evidence of any tracking of costs and savings of the DBDM. Neither the TMT Updates, nor the regular annual reports, include such overviews.

### *Pillar 2: Reconfiguring headquarters to support the regions to deliver better outcomes*

Restructuring of headquarters has been an ongoing process, with major changes, as well as ongoing adjustments, made during the period under review.

The new organigram succeeded in improving the alignment of the structure towards the High 5s, and retired certain units considered to have satisfied their brief. However, it has also subsequently introduced new units, resulting in a sizeable structure at headquarters.

The goal of the DBDM to introduce a clear and consistent division of labour between the Bank's headquarters and ROs and COs, based on complementarity and synergy, and with clear supervision and oversight, has not been fully met. The matrix structure, which was expected to bolster collaboration, information sharing, joint planning and delivery, has fallen short, not because the principles of a matrix organisation as such were in doubt, but because the preconditions for its success were insufficiently in place when the DBDM was introduced.

The DBDM included a deliberate intention to increase the share of private sector operations. The process to develop an organisational structure to facilitate this in a decentralized country-focused structure, however, has been marred by inconsistencies. At first, decision-making authority was devolved to the regional and country managers, but then partly reversed with the introduction of the Pilot–Co-pilot arrangement in 2017. Responsibilities for Non-Sovereign Operations (NSOs), complex and niche operations were *re-centralised* and put under the authority of sector complexes. Not long thereafter, the responsibility for niche and complex operations was once again transferred to ROs and COs that reside under the Regional, Integration and Business Delivery Vice-Presidency (RDVP) complex. These decisions, according to interviews, created confusion and internal competition for scarce resources.

Anecdotal examples of poor communication and coordination include missions from headquarters not informing ROs and COs, or the initiation of sector operations by headquarters staff in countries or sectors that were not included in the Country Strategy Paper (CSP). Even if such cases are rare, they illustrate a matrix organisation and relationships that are not fully working as intended.

The reconfiguration was meant to support regions to deliver better outcomes, both in terms of investment projects and also in terms of delivering knowledge. Considering the role of the sector complexes as 'knowledge banks', survey results and interviews about the Bank's expertise and role as a source of knowledge show high levels of appreciation of the Bank's expertise. They also see improvements since the DBDM was introduced. They see the Bank as a valuable source of knowledge for economic governance and the sectors addressed in the High 5s, although they would also welcome greater engagement by the Bank in policy and wider development issues, as well as the Bank stepping up its role as an African knowledge institution.

Nonetheless, despite these weaknesses, the restructuring and subsequent reconfigurations of headquarters are also perceived by some staff as having contributed to a stronger focus on the High 5s, and to greater portfolio diversity.

### *Pillar 3: Strengthen performance culture to attract and retain talent*

Performance culture and having a professionally strong staff complement are central tenets of the DBDM. Given the long-term and evolving nature of such change, it is challenging to isolate and measure shifts in culture as a causal link to the DBDM at this stage. However, looking at effectiveness in terms of laying the foundations for, and rolling out, a stronger performance-orientated architecture, evidence suggests that to date the Bank has made uneven progress in Pillar 3. While several major initiatives have been fully implemented, others are not, or only partially, complete as yet.

Shifting the corporate culture of the Bank has been a long-standing ambition, with various policies, strategies and initiatives targeted towards culture change for more than a decade. However, the DBDM ambitions to strengthen the Bank's performance culture have not been matched by the Bank's capacity and capabilities to deliver the range of Pillar 3 reform initiatives as a coherent package of systemic incentives for change. This was exacerbated by the simultaneous re-profiling of the HR Department.

As such, and given the aggregating effect anticipated of Pillar 3 reform initiatives on corporate culture, there is as yet little significant and definitive change resulting in a strong performance culture directly attributable to Pillar 3. To be fair, as stated above, this should not be expected after only a few years of implementation, and is an example of the high, and not entirely realistic, level of ambition in the conceptualisation and articulation of the reforms.

Several key reforms remain partially complete by the Bank's own assessment (which the evaluation validates), leading to sequencing issues, a lack of coherence and underperformance against DBDM ambitions. As limited HR were available and directed towards the achievement of some DBDM reform initiatives (e.g., staff mapping), others lagged behind. Sequencing and delivery delays have impacted on subsequent achievement of Pillar 3 reforms in the following areas: universal usage of performance contracts; talent management and career development, including staff academy roll-out; and rewards and recognition initiatives. While some elements of design, and conceptual work and proposals on academies, career development and staff learning are noted, these have yet to be approved and translated into implementation.

The Bank lacks key institutional intelligence and data to effectively judge changes to behaviours, values and ways of working impacting on performance culture. For example, the last staff survey available at the time of the evaluation dated back to 2015. The evaluation notes, however, that the Bank intends to undertake a staff survey in the first half of 2019. The findings of the staff survey were therefore not available for analysis to inform this evaluation. These survey data will be a key tool to assess and judge if course correction is needed.  There is also no clear evidence of effective tracking of two of the five agreed institutional KPIs under the HR performance area: employee engagement and managerial effectiveness, which present challenges in effective tracking and course correction.

The evaluation did find evidence that improvements to the Performance Management System were bedding in and beginning to find traction, allowing for increased standardised processes to be conducted. A key example is the performance assessment process, which in 2019, as opposed to previous years, was implemented on time and with a high level of completeness.

The evaluation also confirms the quantitative improvements in vacancy rates and turnover/attrition rates that have been well documented. The accelerated rate of recruitment undertaken in 2018, at a rate of more than three times the average total appointments made between 2015 and 2017, yielded good results in bringing staff into the Bank, with a number of specific initiatives deployed by the Bank. Over the period 2016-18, 565 new staff joined the Bank and total appointments reached 679 in 2018, including internal appointments (see Volume 2, Annex 1 section on Pillar 3 for details).

*Figure 5: New staff appointments per year*

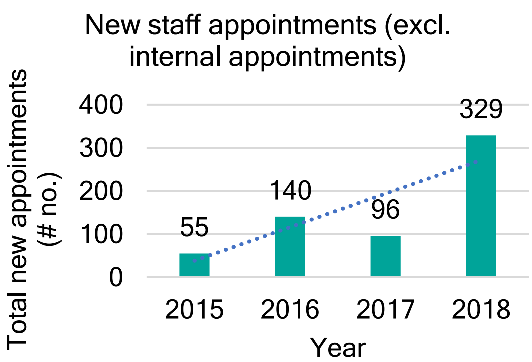
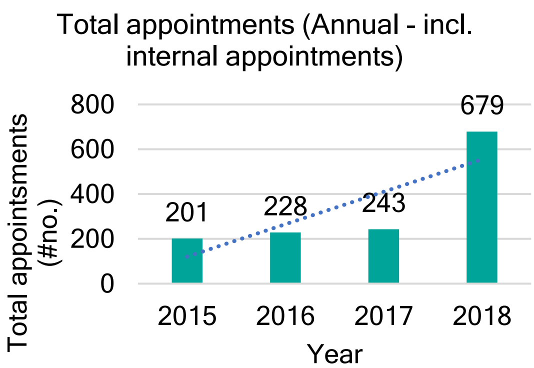



*Figure 6: Total annual appointments*



In terms of individual behavioural change, there is noted change. For example, one of the changes in ways of working and behaviours is seen in the discussions about operational issues. These are becoming routine and systematic, supported by a better evidence-base. For example, up-to-date data on operation performance are now available to regional and country managers.

Also, at the corporate level, the framework of KPIs provides a suite of top level indicators that can be tracked at an executive level, with joint KPIs showing some evidence of breaking down aspects of known 'silo working' within the Bank, and encouraging elements of team-ownership and joint-working. Evidence from primary data sources notes that, at a senior level, the shift towards more team-based objectives was beginning to positively influence the way in which the Bank works.

This provides some evidence to suggest that conditions and enablers are emerging, which may facilitate further progress of Pillar 3 reforms in due course. This effect, however, will depend on the completion, speed and sequencing of outstanding reforms.

### *Pillar 4: Streamline business processes to promote efficiency and effectiveness*

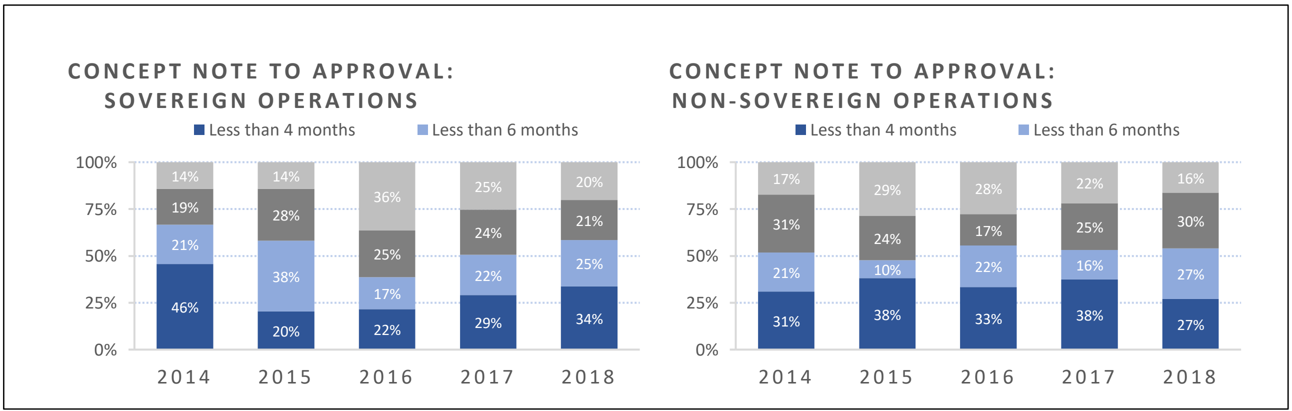
The results in Pillar 4 depend on the maturity of key process reforms. Despite an early and relatively solid start guided by the DAPEC, many of the processes are yet to be fully rolled out. This evaluation has examined initial effects of reforms where possible for a sample of key reforms. However, as implementation was much more limited in scope and breadth than anticipated, tangible results are equally modest at this point.

While several reforms are not yet fully or systematically implemented, critical supporting actions around the updating of IT systems, staff training and standardisation of materials also remain to be completed, thus holding up the materialisation of the expected benefits.

Notwithstanding the partial progress achieved to date under Pillar 4, other aspects of the DBDM programme will also have promoted faster cycle times for key business processes. The finding under change management that where previous or ongoing reforms were present, momentum and conditions for success were better, also holds for the business process reforms.

On project cycle times, the evidence points to some improvements in performance during the DBDM period, although it is too early to conclude whether these represent sustainable gains. Figure 7 provides an example. Further details, including on procurement times, can be found in Volume 2, Annex 1 section on Pillar 4.

*Figure 7: Concept note to approval times (sovereign and non-sovereign operations)*



On procurement, the evidence suggests no consistent, systematic improvement over the period, although the increase in value of procurements using partner country systems in 2017 does appear to be associated with an upturn in performance data for 2018. This has the potential to be a sustainable improvement, although further analysis is needed to confirm causality and trajectory.

On recruitment, the Bank appears to have recorded a steady and potentially substantial reduction in recruitment process times. The relative improvement in performance is noteworthy and credible, despite challenges in determining the absolute level, due to data availability limitations and uncertainties around the interpretation of this measure.

### *Pillar 5: Improve financial performance and increase development impact*

The focus of this pillar is on three aspects of financial performance, namely disbursement, portfolio management and pricing policy.

A core rationale for the DBDM was to increase the Bank's net income and make better use of the Bank's capital, to ensure that it was not tied up in slow disbursement, or a pipeline that would not deliver development results for its clients.

A target was set to increase the Bank's net income by 30 percent over budget and the Bank has indeed increased its income in all years, with some variation. Both net income and allocable income have increased.

A significant achievement with positive financial implications was the approval and implementation of a new pricing policy in 2016, with positive implications for net income.

While the Bank has done well on the income side, controlling and containing costs have been a challenge and, as a result, the cost-to-income ratio (CIR) has not improved as intended. The CIR increased from 34.7 percent in 2016 to 41.9 percent in 2017, then peaking at 45.5 percent at the end of 2018.

It should be kept in mind, however, that costs respond instantly to an increase in the volume of operations, while income responds with a time lag. For example, for a new lending, costs are incurred at loan packaging stage, while revenue will only start flowing in after the loan has become effective.

The Bank is aiming for full coverage of operational expenses by income from sovereign loans by 2019, instead of in 2018. This evaluation has seen no evidence on how the Bank tracks the extent to which COs are able to cover their costs over time, a measure mentioned in the DBDM.

*Figure 8: Total volume of approvals and disbursements per region*

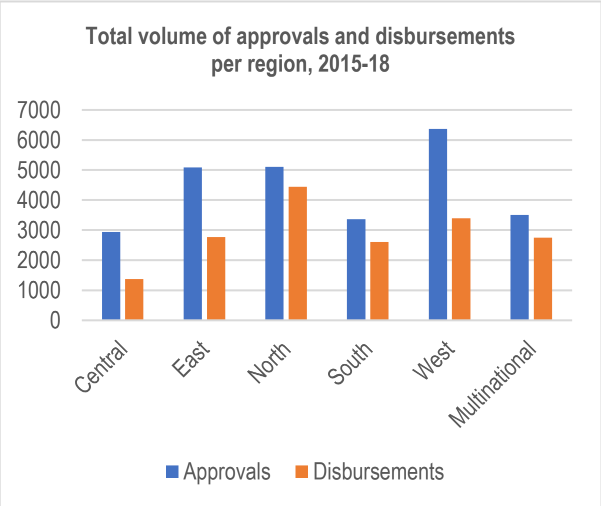
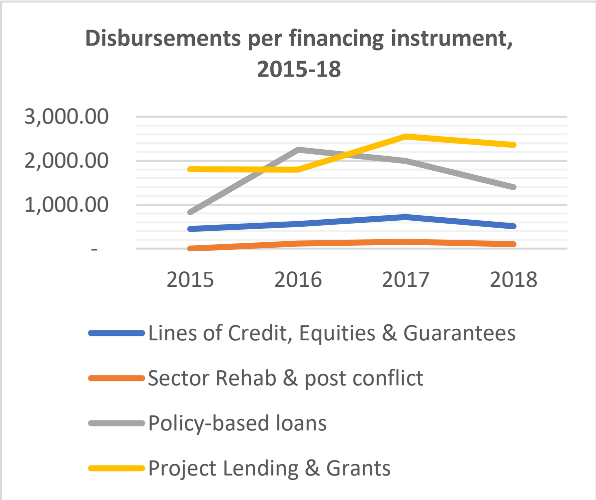



*Figure 9: Disbursement per financing instrument per year*




The Bank has, over the period of the implementation of the DBDM, delivered an increased level of both approvals and disbursement (Figure 8), and mostly reached the targeted levels. There are, however, wide variations among regions, between public and private sector operations and modality, the full analysis of which is beyond the scope of this report. Improvements in portfolio indicators are visible some years.

Performance fluctuates somewhat over the four years and it is difficult to ascertain a clear trend or trajectory. A solid improvement, however, is visible in timely Project Completion Report coverage, an important tool for improving portfolio performance. Nonetheless, while operations eligible for cancellation have improved from 18 percent in 2015 to 16 percent in 2017 and 2018, this is still far from the target of 6.5 percent.

## Coherence

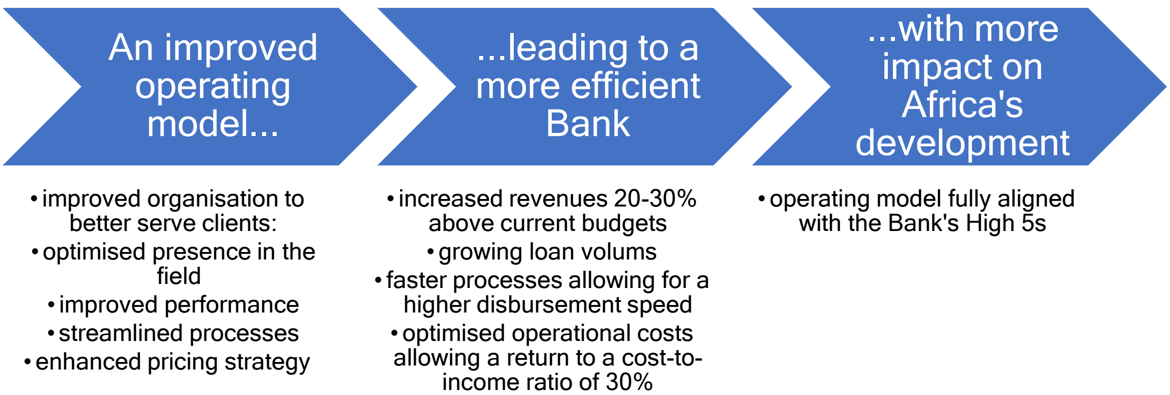
The success of the DBDM as a whole hinged on reforms across the pillars being analysed, planned and implemented with a clear understanding of the key inter-dependencies between the reforms and risks involved. On the basis of the analysis available (i.e., the DBDM proposal itself, and the presentations given to regional hubs, among others), there is evidence of an explicit understanding of the key interdependencies between the reforms in the different pillars, as well as between the DBDM and other Bank policies, such as the new procurement policy.

For example, improved portfolio and financial performance (Pillar 5) and efficiency gains in terms of savings, thanks to smaller COs and the consolidation of all staff and activities into one building in Abidjan was dependent on the combination of:

- Empowering and adequately staffing ROs and COs, including delegating responsibility for supervision and management of portfolio quality to regional directors, country managers and portfolio managers (Pillar 1);
- Aligning the sector complexes' main roles with the High 5s, abolishing dual reporting, retiring units at headquarters, and strengthening oversight, innovation and design of new policies at headquarters (Pillar 2);
- Overhauling the entire performance management system of the Bank (Pillar 3); and
- Simplifying the project life-cycle process and establishing a capable 'disbursement control centre/ war room' (Pillar 4).

This is visualized in Figure 10.

*Figure 10: Improved portfolio and financial performance visualisation*




What is less clear, however, is the basis upon which the sequencing of planned actions was built. There is little evidence available showing that the reforms and subsequent actions have been scrutinised for their interdependencies, and subsequently calibrated and synchronised, to optimise the effects of one reform on the other.

We do see evidence of the opposite: the decision to re-profile and restructure the HR Department (CHHR) during DBDM implementation diminished CHHR's capacity, and amplified implementation challenges in Pillars 1 (decentralisation) and 2 (reconfiguration of headquarters), which relied heavily on CHHR's support. As a result, the benefits these reforms were designed to have on other reforms and the Bank's overall performance have been less than expected.

## Cost of the DBDM

The original DBDM proposal stated that "costs relating to the implementation of the new model will be spread over three years to reduce the burden on annual budgets. The plan is to kick off implementation immediately upon Board approval of the structure and continue until mid-2018". The evaluation did not find evidence of any cost projections, or tracking of costs and savings of the DBDM. Neither the TMT Updates, nor the regular annual reports, include such overviews. The June 2016 Updated Decentralisation Action Plan, however, did provide cost projections (see pp. 16-17).[19]

[19] Op. Cit., pp. 17-19.

# Chapter 4: The Extent to Which Reforms Increased the Bank's Capacity to Deliver on Its Objectives

It is important when assessing the extent to which reforms have increased the Bank's capacity to deliver on its objectives to be conscious of the fact that: (i) the reform initiatives were only initiated from 2016 onwards, so implementation is relatively immature and therefore firm conclusions on the effects of the reforms are constrained; (ii) a large number of other issues, unrelated to the DBDM, define and have an impact on the Bank's capacity to deliver, including the external context; and (iii) in most cases, direct attribution of major change to the DBDM exclusively cannot be isolated.

The Bank's capacity to deliver is not specifically defined in the original proposal but can be inferred from the reforms proposed. The original DBDM proposal states that the "effectiveness side" of the Bank that should grow the business and the developmental impacts on the ground, and bring the Bank closer to its clients, is subservient to the "efficiency side of the Bank", which deals with processes and systems at headquarters. To address these issues, various initiatives are proposed, together with the DBDM,

We chose to focus in the following on three key elements that have all been the focus of various aspects of DBDM reforms and which are key for the future of the Bank: knowledge management, financial strength and corporate effectiveness.

## Knowledge management

The Bank's comparative advantage is, among others, its ability to combine capital and knowledge in a package that meets the needs of its RMCs. In terms of managing its knowledge resource, this has both a push and a pull aspect. In order to deliver, the Bank needs: (i) knowledge *about its clients,* and (ii) the ability to provide knowledge *to its clients.*

The first aspect has been improved through the decentralization process. The DBDM reforms under Pillar 1 have contributed to a further strengthening of regional capabilities by bringing more responsibility for client activities closer to the region. The expansion of existing ROs in Nairobi and Pretoria, the establishment of an RO in Tunis, and the envisaged move of the Regional Directorate General Central Africa (RDGC) from Abidjan to Yaoundé, combined with a larger presence of Bank staff in ROs and in some cases also COs, are clear illustrations of enhanced decentralized capacity. Responses obtained from government officials and peer organisations in the RMCs underscore this, pointing to a perceived increase in the Bank's overall capacity to deliver since the DBDM was introduced. They also indicate that further improvement is needed and, while decentralization is seen as improving, the current level of improvement is considered insufficient. The examples above and the conclusion in Volume 2 on Pillar 1 that "the effects of the Pillar 1 reforms as envisaged in the DBDM, were not entirely met" may explain this tempered appreciation.

While the Bank today has more 'boots on the ground', with more authority to act than before the introduction of the DBDM (as evidenced by the revised DAM), it has not implemented all the planned activities. As such, there is still work to do before the Bank has full staffing capacity to deliver in all regions.

The Bank has produced an increasing number of knowledge products and the alignment of the matrix structure to the High 5s has had a positive impact. Survey results and interviews show that RMCs are appreciative of the Bank's knowledge and expertise, and perceive an improvement since the introduction of the DBDM. Likewise, survey responses also show that RMCs sight improvements in the Bank's contribution to policy dialogue since the introduction of the DBDM, confirming the design logic that being "closer to the client" would result in a better understanding of context and improve the relevance of Bank support. Clients see the Bank as particularly strong in providing policy input and knowledge in relation to the High 5s, and view the Bank as well-aligned with country priorities.

The evaluation notes an apparent positive correlation between a larger and longer-standing presence in a given RMC, and greater appreciation among RMCs of the Bank's contributions to policy dialogue and development strategies. This points to a positive direction of travel, as the Bank's presence in more RMCs matures, relationships and engagement deepen and strengthen, and the Bank's ability to anticipate and respond to contextual need increases.

Two key issues in knowledge management deserve further mention: (i) the Bank's use of consultants; and (ii) the Bank's ability to attract and retain talent. In terms of the Bank's use of consultants, this resource has to be used strategically, mindful of corporate needs to build and continually update critical knowledge to support clients. A clear strategy for the use of consultants is suggested as a recommendation under Pillar 2 (see Volume 2, Annex 1 section on Pillar 2 for details), to ensure that gap-filling is gradually minimised, and consultants are used to build new knowledge. The expectation that the number of consultants would be reduced in 2018 was not met and, on average, for every vacancy there were 2.5 consultants and STS employed. The issue of attracting and retaining talent is a key aspect of Pillar 3, and the finding here is that several key aspects remain work in progress, including on boarding of new staff effectively, talent management and career development, staff academy roll-out, and rewards and recognition initiatives (see Volume 2, Annex 1 section on Pillar 3). While some elements of design and conceptual work and proposals on academies, career development, staff learning are noted, these have yet to be approved and translated into implementation. The evaluation notes that in the context of the GCI, the Bank has committed to fully implement the Bank Staff Academy to build knowledge and skills that will nurture and develop institutional capacity to deliver on the High 5s.

## Financial strength

A core rationale behind the DBDM was to increase the Bank's net income and make better use of the Bank's capital, to ensure that it was not tied up in slow disbursement, or a pipeline that would not deliver development results for its clients.

A target was set to increase the Bank's net income by 30 percent over budget and the Bank has indeed increased its income in all years, to a varying degree. Examining the evolution of the Bank's net income from 2015 to 2018 as presented in the annual documents on allocation of net income[20] reveals that a reversal has taken place. From a negative UA 30.83 million in 2015, net income grew to a positive UA 41.68 million in 2018, however significantly less than the UA 176.43 million in 2017. The drop since 2017 is largely explained, according to the Bank, by various changes outside the Bank's control.

Both net income and allocable income have increased but, while the Bank has done well on the income side, controlling and containing costs have been a challenge. As a result, the CIR has not improved as much as intended.

The CIR as recorded in the 2019-21 Budget Framework Paper stood at 34.7 percent in 2016, the first year of the DBDM, increasing to 41.9 percent in 2017, and projected to reach 37 percent in 2018. The Bank has over the period of the implementation of the DBDM delivered an increased level of both approvals and disbursements, and mostly reached the targeted levels. However, it is not possible to ascribe these levels of lending to DBDM initiatives at the aggregate level.

The Bank's approvals and disbursements are context-sensitive and dependent on issues well beyond the control of the Bank, including absorption and implementation capacity in its RMCs. Nevertheless, the achievement in accelerating disbursements—a clear aim of the DBDM—deserves recognition. This is despite the fact that the analysis in Pillar 5 (see Volume 2, Annex 1 section on Pillar 5) concludes that it is not possible to attribute this improvement to the DBDM, although it may have had a positive contributory effect.

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[20] ADB/BD/2019/03/Rev.1 Allocation of ADB 2018 Net income. 27 March 2019; Allocation of ADB 2015 Net Income, 15 March 2016.

While DBDM-related efforts to improve both the volume and the efficient use of capital are recognised, the ultimate aim of the Bank's work—development results in RMCs—should be kept in mind. A strong focus on disbursements was warranted at the time of the design of the DBDM because of its financial position. This remains a key focus, given that it is a condition for the Bank to maintain its essential AAA status.

However, the evaluation suggests that it may be time to revisit and aim for a better balance with measures of development results, even if it is acknowledged that without approvals and disbursements there will be no development results. In this regard, the evaluation welcomes senior management's current focus on implementation and accountability for development results.

## Corporate effectiveness

The DBDM reforms under Pillars 1 and 2 were designed to strengthen the Bank's capacity, to increase its efficiency and enhance effectiveness; Pillar 3 would underpin wider institutional reforms through changing corporate culture, and attracting and retaining talent; Pillar 4 would reduce processing time across the Bank's key processes, and Pillar 5 would strengthen the Bank's financial position all of which, taken together, would give the Bank a qualitative lift so that it would be in a better position to deliver on the High 5s.

Taken together, and if well implemented, reforms would enhance the Bank's capacity to deliver. From the preceding assessment, including Chapter 2, which examines the Bank's management of the reforms, it is clear that the reforms were numerous and ambitions, and required careful management. The expectations as to what could be achieved within the timeframe, however, were overly ambitions.

Of all the DBDM's pillars, the most significant improvement was made in an area that has been the focus of sustained effort for the past two decades, namely decentralisation. That the Bank has improved its effectiveness and capacity to deliver from a country perspective, or is in the process of doing so, is clear. However, two issues moderate this assessment. On the one hand, planned decentralisation initiatives are still far from complete and much remains to be done. On the other hand, that this is accompanied by a concomitant improvement in effectiveness at headquarters level is not clear. Efforts here are not as longstanding and mature as in the case of the decentralisation agenda, and therefore expectations should be tempered. But the two issues are intertwined and if headquarters does not effectively support the ROs and COs, then the momentum, and investment, could be lost.

To keep the momentum, and to reap the benefits of what has been achieved so far, the reforms have to be completed where possible, reassessed where necessary, and the process reenergised. The lessons below provide further perspective on this.

In terms of the planned-for shift in the corporate culture of the Bank, this has been a long-standing ambition and cannot be achieved in the short period of time of DBDM implementation. The DBDM ambitions to strengthen the Bank's performance culture through a number of different initiatives have not been matched by the Bank's capacity and capabilities to deliver the range of Pillar 3 reform initiatives as a coherent package of systemic incentives. This has weakened the Bank's ability to sufficiently change behaviours and ways of working across the Bank at an institutional level.

Similarly, there is little evidence that implementation of business process reforms have significantly enhanced the Bank's capacity to deliver. Indeed, these have been more limited in scope and breadth than was originally anticipated. The initial priorities identified for the first wave of reforms are still not fully or systematically implemented, and critical supporting actions required to implement the reforms—updating IT systems, staff training, standardisation of templates, production of new guidance—are still work in progress. Other processes, not initially prioritised, are still to be addressed. Notwithstanding the limited progress achieved to date under Pillar 4, other aspects of the DBDM programme will also need to have faster cycle times for key business processes. Perhaps the most influential of these are initiatives that pre-dated the DBDM, but which align closely with its intentions, were Presidential Directive 02/2015 and, to a lesser extent, a new Procurement Policy, both issued in 2015.

# Chapter 5: Key Challenges in Implementing Reforms in Each Pillar and Lessons for Improving the Development Effectiveness of the Reforms

For complex and ambitious reform efforts, implementation challenges are unavoidable and ordinarily commensurate with the level of ambition and complexity of reform. Reform challenges have been identified by pillar in Volume 2. Where challenges are similar across pillars, these have been clustered and treated under one of the following themes below. Specific examples are drawn from pillars that are particularly relevant for illustrative purposes.

Challenges are clustered into categories: those that relate to the change management process as such; and those that relate to the reforms, such as design, assumptions and sequencing, even if these cannot be completely separated.

## Ambition of reforms

A key challenge for the reforms has been the sheer level of ambition. As evaluators, we assess implementation efficiency against intentions and plans. We also explore feasibility issues and consider how realistic the expectations were to what the reforms could deliver within the planned timeframe. In the case of the DBDM, aspirations were exceedingly high. Given that multiple, interlinked reforms required to be implemented simultaneously, the bar was set exceedingly high.

The result of the levels of ambition versus the feasibility of tasks (given context, absorptive capacity and resource constraints) has been delays in reforms across all pillars. It has also meant a gradual shift from the DBDM being presented and perceived as a time-bound project starting in 2016 and ending in December 2018, to becoming a process—a moving target.

Setting organisational transformation on the scale intended by the Bank within the timeframe proposed undoubtedly created expectations that were subsequently not met and, in all likelihood, could not realistically be met.

Achievement has been best in areas where prior reforms have paved the way. The initial analysis underpinning the DBDM draws a clear picture of an institution in need of, but probably with limited capacity for, change. Indeed, departmental capacity has been significantly stretched at all levels, as noted extensively during key informant interviews across the organisation. However, some reforms have benefitted from existing ongoing related initiatives that have compounded the positive effect for example in Pillars 1 and 4.

Such ambitious reforms also required firm institutional arrangements for implementation. However, evidence presented earlier (see Chapter 2) shows that the TMT overseeing the implementation of DBDM, for reasons explained above (recently recruited, insufficient time, etc.), did not function as a dynamic driving force of the reforms.

Four lessons can be drawn, as follows:

- While there is compelling evidence that setting ambitious/'stretch' targets can agitate the system, provide inspiration, contribute to stimulating innovation and increase the urgency for organisational change, the objectives also have to be feasible.
- Expectations must be communicated and managed carefully and constantly, recognising the impact on staff's daily work life, in order to maintain momentum, motivation for change and retain buy-in.
- Where previous and/or ongoing related initiatives have created the right conditions for implementation, there is a stronger momentum for reforms and a better chance of success.

- A strong institutional structure is required to ensure that momentum is maintained throughout the reform period.

## Prior analysis and clarity of assumptions

While the prior analysis when conceptualising and designing the reforms was clear, what was less clear, or less clearly articulated, were the assumptions underlying each of the reform initiatives. An illustrative example is the levels of staff that were expected to be relocated within a given period. This requirement is clearly predicated on an assumption of standing capacity in CHHR and of staff being willing to relocate to the given location within the given time—assumptions that turned out to be over-optimistic. Other examples include that the Bank could be transformed into a full-fledged, well-functioning matrix organisation within a limited time span of just 30 months. This, in turn, necessitated a combination of issues, including a reconfigured organisational structure; clarity on and widespread buy-in for changes to departmental mandates, roles and responsibilities; apt leadership skills; an organisation-wide willingness to work collaboratively on shared, overarching short-term targets and objectives; and appropriate and effective business processes (institutional and operational).

The lesson here is the importance of fully thinking through the explicit and implicit pathways to change and the underlying assumptions. This means identifying and mitigating risks, and also engaging concerned staff in the analysis in order to be sure to ground-truth and have a full understanding of the realities and the impact on staff.

## Consistency and sequencing reforms

The Bank has been consistent in pursuing the reforms as a package, and in pursuing them simultaneously with the aim of achieving a qualitative lift of the whole organisation. While this intent should be acknowledged, the negative implication of reforms progressing at different speeds has not been fully addressed during implementation.

Moreover, consistency in implementation of reforms has been less evident within pillars, in particular in Pillar 2, where some of the initial changes concomitant with DBDM design were subsequently reversed. This created confusion, undermined the necessary streamlining of functions, roles and responsibilities, and slowed down the decentralisation reforms, most notably the relocation of staff to ROs and COs.

The inter-relatedness and inter-connectedness of pillar reforms increase the complexity of sequencing, mobilising, implementing and tracking to completion. Furthermore, as the reform initiatives become live, emergent and unforeseen challenges or interplays become more evident, and need to be managed and mitigated. For example, Pillar 3 has several interconnected initiatives that need to be completed to create the systemic change required to strengthen the performance culture. Corporate and complex KPIs need to feed into performance contracts that cascade down into individual KPIs, and which need to be monitored through an effective performance management system, leading to recognition and reward. This was not managed in such a way as to obtain the intended effect

The key lesson is that the use of clear design logics, or initiative level Theories of Change, would have allowed the Bank to identify these dependencies, and mitigate the challenges and implications of sequencing and delay challenges. This would have allowed for periodic reassessment and adjustment to remain focused on the organisation's wider objectives.

## Monitoring metrics and reporting

The reforms were driven by a set of ambitious 'stretch' targets that were aspirational in some cases, rather than targets derived from detailed analysis of what particular reforms could yield. Compounding the challenges related to tracking progress against these ambitious targets was the issue of metrics. The evaluation found no evidence of a complete set of metrics for fully tracking implementation and undertaking course correction across all pillars. The absence of such clear and complete metrics, and business intelligence may result in management having to make judgements and decisions without sufficient information, or based on anecdotal evidence that is not systematically derived.

To some extent this also made the Board's oversight role more difficult. TMT updates did not report systematically against clear process trajectories or outcomes and targets in each pillar, but instead reported in different formats on different elements of the reform package.

It should also be acknowledged that the Bank uses results and targets that it does not have full control over. The DAPEC, for example, acknowledged that delays can also be attributable to clients, reflecting limitations in their knowledge or capacity. Disbursement targets depend on implementation, which depends as much on the implementing agency as on the Bank's side of the processing.

The lessons are twofold:

- in future reforms, strong metrics, in particular on issues within the Bank's span of control and influence, should be developed early on; and
- to facilitate the Board's oversight role, reporting should be regular, systematic and focused on key outcomes.

## Manage by KPIs

Senior managers of organisations, and change managers, have many tools in their tool box. One tool is KPIs, which serve the dual purpose of tracking performance against a desired state or outcome, and is at the same time a commonly used tool to drive behaviour: "what gets measured gets done".

The Bank has operated with KPIs for many years and reports annually on corporate targets and KPIs through the Annual Development Effectiveness Review (ADER). KPIs are also reported in the bi-annual work programme and budget document, which in its annex contains all the corporate KPIs complex by complex, including past trends and annual targets. Improvements in automation and IT structure have strengthened the Bank's use of KPIs and instilled a sense of urgency of delivery, together with enhanced transparency and accountability.

The Bank has introduced the concept of joint KPIs as a means of encouraging cooperation and collaboration.

The corporate framework of KPIs provides a suite of top-level indicators that can be tracked at an executive level, with joint KPIs showing evidence of breaking down aspects of known 'silo working' within the Bank, and encouraging elements of team-ownership and joint-working. Evidence from primary data sources notes that, at a senior level, the shift to more team-based objectives was positively influencing the way in which the Bank worked. These joint KPIs form a central part of the Executive Performance Agreements signed by Vice Presidents (see Volume 2, Pillar 4 for more details). Further refinement of this approach is noted for implementation in 2019 by cascading performance targets down to task managers.

The resulting change is therefore unclear, as evidence is mixed in terms of what material difference it has made to Bank effectiveness. Issues identified from primary data present a range of themes, from *"forced, but unrealistic alignment"* to *"our performance objectives are no different under DBDM than they were before*".

The lesson here is to build on the strong platform that the Bank already has on tracking and reporting on KPIs, and also to be conscious of the behavioural aspect of KPIs, which can work both as incentives but also as disincentives in promoting a particular behaviour or behaviour change.

## Manage expectations and staff engagement

Communicating the change anticipated by the DBDM reforms has been a challenge. The initial high level of engagement and communication was not sustained, and the influx of new staff compounded the problem posed by the shallow knowledge among staff of the intent, direction and importance of the DBDM.

A lack of clarity surrounding several initiatives (e.g., Pilot–Co-pilot, performance contracts) meant that staff, particularly new staff, were sometimes unclear on process, roles and responsibilities. Given the high number of new staff, on-boarding and induction were critical for effectiveness, but perceived as being inadequate during interviews. Concerns expressed by new staff identify challenges that emerged from internal confusion of organisational structure, as structural reform was ongoing and significant staff uncertainty and a lack of clarity prevailed. New staff had been "*Thrown in at the deep end, without sufficient clarity of expectation*." Likewise, existing staff in new roles expressed that there was an expectation to *"Hit the ground running"* without sufficient training or support.

The lesson regarding 'communicate, communicate, communicate' change should not be lost. There is a need for continued and sustained communication across all levels of the organisation, using different mechanisms for engagement, with feedback channels for staff participation, especially in times of major internal reforms. Ongoing communication should also be catered for institutionally by setting aside adequate resources and expertise.

## Learning from the past

Many of the challenges that the Bank faces are already well known to the Bank. Several of these have been identified as requiring attention for some time. Findings from the Bank's internal scrutiny revealed, for example, that the Bank made minimal progress against the four strategic pillars of its People Strategy (2012-17). This was primarily due to the Bank's culture, identifying this as *"the key challenge to the execution and sustainability of the People Strategy objectives".* Older studies, such as the Mercer Consultancy review of the implementation of the Human Resources Strategic Framework & Action Plan 2007-12,[21] found there to be "*…a lack of a performance culture*", with a corporate cultural legacy of "…*a very strong central and bureaucratic organisation, creating a culture that is risk averse in which decision-making is hierarchical and slow*". More recently, the IDEV evaluation of the Bank's administrative budget management (2015)[22] identifies the need to strengthen "*…a more performance-driven management culture to inform decision-making*." The 2015 Staff Survey[23] highlights similar issues related to *"…organisational culture; career development; and a toleration of poor performance*".

Findings from the Bank's recent evaluations on programme quality also point to a weakness in applying learning, in that problems seem to persist despite efforts to resolve them. The management response to the evaluation of the Quality at Entry of the Bank's operations[24] thus states that: "*Over the past few years the Bank has made marked progress in results measurement and reporting in the Annual Development Effectiveness Review. However, incentives and organisational KPIs continue to emphasise lending and disbursement targets. In operations, staff incentives still tend to reward new lending approvals and lending volume.*" Furthermore, it states that management "*acknowledges that the effort to transform the approval culture into one that incentivises and focuses on results and development effectiveness in RMCs is unfinished business. Nonetheless, it is vital to ensure that all projects emphasise quality of outcomes and results over lending volumes. To reinforce this message, Management will adopt additional KPIs that emphasise quality and results and will embed quality in performance evaluations for staff and managers*."

The Bank must use its tools for learning, including evaluations, better and ensure that feedback loops are fully effective and used, and that implications and follow-up are adequately addressed.

[21] ADB/BD/WP/2012/16/Add.1, 20 April 2012.

[22] Administrative Budget Management of the African Development Bank: An Independent Evaluation Report 2015.

[23] 2015 Staff Survey: Results Presentation, ADF/BD/IF/2015/130, 15 September 2015.

[24] Independent Evaluation of the Quality at Entry of African Development Bank Group Operations (2013-2017)

# Chapter 6: Unexpected Consequences and Effects

For a set of reforms as ambitious and comprehensive as the DBDM, there are bound to be unforeseen effects and consequences. This is all the more so when assumptions and causality chains between activities and intended outcomes have not been made explicit. This is particularly the case in the area of behaviour change. It is difficult, in an endeavour such as the DBDM, to know exactly which behavioural incentives will or will not work.

Unintended consequences can be seen at three levels: for staff, for clients and for Bank operations.

## For clients

Untested new initiatives carry the risk of triggering adverse behaviours. For example, an overemphasis on the Bank's own deadlines carries a risk that (public sector) clients pay upfront for work not yet carried out. This is to avoid cancellation of a project on the grounds that it had not disbursed in the past 180 days, as became a condition to comply with Presidential Directive 02/2015. It is impossible to know how common this and similar practices have been, but findings point to the need for careful consideration of the behavioural incentives faced by clients to avoid such unintended effects.

## For operations

Concern about the effect of faster processing times on quality was a common theme in interviews with frontline staff and was also voiced by some clients. Whether the concern is justified will not become clear until it is possible to evaluate the projects that have been conceptualised and approved during 2016-18. However, the Bank has a number of measures relating the quality of its portfolio included as corporate KPIs. The reported results for these KPIs since 2016 do not point clearly towards any consistent pattern of deterioration in quality following the advent of the DBDM. However, they all indicate some increase in problematic projects over the period, even if most measures finish 2018 at broadly the same level or better than in 2014-15.

A frequently cited concern was that rushing project preparation risked simply deferring tasks/problems that would cause subsequent delays during implementation. Data analysis carried out by the evaluation team suggests that this may indeed be the case; a larger share of projects reaching approval more quickly does appear to be associated with a smaller share of projects reaching first disbursement in the following year. The converse is also true, suggesting an area for further attention by the Bank.

## For staff

While the ambition of cross-complex alignment of KPIs and setting joint KPIs is noted and was validated through some key informant interviews, this view was not universally held, with perceptions more mixed across the three levels of the Bank. Qualitative themes emerging from key informant interviews include perceptions that this initiative had resulted in *too many competing KPIs*, which has introduced *higher levels of internal competition between complexes* (for resources, for 'acknowledgement', and for organisational survival), and that there was an increasing need to consolidate the number of KPIs to avoid complicating the reporting structure.

For staff, the main unintended consequence is one of a certain reform fatigue. This is more acutely felt among frontline staff who bear the brunt of the change and on whose shoulders its success rests. However, it was also felt in relation to the dual reporting and joint KPIs that staff felt did not facilitate work planning, performance discussions and review.

# Chapter 7: Conclusions and Recommendations

## Conclusions

This concluding section seeks to synthesise the findings under the four evaluation questions into broad conclusions on the implementation of the DBDM.

Underpinning the DBDM is a set of key findings:

1. The Bank's profitability had declined sharply. Operations disbursements were not keeping up with approvals, suggesting that available capital was being tied up in undisbursed approvals and not generating income.
2. The Bank's resources were too concentrated in headquarters, and field offices were not resourced or empowered to effectively drive business development and delivery.
3. The prevailing organisational structure was not aligned with the TYS, and especially the High 5s, adversely impacting the Bank's ability to effectively deliver on its strategy, while also ensuring business growth and development impacts on the ground.

In response, the Bank's management identified three core principles to drive the organisational changes needed to address these problems:

1. Aligning the organisational structure with the strategic objectives (TYS, High 5s).
2. Bringing the Bank closer to the clients, and more efficiently and effectively into the regions and the RMCs.
3. Improving organisational effectiveness through faster decision-making, greater transparency, and a stronger performance culture.

These were serious, profound issues that needed to be tackled, and required ambitious and deep reforms.

Looking back, and later to also look ahead, the Bank had some strengths to build upon. It had experience from previous reforms, it had an existing solid structure at regional and country level, and it had the support of its shareholders, regional and non-regional alike. The Board of Directors was fully engaged in the dialogue on the shaping of the Bank's transformative journey. A momentum for change was created and substantial efforts were made to generate buy-in from staff at all levels. The momentum, however, was gradually eroded as staff were faced not only with their normal daily obligations but also with having to simultaneously understand and manoeuvre the many changes that were being initiated across many areas of the Bank's work, and in a short timeframe.

While elements of transformation did take place, it was neither at the speed nor the depth originally intended, and therefore has not reached a 'whole state' that would indicate organisational transformation. However, the evaluation also finds that, while reforms were well identified and there is a clear logic linking each pillar to the aims of the DBDM, the ambition of the proposed transformation was not realistic and feasible given the context, the Bank's history, and its capacity and capability to manage significant change, as well as deliver its on core mandate.

The detailed assessment and analysis in this report shows the progress and state of the elements of the DBDM covered in this evaluation. It should be kept in mind, however, that this is a partial analysis. We have looked at 18 reform areas and 43 reform elements, although the DBDM reforms did cover more than this. We are suggesting as part of our recommendations that the Bank considers conducting a full evaluation of the Bank's transformational journey when the reforms are sufficiently mature, and once their effect and impact can be measured.

Overall, looking at the three core principles above that have guided the organisational change, some change is visible in all. However, it is not as much as was planned or intended, and this evaluation points to several areas where both efficiency of implementation and effectiveness could have been improved, had the Bank applied better change management practices.

For most pillars, the absence of a detailed, time-bound implementation plan, with clear and consistent milestones, and regular reporting against them, has hampered monitoring and course correction for the Bank. The evaluation also finds that a common feature of the reforms is that many are delayed and implementation was slower than foreseen. This has been a challenge in terms of ensuring timely synchronization and sequencing, and has led to reduced implementation efficiency. The summary of implementation of the reforms examined by this evaluation shows that 10 have been fully completed or are near completion, 13 are ongoing, and 20 are in need of immediate attention to initiate or accelerate.

The Bank has succeeded in its aim of becoming closer to its clients. While still work in progress, this is positively perceived by both RMCs, partners and some staff. The reforms overall are seen to have contributed to a stronger focus on the High 5s, and improvements in the Bank's contribution to policy dialogue. This confirms the design logic that being closer to the client results in a better understanding of context and improved relevance of Bank support.

The Bank is also in a stronger position in terms of its role as a knowledge bank. It has significantly increased its staff count, reduced vacancy rates and strengthened its knowledge base. However, significant potential for further improvement remains. Continued attention is required to the balance of staff and responsibilities between headquarters and the field offices and hubs, and to some emerging issues, such as the appropriate use of consultants, and the speedy and effective on-boarding of new staff. The Bank's headquarter has grown, and the way in which the current matrix organisation is functioning does not provide the necessary framework for a truly performance-orientated organisation.

The Bank has achieved its ambition of increasing its net income and has accelerated disbursements—one of the fundamental goals of the DBDM. The Bank has, over the period of the implementation of the DBDM, delivered an increased level of both approvals and disbursements, and mostly reached the targeted levels. However, it is not possible to ascribe these improved levels of income, lending or disbursements to DBDM initiatives at the aggregate level, as many other factors, not least context and host-country demand and capacity, influence this performance.

The Bank is larger than in 2015 in terms of staff, organisational structure and financial strength. However, also making it a more effective institution requires time and continued efforts. The reform package as initially designed has the potential to further strengthen the effectiveness of the Bank. But this will require full implementation of the planned reforms and, in particular, better management of reforms to reap the full benefit. It is the view of the evaluation that further implementation of the existing reforms and any new initiatives must avoid the pitfalls that have, to some extent, hampered the implementation of the DBDM and jeopardized the full effect of those reforms.

## Strategic recommendations

An evaluation with as large a scope as this evaluation, covering as many reform initiatives as we have, leads also to a large number of recommendations. These are both at a strategic level and at a more technical level. At the more strategic level, we offer only a few actionable recommendations mainly related to management of further change. At the level of the individual pillars we suggest a number of more technical recommendations and areas of attention. These are reproduced below.

At a more strategic level, however, we propose only a few actionable recommendations related to the management of further change:

1. To ensure successful implementation of remaining or ongoing reforms, we recommend that, as a priority, attention be paid to how change is managed through the establishment of a clear change management structure, bearing in mind the lessons from the TMT and the DAPEC, and from this report.

2. We recommend that the Bank puts in place a clear implementation plan and results matrix for the remaining, or any new, reforms, including systematic and transparent reporting to ensure oversight, both from Bank management and from the Board. This is also in line with senior management's focus on accountability. Such a plan should take into account the underlying assumptions and linkages between reforms.
3. Delays in implementing the reforms have been significant, due to the overly optimistic timelines. We therefore suggest that, where there are clear existing timelines, these be reviewed, and where there are no clear timelines, these be established with due regard to feasibility.
4. KPIs are a key management instrument. These should be reviewed for their behavioural consequences, in particular the joint KPIs. KPIs can be both an incentive and a disincentive; proper analysis is needed to ensure that they have the effect aimed for.

In the course of our work, we have identified a number of data weaknesses and areas in which better evaluative knowledge would help the Bank. These are mentioned under each pillar. In addition, we would suggest the following evaluative work:

1. The timing and scope of this evaluation should be kept in mind. Reforms are as yet not mature enough to assess impact, and even effect is as yet limited, given the number of reforms still ongoing or recently initiated. The effect of the DBDM on clients will not be measurable in the short term, but an evaluation design should be developed now so that baselines can be established and adequate data would be available for a full evaluation in due course.
2. The issue of the use of consultants in terms of the implication for knowledge management deserves evaluative work. The Bank employs a very large number of consultants for different purposes. The extent to which they generate new knowledge, or merely fill staffing gaps and then move on, representing a loss of experience and knowledge, should be evaluated.
3. The staff concern with a possible declining quality of projects as a result of an accelerated approval merits attention. An evaluation should be planned to assess this issue, when a sufficiently large number of ongoing projects in the DBDM period is available.
4. Given the importance of procurement in Bank operations and the finding that procurement cycle times for goods and works seem to have gradually reduced over the period, this deserves deeper evaluation to better understand causality. The trend appears to pre-date the DBDM, but the increase in the value of procurements using partner country systems in 2017 does appear to be associated with faster procurement processes in 2018. This has the potential to be a sustainable improvement, but further analysis would be needed to confirm causality.

*Technical recommendations and areas for attention by pillar*

### Pillar 1: Moving Closer to the Client to Enhance Delivery

1. In accordance with the principles underpinning the Bank’s decentralisation strategy, reaffirm the current and future functions, and the roles and responsibilities of headquarters, and regional and country offices.
2. Subsequently, set realistic decentralisation objectives and targets, taking into account the interdependencies with other reforms in other DBDM pillars, and synchronise all execution measures accordingly.
3. Thereupon, reconsider the current imbalances, where relevant, between headquarters, regional and country offices; between operational and non-operational staff; between management and professional staff; and also between staff at post, and consultants and short-term staff. Thereupon, develop a concrete and realistic action plan to address these.

4. Determine and adopt clear definitions of staff categories (e.g., operational and non-operational) and apply these consistently, as a more effective way to monitor and report progress against decentralisation targets and readjust where necessary.
5. As a matter of urgency, optimise the right-sizing criteria against their validity, rationality and applicability in light of the Bank's current realities, and apply these consistently to identify staffing surpluses, gaps and needs.
6. Make a more focused effort to better communicate the Bank's knowledge products among partners and clients. Recent measures to produce and disseminate knowledge products in languages other than English and French are a step in the right direction, but developing a more comprehensive external communications strategy, focused on the timely production and dissemination of relevant knowledge products, is merited.
7. Implement outstanding measures that are already fully aligned with the DBDM's key principles, such as the right-sizing exercise.

### Pillar 2: Reconfigure Headquarters to Support the Regions to Deliver Better Outcomes

1. Establish a clear and full understanding of the matrix organisation structure and relationships, and what it entails in practice. In particular, the Bank should analyse the challenges faced thus far with typical matrix characteristics, such as dual reporting, joint KPIs and coordination processes. Thereupon, the Bank should develop a realistic plan to resolve these challenges, and monitor execution closely. In doing so, the Bank should acknowledge the complexities involved, recognise the breadth of the changes needed (in terms of process, incentives, skills and leadership) and engage meaningfully with staff to foster staff commitment and ownership.
2. Spell out and operationalise the 'One Bank Principle', including its implications for the ways in which the Bank currently operates.
3. Reassess the current size and composition of the Bank's headquarters' complexes *vis-à-vis* their intended functions, roles and responsibilities (as envisaged under the DBDM), and adjust accordingly.
4. Reconsider the current imbalances, where relevant, between headquarters, and regional and country offices; between operational and non-operational staff; between management and professional staff; and also between staff at post, and consultants and short-term staff. Thereupon, the Bank should develop a concrete and realistic action plan to address these imbalances.
5. Based on the outcome of recommendations 3 and 4, reassess current vacancies from a corporate perspective, and reprioritise where necessary.
6. Assess the costs hitherto incurred following the introduction of the DBDM and determine the additional costs that will be incurred to bolster the matrix organisation and build the foundations necessary.

### Pillar 3: Strengthen Performance Culture and Attract and Retain Talent

1. The Bank should ensure timely commission of staff surveys and/or other systematic, Bank-wide perception data collection instruments to gather comparative quantitative/qualitative data on culture.

2. The Bank should fulfil Pillar 3 initiative commitments to provide sufficient systemic incentives for cultural change, while ensuring that organisational capacity and capabilities to manage change match the motivation for change.
3. The Bank needs to be clear about the cultural characteristics that are needed in the Bank now; what values, behaviours and ways of working are required to achieve corporate objectives.
4. Based on the Bank's internal analysis, identify the remaining number of outstanding performance contracts to be finalised, and develop a realistic yet expeditious timeframe to completion. Track assertively.
5. Ensure continued focus on implementing the Performance Management System in a credible manner, with robust consequence measures in place to support compliance actively track.
6. Establish a systematic mechanism for on-boarding new staff commensurate with the demands of accelerated recruitment initiatives, and differentiated professional levels and roles.
7. The Bank should accelerate its work to ensure that it is an attractive place to work for women, including in senior positions using a compendium of support schemes (including mentoring, targeted career development and family-friendly policies).
8. The Bank should finalise and approve the talent management strategy and framework, and launch expediently.
9. Explore opportunities for exchange programmes with other Multilateral Development Banks, and explore opportunities for staff rotation to broaden and deepen staff exposure to different parts of the Bank.

### Pillar 4: Streamline Business Processes to Promote Efficiency and Effectiveness

1. Develop a realistic timeframe for both the design and implementation phases of process reforms, supported by a detailed implementation plan that is actively used and updated.
2. Within this process, the Bank should ensure adequate time for consultation, especially with frontline staff and, where appropriate, clients. This consultation should include the testing of proposed reforms once these are developed to ensure their feasibility and relevance.
3. At the same time, the Bank should explicitly include a risk assessment with proposed business process reforms, in particular considering potential adverse impacts on quality. Where mitigating measures are not warranted, the Bank should identify how risks to quality will be monitored to ensure that they do not materialise—in line with the Bank's new Quality Assurance Implementation Plan.
4. In terms of analysing and reporting business process efficiencies, a single, 'average' indicator for a process has limitations in terms of explaining performance to stakeholders and identifying areas for improvement. While the size of the Bank's Results Measurement Framework needs to be kept manageable, there is scope to examine aspects of performance in more depth (as illustrated above) and present this selectively in key performance reports.
5. More immediately, further research by the Bank appears warranted to: (i) explore the apparent relationship between pre- and post-approval processing times; and (ii) the behavioural incentives for clients created by the process deadlines advanced in Presidential Directive 02/2015.

### Pillar 5: Improve Financial Performance and Increase Development Impact

1. The Bank may wish to consider to what extent the current balance between KPIs focused on approvals and disbursements are well balanced with KPIs focused on project quality, implementation and development results.
2. Given the importance of measuring disbursements for the High 5s, it is recommended that the Bank improves its data and reporting tools to better capture this.
3. Given the expectation that the Bank's country offices are able to cover their costs at a minimum (except in select cases such as transition countries), it is also recommended that the Bank analyses the extent to which this has occurred and under what conditions it is feasible.
4. A review of approval and disbursement targets, and the underlying assumptions for setting them, may help the Bank to better develop more realistic and achievable targets for improved results management and accountability.

# Independent Evaluation of the Implementation of the Development and Business Delivery Model of the African Development Bank Group

Volume 2: Annexes

May 2019

AFRICAN DEVELOPMENT BANK GROUP

Independent Development Evaluation
African Development Bank

# Independent Evaluation of the Implementation of the Development and Business Delivery Model of the African Development Bank Group

## Final Evaluation Report

Volume 2: Annexes

Prepared for //

African Development Bank

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# Contents

# Acronyms

| | |
|---|---|
| ADER | Annual Development Effectiveness Review |
| ADF | African Development Fund |
| AfDB | African Development Bank |
| AHVP | Agriculture, Human and Social Development Vice-Presidency |
| BPR | Business Process Reengineering |
| CAHR | Committee on Administrative Affairs and Human Resource Policy |
| CEDR | Comprehensive Evaluation of the Development Results |
| CHHR | Human Resources Department |
| CHRM | Corporate Human Resources Management |
| CHVP | General Services and Human Resources Vice-Presidency |
| CIMM | Corporate Information Management and Methods Department |
| CIR | Cost to Income RatioIn |
| CO | Country Office |
| CPPR | Country Portfolio Performance Report |
| CSP | Country Strategy Paper |
| DAM | Delegation of Authority Matrix |
| DAPEC | Delivery, Accountability and Process Efficiency Committee |
| DBDM | Development and Business Delivery Model |
| DDG | Deputy Director General |
| DG | Director General |
| ECCE | Country Economics Department |
| ECVP | Economic Governance and Knowledge Management Vice-Presidency |
| EL | Executive Staff |
| GCC | Governors' Consultative Committee |
| GCI | General Capital Increase |
| GS | General Support Staff |
| HQ | Headquarters |
| HRBP | Regional Human Resource Business Partnership |
| ICB | International Competitive Bidding |
| IDEV | Independent Development Evaluation, AfDB |
| KPI | Key Performance Indicator |
| LP | Local Professional Staff |
| MDBs | Multilateral Development Banks |
| MOPAN | Multilateral Organisation Performance Assessment Network |
| NCB | National Competitive Bidding |
| NEPAD | New Partnership for Africa's Development |
| NSO | Non-Sovereign Operations |

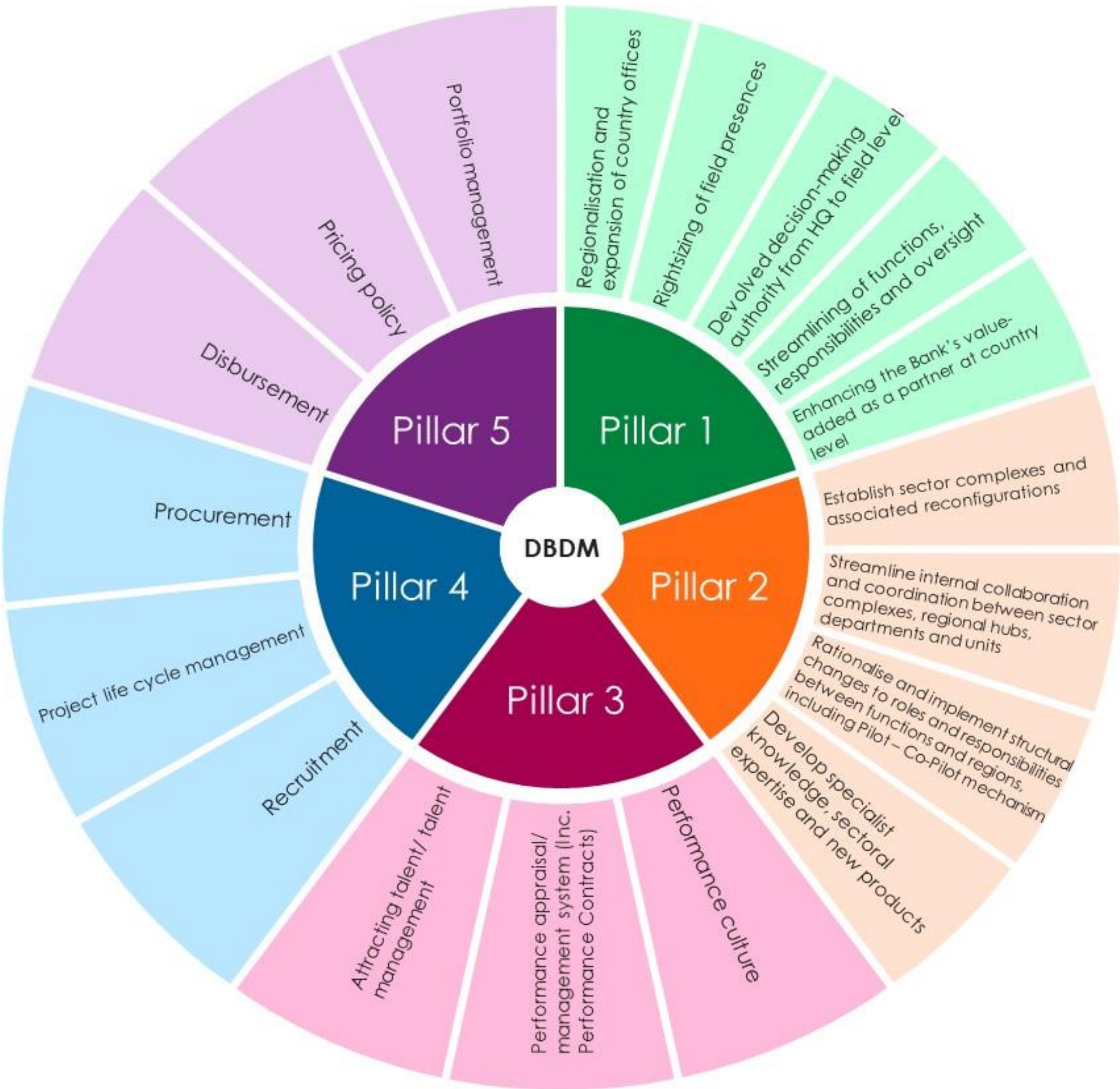
| | |
|---|---|
| OECD-DAC | Organisation for Economic Co-operation and Development's Development Assistance Committee |
| QA | Quality Assurance |
| PBL | Policy-based Lending |
| PBO | Policy-based Option |
| PEVP | Power, Energy, Climate and Green Growth Vice-Presidency |
| PIU | Policy Implementation Unit |
| PIVP | Private Sector, Infrastructure and Industrialisation Vice-Presidency |
| PMS | Performance Management System |
| RDG | Regional Directorate General |
| RDGC | Regional Directorate General Central Africa |
| RDGE | Regional Directorate General East Africa |
| RDGN | Regional Directorate General North Africa |
| RDGS | Regional Directorate General Southern Africa |
| RDGW | Regional Directorate General West Africa |
| RDIBD | Regional Development, Integration and Business Delivery (renamed RDVP) |
| RDVP | Regional, Integration and Business Delivery Vice-Presidency |
| RMCs | Regional Member Countries |
| RMF | Results Measurement Framework |
| RO | Regional Office |
| SMCC | Senior Management Coordinating Committee |
| SNFI | Fiduciary and Financial Management, Inspection and Procurement Policy Department |
| SNVP | Senior Vice-President |
| SSC | Shared Service Centre |
| SO | Sovereign Operations |
| SOU | Special Operations Unit |
| STS | Short Term Staff |
| SVP | Senior Vice-President |
| TMT | Transformation Management Committee |
| TOC | Theory of Change |
| TOR | Terms of Reference |
| TYS | Ten-Year Strategy of AfDB |
| URBO | Units Reporting to the Board of Directors |
| URPR | Units Reporting to the President |

# Introductory note

The final evaluation report of the Independent Evaluation of the Implementation of the Development and Business Delivery Model for the African Development Bank Group is composed of two volumes: the main body of the report is presented in Volume 1, and the annexes of the report are contained in this document, which represents Volume 2.

This volume contains findings and detailed evidence by pillar that underpin and have informed the main report, as well as details of the methodology, interviews conducted, and reference documents used for the evaluation. Volume 2 should be read in conjunction with Volume 1.

The figure below summarises reforms that were evaluated by pillar:



# Annex 1: Detailed findings per pillar

# PILLAR 1: MOVING CLOSER TO THE CLIENT TO ENHANCE DELIVERY

## Key reforms covered by the evaluation

The 2016 decision to 'move closer to the client' is consistent with a longstanding, evolving effort to decentralise activities and build a network of field/ country offices in Regional Member Countries (RMCs). Starting in 1999, The African Development Bank (AfDB, or the Bank) Board approved, on a pilot basis, the establishment of three country offices and two regional offices. By 2009, the number of field offices had increased to 25,[1] and to 38 by 2016.[2] Already in 2004, the key objectives of the Decentralisation Strategy were for the Bank to be closer to the client base and to participate more effectively in the countries' development efforts.[3] The 2004 decentralisation strategy was designed to move beyond a traditional representative function by strengthening strategic partnerships and better managing the project cycle to generate positive effects on client satisfaction and portfolio quality.[4] Decentralisation was also seen as a key prerequisite to the realisation of the Bank's corporate Medium-Term Strategy 2008-2012.

Building on the results of the 2014 mid-term review of: 1) the implementation of a decentralisation roadmap,[5] 2) the mostly positive review of the pilot regional resource centres in Nairobi and Pretoria[6], and, 3) an analysis underpinning the Development and Business Delivery Model (DBDM), the DBDM reforms were meant to go a step further. Indeed, decentralisation had served the Bank and its RMCs well, but refinements were needed in some areas, including portfolio management.

The board-approved DBDM proposal[7] describes the objective and components of Pillar 1, as follows:

*"Management's first major objective is to build regional capabilities and bring responsibility for client activities closer to the regions. To achieve this,*

[1] AFDB/BD/WP/2010/38/Rev.4/Add.4 – Implementation of the Decentralisation Roadmap – Report of the Mid-Term Review (October 2014)

[2] ADF/BD/WP/2015/54/Rev.3/FINAL, June 2016 -An Update of the Decentralisation Action Plan in line with the new Development and Business Delivery Model – Final Version (June 2016)

[3] ADF/BD/WP/2004/84/Rev.1 – Proposed Strategy for the Decentralisation of the Activities of the African Development Bank Group (June 2004)

[4] Independent Evaluation of the Decentralisation Strategy and Process at the African Development Bank, OPEV, 2009 (p. v)

[5] ADF/BD/WP/2010/38/Rev.4/Add.4 – Implementation of the Decentralisation Roadmap – Report of the Mid-Term Review (October 2014)

[6] ADF/BD/IF/2015/75 – External Review of the Two Pilot Regional Resource Centers (RRCs) in Nairobi and Pretoria (2015)

[7] AFDB/BD/WP/2016/16/Rev.1/Final: A proposal to redesign the Bank's Development and Business Delivery Model (May 2016)

*Management proposes the creation of five Regional Development, Integration and Business Delivery Hubs, each run by a Director General: Southern Africa, North Africa, West Africa, East Africa and Central Africa. The Regional Development, Integration and Business Delivery Hubs will house relevant sectoral functions and administrative capabilities in a shared service for rapid deployment into the individual countries…"*

*"Five Director Generals, who will supervise all country managers and all sector staff within their delivery regions, will lead the Regional Development, Integration and Business Delivery Hubs… [and] will be given greater delegated authority."*[8]

Thus, with the DBDM, the Bank's decentralisation strategy had now become purposefully geared towards *expanding, upgrading and empowering* field-level staff to drive and deliver operations, both sovereign and non-sovereign. This included a conscious decision to further devolve decision-making authority from headquarters (HQ) to the field level, along with a complementary restructuring of the HQ's structure to support field-level offices (= Pillar 2).

Pillar 1 consisted of five interrelated sets of reforms:

**Enhancing regional capabilities:**

- Creation of a Regional Development, Integration and Business Delivery Vice Presidency at HQ, now known as the RDVP.
- Creation of three new Regional Hubs, or RDGs (North, Central and West), and reconfiguration of the two existing regional resource centres in Nairobi and Pretoria into Regional Hub East and South, respectively.
- Creation of regional shared service centres for administrative capabilities.
- Tasking the RDGs to drive the "Integrate Africa" High 5 strategy.

**Rightsizing of field presences**

- Streamlining of country offices.
- Stronger presence in Fragile States.
- Resizing of regional and country offices.

**Devolving decision-making authority from HQ to field level**

- Delegation of authority to the field, whereby Field Offices were tasked to manage operations (sovereign - SO; and non-sovereign - NSO) and knowledge products.
- Oversight of regional, country and liaison offices handed to RDVP and cascaded down to RDGs.

**Streamlining of functions, responsibilities and oversight mechanisms**

- Increasing the presence of senior leadership on the ground.
- Expanding numbers and typology of field-based staff.

**Enhancing the Bank's value-added as a partner at country level**

- Influencing country policy and strategy.

[8] Ibid., p. 4-5

- Stronger engagement in donor/development bank coordination.

## Theory of Change and expected results

While an explicit overall Theory of Change underpinning the DBDM is not included in the DBDM proposal, the underlying rationale can be summarized as follows:

***IF the organisation improves its operating model*** (output = improved organisation through optimised presence in the fields; improved performance; streamlined processes; and enhanced pricing strategy); ***THEN this will lead to a more efficient Bank*** (outcome = increased revenues, growing loan volumes, faster processes and optimised operational costs allowing for a return to cost to income ratio of 30%); ***which will THEN have greater impact on Africa's development*** (impact = Sustainable Development goals and High 5 Agenda).

Based on needs identified by its RMCs, positions expressed in policies such as the Paris Declaration and the Accra Agenda for Action, and paths taken by similar organisations, the Bank's longstanding working assumption - underpinning its Decentralisation Strategy[9] - was that a closer proximity to the client base would enable the Bank to become more efficient, effective and profitable. As of 2004, the Decentralisation Strategy had already been designed to move beyond a traditional representative function, by strengthening strategic partnerships and better managing the project cycle to generate positive effects on client satisfaction and portfolio quality.

The DBDM reforms under Pillar 1 were designed to bolster the Bank's Decentralisation Strategy further, not only by strengthening Bank operations delivery capacity on the ground, but also by simultaneously reorienting the role of the Bank's headquarters in Abidjan - for which a new structure was needed (Pillar 2). Hence, these two pillars are best considered in tandem. Combined, they were meant to strengthen the Bank's capacity to increase its efficiency and enhance effectiveness. In operational terms, the rationale assumed that *by having a larger number of (quantitative) and more capable (qualitative) staff located in the RMCs, with more control over decisions and resources in addition to being backed up by a knowledgeable but also leaner and more streamlined HQ, the Bank would be able to better align its country strategies with the host country's national priorities, thereby increasing its local footprint and expanding its portfolio*.

One of the underlying assumptions was that the Bank could be transformed into a full-fledged, well-functioning matrix organisation[10] within a time span of 30 months. This, in turn, necessitated a combination of things including: 1) a reconfigured organisational structure; 2) clarity on and widespread buy-in for changes to departmental mandates, roles and responsibilities; 3) apt leadership skills; 4) an organisation-wide willingness to work collaboratively on shared, overarching short-term targets and objectives; and 4) appropriate and effective business processes (institutional and operational).

[9] ADF/BD/WP/2004/84/Rev.1 – Proposed Strategy for the Decentralisation of the Activities of the African Development Bank Group (June 2004)

[10] A matrix structure is used by large companies with high levels of complexity. In a matrix organisation, employees are generally accountable to more than one boss, with usually two or more separate chains of command. There are different kinds of managers, and managerial roles are fluid. The balance of power between managers is not organisationally defined. For a decentralised matrix structure to be successful, besides a clear and transparent strategy and mission, a flatter organisational structure, a wider span of control, more and better coordination and collaboration, and less top-to-bottom and more bottom-to-top flows of decision-making, are needed.

Since the Bank's own diagnostics underpinning the DBDM had shown that these 'matrix building blocks' were not (sufficiently) in place, another implicit assumption underlying the Theory of Change was that they would be developed or would emerge as part of the 'reconstruction' work itself. In other words, that the way of doing business would shift from a centralised, hierarchical, top-down and process-oriented culture, to a decentralised, empowered, collaborative and output-oriented environment.

A third underlying assumption was that the planning and sequencing of Pillar 1 and 2 reforms would be taken up simultaneously by all parties concerned as well as be driven by the DBDM's overarching principles.

A fourth implicit assumption was that the Bank's staff would support and internalise the principles and rationale underpinning Pillar 1 and 2 reforms; if not immediately, then surely after an internal communication campaign.

## Relevance

The reforms highlighted under Pillar 1 were designed with a clear line of sight to the aims of the DBDM. The analysis[11] underpinning the reforms clearly illustrated the Bank's strengths and challenges, corroborating earlier findings from independent evaluations and reviews of the Bank's performance in key areas such as policy and strategy making and implementation, decentralisation, financial performance, risk management, portfolio quality, regional integration, human resource management and others.

The DBDM reforms prompted a need to update and refine the Bank's Decentralisation Roadmap and Action Plan, considering the diverse character of RMCs' contexts and needs as well as the structure, processes and performance culture of the Bank itself.

Based on an analysis of the Bank's trajectory and conclusions, the overall objectives of Pillar 1 were both necessary and logical. By accelerating decentralisation and devolving decision-making authority to the field, the reforms were expected to achieve significant improvements in cost-efficiency and deliver more development impact, which is at the heart of the Bank's *raison d'être*.

## Implementation efficiency

Besides being necessary and logical, Pillar 1 objectives were also very ambitious. With high aspirations, the full set of Pillar 1 reforms were scheduled to be completed by December 2018.

[11] Although the analysis underpinning the DBDM was not shared with the evaluators, the DBDM proposal approved by the Board in 2016 summarises some of the Bank's key strengths, weaknesses, opportunities and threats in clear terms.

*Table 1: Status of implementation of Pillar 1 reforms*

| Reform | Process | Status |
| --- | --- | --- |
| Decentralisation | • VP RDIVP was established in 2016 – later renamed as RDVP.<br>• 5 Regional Hubs (=Regional Directorate General or RDG's) have been established. Former regional resource centres in Kenya and South Africa became RDG East and RDG South, respectively. Former HQ in Tunis became the Regional Directorate General North Africa (RDGN). West and Central RDGs are currently operating from Abidjan.<br>• Opening of Country Offices in Benin, Guinea and Niger (2017)<br>• The establishment of Regional Hubs led to a reduction in the number of professional staff in country offices in Regional Directorate General Central Africa (RDGC) -8, Regional Directorate General East (RDGE) -6 and Regional Directorate General West (RDGW)-12. | Partially complete:<br>• RDGC yet to be relocated to Yaoundé |
| Rightsizing of field presences: "the right people in the right place at the right time" | • Rightsizing criteria established and approved by Board of Directors in June 2016 | Partially complete:<br>• HQ and Regional footprint studies announced but not undertaken/ finalised<br>• Rightsizing of Regional and Country Offices not yet undertaken |
| Devolving decision-making authority from HQ to field level | • In 2016, RDVP was authorised to drive and manage regional operations<br>• In 2017, for NSO, complex and niche operations, the HQ Sector Complexes were given lead responsibility<br>• In 2018, lead responsibility for complex and niche operations was handed back to RDVP<br>• Risk and fiduciary management functions concentrated at HQ | Partially complete:<br>• Clarity on roles and responsibilities of functions and regions, on both SO and NSO needed<br>• Clarity on coordination and collaboration mechanisms and envisaged changes to Pilot-CoPilot and other arrangements needed |
| Streamlining of functions, responsibilities and oversight mechanisms | • Appointment of Deputy Director General (DDG) and recruitment of Country Managers to bolster leadership in regional and country offices<br>• Functional accountability of NSO operations staff and Country Economists based in regional and country offices brought under HQ Sector Complexes | Partially complete:<br>• Accountability mechanisms between Regional and Country Offices need optimizing<br>• Shortage of Task Managers, disbursement officers; investment officers; procurement officers; HR liaison officers in Regional and Country Offices needs addressing |
| Enhancing the Bank's value-added as a partner at country level | • Perceived increase in Bank's value-added (contribution to policy dialogue, business processes, decision-making, knowledge and expertise) among national clients and counterparts | Partially complete:<br>• Further improvements considered needed, especially in transition countries where the Bank has no Office |

An integral part of the DBDM involved the adoption of a high-level implementation plan, comprising of a list of required actions to effectuate changes to the operating model (structure, processes and people), along with institutional arrangements to manage these changes (transition team, performance tracking and communications). The implementation plan was presented to staff in Nairobi, Pretoria and Abuja in May 2016, immediately after Board approval of the DBDM.

Building on the DBDM, the Decentralisation Action Plan 2016-2018 was swiftly updated and approved by the Board on June 22, 2016. The updated plan[12] included a more detailed, operationalised list of actions pertaining to Pillar 1 of the DBDM, such as:

- RDGW and RDGC to be established in 2017, in accordance with selection criteria previously used to select the three other regional hubs.
- Regional Hubs will be given full responsibility and authority for portfolio management, project origination, business development, policy dialogue; whereas country offices will take responsibility for routine matters (day-to-day operations).
- Staff at Regional Hubs and country offices to be empowered and held accountable.
- Hubs will house relevant sectoral functions and administrative capabilities in a shared service; Relevant executional functions such as procurement and disbursement will be moved out of HQ.
- Senior sector-level staff with appropriate delegated authority power as well as Task Managers will be housed in the Hubs.
- Decentralisation agenda will take into consideration the special requirements of fragile situations.
- Regional Hubs will drive regional integration and work closely with regional economic communities.
- In 2016 and 2017, as a temporary measure, consultants will be contracted to gap-fill vacancies and cover the time needed to revise job descriptions and recruit staff.

The updated Decentralisation Action Plan, approved by the Bank's Board of Directors in June 2016, also included a number of *rightsizing criteria*. Regional and Country Offices were to be re-sized based on a 'Fit for Purpose' principle. This need was felt as the majority of Country Offices had been established before the creation of regional offices. Some were also seen to have too many internationally recruited staff, others too few. In addition, the majority of operations staff were still located at HQ, and this too needed redressing. The objective of the right-sizing exercise was to create smaller Country Offices, with core functions (country manager, country program officer, country economist, support staff) that would be complemented by experts in Regional Offices. As a consequence, no more new Country Offices would be needed. Criteria for establishing and adjusting Country Office presence under DBDM[13] were:

- Size and complexity of portfolio;
- Countries in transition;
- Pipeline development;
- Transport logistics and local living conditions;
- Privileges, immunities and exemptions (re. property, assets and staff).

[12] ADF/BD/WP/2015/54/Rev.3/FINAL, June 2016 - An Update of the Decentralisation Action Plan in line with the new Development and Business Delivery Model – Final Version (June 2016)
[13] ADF/BD/WP/2015/54/Rev.3/FINAL -An Update of the Decentralisation Action Plan in line with the new Development and Business Delivery Model – Final Version (June 2016)

The updated Decentralisation Action Plan also included a table titled 'sequencing of planned actions' (see table 2 below), which has served – to a greater or lesser extent – as the framework against which the DBDM Transition Management Team (TMT) reported DBDM implementation progress in some of the TMT Updates that were submitted to the Board[14]. Although both the initial high-level implementation plan[15] and the subsequent updated Decentralisation Action Plan did not include detailed work plans for each of the aforementioned Pillar 1 reforms, they did include timelines for some of them:

*Table 2: Sequencing of planned actions, 2016*[16]

| Action | 2016 | 2017 | 2018 |
|---|---|---|---|
| Reassess country presence and typology needs | ■ | | |
| Map sector and technical staff to regional hubs | ■ | | |
| Operationalise the East, North and Southern Africa Regional Hubs | ■ | ■ | |
| Operationalise the Central and West African Regional Hubs | | ■ | ■ |
| Move responsibilities from HQ to regions | ■ | | |
| Review HQ footprint | ■ | ■ | |
| Revise DAM | ■ | | |
| Develop and implement guidelines on right-sizing staff in regional hubs and country offices | ■ | ■ | ■ |
| Develop and implement guidelines to right-sizing regional hub and country office facilities | ■ | ■ | ■ |

Since then, the targets were revised periodically. The 3rd and 4th TMT Updates (October 2017 and May 2018, respectively) show that most targets had incurred serious delays of a year or longer, with only limited explanation.

Looking back, we can conclude that the Bank did implement some key reforms set out under Pillar 1 while others are yet to be completed. As per Board Resolution 22/4/2016, the Vice Presidency RDIDB[17] was established in 2016, and later renamed RDVP. Five Regional Hubs (= Regional Directorate Generals, or RDGs) were established. The two former regional resource centres in Kenya and South Africa became RDGE and RDGS, respectively. The former headquarters in Tunis became RDGN with RDGW and RDGC currently operating from Abidjan. In May 2018, in accordance with the Board-approved criteria for the establishment of Regional Hubs, Yaoundé was chosen as the location for RDGC[18] with RDGW remaining in Abidjan.

[14] The table was used in TMT Updates 2, 3 and 4, but not in TMT Update 5.
[15] Development and Business Delivery Model – Presentation to Regional Offices. Slide pack prepared by AfDB (May 2016)
[16] Updated Decentralisation Action Plan, June 2016 (pp. 5-6)
[17] Regional Development, Integration and Business Delivery Complex
[18] ADF/BD/IF/2018/70 - Proposal Towards Implementation of The Bank's New Development and Business Delivery Mode. Information Note on the Selection of the Location of the Directorate-General for Central Africa (RDGC) (May 2018)

*Right-sizing of regional and country offices and down-sizing of HQ*

Although rightsizing criteria were swiftly established and approved by the Bank's Board of Directors in June 2016, as part of the Updated Decentralisation Action Plan, the rightsizing exercise and headquarters and regional footprint studies themselves – envisaged to form the basis for the allocation of staff to each country office and regional office – have not yet been undertaken in full. However, an elaborate staff mapping exercise and needs assessment to underpin further decentralisation for the High 5s have been conducted[19]. The staff mapping exercise took place at a time when the Human Resources Department itself was undergoing significant restructuring, with high staff turnover and perceived anxiety over job security. This impacted the department's capacity to deliver against some of the DBDM reforms under Pillars 1, 2 and 3.

Tracking targets on decentralisation with respect to the number of field staff vs numbers of staff at HQ requires clarity on targets and how staff are categorised. The evaluation notes that neither the DBDM proposal (April 2016) nor the subsequent Updated Decentralisation Action Plan (June 2016), contain specific targets in terms of staff volume and composition to be based at HQ, regional and country offices. However, the 2016-2025 Results Measurement Framework[20] includes a quantitative target for the share of '*operations staff'* based in country offices and regional hubs to be increased from 40.6% in 2016 to 85% in 2025. The Annual Development Effectiveness Review 2018 refers to this target, reporting a 58% achievement by the end of 2017, 4% higher than the target for that year.

The Bank uses different ways to categorise its staff. The most commonly used categories are EL (executive staff), PL (international professional staff), LP (local professional staff) and GS (general support). Other titles used in various Bank documents include operations staff, operational professional staff, technical staff, sectoral operational functions, task managers, sector managers and others. The Bank's ADER and Results Measurement Framework (RMF) documents adopt the term 'operations staff'. The definition provided to the evaluation team states that: "*Operations staff include not only staff in the 5 Operations Complexes (RDVP, PIVP, PEVP, AHVP and ECVP[21]) but also several direct operations-facing staff in Non-Operations (Support) Complexes"*. Staff functions included/excluded within the GS staff category either at HQ or in the regional and country offices are not specified. This definitional ambiguity makes it difficult to track progress accurately.

The EL/PL/LP and GS categories are used by the Bank's Human Resources Department and were applied in the Updated Decentralisation Action Plan, TMT Updates and – since September 2018 – the monthly staff overview reports. On the basis of these categories, the Bank reported that on 31 December 2018, 39.5% of all EL/PL & LP posts and 36.7% of all GS posts were based in regional and country offices. The aggregate proportion of staff based at HQ was 61.4%.

Looking at the professional staff category, the establishment of Regional Hubs or offices has indeed led to an increase in the number of professional staff at the regional level and a reduction in the

[19] TMT Update 3 (October 2017 p. 30)

[20] ADF/BD/WP/2016/152/Rev.2/Final – The Bank Group Results Measurement Framework 2016-2025-Revised 2*, 19 April 2017 (p. 20)

[21] RDVP = Regional, Integration and Business Delivery Vice-Presidency, ADVP = Agriculture, Human and Social Development Vice-Presidency, PIVP = Private Sector, Infrastructure and Industrialisation Vice-Presidency, PEVP = Power, Energy, Climate and Green Growth Vice-Presidency, ECVP = Economic Governance and Knowledge Management Vice-Presidency

number of professional staff in Country Offices in RDGC, RDGE and RDGW, as intended in the DBDM[22].

*Table 3: Professional staff in Regional Hubs and Country Offices, 2016-2018[23]*

| | Actual May 2016 | Actual Dec. 2018 | Variance |
|---|---|---|---|
| **North** | ? | 80 | ? |
| RDG | ? | 52 | ? |
| Country Offices | 28 | 28 | 0 |
| **East** | 104 | 131 | +27 |
| RDG | 40 | 73 | +33 |
| Country Offices | 64 | 58 | -6 |
| **South** | 82 | 118 | +36 |
| RDG | 46 | 76 | +30 |
| Country Offices | 36 | 42 | +6 |
| **West** | 84 | 122 | +38 |
| RDG | 0 | 50 | +50 |
| Country Offices | 84 | 72 | -12 |
| **Central** | 45 | 68 | +23 |
| RDG | 0 | 31 | +31 |
| Country Offices | 45 | 37 | -8 |

Based on December 2018 data, the aim to increase the number of staff in regional and country offices has been achieved. However, during the period under review, the size of the Bank's headquarters has also increased significantly. According to the Bank, on December 31st, 2018, 39% of all staff were based in regional and country offices.[24] Based on data provided to the evaluation team, on 18 December 2018,[25] the share of Bank staff physically based in regional and country offices (excluding consultants and short-term staff, or STS), stood at 33.5% (677). Of these, 121 were in North Africa, 149 in West Africa (including Nigeria), 66 in Central Africa, 174 in East Africa, and 162 in Southern Africa.

Despite successful efforts to recruit more staff and reduce the vacancy rate, the Bank continued to rely heavily on external consultants and STS. The expectation that this would lessen in 2018, was not met. As of 31 December 2018, of the 360 vacancies, 70% were in HQ and 30% in regional and country offices. While consultants play an important role in the AfDB, providing flexibility and in some cases a way to retain institutional knowledge, on average, for every vacancy, there were 2.5 consultants and STS employed.

[22] Source 2016: Updated Decentralisation Action Plan (June 2016). Source 2018: Monthly staffing overview December 2018. Data for Tunis RDG were not available for May 2016.
[23] Data collected from Updated Decentralisation Action Plan and Staff Overview report 31.12.2018
[24] "The efforts to strengthen the capacity of field offices continued with a steady increase of staff in the field from 683 in 2017 to 754 in 2018. The staff in the field offices represented 39% of Bank regular workforce." - Staff Overview December 2018 (p. 3).
[25] The evaluation team received a complete and detailed Excel sheet overview of the Bank's staffing as per 18 December 2018, disaggregated by Complex, department, grade, position and location.

*Table 4: Ratio staff at post, consultants and STS per department (31.12.2018)* [26]

| | AHVP | BDIR | CHVP | ECVP | FIVP | PEVP | PIVP | RDVP | SNVP | URBO | URPR | Others | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Staff at post | 101 | 16 | 295 | 154 | 186 | 72 | 138 | 483 | 189 | 41 | 242 | 34 | 1951 |
| Consultants | 59 | 0 | 185 | 90 | 39 | 30 | 41 | 107 | 55 | 36 | 41 | 0 | 683 |
| STS | 5 | 4 | 51 | 15 | 18 | 6 | 14 | 23 | 9 | 3 | 53 | 0 | 201 |
| Total | 165 | 20 | 531 | 259 | 243 | 108 | 193 | 613 | 253 | 80 | 336 | 34 | 2835 |
| % Staff at post | 61% | 80% | 56% | 59% | 77% | 67% | 72% | 79% | 75% | 51% | 72% | 100% | 69% |
| % Consultants | 36% | 0% | 35% | 35% | 16% | 28% | 21% | 17% | 22% | 45% | 12% | 0% | 24% |
| % STS | 3% | 20% | 10% | 6% | 7% | 6% | 7% | 4% | 4% | 4% | 16% | 0% | 7% |
| Vacancies | 21 | 4 | 38 | 58 | 37 | 10 | 35 | 66 | 26 | 11 | 39 | 15 | 360 |
| Vacancies to Consultants & STS | 1:3 | 1:1 | 1:6.2 | 1:1.8 | 1:1.5 | 1:3.6 | 1:1.6 | 1:2 | 1:2.6 | 1:3.6 | 1:2.4% | 0 | 1:2.5 |

The announced establishment of Regional Shared Service Centres was not carried out with back office programme delivery support functions (financial management, disbursement, procurement, risk and fiduciary) still largely covered out of headquarters. The shortage of Task Managers, investment officers, fiduciary risk and safeguard officers, procurement officers as well as disbursement officers in regional and country offices, is widely acknowledged within the Bank, and proposals to recruit more staff for these functions have been made.

As the Bank's portfolio grows in size and complexity, so necessarily do the Bank's operational as well as non-operational workloads. The correlation between the two is seldom linear; all the more so when the widely different national contexts and growing demands on the Bank are taken into account. Striking the right staffing balance between complexes and across the various Bank locations is a constant challenge and must be set against corporate-level priorities, i.e. the DBDM's three core principles[27]. Of these, the first two - aligning the structure of the Bank with the High 5s and bringing the Bank closer to its clients - would suggest a trend towards a leaner HQ, smaller in size, and focused largely on corporate-level functions (as per the DBDM).

The Bank's organigram and staffing data, however, do not reflect this. As the next table illustrates, taken together, on average there is one manager for every five professional staff, but with notable differences in the span of control across complexes. In AHVP and PEVP, on average each manager has only three professional staff, while in CHVP, the General Services and Human Resources Vice-Presidency, each manager on average has nine professional staff.

There is a substantial number of consultants and STS in the Bank and if these are included, each manager has nine staff on average, ranging from one manager to five staff in PEVP to one manager to 20 staff in CHVP, where the largest number of consultants and STS are employed.

[26] AfDB Staff Overview December 2018

[27] The third principle was: Improving organisational effectiveness through faster decision-making, greater transparency and a stronger performance culture

*Table 5: Ratio management – professional staff (as at 18 December 2018), and consultants and STS (as at 31 December 2018)* [28]

| | AHVP | BDIR | CHVP | ECVP | FIVP | PEVP | PIVP | RDVP | SNVP | URBO | URPR | TOTAL |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Management (EL/PL1-2) | 20 | 0 | 20 | 23 | 19 | 17 | 15 | 67 | 25 | 4 | 26 | 236 |
| Professional (PL3-6/LP) | 59 | 0 | 206 | 108 | 83 | 47 | 105 | 232 | 140 | 27 | 141 | 1148 |
| Consultants | 59 | 0 | 185 | 90 | 39 | 30 | 41 | 107 | 55 | 36 | 41 | 683 |
| STS | 5 | 4 | 51 | 15 | 18 | 6 | 14 | 23 | 9 | 3 | 53 | 201 |
| General support (GS) | 22 | 16 | 103 | 23 | 88 | 8 | 18 | 186 | 23 | 10 | 74 | 571 |
| Total | 165 | 20 | 565 | 259 | 247 | 108 | 193 | 615 | 252 | 80 | 335 | 2839 |
| Ratio Management /Professional | 1:3 | n.a. | 1:9 | 1:5 | 1:4 | 1:3 | 1:7 | 1:5 | 1:6 | 1:7 | 1:6 | 1:5 |
| Ratio Management/ Professional+Consultants+STS | 1:6 | n.a. | 1:20 | 1:9 | 1:7 | 1:5 | 1:11 | 1:6 | 1:8 | 1:16 | 1 :9 | 1 :9 |
| Ratio Management /Professional + General Support | 1:4 | 1:16 | 1:15 | 1:6 | 1:9 | 1:3 | 1:8 | 1:6 | 1:6 | 1:9 | 1:8 | 1:7 |
| Ratio management – all other categories | 1:7 | 1:16 | 1:26 | 1:10 | 1:10 | 1:5 | 1:12 | 1:8 | 1:9 | 1:19 | 1:12 | 1:11 |

### *Alignment of Portfolios and Staffing*

Awaiting the results of the rightsizing exercise, and recognising that qualitative variables play an important role in decision-making, feedback from interviews and anecdotal evidence suggest an opportunity to improve the current balance between the country portfolio and distribution of staff. An indicative sample[29] among the five countries in RDGN shows for instance, that one third of Morocco's portfolio consists of projects in the power sector and less than 10% in the agriculture sector.

*Table 6: North Africa Portfolio & Staffing (project status December 2018)* [30]

| | Projects | Sectors | Staffing | Staff categories (EL-PL-LP-GS) | # of sector experts (*) | # of sectors not covered by sector experts |
|---|---|---|---|---|---|---|
| Algeria | 9 | 7 | 9 +1 vacancy | 0-3-2-4 | 0 | 7 |
| Egypt | 17 | 6 | 16 | 0-3-7-6 | 3 | 3 |
| Mauretania | 20 | 7 | 1 | 0-1-0-0 | 0 | 7 |
| Morocco | 46 | 8 | 18 | 0-4-8-6 | 4 | 4 |
| Tunisia | 34 | 15 | 77 + 6 vacancies | 1-49-3-24 | 12 | 8 |

(*) selection based on job title

There is no clear evidence illustrating how specific circumstances of fragile states have been considered during implementation of Pillar 1 reforms.

[28] Ibid.

[29] Based on Excel sheet overview of the Bank's staffing as per 18 December 2018 and Bank Portfolio Overview Excel sheet, December 2018

[30] Ibid.

*Devolution of decision-making authority*

As part of the updated Decentralisation Action Plan, full responsibility and accountability would be delegated to the Vice President Regional Development and Director General (DG), as per the approved DBDM. RDVP will oversee the functioning of DGs, regional offices and COs, and clarify roles, realign Key Performance Indicators (KPIs), and revitalize performance contracts.

In 2016, the Regional Development, Integration and Business Delivery complex, or RDIBD, later renamed RDVP, was authorised to drive and manage operations on the ground. At the time, no distinction was made between sovereign and NSOs, nor between regular, complex and niche operations. Although empowered in terms of responsibilities, RDVP and the regional and country offices lacked the required numbers of qualified staff on the ground and at HQ to match these.

The division of labour between RDVP and Sector Complexes at HQ in portfolio management changed considerably in October 2017, when the “Pilot – CoPilot” arrangement was introduced. The arrangement distinguished between primary and secondary roles and responsibilities for both sovereign and NSOs, under shared KPIs. From that moment onwards, for NSOs, Sector Complexes would have primary responsibility, while DGs in the regional offices would play the role of co-pilot (secondary responsibility). The division of responsibility[31] for complex and innovative (“niche”) operations was considered a joint responsibility, but the Sector Complexes were now tasked to manage these. As part of that same decision, management decided to establish twelve regional sector divisions (down from 15 in the original DBDM) to reflect the move of NSOs to the complexes.

The decision to shift primary responsibility for NSOs to the Sector Complexes was motivated by the rapid increase in the volume of NSOs and a perceived need for quality assurance and consistency.[32] Following a review of the global situation of NSOs (including benchmarking with sister Multilateral Development Banks, or MDBs) and further to an assessment of business development needs, credit quality, and readiness for decentralisation, management proposed to reorganize NSO operations and keep primary responsibility for their management with Sector VPs. NSOs, it was argued, were growing rapidly, but were also more complex and subject to more risk than sovereign operations. They required highly specialized human resources, skill mixes and a clear line of reporting and authority. Thus, with the Bank’s private sector expertise located largely within Sector Complexes at HQ, and sector complex Vice Presidents being held accountable for the delivery of the (sectorial) High 5s, it was felt that the Sector Complexes should be given primary responsibility for NSOs.[33]

In practice, rather than clarifying responsibility and accountability for sovereign and NSOs, the Pilot-CoPilot arrangement caused much confusion, as evidenced in almost all interviews with staff. Without clear definitions and criteria for “complex” and “niche” operations and a tailored, revised Delegation of Authority Matrix (DAM) describing the *who, when and how* of the portfolio lifecycle for all categories of operations, rather than breaking down silos, the arrangements encouraged competition between Bank entities for scarce resources and decision-making authority. Many interviewees questioned the utility of the arrangement, pointing to examples of prioritisation and coordination shortcomings, including inconsistencies between initiation of NSOs by Sector Complexes at HQ and the Country Strategy Paper (CSP) priorities that were set at the country level. Equally, the logic of transferring responsibility for complex operations from the region back to HQ was questioned, pointing to the

[31] TMT Update 3, pp. 30-31
[32] TMT Update 3, pp. 22-23
[33] Ibid.

importance of close proximity to - and strong ties with - partners and stakeholders throughout all phases of the operations cycle. In 2018, the lead responsibility for complex and niche operations was handed back to RDVP.

In January 2019, the President announced that the Pilot-Co-Pilot arrangement would be replaced by new arrangements aligned with the ‘One Bank’ Principle.[34] At the time of writing, these new/ revised arrangements were yet to be shaped by the Bank’s leadership and shared among staff.

### *Streamlining of functions, responsibilities and oversight mechanisms*

As part of the updated Decentralisation Action Plan, the Bank appointed five senior level DG and five Deputy Director Generals (DDG) to run the regional offices and oversee/ supervise the country and liaison offices that fell within their regional mandate. The Bank also recruited new country managers from outside the Bank.

It was envisaged that accountabilities between regional and country offices would be defined depending on the size of the country offices and the functions to be delegated on a case by case basis as to existing skills on the ground; however from the evidence collected, it was not clear how these relationships were determined. Interviewees pointed to anecdotal examples whereby the staff mapping exercise led to the transfer of staff to locations where they were less needed and/ or better equipped for other roles than the ones allocated to them. Shortages in certain staff categories (e.g. risk management, procurement) were also said to occur because of a strong focus on project origination and lending, at the expense of project implementation and delivery of outcomes.

Input from interviews suggests that HQ-led oversight mechanisms are functioning well, even though fiduciary risk and safeguard functions were said to suffer staff shortages.

Another important change to the DBDM’s initial restructuring and decentralisation, decided in October 2017, concerned the role and position of lead and country economists. It was decided that country economists would henceforth functionally report to a newly-established Country Economics Department under the Economic Complex, whose role would be to manage, coordinate, and ensure the quality of lead and country economists’ work, who are now members of the ECVP Complex, rather than to the country manager.[35]

The combination of various factors: confusion and competition for staff capacity following the introduction of the Pilot-CoPilot arrangement; the less than expected relocation of staff from HQ to country and regional offices; a delayed introduction of the revised DAM; the still to be completed rightsizing exercise; and the decision to centralise the work of lead and country economists, resulted in less authority in some areas for the regional and country levels. There is no documented evidence showing that the knock-on effects of these decisions for other reforms had been duly considered.

The revised DAM was not introduced until September 2018, and although the changes to the previous version were broadly welcomed, the revised DAM does not explain how the ensuing consequences in terms of Bank-wide coordination and collaboration, would be organised.

[34] The ‘One Bank’ principle was introduced as early as 2009, as part of an approach to capture the aggregate contribution to development of all components of the AfDB Group, both sovereign and non-sovereign. For more information, see the One Bank Result Measurement Framework 2013-2016.
[35] See Pillar 2 for details.

*Enhancing the Bank's value-added as a partner at country level*

Neither the Board-approved DBDM nor the updated decentralisation action plan contained concrete measures to enhance the Bank's added value as a partner at country level, other than mapping sector and technical staff to regional offices, aspiring to deploy "the right people in the right place" in order to get closer to the client, and enhancing the quality of knowledge products.

Nevertheless, based on a robust analysis of documents, interviews with staff, clients and host governments, as well as survey results[36], there does appear to be a positive correlation between a larger and longer-standing presence in a given country and a greater appreciation among host countries for the Bank's contributions to policy dialogue and development strategies. Responses obtained from government officials and peer organisations in RMCs indicate a perceived increase in the Bank's overall capacity to deliver since the DBDM was introduced, while further improvement is recommended. Based on the governor survey responses of sixteen RMCs, host countries sighted improvements in the Bank's contribution to policy dialogue, processes for establishing country priorities, the Bank's responsiveness to changing country circumstances, and engagement with partners. The same can be said about the ease of doing business with the Bank. Survey results and interviews show that RMCs are most appreciative of the Bank's knowledge, expertise and to a lesser extent its business processes (procurement, disbursement, decision-making and portfolio performance management) which, they say, have improved since the DBDM's introduction in 2016.

Non-RMCs, on the other hand, tend to be less appreciative of the Bank's overall performance and perceived changes since the DBDM was introduced. A large majority see a strong need for further improvement in the Bank's overall capacity to deliver, as well as its contribution to policy dialogue, priority setting, responsiveness to changing circumstances and in-country engagement with partners. Non-RMCs are also more critical of the ease of doing business with the Bank, its expertise and source of knowledge.

Generally speaking, Bank staff are positive about the need for, and effects of decentralisation. Closer proximity to clients has enabled the Bank's engagement with clients and its understanding of, and responsiveness to clients' needs. Decentralisation has allowed for more and closer engagement with clients and development partners and an opportunity to showcase the Bank's presence. As a consequence, staff reported that pipeline development, portfolio quality and prioritisation have improved. A more mundane advantage has been a perceived cut in travel costs.

In terms of what remains to be done, RDGC is scheduled to move to Yaoundé in 2019. A Host Country Agreement has been signed; further details on the relocation were not available at the time of the evaluation.

The concept of "Shared Service Centres" in regional offices has been announced as a way to reduce transaction costs and support delivery on the ground from a 'hub and spoke' perspective. However, there is no evidence of implementation yet. The initial justification remains valid and creating these centres is technically and organisationally feasible.

[36] The evaluators analysed over 300 documents, 211 interviews with AfDB staff, 30 interviews with peer organisations, 44 interviews with government officials in 11 African countries, and results of the Governor Survey (with responses from 23 Non-RMCs, and 16 RMCs).

Assuming that the Bank's decision to decentralise remains a key organising principle, it is important to complete the rightsizing exercise in addition to headquarters and Regional footprint studies with urgency, and to undertake these jointly, within clear, updated parameters, under the umbrella of the "One Bank" principle. The rightsizing criteria approved by the Board in 2016 remain valid and can help guide rational decision-making on the number, type and skillsets of staff needed in the various Bank locations (headquarters, regional and country offices). In that regard, the Bank will have to accelerate the relocation of Bank staff to the regional and country offices and prioritise the filling of vacancies outside its headquarters. Based on interviews and documentation, more Task Managers, investment officers, private sector experts, procurement and disbursement officers, as well as safeguards officers are needed in regional and country offices.

While the January 2019 decision to reconsider the Pilot-CoPilot arrangement has been welcomed by staff across the organisation, it is important that future arrangements are aligned with the key principles of the DBDM and considered not in isolation, but in an integrated manner. Introduction of Sector Boards, if indeed implemented, will only contribute to the Bank's performance if simultaneous efforts are undertaken to provide clarity on roles and responsibilities across the organisation. Although the DBDM reforms were never intended as a static set of measures that were cast in stone, introducing new changes in the organisational structure and work processes will inevitably affect roles and responsibilities of staff and may also have knock-on effects for other DBDM reforms across other pillars, as well as other institutional changes that are pursued in parallel. This has been the case during the 2016-2018 period and will remain so in 2019 and beyond.

As with the case of other aforementioned reforms under Pillar 1, the streamlining of functions, responsibilities and oversight mechanisms remain a work in progress. Striking the right balance between corporate-level uniformity and local tailoring based on contextual needs and opportunities is an on-going challenge. Nevertheless, as changes continue to be made to the Bank's organisational structure and to responsibilities for certain tasks and functions within the overall matrix structure, assessing the effects of these changes on roles and work processes and making subsequent adjustments, remains necessary. There is a need for optimisation of, and consistency in, the relationship between regional and country offices in terms of roles, responsibilities and delegated authority across Bank functions. The same goes for the roles and responsibilities of the DDG, Country Economists and NSO Investment Officers vis-à-vis the DG and Country Managers.

At the same time, meeting the staffing needs in priority areas is important. There is a widely acknowledged shortage within the Bank of Task Managers in regional and country offices. An additional 20 Task Managers were requested in the document prepared for the technical session of the 2019-2021 work program and budget. Other functions experiencing shortages at field-level include: disbursement officers, investment officer, procurement officers, private sector experts, and human resources liaison officers. In prioritising recruitment areas, the Bank may want to reassess the current list of vacancies - more particularly, the share of vacancies at HQ and field level. Related to this, interviews with staff suggest that more attention is needed for the onboarding of new staff, through a comprehensive induction programme and on-the-job mentoring to help them familiarize themselves with the Bank's business processes and culture.

In retrospect, the Bank's Pillar 1 objectives have proven to be overly ambitious, and in contrast with the Bank's past experience. Evaluations of previous decentralisation strategies, for instance, have shown that objectives had only partially been met and that decentralisation achievements in various areas were running behind schedule[37]. Similar comments were echoed in the 2016 updated Decentralisation Action Plan, which pointed to a slower than expected pace of staff deployment to the country and regional offices, *inter alia* due to staff unwillingness and a reluctance of key departments to decentralise sufficient staff.[38] Although detailed lists of actions were identified, no evidence was found that these were operationalised to the detailed, granular level necessary.

## Effectiveness

The DBDM reforms under Pillar 1 have definitely contributed to a further strengthening of regional capabilities by bringing more responsibility for client activities closer to the region. The DBDM reinforced the Bank's strategic priority to decentralise and augmented the Bank's efforts in that regard. The expansion of existing regional offices in Nairobi and Pretoria, the establishment of a regional office in Tunis, and the envisaged move of RDGC from Abidjan to Yaoundé - combined with a larger presence of Bank staff in regional and in some cases also country offices - are clear illustrations of enhanced decentralisation.

Notwithstanding these successes, the Bank's decentralisation process as envisaged in the initial DBDM was less than expected. Various reasons account for this, one being an overly ambitious prognosis as to the number of staff that could be relocated within a given period. When the DBDM was introduced, the Bank's human resources department faced serious capacity shortages to deal with ambitious recruitment, retention and relocation targets (see Pillar 3). Moreover, it was fed by the Bank staff's experiences with the relocation of HQ from Tunis to Abidjan which included a reluctance of staff to relocate to regional and country offices[39] as well as voluntary resignations, all further slowing decentralisation**.** Another reason why decentralisation targets were not achieved, had to do with the restructuring of the Bank's HQ in Abidjan, where new complexes were created and tasked to deliver on the achievement of the Bank's High 5 strategic objectives (see Pillar 2 for further details). In order to function adequately, these new complexes, departments and units also needed competent staff. A fourth reason was the aforementioned revisions to the core principle of decentralisation and empowerment itself, whereby HQ became functionally responsible for NSOs delivery, risk and financial management, and the work of lead and country economists. Lastly, a fifth reason falls to the fact that vital activities for decentralisation - such as the rightsizing exercise and HQ and regional footprint studies - were not completed, making rational, transparent and criteria-based decision-making more challenging. These factors, combined with slower than expected changes to business processes and performance culture as well as notable shortcomings in the management of the DBDM (see Annexes to Pillars 3 and 4), slowed down the decentralisation process considerably. Consequently, whilst overall there has been considerable progress, the net effect of Pillar 1 reforms has been lower than envisaged.

In terms of what remains to be done, regionalisation and empowerment of AFDB staff in regional and country offices as steps to enhance the Bank's effectiveness, are widely accepted principles, both within and outside the Bank. During the past 20 years, these principles have been endorsed by the

[37] Independent Evaluation of the Decentralisation Strategy and Process at the African Development Bank, OPEV, 2009 (p.vi)

[38] ADF/BD/WP/2015/54/Rev.3/FINAL, June 2016 -An Update of the Decentralisation Action Plan in line with the new Development and Business Delivery Model – Final Version (June 2016, p. 2)

[39] Ibid., p. 2, paragraph 10

Bank's senior management as well as the Boards of Governors and Directors. To achieve the DBDM's stated objectives, the Bank should accelerate decentralisation, applying rational, needs-based criteria, tailored to the specific conditions and requirements - in terms of types of engagement and supervision - in each country. Rightsizing criteria based on clear overarching decentralisation principles, are already in place and only need optimising to match current and future needs. In accelerating decentralisation, simultaneous efforts to further streamline the roles, responsibilities, functions and - thus - staffing of HQ, are needed.

By now, the Bank has a wealth of experience in managing decentralisation and achieving better results on the ground. The positive experiences and perceptions among many RMCs and staff with regard to the Bank's closer proximity to its clients and partners can be capitalised upon and deepened. These lessons can help inform future decisions and action plans, and overcome pitfalls and challenges.

## Conclusions

- Decentralisation is a longstanding policy within the Bank, going back to 1999. The DBDM's Pillar 1 reforms, however, were more widespread than previous decentralisation strategies, complementing the expanding, upgrading and empowering of field-level staff with a major restructuring of the Bank's headquarters' roles and functions, as well as others. In retrospect, the Pilar 1 reforms were highly ambitious and built on overly optimistic assumptions.
- The Bank implemented some key reforms set out under Pillar 1, such as the creation of Regional Offices. Based on December 2018 data, the aim to increase the number of professional staff in regional and country offices has been achieved. No evidence was found of predefined quantitative staffing targets.
- The size of the Bank's headquarters has, however, also increased significantly, with a high ratio of management to non-management - especially professional – staff in some complexes. There is an ongoing need to align the staffing size and composition of HQ, regional and country offices with their respective functions as well as portfolio characteristics.
- The announced establishment of Regional Shared Service Centres was not carried out. Back Office programme delivery support functions (financial management, disbursement, procurement, risk and fiduciary) are still largely covered out of the Bank's headquarters in Abidjan.
- Decisions to recentralise responsibilities for non-sovereign, complex and niche operations, and to bring country economists under the functional responsibility of HQ, appear at odds with the original key principles of the DBDM.
- The shortage of Task Managers, investment officers, sector experts, fiduciary risk and safeguard officers, procurement officers as well as disbursement officers in regional and country offices, is widely acknowledged within the Bank, and proposals to recruit more staff for these functions have been made. Notwithstanding the successful efforts to recruit more staff and reduce the vacancy rate, the Bank continues to rely heavily on external consultants and short-term staff. The expectation that this would lessen in 2018, was not met.
- The effects of the Pillar 1 reforms as envisaged in the DBDM, were not entirely met. Nevertheless, generally speaking, the Bank's own staff and its partners on the ground

perceive the effects of decentralisation on the Bank's engagement with clients and its responsiveness to their needs as positive.

## Technical recommendations and areas for attention

The overarching principles and objectives of the DBDM remain valid and relevant and should continue to form the basis for further action. The Bank would benefit from a more realistic, transparent, consultative and *evolutionary* approach, based on a clear, transparent and common vision on the direction the Bank is taking, why, how this will be done, when and by whom. Although the Bank does not have to go back to the drawing board altogether, more will be needed than merely accelerating, optimising or tweaking intended / ongoing reforms.

We therefore make the following recommendations to the Bank:

1. In accordance with the principles underpinning the Bank's decentralisation strategy, reaffirm the current and future functions, roles and responsibilities of headquarters, regional and country offices.
2. Subsequently, set realistic decentralisation objectives and targets, taking into account the interdependencies with other reforms in other DBDM Pillars, and synchronise all execution measures accordingly.
3. Thereupon, reconsider the current imbalances, where relevant, between headquarters, regional and country offices; between operational and non-operational staff; between management and professional staff; and also between staff at post and consultants and short-term staff. Thereupon, develop a concrete and realistic action plan to address these.
4. Determine and adopt clear definitions of staff categories (e.g. operational and non-operational) and apply these consistently, as a more effective way to monitor and report progress against decentralisation targets and readjust where necessary.
5. As a matter of urgency, optimise the rightsizing criteria against their validity, rationality and applicability in light of the Bank's current realities, and apply these consistently to identify staffing surpluses, gaps and needs.
6. Make a more focused effort to better communicate the Bank's knowledge products among partners and clients. Recent measures to produce and disseminate knowledge products in languages other than English and French, are a step in the right direction, but developing a more comprehensive external communications strategy, focused on the timely production and dissemination of relevant knowledge products, is merited.
7. Implement outstanding measures that are already fully aligned with the DBDM's key principles, such as the rightsizing exercise.

# PILLAR 2: RECONFIGURE HEADQUARTERS TO SUPPORT THE REGIONS TO DELIVER BETTER OUTCOMES

## Key reforms covered by the evaluation

Pillar 2 reforms are closely related to those under Pillar 1. The decision to move closer to the client by empowering regional and country offices to drive operations was to be complemented with manifest and far-reaching implications for the roles, functions and structure of the Bank's headquarters, as well as a way in which the Bank – including headquarters - was henceforth expected to operate.

Underpinning the Pillar 2 reforms was an observed lack of coherence in the way complexes were structured. In the eyes of the Bank, the existing structure of the complexes was not strategically coherent, did not allow for speedy execution, and was not aligned with the Ten-Year Strategy of AfDB (TYS) priority areas, creating a loss of country focus and a silo mentality in operations. Sector departments operated with a high degree of autonomy and did not always coordinate their work with country departments. Rather than adapting its sector operations to country-defined strategies, the Bank tended to fit strategy to the pipeline of projects generated by sector departments. One of the key outcomes has been poor portfolio management and the inability to respond to country needs in a timely manner.[40]

In its DBDM proposals to the Board, the Bank concluded that *"…the current organizational structure of the Bank is misaligned and therefore is unable to effectively deliver on its strategy, while ensuring business growth and developmental impacts on the ground. The 'effectiveness side' of the bank that should grow the business and the developmental impacts on the ground, and bring the Bank closer to its clients is subservient to the 'efficiency side of the bank', which deals with processes, systems, at the headquarters. The Bank is driven by a process culture that is not for the most part not results oriented. As a result, the 'business' (which includes development impacts, business and revenue growth) of the bank suffers. The Bank has been good at ramping up approvals from the sectors, but falls short on the ground on disbursements, revenue and developmental impacts. The Bank has decentralised people, but it has centralized authority. The long-term growth of the Bank's work on the ground suffers and the Bank is unable to effectively adjust itself on the ground to changing competitive environments, as well as to the needs of its clients. There is an urgent need to realign the structure to more effectively and efficiently deliver on the TYS and its High 5 priorities to meet growing needs of countries and the private sector."*[41]

[40] AFDB/BD/WP/2016/16/Rev.1/Final: A proposal to redesign the Bank's Development and Business Delivery Model (May 2016, p. 2).
[41] Ibid., p 3

*Objective and components of DBDM Pillar 2*

The Board-approved DBDM document of 3 May 2016 describes the objective and components of Pillar 2 as follows:

> *"To align the organisational structure with the strategic objectives of the Ten-Year Strategy and the High 5 priorities….in addition to the regional restructuring, sector restructuring is required. Management proposes to adopt four sector complexes, led by Vice Presidents. Three of them will focus on four of the High 5 priorities with a mandate to develop a strategy to achieve them, and the fourth will cover Economic governance. Although operations will be almost exclusively in the regions, the sector complexes will have three crucial roles in delivering the TYS' High 5s. They will develop and work with the regional hubs to execute the strategy of the Bank related to that priority, they will represent the Bank with external stakeholders, and they will provide deep sector expertise. Management proposes structural changes at headquarters so that it can operate more effectively and reduce its costs."*

Pillar 2 consisted of four interrelated sets of reforms:

- Establish Sector Complexes and associated reconfigurations
- Streamline internal collaboration and coordination between Sector Complexes, regional hubs, departments and units
- Rationalise and implement structural changes to roles and responsibilities between functions and regions, including Pilot – Co-Pilot mechanism
- Develop specialist knowledge, sectoral expertise and new products

## Theory of Change and expected results

Please see relevant section under Pillar 1 detailed findings above.

## Relevance

By endorsing and strengthening the Bank's decentralisation strategy, empowering the country and field offices to drive operational delivery, and reorienting the main role of HQ towards corporate-level functions[42] to support delivery of development outcomes on the ground, implementing the DBDM meant introducing a matrix organisation structure and relationships.

The reforms under Pillar 2 were designed with a clear line of sight to the DBDM aims. So too was the scope of the reforms under Pillar 2 commensurate with the intended objectives. By transferring more responsibility to the regional and country offices for operations delivery, consequent changes to the roles and reduced size of the Bank's headquarters were indeed logical. The creation of the RDVP at HQ, its subdivisions along geographical lines (i.e. the DG), as well as smaller coordination offices for Transition States and Regional Integration, was sound. So too was the establishment of Sector

[42] Including sector policy & strategy development; economic governance and knowledge management; fiduciary, procurement policy, safeguards; delivery, performance management and results; finance, HRM, corporate services; executive offices; evaluation; and risk management.

Complexes for delivery against four of the High 5s: Feed Africa - AHVP; Light Up and Power Africa – PEVP; Industrialise Africa - PIVP; and Improve the Quality of Life for the People of Africa - AHVP.

What was less apparent, however, was the configuration of the new Sector Complexes, with 4-5 departments and up to 13 divisions in each, and that of other complexes within the Bank, such as SNVP, URPR and URBO[43]. The 'top-heavy' structure designed as part of the DBDM Pillar 2 reforms, seemed at odds with what one would normally expect within a decentralising organisation, namely a flattening of the structure, with less layers of middle and senior management.

Nor was it clear how 'private sector development', an increasingly important focus area across all High 5s, would be managed. The Vice President of the newly created RDIBD (RDVP) was made responsible for operational relevancy, efficiency and effectiveness of the Bank Group's operational programs, and activities. Meanwhile, other Vice Presidents of Sector Complexes were also – to a greater or lesser extent – involved in private sector development. The Terms of Reference of the Vice President for PIVP stated that the departments in PIVP "*will focus on ensuring that the Bank Group participate in private sector development of RMCs through collaboration with the RDIBD complex on, lending, equity participation, guarantees, and technical assistance on private sector projects and programs, including small-and medium size enterprises*."[44]

What ensued, and thus raised in clear terms by many interviewees, was confusion about and mounting competition over scarce staff resources, leading to a lack of communication, collaboration and coordination between Sector Complexes and regional and country offices during the various stages of the programme cycle for NSOs.

## Implementation efficiency

The DBDM envisaged the creation of four Sector Complexes: Agriculture, Human and Social Development (AHVP); Private Sector, Infrastructure and Industrialisation (PIVP); Power, Energy, Climate and Green Growth (PEVP); and Chief Economist Complex (ECVP).

*Table 7: Status of implementation of reforms*

| Reform | Process | Status |
|---|---|---|
| Establish Sector Complexes and associated reconfigurations | April 2016:<br>• SC's have been restructured, and 4 created: PEVP; AHVP; PIVP; ECVP.<br>• Retiring of 4 departments: Abidjan Return Directorate (DIRA); Decentralisation Unit (PECOD); Special Operations Department in the Operations Vice Presidency (ORVP); and Special Envoy on Gender.<br>• Reconfigured of ECON Complex into the Chief Economist, Knowledge Management and Governance complex | **Completed and then partially reversed** |

[43] SNVP = Senior Vice-President, URPR = Units Reporting to the President, URBO = Units Reporting to the Board of Directors
[44] AFDB/BD/WP/2016/16/Rev.1/Final: A proposal to redesign the Bank's Development and Business Delivery Model (May 2016, p. 23).

<table>
<tr><td></td><td><ul><li>Streamlined Gender within the Bank through newly-created Gender, Youth and Women development Directorate</li><li>Business Development Office (COBD), transition Support (ORTS), Procurement & Fiduciary Services (ORPF) and New Partnership for Africa's Development (NEPAD), regional Integration and trade (ONRI) to be driven in the regions. Coordination units established in VP RDIVP for each</li><li>African Natural Resource Centre transferred to the Chief Economist from former Water, Human and Social Development Department</li></ul>Sept 2016:<ul><li>Merging of 2 directorates in AHVP; merging of 2 departments in PIVP; creation of 2 new entities (SFTSD and African Investment forum</li></ul>Oct 2017:<ul><li>Creation of ECCE; relocation of SOU from PIVP to SNVP; relocating primary responsibility for NSOs to PIVP; creation of 2 divisions under SNVP; upgrading Safeguards and Environmental Compliance Division to a new Department</li></ul></td><td></td></tr>
<tr><td>Streamline internal collaboration and coordination between Sector Complexes, departments and units, regional hubs and country offices</td><td><ul><li>The revised DAM was launched in August 2018 after a 20-month delay</li><li>In October 2017, the responsibility for NSO, complex and 'niche' operations was transferred (back) to Sector Complexes, in particular to PIVP</li></ul></td><td>Partially achieved:<ul><li>Matrix structure functioning sub-optimally</li><li>Revised DAM to be reviewed against latest decisions and complemented: clarity on how collaboration and coordination between Bank entities is done, when, and by whom, and why.</li><li>Clarity needed on the roles and responsibilities for NSO operations, complex and niche operations</li></ul></td></tr>
<tr><td>Rationalise and implement structural changes to roles and responsibilities between functions and regions</td><td><ul><li>For all SCs, VPs were recruited and assigned responsibilities in accordance with Terms of References (TORs) aligned with DBDM principles</li><li>In October 2017, amendments were made when the Pilot-Co-Pilot arrangement was introduced</li><li>Staff increase in regional and country offices as well as HQ (in both operational and non-operational complexes)</li></ul></td><td>Partially achieved:<ul><li>Imbalances in staffing size and composition still pending</li></ul></td></tr>
</table>

Rather than focusing on the delivery of operations in the RMCs, the new Sector Complexes would develop sector strategies and help achieve specific objectives in each of the High 5s. From now on, the responsibilities of the Sector Complexes would be threefold: develop specialist knowledge; create new offerings/products; and generate support for the Bank's agenda. To do so, the Sector Complexes would carry out three main tasks: develop and work with the regional hubs to execute the High 5 strategies; provide deep sector expertise to regional and country offices; and represent the Bank with external stakeholders.

In addition to the creation of four Sector Complexes, the DBDM called for other reconfigurations of the Bank's headquarters, including:

- Streamlining of departments based on relevance and redundancy (incl. retiring of four departments);
- Abolishing the Gender Special Envoy position and streamlining activities in the newly created Gender, Youth and Women Department;
- Transferring the Africa Natural Resource Centre from the former Water, Human and Social Development Department to the Chief Economist and VP Complex;
- Establishing coordination units within RDIBD (= RDVP) for business development office, transition support, procurement and fiduciary services, and NEPAD, Regional Integration and Trade;
- Consolidating units with very similar mandates;
- Reconfiguring Staff Ethics and Integrity from a department to a Unit;
- Reconfiguring Corporate Human Resources Management (CHRM) and Corporate Information Management and Methods Department (CIMM), resulting in two less divisions.

Upon approval of the DBDM, all foreseen changes to the organisational structure were implemented. Shortly thereafter, in October 2016, additional adjustments were made[45] which did not affect the key principles underpinning the DBDM. These adjustments were:

- Merging of two directorates (Human Capital, Youth and Skills Development, and Water and Sanitation) in the AHVP Sector Complex to create a Water, Human and Social Development Department, comprising two divisions: Education, Human Capital and Employment; and Water, Sanitation and Public Health;
- Merging of two Departments ('Infrastructure' and 'Industrial and Trade Development') into the Private Sector, Infrastructure and Industrialization Complex to create the 'Infrastructure, Cities, and Urban Development Department';
- Creating two new entities: 1) Syndication, Financial and Technical Services Department, located within the Finance Complex; and 2) African Investment Forum, located within the Presidency.

A final set of changes were made in October 2017[46], following the introduction of the Pilot-CoPilot Arrangement and re-appraisal of the control and risk mitigation environment. The refinements included:

- The creation of a Country Economics Department (ECCE) to strengthen the Chief Economist and Vice Presidency for Economic Governance and Knowledge Management Vice-Presidency Complex (ECVP).

[45] Board Resolution B/BD/2016/13, Adopted at 1061st meeting of the Board on 7th October 2016

[46] Resolution B/BD/2017/17, Adopted at the 1096th Meeting of the Board on 20th September 2017

- The relocation of the Special Operation Unit (SOU) from the Private Sector, Infrastructure and Industrialization Vice-Presidency (PIVP) to the Senior Vice-Presidency (SNVP) to ensure its independence.
- The relocation of three of the 15 previously approved Sectoral Divisions dealing with NSOs, from the Regional Development and Business Delivery Offices to the Private Sector, PIVP Sector Complex, as follows, with no net increase in departments:
    - NSO Trade Finance Division;
    - NSO Infrastructure Division; and
    - NSO Industry and Services Division.
- The creation of two additional divisions under the Senior Vice–President (SNVP) Complex, within the Fiduciary and Financial Management, Inspection and Procurement Policy Department (SNFI), such that SNFI will therefore be composed of the following four divisions:
    - Financial Management Division 1: Nigeria Country Office/Regional Directorate South/Regional Directorate East;
    - Procurement Division 1: Nigeria Country Office/Regional Directorate South/ Regional Directorate East;
    - Financial Management Division 2: Regional Directorate Central/Regional Directorate North/Regional Directorate West; and
    - Procurement Division 2: Regional Directorate Central/Regional Directorate North/Regional Directorate West.
- Upgrading of the Safeguards and Environmental Compliance Division to a new Department.

The decision to shift primary responsibility for NSOs to the Sector Complexes was motivated by the rapid increase in the volume of NSOs and a perceived need for quality assurance and consistency.[47] Following a review of the global situation of NSOs (including benchmarking with sister MDBs) and further to an assessment of business development needs, credit quality, and readiness for decentralisation, Management proposed to reorganize NSO operations and keep primary responsibility for their management with Sector VPs. NSOs, it was argued, were growing rapidly, but were also more complex and prone to more risk than sovereign operations. They required highly specialized human resources, skill mixes and a clear line of reporting and authority. Thus, with the Bank's private sector expertise located largely within Sector Complexes at headquarters, and Sector Complex Vice Presidents being held accountable for the delivery of the (sectorial) High 5s, it was felt that the Sector Complexes should be given the primary responsibility for NSOs[48]. There is no evidence of revisions to the Terms of References for the VPs and (D)DGs.

This led to a situation whereby AHVP, PEVP and PIVP all managed NSOs, but with no net increase in departments. In practice, PIVP will be responsible for the vast majority of the portfolio with the Sector Complexes now made responsible for all NSO origination as well as a major part of portfolio management, which would be split into two work-streams:

- Project monitoring and supervision: monitoring of individual projects, field supervision, client engagement, desk reviews, reporting through back-office reports, filing, collateral registers, waivers etc.

[47] TMT Update 3, pp. 22-23
[48] Ibid.

- Strategic and Corporate Portfolio Management: overall Bank NSO portfolio coordination, standards enforcement, oversight, monitoring and reporting.

The Pilot-CoPilot arrangement was introduced to streamline "*coordination between the NSO and all other complexes, based on sharing of responsibilities amongst sectors, shared/corporate services and the regions…..Sector Complexes would be responsible for project monitoring and supervision, while strategic and corporate portfolio management would remain centralised*".[49] There is no evidence found to show who was made responsible for the remaining part of portfolio management, nor what that entailed. Nor is it clear what the difference was between the (centralised) strategic and corporate portfolio management, and the rest of the NSO portfolio.

Another significant decision involved the transferral of functional responsibility for lead and country economists from the operation complexes to the newly established ECCE Department in the ECVP Complex at headquarters. Motivated by a desire to ensure that the ECVP Complex could achieve its mandate to "*prioritize relevant economic research and statistical work designed to knowledge generation and help strengthen institutional priorities and effectiveness of country operation*",[50] the Country Economics Department would be made responsible for the following:

- Leading the preparation of analytical and knowledge-based CSPs;
- Leading the application of economic research generated by the Macroeconomics, Policy, Forecasting and Research Department and other sources inside and outside the Bank, to the development and review of economic policy solutions tailored to the specific circumstances of each RMC;
- Leading the production of country-relevant, timely, analytically sound, and reliable policy advice for RMCs, and of flagship reports on country economic issues;
- Monitoring economic conditions and policies in RMCs and providing policymakers with well researched insights about developments in their economies;
- Developing partnerships with the other knowledge departments in the Complex, and inside and outside the Bank, to ensure that the highest level of knowledge is incorporated in the design of Bank strategies and operations; and
- Coordinating the work of country and regional economists in the Bank to ensure harmonization of approaches and standards of quality.

These two key decisions, approved by the Board in October 2017, seem at odds with one of the basic tenets of the DBDM, namely decentralisation. Moving functional accountability for lead and country economists from country managers to headquarters, when practically all lead and country economists are based in regional and country offices, has in practice posed challenges on the day-to-day coordination and collaboration on the making of the Bank's principal programming document, the CSP. Interviews revealed that concerns were raised about the ECCE department not having sufficient sight of staff performance on the ground, but still being responsible for performance appraisals.

Compared to the 2016 adjustments, these refinements were more substantial and extensive, and came just fifteen months after the DBDM had been approved and reforms across all pillars were still being rolled-out within the organisation. The adjustments were announced at a time when the DAM was still being revised, staff were being mapped, relocated and/or recruited and so on. These

[49] Ibid., p. 24-25
[50] AFDB Transformation Newsletter Issue 3, December 2017 (p.2)

adjustments to Pillar 2 impacted on reforms in other pillars, and there is no evidence showing that the knock-on effects had sufficiently been taken into account.

As Pillar 1 analysis demonstrated, by reinforcing the need to concentrate private sector expertise within the Sector Complexes, the number of professional staff stationed at headquarters increased. On 31 January 2019, the Sector complexes accounted for 588 budgeted posts, or 25,4% of all Bank staff.

Another interesting development has been the growth in the SNVP, URBO, and URPR complexes. On 31 January 2019, this 'cluster', with a total of 28 departments and 32 divisions or offices, accounted for 548 budgeted posts, i.e. 24% of all Bank staff. If we add CHVP with 332 budget posts (or 14.4% of total budget work force), we can say that close to 40% of the Bank's budgeted staff are currently employed in non-operations roles.

Instead of downsizing the Bank's headquarters as a result of the DBDM's restructuring and reconfiguration measures, the current balance stands at 1,450 budgeted posts on 31 January 2019, of which 1,034 were labelled EL/PL/LP and 416 GS. According to the Bank's own data from the same date, staff in the field offices represented 39% of Bank regular workforce.[51]

## Effectiveness

The reforms under Pillar 2 have been implemented as planned, and – as time progressed – either finetuned or more profoundly adjusted. These adjustments were undertaken in phases and appear to be based more on evolving internal circumstances and perspectives, than in response to external demands and/or systematic data collection and analysis. The restructuring and subsequent reconfigurations of headquarters are seen to have contributed to a stronger focus on the High 5s and portfolio diversity.

Nevertheless, based on interviews with Bank staff and analysis of implementation data, the reforms under Pillar 2 do not yet appear to have achieved all the objectives that were set out initially. The headquarters structure is not yet fully aligned with the need to improve delivery on the TYS and its High 5 priorities of being more efficient and effective. The Bank's headquarters remains large and with too many management layers and too few staff lower in the organization and/or in regional and country offices. The perception both among staff and partners is that despite progress in this areas, some decisions that could in principle be devolved to regional and country office, are still taken at headquarters level, in particular relating to disbursement and procurement. Lastly, current structure and work processes have perpetuated the slow and bureaucratic decision-making that the DBDM was expected to tackle.

While the organisational structure was adjusted in accordance with the new DBDM organigramme, both streamlining internal collaboration and coordination between Sector Complexes, regional hubs, departments and units as well as rationalising and implementing structural changes to roles and responsibilities between functions and regions, did not play out as intended.

The expectation that more and better coordination and collaboration would ensue, has also not yet been met. We observe that roles and responsibilities around key issues such as NSOs and complex operations, are still not clear. To a lesser extent, this also applies to sovereign operations and cross-

[51] Staff Overview Monthly Report January 2019, p. 3

cutting themes such as gender. Re-concentrating decision-making for complex operations goes against the grain to be closer to the clients and incorporate local/regional perspectives and needs. The fact that NSOs and clients are always located outside HQ, and that success depends on a critical skill-mix that is both sectoral and contextual, accentuates the practical challenges, and the need for a highly coordinated response. Instead, we observe – and Bank staff confirm this – an undesirable fragmentation.

The introduction of the matrix structure was intended to overcome these challenges and to stimulate information sharing, joint planning and delivery. Because matrix structures are deliberately meant to increase the number of interdependencies among managers and staff, they can only function effectively if they are built on a solid, pre-existing foundation of teamwork, joint accountability, management processes and reward systems that support collaboration, joint objectives and performance management, and team building skills. If not, all the power struggles that are inherent within the organisation will be magnified. If managers perceive themselves to be in competition or involved in a zero-sum game with colleagues over power and resources, the potential benefits of a matrix structure (more cost savings, flexibility, integration, learning, and getting a more balanced perspective) will soon be lost.

In practice, until now, the Bank's matrix structure has fallen short of expectations. Staff point to a habitual lack of information sharing as well as peer-to-peer discussions, and an inability to inform policy and decision-making at headquarters from the bottom-up. Examples were given of Headquarter-level missions to clients in countries without informing regional and country offices. Other examples included initiation of sector operations by HQ staff in countries in sectors that were not included in the CSP. Lines of responsibility and accountability are seen as blurred and compartmentalised. The structure is 'managed' intuitively, not systematically, through personal networks and relationships, rather than through multidisciplinary project teams with the required skills mix. The dual accountability mechanisms that were introduced, especially the Pilot-CoPilot arrangement, were seen as problematic. Staff welcomed the announcement to revisit the arrangement but felt left in the dark about what it would be replaced with, how and when. The DAM, while definitely considered a step in the right direction, was seen as incomplete and in need of revision in accordance with recent changes e.g. relating to procurement.

Survey results about the Bank's expertise and role as a source of knowledge, show a very mixed picture, with profound differences in perception between regional and non-regional country members. The sixteen regional country members that responded to the survey show medium to high levels of appreciation of, and access to, the Bank's expertise and see improvements since the DBDM was introduced. The same goes for the Bank's role as a valuable source of knowledge on economic governance and the sectors addressed in the High 5s. In contrast, the results for the 23 non-RMCs that participated in the survey show they are, on the whole, dissatisfied with the Bank's in-country expertise, but slightly more positive about the Bank's role as a source of knowledge.

In terms of what remains to be done, the Bank's 5$^{th}$ TMT Update mentions as pending actions, the right-sizing of staffing levels across regions and sectors, and the optimisation of office space and premises. While indeed important from an implementation efficiency angle, they must be made part of a more focused effort to ensure that Pillar 2 objectives are achieved in full. Enhancing the effectiveness of Pillar 2 reforms will require renewed consideration for both the reforms themselves as well as the way in which these have been implemented thus far. The more fundamental changes to the structure that were made in October 2017, weakened the potential gains of the DBDM as a whole and undercut the DBDM's overarching principles. Moreover, the way the Bank managed these and other reforms (see chapter 2 in Volume 1 of the evaluation on change management), has to-date struggled to provide the enabling environment necessary for changes of this scale to succeed in full. The performance of the matrix structure will improve with increased clarity on why, when and how organisational units are expected to coordinate and collaborate. This suggests that, rather than simply tweaking or accelerating the reforms still pending, the Bank should take a step back, reaffirm the original objectives and use the findings of the evaluation to plot its next steps and adopt a more effective approach.

### *Cost-Effectiveness of the DBDM*

While the April 2016 DBDM proposal did not include an overview of expected costs and benefits, the June 2016 Updated Decentralisation Action Plan did.[52] Total cost implications of the DBDM, including Decentralisation Plans - 2016-2018, were set at UA 24.7 million: 10.4 million for 2016; 10.4 in 2017, and 3.9 million for 2018.

*Table 8: Cost implications of the DBDM, including Decentralisation Plans, 2016-2018*

| | | Budget (UA million) |
|---|---|---|
| **Additional costs:** | | **34,39** |
| | | |
| Non recurrent cost | Staff skills mix adjustment | 19.11 |
| | Relocation Expenses | 8.54 |
| Recurrent cost | Rental cost | 5.76 |
| | Salaries and benefits | 0.98 |
| | | |
| **Savings** | **Salaries and benefits** | **(9.69)** |
| | Corporate Center restructuring | (3.54) |
| | Sector restructuring | (6.15) |
| | | |
| **Total** | | **24.70** |

Recurrent savings were estimated to total between UA 24 - 28.9 million, by rationalising staff benefits (up to UA 15.3 Million, largely on cuts in housing allowances), reorganising office space (moving to the new HQ in Abidjan, which would save up to UA 4.1 million) changing the staff mix of the Bank (with an increased proportion of LP staff and long-term consultants, which would save up to UA 9.5 million), cutting travel costs, adjusting staff headcount in country and regional offices, and optimisation of the Bank's infrastructure footprint at HQ. These recurrent savings were not time-bound, however.

The evaluation did not find evidence of any tracking of costs and savings of the DBDM. Neither the TMT Updates, nor the regular annual reports include such overviews.

[52] Op. Cit., pp. 17-19

In terms of what remains to be done, the reconfiguration of the Bank's headquarters was and continues to be closely connected to the reforms under Pillar 1. Combined, the reforms were intended to empower the regions and establish a smaller, leaner and more agile Bank headquarters. From the start, the Bank's leadership recognised that further fine-tuning and optimisation of its structure were probably going to be needed - based on lessons learned and the pace of implementation of other reforms – but that these would be dealt with within the framework of the DBDM's fundamental principles.

In practice, however, the new organigram nurtured the creation of a top-heavy, centralised and siloed headquarters. The changes that were implemented in October 2017, most notably the introduction of the Pilot-CoPilot arrangement and the transfer of functional accountability of lead and country economists from regional and country offices to ECVP, did little to directly foster a "One Bank" culture. At present, the Bank's structure is a combination of a matrix and a divisional structure, and it is unclear how this sits comfortably with the declared policy of an empowered and adequately resourced decentralisation. The current hybrid structure combined with a lack of clarity around responsibilities and coordination mechanisms, appears to have encouraged competition between segments within the Bank.

The decision in January 2019 to introduce Sector Boards and revisit both the Pilot-CoPilot arrangement and dual accountability, signifies another shift in course that appear not to have been informed by prior analysis. Such decisions must be complemented with a clear vision on what the "One Bank" principle actually means in practice.

Applying and operationalising the "One Bank" principle, in combination with a push for accelerated decentralisation and – thus - rightsizing of HQ, regional hubs and country offices, provide an opportunity to review the current organisational structure, functions, responsibilities, oversight mechanisms and, consequently, its staffing. The next round of measures to optimise the Bank's headquarters is not a goal in itself, but part of an ongoing effort to align the Bank's organisation with its strategic priorities, taking into account its organisational complexity. It is vital that the Bank's Senior Management and Board establish a shared understanding of the overarching vision and its practical implications, which they then collectively adopt and apply as the benchmark against which progress is measured.

## Conclusions

- The reconfiguration of the Bank's headquarters was relevant, fully aligned with the DBDM's key principles and a critical component of the introduction of a matrix organisation structure and relationships within the Bank.
- The reforms identified under Pillar 2 were swiftly implemented and followed by two additional rounds of changes in September 2016 and October 2017, the latter more substantial than the former.
- The new organigram led to a sizeable structure at headquarters, amplified by a third round of reconfigurations in October 2017, which reinforced headquarters' role in operations delivery and its centralised decision-making in addition to contributing to an increase in the number of staff in Abidjan, including consultants and short-term staff.
- What was originally envisaged as a clear and consistent division of labour between the Bank's headquarters and regional and country offices based on complementarity, synergy as well as supervision and oversight requirements, was not achieved as planned. During the DBDM's implementation, changes were made that in retrospect do

not appear sufficiently well thought through. Rather than fostering collaboration, these changes appear to have had the opposite effect.

- The matrix structure, which was expected to resolve these and other longstanding challenges within the Bank by bolstering collaboration, information sharing, joint planning and delivery, has so far fallen short, not because the principles of a matrix organisation as such were in doubt, but because the preconditions for its success were insufficiently in place when the DBDM was introduced.

## Technical recommendations and areas for attention

1. Establish a clear and full understanding of the matrix organisation structure and relationships, and what it entails in practice. In particular, the Bank should analyse the challenges faced thus far with typical matrix characteristics such as dual reporting, joint KPIs, and coordination processes. Thereupon, the Bank should develop a realistic plan to resolve these, and monitor execution closely. In doing so, the Bank should acknowledge the complexities involved, recognise the breadth of changes needed (in terms of process, incentives, skills and leadership) and engage meaningfully with staff to foster staff commitment and ownership.
2. Spell out and operationalise the "One Bank Principle", including its implications for the ways in which the Bank currently operates.
3. Reassess the current size and composition of the Bank's headquarters' Complexes vis-à-vis its intended functions, roles and responsibilities (as envisaged under the DBDM) and adjust accordingly.
4. Reconsider the current imbalances, where relevant, between headquarters, regional and country offices; between operational and non-operational staff; between management and professional staff as well as between staff at post, consultants and short-term staff. Thereupon, the Bank should develop a concrete and realistic action plan to address these.
5. Based on the outcome of recommendations 3 and 4, reassess current vacancies from a corporate perspective, and reprioritise where necessary.
6. Assess the costs hitherto incurred following the introduction of the DBDM and determine the additional costs needed in order to bolster the matrix organisation and build necessary foundations.

# PILLAR 3: STRENGTHEN PERFORMANCE CULTURE AND ATTRACT AND RETAIN TALENT

## Key reforms covered by the evaluation

The DBDM proposal (April 2016) identifies the need to strengthen the Bank's performance culture as a critical element in the DBDM initiative and establishes a number of reform ambitions to be instituted in pursuit of this.

Changing the Bank's culture by improving performance management and developing a culture of accountability, driven by performance contracts and sharpened results orientation, was proposed to address identified challenges (see box 1). This is seen as one of the major and enabling initiatives under DBDM.

> **Box 1: Performance culture challenges**
>
> The Bank's culture and performance management need improvement. The Bank is perceived by its staff as an institution with great potential impeded by a bureaucratic and hierarchical structure. Leadership is perceived as authoritative, leaving little space for employee inclusion in decision-making; ownership and accountability are limited at the employee level, which reflects the limited consequences of performance reviews; and talent retention is at risk given what is perceived as limited investment in training, limited career opportunities, and poor consequence management.
>
> DBDM proposal (April 2016, p3)

The overarching objective of Pillar 3 reforms was: 1) to pursue positive institution-wide culture change focused on empowering staff, accompanied by greater accountability for client results; 2) innovation and creativity; and 3) to embed a results-based culture. New performance contracts were proposed to clearly outline responsibilities of each employee along with measurable KPIs that focus on development impact, approvals, disbursement and cost management. However, with the exception of new performance contracts, the DBDM proposal does not elaborate other specific inputs.

The Bank recognised that transforming corporate culture is long-term process that requires sustained momentum and efforts. In response, the Bank acknowledged that a number of interlinked reforms were necessary to strengthen performance culture as well as attract and retain talent. The Bank aimed to shift corporate culture to be more results/ performance-orientated by making improvements to the performance management/ appraisal system; realigning staff KPIs with Bank priorities; revitalising performance contracts; seeking to shift mindsets and behaviours through role modelling; and reforming the appeal and consequence management process.

In terms of creating greater empowerment and accountability, the Bank aimed to improve levels of delegated authority and decision making, for example by empowering directors and managers while holding them accountable and revising the DAM in accordance with the new DBDM organisational structure and business model (see Pillar 4 annex and analysis on DAM).

In terms of attracting and retaining talent through recruitment, retention and talent management as well as development reform, the Bank aimed to ensure it has the right people in the right places with the right skills at the right cost by: 1) accelerating recruitment initiatives to attract talent; 2) addressing career development and management; 3) differentiating the incentive system; and, 4) shortening the recruitment processes (see Pillar 4 annex and analysis on recruitment Business Process Reengineering, or BPR).

Key principles guiding the DBDM and transformation agenda were presented to the Board in May 2016 but emerged more concretely late 2017[53]. The key guiding principle for Pillar 3 was to "*Create better match between people's skills and positions' requirements".*

## Theory of Change and expected results

Under Pillar 3, the goal was to underpin wider institutional reforms through corporate culture change, attracting and retaining talent to deliver on its strategic objectives (TYS[54] and the High 5 priority areas). The Bank identified the need for a skilled, committed, diverse and motivated workforce that responds well to client needs and works across boundaries. The Bank committed itself to remaining agile and adaptable in order to best source, manage, motivate and retain talent. Proactive planning was envisaged for recruiting the right staff and ensuring that succession plans were in place for key positions. Furthermore, the Bank aimed, through a combination of the creation of: 1) a knowledge-driven workforce; 2) promoting human resources policies that enhance talent; and, 3) driving a performance-driven culture to ensure the competitiveness of the Bank as the 'employer of choice' able to attract and retain a 'world class workforce'.

Pillar 3 aimed to establish a new way of achieving results that considerably strengthened the Bank staff's performance culture and focus, empowering staff to innovate and manage for results. It sought to increase employee productivity by making sure staff provide a high level of return on investment through portfolio growth and increased revenues.

The main measures the Bank aimed to deploy were:

- Improve performance management by clarifying role descriptions;
- Realign key performance indicators (KPIs) with the Bank's priorities; and
- Revitalise performance contracts.

These changes aimed to ensure that "*the right people, with the right capabilities and knowledge, are working at the right place for the right cost and doing the right things*".[55]

An underlying assumption the Bank made was that staff would embrace these culture changes if given the proper budget and human resources incentives; with separate proposals on the total compensation framework to be presented to the Board in in parallel.[56] The Bank approved pay increases in 2016 for both international and local staff to help attract and retain high performing staff and sought to ensure that posts were appropriately graded in line with responsibilities.[57]

[53] ADF/BD/WP/2017/92/Rev.1/Final, 3rd TMT Implementation Update (October 2017) (pg. 14)

[54] African Development Bank Group, At the Center of Africa's Transformation Strategy for 2013–2022

[55] The Bank Group Results Measurement Framework 2016-2025, Delivering the High 5s, Increasing the Bank's Impact on Development (April 2017)

[56] DBDM proposal (April 2016, p.13).

[57] Annual Development Effectiveness Review, 2017, Transforming Africa—Unlocking agriculture's potential (p.60)

The DBDM aimed to pay close attention to enhancing staff management and training as well as equipping and encouraging staff to deliver high-quality work. Both employee engagement and managerial effectiveness were identified as key to sustaining high staff performance with commitments made to measure both in the Bank staff survey.[58] To date, no data is available to measure progress on these metrics beyond the 2015 baseline showing employee engagement and managerial effectiveness at 73 (scale/%) and 48 (scale/%) [59] respectively. The evaluation notes the Bank intends to undertake a staff survey between mid-March and mid-April 2019. The findings of the staff survey were therefore not available to inform this evaluation. This survey data will be a key tool to assess and judge if course correction is needed.

Nonetheless, the Bank initially sought to strengthen staff engagement specifically on DBDM through a commitment to deliberate and on-going employee communications and outreach aimed at building consensus and commitment to DBDM. Following the definition of priorities for action, the TMT[60], through the Communication and Change Management team, identified important areas for communication and incorporated these into a phased internal communication plan aimed at shifting the mindset of staff and seeking to change their key behaviours[61.] Activities undertaken in this context include the organisation of Staff Town Hall Meetings to share the transformation vision with staff and conduct initial Q&A sessions; and the cascading of key messages, complex by complex[62].

Further actions, including a dedicated forum using a confidential e-mail address, known internally as “Ask Frannie”, allowed staff to ask the then Senior Vice-President questions about the transformation. The production and circulation of FAQ documents were published and made available on the intranet portal, in addition to the issuance of a monthly Transformation Newsletter were shared with staff via email and published on the Bank’s intranet portal. The launch of the InnoPitch initiative, a web-based platform allowing all staff members to pitch their ideas with the intention to implement the best ideas as well as “*Open Fridays*” providing an open discussion forum about pre-defined themes where also planned in the communication plan. These initiatives, whilst initially pursued with vigour, appear to have diminished and deceased over time. No sustained communication on DBDM implementation appears visual after late 2017.

## Relevance

In broad terms, the series of reforms prioritised under Pillar 3 can be seen as highly relevant to the DBDM aims of strengthening a performance culture through improvements to the performance management system and process, and the introduction of new capacity and skills into the Bank. These are key components towards the achievement of DBDM aims in pursuit of TYS and High 5 objectives. Accelerating the recruitment processes through business process improvement (see Pillar 4) in addition to attracting and retaining talent, are important enablers and drivers towards effectively

[58] Annual Development Effectiveness Review, 2017, Transforming Africa—Unlocking agriculture’s potential (p.60)

[59] It should be noted that whilst the RMF (2016-2025) records these as a scale (0 Low – 100 High), the ADER’s (2017 and 2018) present as a percentage (%)

[60] TMT – Transformation Management Team

[61] DBDM Implementation Plan, Presentation to Regional Offices, 3 May 2016 – Pretoria; 5 May 2016 Nairobi; and 6 May 2016 Abuja (p. 15)

[62] ADF/BD/IF/2017/13, 2nd TMT Implementation Update (Jan 2017)

filling key positions identified by the Bank as critical to delivery. The case for change presented in the DBDM proposal underpinning the proposed reforms illustrated the Bank’s diagnosis of challenges and the rationale for change[63]. These align with earlier findings from internal reviews, staff surveys and evaluations of the Bank’s performance in key areas of corporate culture, performance systems, structures and process, people management and development activities.

### *Performance culture*

The challenges on the Bank’s corporate culture are well known to the Bank and have been a pressing issue for some time. For example, somewhat historically, the Mercer Consultancy review of the implementation of the Human Resources Strategic Framework & Action Plan 2007-2012[64] found there to be “*…a lack of a performance culture*”, with a corporate cultural legacy of “*…a very strong central and bureaucratic organisation, creating a culture that is risk averse in which decision-making is hierarchical and slow*”. The analysis undertaken for the Bank by McKinsey[65] in 2014 identified *“…insufficient incentives for staff and a weak performance-based culture.*” And more recently, the IDEV evaluation of the Bank’s administrative budget management (2015)[66] identifies the need to strengthen “*…a more performance-driven management culture to inform decision making*.” The 2015 Staff Survey[67] highlights similar issues related to *“…organisational culture; career development; and a toleration of poor performance*”.

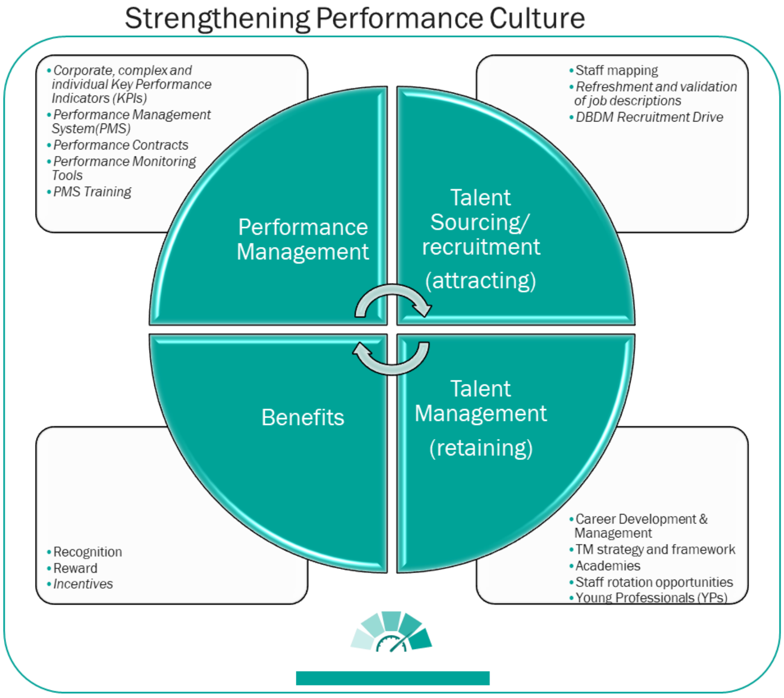



*Figure 1: Strengthening performance culture*

Whilst the Bank recognised in the DBDM proposal that transforming corporate culture is a long-term process that requires sustained momentum and efforts in addition to acknowledging it’s pivotal and transformative role to achieving the DBDM, successive reviews conclude that the Bank lacks the required corporate culture to unlock its potential. Pillar 3 reform initiatives sought to address perceptions by staff that the Bank is an institution with great potential impeded by a bureaucratic and

[63] The DBDM proposal approved by the Board in 2016 summarises some of the Bank’s key strengths, weaknesses, opportunities and threats

[64] ADB/BD/WP/2012/16/Add.1, 20 April 2012

[65] Citation needed

[66] Administrative Budget Management of the African Development Bank: An Independent Evaluation Report 2015

[67] 2015 Staff Survey: Results Presentation, ADF/BD/IF/2015/130, 15 September 2015

hierarchical structure, with leadership perceived as authoritative and leaving little space for employee inclusion in decision-making. For example, whilst the Bank has undertaken significant work in recent times to launch new human relations programs and strategies, their execution and effectiveness has been observed to be "…*severely hampered by a dysfunctional organization culture*[68]". Indeed, findings from the Bank's internal scrutiny revealed that the Bank made minimum progress against the four strategic pillars of its People Strategy (2012-2017) primarily due to the Bank's culture: identifying it as *"the key challenge to the execution and sustainability of the People Strategy objectives*[69]*"*. In line with this finding, the DBDM and the revised, draft People Strategy (2018-2022) recommended that the fundamental challenge to transformation at the Bank was corporate culture.

As such, the inter-connected reforms proposed to address corporate culture are logically derived from compelling, documented evidence and are directly aligned to DBDM aims.

### *Performance Management*

Developing staff awareness, ownership and greater focus on results by creating ways of working, behaviours, norms and habits which are intrinsically performance orientated - supported by robust systems for performance management - are highly relevant and aligned to the DBDM aims. Successive reviews of the Bank's performance management system, including in 2014 and 2017, highlighted the need to address and tackle continuing issues of performance management, with Bank leaders acknowledging performance management remains one of the most challenging processes at the Bank. Likewise, successive MOPAN[70] assessments in 2012 and 2016, point to the need to improve the "…*institutionalisation of performance management practices to fully instil a performance-based culture."*[71]. Issues pertaining to the pernicious challenge of tackling poor performance and the limited consequences of performance reviews persist. Additional issues arise with: 1) limited ownership of and low compliance with the PM System; 2) finding effective mechanisms for recognising and rewarding outstanding staff performance; and 3) ensuring a fair, transparent and meritocratic process which is trusted by staff are all well documented as areas identified as needing further attention by the Bank.

As such, the reforms proposed to address performance management challenges are directly targeted to strengthening the performance culture of the Bank through shifts in behaviour, ways of working, norms and standards, thus aligning with DBDM aims.

### *Talent sourcing/ recruitment (attracting)*

Given the stretch objectives of the TYS and High 5s, the Bank recognised it did not have the requisite knowledge, skills and expertise within the Bank to deliver its ambitious objectives. Whilst the Bank acknowledged the need to develop and *'build'* talent internally (see talent management, below), and identifies this as its preferred staffing strategy, talent sourcing/ recruitment (*'buy'*) was identified as a

[68]ADB/BD/WP/2018/17, People Strategy 2018-2022, February 2018 (pg. 8)

[69] ADB/BD/WP/2018/17, People Strategy 2018-2022, February 2018 (Executive Summary)

[70] Multilateral Organisation Performance Assessment Network

[71] MOPAN assessment reports, 2012 and 2016.

key mechanism to bring new skills sets into the Bank promptly. In addition, it was determined that importing more results-orientated behaviours into the organisation was needed thus being an integral element of DMDM aims (likewise, see Pillars 1 and 2). Defining the required skills of the workforce has been informed by reviews and assessments such as the DFID MDR[72], which notes reforms now need to be seen through to improve "…*workforce planning to allow the posts to be filled*". Likewise, internal initiatives such as the Strategic Staffing Review and Skills Audit[73] have informed the Management definition of staffing requirements and resource needs (identification of positions) recognised as critical to delivering the High 5s[74].

As such, the reforms proposed to ensure the Bank has the right skills in the right place are directly aligned to DBDM aims.

### *Talent Management and Development (retaining)*

The Bank's talent management has been described as "*…ad hoc, non-standardised and not supported by an active career development framework (CDF) to assist staff in managing their career development*". For example, the majority of initiatives introduced under the 2010 CDF have since been suspended; with the Bank lacking "*…standardised learning programs to provide an internal means of developing and enhancing required technical skills across different job families*"[75]. More recent benchmarking analysis against Mercer's 2017 Global Talent Trends Study notes "*…the biggest misalignment between the Bank and the market is in the Talent Management process*".[76] However, the focus on retaining and refreshing the Bank's talent pool from within, as well as from the external market (see recruitment, above), and upskilling teams to deliver the objectives of the TYS and High 5s are well aligned to Bank need and DBDM aims.

The Bank has conducted a number of benchmarking studies with other development banks[77] as well as market analysis acknowledging the continent has an increasingly competitive market for the talent that the Bank is seeking to recruit and retain (see recruitment, above and below). In terms of retention, the Bank needs to be able to compete with similar organisations, with the aim of remaining an attractive employer. Furthermore, critical for the Bank across all levels of the organisation is the need to create more leaders who hold themselves accountable for developing staff and managing them well. Embedding a culture of high performance and strong motivation is closely linked to career development. The Bank proposed a number of initiatives (for example, a Leadership Academy) to invest in its leaders as a key part of the Bank's Talent Management Strategy and Framework. In terms of retention of talent, the Bank also proposed changes to the rewards, recognition and benefits for internationally recruited staff and to the salaries of locally recruited staff based in country offices.

As such, the reforms proposed to address the management of talent are directly aligned to DBDM aims.

[72] Department for International Development, AfDB Multilateral Development Review 2016

[73] Strategic Staffing Review – Approach Paper ADB/BD/WP/2015/35, 2015

[74] ADF/BD/IF/2017/13, 2nd TMT Implementation Update (Jan 2017)

[75] AfDB's Human Resource Management Policy and Strategic Directions: A Formative Evaluation, Summary Report, November 2017

[76] People Strategy 2018-2022, February 2018

[77] Inter-American Development Bank, International Fund for Agricultural Development, World Bank Group, and Development Bank of South Africa

## Implementation efficiency

Assessing the implementation efficiency of reforms under Pillar 3 is made difficult by the absence of any overarching and consolidated implementation plan for Pillar 3, or standardised and consistent progress reporting on individual reform efforts within the pillar. For example, the TMT updates to the Board, whilst informative, vary in terms of the content and presentation of work programs, time lines and progress status reporting. To some extent, this is understandable; firstly, given the complexity of the change management challenge DBDM presents – indeed, the inter-relatedness and inter-connectedness of pillar reforms increases the complexity of sequencing, mobilising, implementing, and tracking to completion. Furthermore, as the reform initiatives become live, emergent and unforeseen challenges or interplays become more evident and need to be managed and mitigated. And finally, individual DBDM reform efforts also coalesce or are embedded within ongoing Bank functional reform efforts (e.g. within the Human Resources Department, or CHHR) with work programming being iterated over time, thus making standardised reporting a challenge.

A number of significant variations in delivery timescales within Pillar 3 are observable yet go unreported within Bank update reports and documentation, including milestone delivery dates evidently missed and reset in documented work plans - for example, the shifting timescales documented for the development of Performance Contracts in Table 11, below. The evaluation acknowledges, however, that Bank documentation will not capture all the nuance and detail of internal discussions and mitigation measures in this regard.

Given the interplay between reform initiatives within Pillar 3, alongside other pillars, the evaluation finds delivery timelines appear overoptimistic against the Bank's capacity and capability to institute change effectively. The available information from both Bank reports, triangulated through other evidence streams, including interviews conducted during the evaluation, indicates that implementation of Pillar 3 reforms has been uneven; with specific initiatives taking significantly more time/ effort to accomplish and thus impacting on sequencing of reform activities and subsequent achievement. Indeed, a number of key reforms remain partially incomplete by the Bank's own assessment.

Figure 2, below, shows a visual schematic of implementation status, based on the various evidence streams presented in status narrative in Table 9.

*Figure 2: Visual schematic of implementation status of Pillar 3 reform initiatives*

| Pillar 3 reform initiatives | | |
|---|---|---|
| **Reform** | **Processes** | **Status of implementation as planned** |
| **Performance culture** | | |
| **Performance Management** | Identification and development of corporate, complex and individual Key Performance Indicators (KPIs) | *Complete* |
| | Development of Performance Contracts | *Partially complete* |
| | Development of Performance Monitoring Tools | *Incomplete* |

| Pillar 3 reform initiatives | | | | |
|---|---|---|---|---|
| | Performance Management System (PMS) improvements | *Complete* | | |
| | PMS Training | *Incomplete* | | |
| **Benefits** | Rewards and Incentives | *Incomplete* | | |
| **Attracting Talent / Recruitment** | Staff mapping | *Complete* | | |
| | Refreshment and validation of job descriptions | *Complete* | | |
| | DBDM Recruitment Drive | *Partially complete* | | |
| **Retaining Talent – career development and talent management** | Development of TM strategy and framework | *Incomplete* | | |
| | Staff Academies | *Incomplete* | | |
| | Staff rotation opportunities | *Incomplete* | | |

Given the notable difference in planned versus actual implementation, it should be noted that a reprofiling and restructuring of CHHR was undertaken during the DBDM implementation timeframe *"…to increase its effectiveness and enhance its positioning to deliver on the organizational transformation required to achieve the objectives of the TYS"*.[78] In line with the DBDM and in particular, the decentralisation agenda, CHHR presence was decentralised by implementing the Regional Human Resource Business Partnership (HRBP) model and changing the Human Resources Service Delivery model to deliver the structured around three key pillars: HRBPs Division; HR Shared Services Division; and the Centre of Expertise (Staff Training & Development Division). Whilst this evaluation does not assess the justification, rationale or timing of the departmental restructuring, it is observable that CHHR has been involved in concurrent resource intensive change initiatives which have overlapped and amplified a number of implementation challenges for the Bank.

For example, the diminished departmental capacity early in the DBDM implementation schedule was observed and raised as a concern by Executive Directors, particularly regarding the CHRM agenda for change versus departmental capacity to deliver. Whilst limited departmental resources have been diverted to work mapping, reprofiling and recruitment in to the DBDM structure (see Pillar 2), this has inevitably had an impact on reform activities being delivered on time. However, work to reinforce

[78] African Development Bank Group (2013) "People Strategy (2013-2017) – Revised," ADB/BD/WP/2013/32/Rev 1

CHRM's capacity and capabilities has been undertaken in parallel to DBDM implementation. For example, consultants were recruited to support the department in the implementation of various activities related to the transformation agenda. Likewise, external firms have also supported CHRM in job evaluation and selection processes.

The various reform efforts are consolidated and presented in Table 9, below. The evaluation notes that considerable overlap and parallel timing of reform initiatives is apparent. The various reform initiatives were designed to be implemented in a phased manner taking into consideration CHRM capacity as well as the learning curve for change. Nonetheless, departmental capacity has been significantly stretched. This perception was noted extensively during key informant interviews across the three levels of the organisation (HQ, regional, and country).

In terms of implementation efficiency, the (draft) fifth and final update from the Bank's TMT notes Pillar 3 as one of two rated as AMBER for implementation status; with remaining actions cited as 1) Executive Performance Contracts; 2) Joint institutional KPIs between Regions and HQ; 3) Development of People Strategy and Talent Management framework; and 4) Reconfiguring the HQ footprint[79]. The status of the initiatives is documented below.

*Table 9: Pillar 3 reform initiatives*

| Pillar 3 reform initiatives | | |
|---|---|---|
| **Reform** | **Processes** | **Status** |
| **Performance culture** | | |
| **Performance Management** | *Identification and development of corporate, complex and individual Key Performance Indicators (KPIs)* | By January 2017, High 5 KPIs and targets were cascaded down at regional, country and managerial levels to provide greater strategic focus and clear line of sight from high-level corporate targets to managers' Performance Contracts.[80]<br><br>By April 2017, the Bank's Results Management Framework 2016-2025 was approved by the Board [81] (19 April 2017).<br><br>By October 2017, a new set of KPIs to monitor and measure the Bank's performance was developed: informed by the Results Measurement Framework, the DBDM, the four approved High 5 strategies, and benchmarking with other international financial institutions. [82] |

[79] ADF/BD/WP/2018/193, 5th TMT Implementation Update (November 2018) (pg. 17)

[80] ADF/BD/IF/2017/13, 2nd TMT Implementation Update (Jan 2017) (pg. 15)

[81] ADF/BD/WP/2017/92/Rev.1/Final, 3rd TMT Implementation Update (October 2017) (pg. 14)

[82] ADF/BD/WP/2017/92/Rev.1/Final, 3rd TMT Implementation Update (October 2017) (pg. 14)

| Pillar 3 reform initiatives | | |
|---|---|---|
| | | By December 2017, an enhanced set of corporate KPIs was submitted to the Board as part of the programming and budget process for the 2018-2020 planning cycle.[83]<br><br>In 2018, Top Level KPIs were assigned to VPs and DGs, and are now routinely tracked and reported in the Executive Dashboard; alongside being presented in the Retrospective Review Reports. |
| | *Development of Performance Contracts* | Following the approval by the Board of the Bank's Results Management Framework in April 2017 and following a discussion by the Senior Management Coordinating Committee (12 June 2017) on the Cross-complex alignment of KPIs, all Vice Presidents were required to revise their performance objectives in their Performance Contracts in order for all other grade levels by December 2017[84], to ensure alignment with and support for the High 5s.[85]<br><br>By May 2018, it was reported that all Vice-Presidents and Directors had signed off their annual Executive Performance Agreement with the President, before cascading the Corporate KPIs down to the lowest levels within the teams.[86] This was later revised to September 2018, to include VPs, Directors, Head of Units and Country Managers and all other grade levels[87].<br><br>Executive Performance Contracts remain on an AMBER status of remaining actions within the final TMT update[88]. The evaluation has not been provided examples of active Performance Contracts to independently validate the degree of cascade or alignment; nor does it have access to source evidence on |

[83] ADF/BD/WP/2017/92/Rev.1/Final, 3rd TMT Implementation Update (October 2017) (pg. 14)
[84] ADF/BD/WP/2017/92/Rev.1/Final, 3rd TMT Implementation Update (October 2017) (pg. 13)
[85] ADF/BD/WP/2017/92/Rev.1/Final, 3rd TMT Implementation Update (October 2017) (pg. 14)
[86] ADF/BD/IF/2018/73 (May 2018), Making The African Development Bank's Transformation A Reality- An Update On The Progress Made In The Human Resources And Corporate Services Complex (pg. 22)
[87] ADF/BD/WP/2018/55, 4th TMT Implementation Update (March 2018) (pg.14)
[88] ADF/BD/WP/2018/193, 5th TMT Implementation Update (November 2018) (pg. 17)

| Pillar 3 reform initiatives | | |
|---|---|---|
| | | numbers of Performance Contracts completed and in active use. Triangulated key information interview evidence notes that Performance Contract implementation is not universally rolled-out or enacted. |
| | *Development of Performance Monitoring Tools* | A 360-degree feedback tool and a personal development planning tool to support individual learning and growth needs was proposed for introduction in the October 2017[89]; presented as part of the Talent Management Framework Presentation to the Committee on Administrative Affairs and Human Resource Policy (CAHR) in January 2018 [90] and further noted for implementation during Q2 2018[91].<br><br>The evaluation found no further documentary evidence on the status of 360-degree feedback tool implementation. Triangulated interview evidence notes that comprehensive implementation has not been universally rolled-out and enacted; either due to a lack of clarity on how it is used or as a result of the dual reporting challenges. |
| | *Performance Management System improvements* | In December 2016, a proposal[92] was presented by CHHR to CAHR on r*efreshing the Bank's Performance Management Framework.* A Q&A addendum paper was prepared in January 2017[93] outlining the Management response to Executive Directors' comments and concerns. The paper highlights key areas of improvement including work to fully integrate the HR Management System leading to the automation and linkage of all employee life cycle processes over the following 4 quarters including e-recruitment, e-Performance, e-Training & Careers, e-Rewards, and Manager Self-service. |

[89] ADF/BD/WP/2017/92/Rev.1/Final, 3rd TMT Implementation Update (October 2017) (pg. 14)

[90] Talent Management Framework Presentation to CAHR January 16, 2018

[91] AfDB's Human Resource Management Policy and Strategic Directions: A Formative Evaluation, Summary Report, November 2017

[92] African Development Bank Group (2017) "Refreshing our Performance Management Framework" ADB/BD/WP/2016/214

[93] African Development Bank Group (2017) "Refreshing our Performance Management Framework" ADB/BD/WP/2016/214 – Questions and Answers"

| Pillar 3 reform initiatives | | |
|---|---|---|
| | | In November 2017, the Bank's Performance Management Handbook - a Guide for Staff and Managers – was developed by CHHR; with the final version presently under legal review pending approval[94]. Final drafting and approval was to follow the Presidential Directive below.<br><br>In 2018, a new online Performance Management system/SAP was introduced to allow for greater flexibility and ownership of the Performance Management process, by enabling cross-complex/ top down alignment of KPIs and more accessible user experience.<br>In June 2018, operating principles and guidelines for 2018 PMS objective setting process [95] were issued.<br><br>In November 2018, a Presidential Directive regarding the Bank's staff performance management system was issued; setting out the architecture of the PMS system, process and responsibilities. This Directive sets out the rules and procedures to guide supervisors and staff members in carrying out regular staff performance evaluations. These rules and procedures are further elaborated and explained in the Staff Performance Management Handbook (this to be elaborate for the effective implementation of this Directive). |
| | *PMS Training* | In July 2016, CHRM started implementing Capacity Building training sessions specifically for the purpose of Enhanced Staff Performance Management, with 75% of managers recorded trained by January 2017[96]. This training is mandatory for both managers and staff members and continued throughout 2017.[97] |

[94] PM Handbook final (20171029) – under legal review pending approval

[95] AfDB Operating Principles and Guidelines for PMS objective setting process (2018)

[96] African Development Bank Group (2017) "Refreshing our Performance Management Framework" ADB/BD/WP/2016/214 – Questions and Answers"

[97] AfDB's Human Resource Management Policy and Strategic Directions: A Formative Evaluation, Summary Report, November 2017

| Pillar 3 reform initiatives | | |
|---|---|---|
| | *Incentives* | In late 2017, it was noted that the Bank has not implemented a strategic Total Rewards approach, including both monetary and nonmonetary benefits. Furthermore, Total Rewards have not been leveraged strategically to offer flexible rewards packages to different segments of staff. A subsequent review on the Bank's incentives system (staff benefits review) by the HR Department, under the guidance of the TMT, was proposed with initiatives expected to be rolled out by Q3 2017[98].<br><br>Throughout 2018, work plans for CHRM note ongoing design work on key HR strategic papers, including a rewards strategy (detailing incentives and variable pay), as part of the Total Compensation Framework was identified.[99]<br><br>Triangulated interview evidence notes that current reward and incentives schemes are not sufficiently differentiated to encourage excellence; with significant negative perceptions expressed regarding the current performance rating bell curve (distribution curve) and performance rating mechanism; particularly its application in small team settings and the moderation and communication process. |
| **Attract and retain talent** | | |
| **Recruitment** | *Staff mapping* | By March 2017, mapping of staff to positions in the new structure had been completed (95%), following a position arbitration exercise that determined 2,435 as the ideal size of the new organization. [100] About 85 staff members, whose jobs were either abolished or changed significantly, were not mapped. The affected staff were encouraged to apply for new positions within the new structure; or separated from the Bank. A Voluntary Separation Scheme was applied and 42 Staff did not wish to |

[98] ADF/BD/WP/2017/92/Rev.1/Final, 3rd TMT Implementation Update (October 2017) (pg. 18)

[99] AfDB's Human Resource Management Policy and Strategic Directions: A Formative Evaluation, Summary Report, November 2017

[100] ADF/BD/WP/2017/92/Rev.1/Final, 3rd TMT Implementation Update (October 2017) (pg. 16)

| Pillar 3 reform initiatives | | |
|---|---|---|
| | | continue with the Bank. By the end of 2017, there were 35 staff unmapped at the end of the period; however, by end 2018 only 1 staff remained unmapped.<br><br>In operationalizing the DBDM, considerable effort was made to better match skills and positions in the Bank. Management conducted a needs assessment exercises of recruitment in order to ensure the Bank could (i) conduct operations from the regions and closer to the RMCs, (ii) increase engagement in key areas such as energy, agriculture, industrialization, and job creation; (iii) strengthen fiduciary, social and environmental safeguards as well as operational risk mitigating measures. 298 priority positions were identified by Management as critical for the current business growth plans. However, evaluation evidence[101] notes a framework is still needed which identifies critical technical skills required to implement the High 5s both now and in the future, with this framework informing workforce planning in terms of identifying new resources to recruit in terms of skills, experience and numbers aligned to the new People Strategy. |
| | *Refreshment and validation of job descriptions* | By November 2017, jobs were re-evaluated, and job descriptions designed to ensure full alignment with the new Development and Business Delivery Model (DBDM) and the skill requirements of High 5s. 1,430 role profiles were approved and stored in a central database, with plans to transfer them to the IT system DARMS[102] in 2018 in order to enable the Bank wide job evaluation exercise and the subsequent advertisement of vacancies.[103]<br><br>By November 2017, job descriptions were reviewed, and vacancy notices advertised. A competency-based |

[101]AfDB's Human Resource Management Policy and Strategic Directions: A Formative Evaluation, Summary Report, November 2017 (pg. 6)

[102] Data Automation Resource Management System

[103] AfDB's Human Resource Management Policy and Strategic Directions: A Formative Evaluation, Summary Report, November 2017

| Pillar 3 reform initiatives | | |
|---|---|---|
| | | selection process supported by ability/ personality tests was executed with the support of external recruitment firms. New positions were evaluated to determine grades before being advertised. |
| | *DBDM Recruitment Drive* | By end-June 2017, more than half of the total vacancy notices had been published, with efforts made to clear the backlog of Job Descriptions for validation and publication. Vacant positions requiring urgent attention were identified: specifically, investment officers, given severe resource constraints in project preparation and appraisal, particularly in the private sector were identified.[104] However, 2018 interview sources notes that the number of Task Managers has remained flat for 5 years[105].<br><br>As at 31 December 2017, 123 of the 298 prioritized positions had been filled and by March 2018, offers have been made for 276 (93%) of the 298 priority positions. Country Managers for 30 country offices including the fragile states were on-boarded and 121 professional level staff were re-deployed from the HQ to the Regional and Country Offices.[106]<br>By November 2018, an additional 181 people were appointed, for a total of 615 positions in the ten months of 2018. Of these appointments, 323 were internal promotions and 292 represent new entrants to the Bank. As a result, EL/PL/LP the gross vacancy rate at December 31, 2018 stood at 15%.[107] The Bank notes staffing levels are stable and the vacancy rate declining; with the organisation stabilizing as a result of increased common understanding of the structure (see Pillar 1 and 2 analysis).[108] |

[104] ADF/BD/WP/2017/92/Rev.1/Final, 3rd TMT Implementation Update (October 2017) (pg. 17)

[105] Informal source data at this time.

[106] ADF/BD/WP/2018/55, 4th TMT Implementation Update (March 2018) (pg.1)

[107] Staff Overview Monthly Report, As at December 31, 2018

[108] ADF/BD/WP/2018/193, 5th TMT Implementation Update (November 2018) _pg.1

| Pillar 3 reform initiatives | | |
|---|---|---|
| **Talent Management and Development** | Development of Talent Management (TM) strategy and framework | In October 2017, the development of a Talent Management (TM) Framework was highlighted as work in progress[109]. The TM Framework was presented to CAHR in January 2018 [110], with a series of Q&A subsequently shared[111].<br><br>As of November 2018, the TM Framework remain on an AMBER status of remaining actions[112]. Triangulated interview evidence notes that implementation of the TM framework has not been rolled-out. |
| | Staff Academies | In 2016, a draft paper on the AfDB Academy is produced. [113]. In February 2017, a paper on the Leadership and Management Development Academy for the Bank (2017-2020) is developed[114] with a detailed and articulated timeframe for implementation.<br><br>However, in November 2017, it was noted that the HR department was in the process of developing an "AfDB Learning Academy" which will align internal technical training to the delivery of the High 5s[115].<br><br>In July 2018, a document on the Young Professionals Academy is produced with a timeline for various modules documenting all 2018 learning modules as pending[116].<br><br>The evaluation found no further documentary evidence on the status of the Academy implementation. Triangulated interview evidence notes that implementation of the different Academies has not been rolled-out. |

[109] ADF/BD/WP/2017/92/Rev.1/Final, 3rd TMT Implementation Update (October 2017)
[110] Talent Management Framework Presentation to CAHR January 16, 2018
[111] Q&A CAHR meeting of 16 January 2018 responses to questions raised
[112] ADF/BD/WP/2018/193, 5th TMT Implementation Update (November 2018) (pg. 17)
[113] African Development Bank Group (2016) "Draft – AfDB Academy."
[114] Leadership and Management Development Academy for the African Development Bank 2017-2020
[115] AfDB's Human Resource Management Policy and Strategic Directions: A Formative Evaluation, Summary Report, November 2017
[116] Young Professionals (YP) Academy and Learning Packs (2018)

| Pillar 3 reform initiatives | | |
|---|---|---|
| | Staff rotation opportunities | In October 2017, the revision of staff rotation and reintegration policies was signalled as on track for completion by November 2017.[117] In March 2018, the revision of staff rotation and reintegration policies was signalled as on track for completion by December 2018.[118]<br><br>The evaluation found no further documentary evidence on the status of the staff rotation and reintegration implementation. Triangulated interview evidence notes that implementation has not been rolled-out. |

## Effectiveness

This section considers whether the Bank's performance - in terms of reforms to performance management, attracting talent/ recruitment and retaining talent through career management and development - has improved during the DBDM period and whether there have been any unintended consequences.

### *Performance Culture*

As with the previous section on implementation efficiency notes, to date the Bank has made uneven progress in Pillar 3 reform initiatives with a number of key initiatives not, or only partially, completed (see figure 2, above). As such, and given the accumulating effect of these systemic incentives for change anticipated on corporate culture, the evaluation does not find significant and definitive changes resulting in a strengthened performance culture directly attributable to the Pillar 3 effort at this point.

Furthermore, the evaluation notes that the appropriate and necessary metrics to monitor and track changes to corporate culture leading to a strengthening in performance-focus/ orientation are absent. No recent staff survey, beyond 2015, or measures to track employee engagement and managerial effectiveness presented in the corporate KPIs as proxies assessing culture are available. These are notable omissions in the Bank's armoury of metrics and business intelligence and may result in management having to make judgements and decisions without sufficient information; or based on more anecdotal evidence not systematically derived. The evaluation understands that at some point during the second half of 2019, management intends to conduct an Employee Engagement Survey and Culture Audit.[119]

[117] ADF/BD/WP/2017/92/Rev.1/Final, 3rd TMT Implementation Update (October 2017) (pg. 14)

[118] ADF/BD/WP/2018/55, 4th TMT Implementation Update (March 2018) (pg.14

[119] ADF/BD/WP/2018/125, 3 September 2018, 2018 Mid-Year Bank Group Budgets And Work Programme, Performance Report, Pg. 16

Against the background of a documented need to address corporate culture extending back more than a decade, coupled with the Bank's recognition that transforming corporate culture is a long-term process requiring sustained momentum and efforts, and further amplified by delays observed in Pillar 3 reform initiative roll-out, it is not surprising that the evaluation found little to support the notion that the Bank's overall corporate culture has shifted significantly, particularly given the timeframe of the DBDM implementation (2016 – 2018).

Given the need to address systemic-level issues (instilling a performance culture), relatively minor adjustments to individual behaviours or singular system and process reform are unlikely to achieve significant change on their own unless the package of systemic incentives are all implemented effectively and in a coherent way; regardless of the clear motivations for change demonstrated by management.

Indeed, the evaluation did find some evidence of change in the 'climate' at a work unit level[120] – where behavioural changes were noted. For example, discussions about operational performance (origination and portfolio management) are becoming routine and systematic, supported by a better evidence-base, including up-to-date data on operational performance available to Regional and Country managers (see Pillar 4, below for analysis on operational performance). Whilst not a step change, the evaluation did note this as a plausible leading indicator towards change; and evidence of where some conditions and key enablers were beginning to find traction, as detailed below.

### *Corporate, complex and individual Key Performance Indicators (KPIs)*

The completion and alignment of cross complex KPIs and the setting of joint KPIs to promote shared accountability between regional hubs and Sector Vice-Presidencies were completed; though ultimately this took considerable time to finalise (see implementation efficiency, above).

Nonetheless, the framework of KPIs provides a suite of top-level indicators that can be tracked at an executive level; with joint KPIs showing some evidence of breaking down aspects of known silos working within the Bank and encouraging elements of team-ownership and joint-working. Evidence from primary data sources notes that, at a senior level, the shift to more team-based objectives was positively influencing the way in which the Bank worked. These joint KPIs form a central part of the Executive Performance Agreements signed by Vice Presidents (see performance contracts, below). Further refinement of this approach are noted for implementation in 2019 by cascading performance targets down to Task Managers.[121] Whilst lagging behind the original DBDM implementation timeframe, the evaluation finds this a critical next step, with a need to ensure that this aspect of performance management does not get 'stuck' at the senior levels in the Bank without cascading down. Indeed, primary data sources reported that there had been little trickle-down effect in this regard.

Whilst the ambition of cross complex alignment of KPIs and setting joint KPIs is noted and was validated through some key informant interviews; this view was not universally held with perception more mixed across the three levels of the Bank. Qualitative themes emerging from these interviews

[120] See Burke and Litwin (1992) A causal model of organisational performance and change. *Journal of Management.* Vol 18, No.3, 523-545.

[121] A Proposal For A 7th General Capital Increase: A Stronger Bank for Africa's Accelerated Development Seventeenth GCC Meeting, 11 April 2019, Washington, DC

include perceptions that this initiative had resulted in too many competing KPIs, which has introduced higher levels of internal competition between complexes (for resources; for 'acknowledgement'; for organisational survival); and that there was an increasingly need to consolidate the number of KPIs so as to avoid complicating the reporting structure. Challenges related to dual reporting during work planning, performance discussions and review are strongly identified as a significant issue for staff. This unintended consequence was not thoroughly addressed, though the risk could reasonably have been identified and mitigated.

By design, corporate and complex KPIs were intended to be cascaded to Vice Presidents, Directors and Managers to create greater alignment and a clearer line of sight to overall Bank goals. Whilst the evaluation has not had access to current or recent performance objectives for VPs, Directors and Managers to validate the level of cascaded alignment to corporate KPIs, primary data notes once again the results are mixed, with staff across all levels of the Bank unclear whether this has been achieved universally or effectively; nor what material difference it has made to Bank effectiveness. Issues identified from primary data present a range of themes from *'forced, but unrealistic alignment'* to *'our performance objectives are no different under DBDM than they were before*'.

The evaluation does notes that those top level KPIs assigned to VPs and DGs are now routinely tracked and reported in an Executive dashboard; providing opportunity for more data-driven and evidence-based decision making at an executive level. This can be viewed as an enabling condition for continued positive reform moving forward.

### *Performance Contracts*

The evidence on the effective reintroduction of executive performance contracts is mixed. Performance Contracts were one of the few specific initiatives elaborated in the original DBDM proposal; in many ways a highly visible symbol of DBDM implementation and a potential early signifier of change. 'High Performance' workshops were held for managers and staff to acquaint them with changes to the Performance Management System (see PMS, below); with an emphasis placed on performance contracts and measurable KPIs. Seven hundred staff attended this responsibility awareness raising campaign.

The effectiveness of performance contracts has been undermined by delayed roll-out and incomplete implementation. As the section on implementation efficiency notes, whilst an initial deadline was identified for December 2017 for all VPs to have finalised their performance contracts, the Bank's own progress reporting[122] notes this did not happen, with a revised timeframe scheduled for completion into late 2018 (September). At the time of drafting, Executive Performance Contracts still remain on an AMBER status of remaining actions.

Whilst the evaluation has not had access to performance contracts to independently verify the numbers of performance contracts complete or outstanding, primary data sources validate this lack of completion and the impact this has had. Key informant interviews noted that there was a lack of clarity surrounding who had a performance contract (and who did not); who should have one; and

[122] ADF/BD/WP/2017/92/Rev.1/Final, 3rd TMT Implementation Update (October 2017) (pg. 14); ADF/BD/IF/2018/73 (May 2018), Making The African Development Bank's Transformation A Reality - An Update On The Progress Made In The Human Resources And Corporate Services Complex (pg. 22); ADF/BD/WP/2018/55, 4th TMT Implementation Update (March 2018) (pg.14); ADF/BD/WP/2018/193, 5th TMT Implementation Update (November 2018) (pg. 17)

how these were to be used in order to cascade corporate KPIs down through the organisational structure. Expressed perceptions ranged from *'I'm not sure if my boss has one; or how my objectives align and relate to it'; to 'we've heard about them, but not sure where they fit or how they're used'.*

Given that performance contracts were identified as a key lever for instilling a performance-based culture, the evaluation finds this an important missed opportunity; and thus, not yet achieving the DBDM's immediate objective.

### *Performance Management System*

Significant efforts have been exerted to reform the PMS as part of Pillar 3 reform, given the central enabling function it plays in addressing systemic-level issues within the Bank. Proposals for changes to the PMS have been on the agenda from early in the DBDM timeframe – in late 2016 a proposal was made by CHHR on refreshing the PMS framework and work has been ongoing throughout 2017 to ensure greater clarity of purpose and guidance (through training sessions on enhanced staff performance management). This include documenting principles and guidelines for the performance management cycle (from objective setting to performance reviews cycles and timeframes); more IT-enabled and streamlined processes introduced; and clarity to roles, responsibilities, timeframes and sequencing having been established. A presidential directive from late 2018 on the Bank's staff PMS is pending legal review. This seeks to further crystallise the architecture of the PMS, its processes and responsibilities.

However, other DBDM reform initiatives (mapping, reprofiling, decentralisation) are noted to have pushed performance management completely off-cycle in 2017, with delayed objective setting, mid-year reviews and annual appraisals resulting in significant staff dissatisfaction. Key informant interview evidence notes a lack of clarity prior to 2018, with staff unclear on processes, roles and responsibilities; mistrustful that standardised and fair processes were applied to performance management in a meritocratic way; and staff not clear on reward, recognition and career progression structures. A perception exists that the PMS has become dysfunctional, with the process stalling a point below Director level.

Nonetheless, notable changes in 2018 have been made, including upgrades to the PMS on SAP[123] with the aim of making performance management more IT-enabled; greater alignment with the annual work planning cycle; and increasing clarity on the performance management process and system have all begun to establish a more robust PM mechanism. Some effects can be seen with staff reporting an increasing understanding of PMS requirements. Furthermore, PMS completion rates improved in the 2018 cycle with the Bank's internal reporting noting that 84% of performance appraisals were completed on time (with 97% completed by HRBP reporting after moderation for 2017 evaluations, based Sept 2018 figures).

The evaluation identifies outstanding concerns raised in key informant interviews that the Bank has not yet sufficiently strengthened its PMS to the level necessary; with challenges remaining in ownership and accountability – both managers and staff; weaknesses in the way the Bank designs KPIs – that they are non-standardised and inconsistent; and, challenges of dual reporting and a perceived disconnect between pay and performance. The implementation of specific performance management tools, for example 360◦ feedback tools and personal development planning tools to

[123] SAP: Systems, Applications & Products in Data Processing, a software to manage business operations and customer relations

support individual learning and growth - which were identified as part of a package of reforms to further strengthen the PMS, have not yet been comprehensively implemented.

The Bank recognises a continuing need to adapt its approach to staff performance management, with plans to shift towards rewards for implementation rather than approvals, and towards accountability for results rather than outputs. There are plans for further refinement to be operational for the 2019 performance cycle. The proposed process involves *"…comprehensive discussions between managers and team members, to cover not only performance but also development plans and career aspirations. The intent is to shift from a performance-rating driven appraisal to a coaching-, improvement- and growth-focused discussion. There will also be a more differentiated merit increase system based on performance. Unit-level key performance indicators (KPIs) will be changed to focus on quality and results—and on encouraging cross-unit collaboration around priority country programmes, knowledge, and financial products and services."*[124]

### *Attracting talent - recruitment*

At the outset of the DBDM implementation, the Bank recognised it did not have the requisite knowledge, skills and expertise within the Bank to deliver its ambitious TYS and High 5s objectives. Whilst the Bank acknowledged the need to develop and *'build'* talent internally (see talent management and development, as below); talent sourcing/ recruitment (*'buy'*) was identified as a key mechanism to promptly bring new skills sets into the Bank. The Bank defined a set of required skills and identified critical roles to be filled as a priority; specifically investment officers, given severe resource constraints in project preparation and appraisal, particularly in the private sector were identified.[125] Whilst the evaluation does not examine whether these roles where indeed the most critical for the Bank, as that is not within the remit of this study, it does examine whether the Bank achieved its immediate objective.

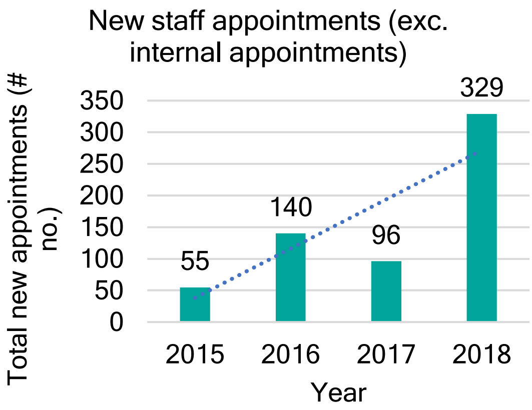



*Figure 3: New staff appointments*

Due to other DBDM reform activities (mapping, reprofiling, decentralisation) and HR Department's capacity constraints (as detailed above in implementation efficiency) relatively slow progress was initially made on recruiting into the priority positions. Indeed, as Figure 3 notes, attracting new talent into the bank was particularly low in 2017, despite the push required by DBDM. This lack of implementation progress was noted as a concern following TMT reporting to the Board in late 2017, where 41% (123 of the 298 prioritized positions) were filled through internal and external appointments (as of 31 December 2017). The Bank responded aggressively and by the end of the first quarter 2018 (March), offers have been made for 276 (93%) of the

[124] A Proposal For A 7th General Capital Increase: A Stronger Bank for Africa's Accelerated Development Seventeenth GCC Meeting, 11 April 2019, Washington, DC

[125] ADF/BD/WP/2017/92/Rev.1/Final, 3rd TMT Implementation Update (October 2017) (pg. 17)

298 priority positions; with new staff entering the Bank culminating at a four-year high (with a total of 329 new appointment) by the end of 2018.

As noted in Figure 4, below, total appointments remained relatively static between 2015 to 2017, at 201, 228, and 243 respectively across the three-year timeframe.

The accelerated rate of recruitment undertaken in 2018, at a rate of more than three times the average total appointments made between 2015 to 2017, yielded good results in bringing staff into the Bank, with a number of specific initiatives deployed by the Bank, including 1) batch recruitment for similar jobs in the same job family; 2) vacancies advertised both internally and externally at the same time to reduce the turn-around time; 3) reducing advertising time from 15 business days to 10 business days; 4) ensuring tighter, high-quality shortlists; and 5) implementing competency-based interviews to reduce calls on management time while identifying the right calibre of staff.

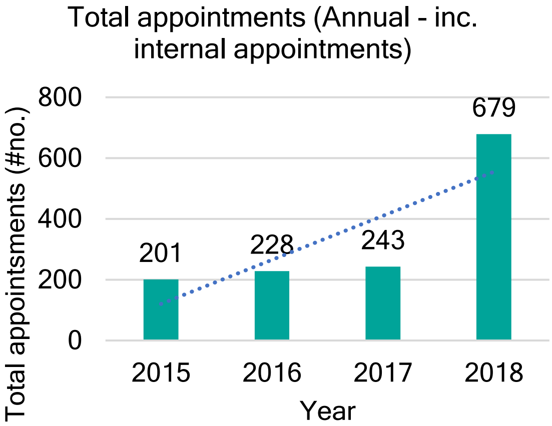



*Figure 4: Total Bank appointments*

The accelerated rate of recruitment has not, however, been matched by the absorptive capacity of the Bank to satisfactorily onboard, induct and familiarise external appointees into the Bank; or internal appointees into their news roles and responsibilities.

Onboarding and induction were perceived as inadequate during key informant interviews. Concerns expressed from new staff identify challenges which emerged from internal confusion of organisational structure, as structural reform was ongoing and significant staff uncertainty and a lack of clarity prevailed. In addition, both new recruits and existing staff noted that new appointees were not given sufficient training on how the Bank works. There was a consistent theme expressed that new staff had been "*thrown in at the deep end, without sufficient clarity of expectation*." Likewise, existing staff in new roles expressed that there was an expectation to *"hit the ground running"* without sufficient training or support. Some new appointees suggested that they had had insufficient access or time to reviews critical sources of information including an operations manual, DAM, procurement rules, organisational manual and recent annual reports.

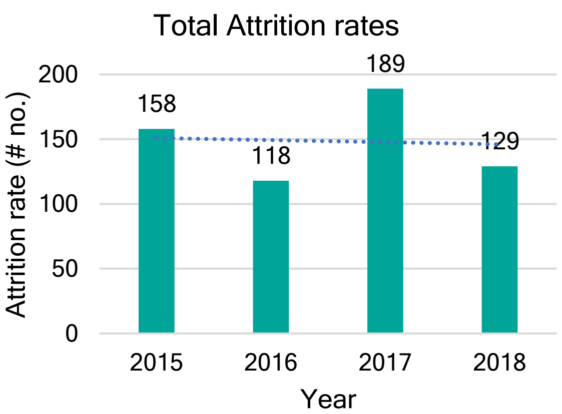



*Figure 5: Total Bank attrition rates*

The number of staff leaving an organisation is always an area of interest, particularly when that organisation is experiencing significant organisational change and reform. Total attrition rates have remained relatively stable, though the proportions of those leaving the Bank due to voluntary separation was notable in 2015, just prior to DBDM and in 2017 at the midpoint in DBDM implementation (70% of total attrition in 2015 and just under 24.86% in 2017). Involuntary separations were comparatively higher in 2017 than preceding or subsequent years at 30.68% of total attrition; compared to 15.82% in 2015; 6.77% in 2017; and 17.05% in 2018.

When taken together, it is particularly illuminating to note the peaks and troughs of staff leaving the Bank (total attrition) comparative to new staff (new appointments) entering the Bank – with a significant annual net loss in 2015 (-103 staff), a marginal annual net gain in 2016 (+22), followed by a further annual net loss in 2017 (-93). At the 2017 point, the net staff loss across the 3 years was -174. With the accelerated recruitment in 2017, the Bank achieved an annual net gain (+200).

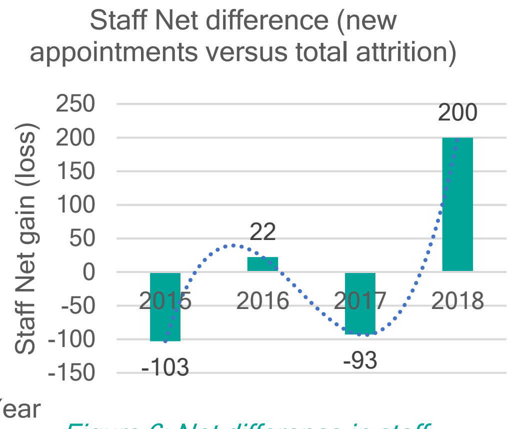



*Figure 6: Net difference in staff*

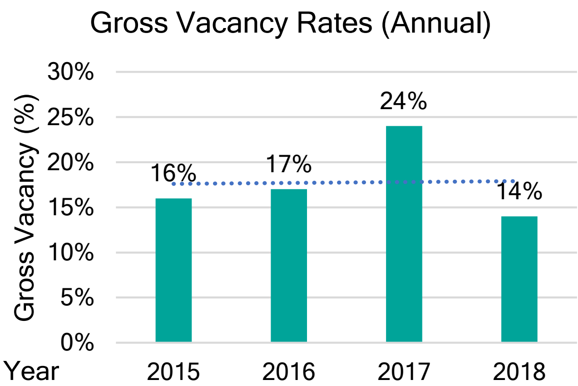



*Figure 7: Gross vacancy rate (CHHR monthly staff overview data)*

This non-linear trend line may account for qualitative perceptions from Bank staff that significant institutional memory has been lost from the Bank; and that recent onboarding issues have been observed (as detailed above) though had a positive effect on vacancy rates (see below).There has been significant scrutiny of vacancy rates at the Bank, both gross and net, with concern expressed at senior levels that vacancy rates were not sufficiently under control. Given the number of new positions created under the DBDM, it is not unexpected to see a spike in vacancy rates at the mid-point of DBDM implementation (2017). As can be observed in Figure 7, annual gross vacancy rates at the end of 2018 are below pre-DBDM figures and the 10% reduction in 2018 (14%) from 2017 (24%) are accounted for by the accelerated recruitment noted above. The Bank notes staffing levels are stable and the vacancy rate declining.[126]

Similarly, the net vacancy rates show a significant increase in vacancies in 2017, as noted above, given the number of new positions created under the DBDM. Presently the evaluation does not have access to 2019 Annual Development Effectiveness Review (ADER) data to analyse whether net vacancy rates will follow the same declining trendline pattern as gross rates – towards the 2018 corporate KPI (14% - identified in grey shading in figure 8). The Bank is presently reviewing vacancies with the aim of aligning future recruitment with work-plans and deliverables.

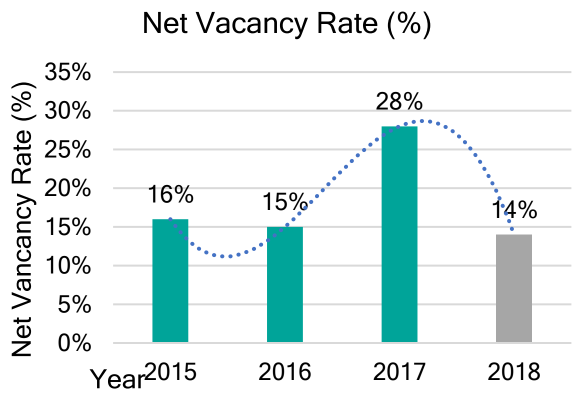



*Figure 8: Net vacancy rates (ADER data)*

[126] ADF/BD/WP/2018/193, 5th TMT Implementation Update (November 2018) _pg.1

Nonetheless, continued and regular monitoring and prompt action responding to this corporate KPI are recommended.

The Bank has had limited success in addressing the gender gap in the Bank's professional and managerial staff, with only marginal improvements made by 2018, since DBDM implementation. The percentage of women in professional staff increased slightly from a baseline of 26.70% in 2015 to its corporate KPI of 30% by 2018 (missing slightly its 2017 target of 29%, see amber column in figure 9) showing an overall positive trend against target.

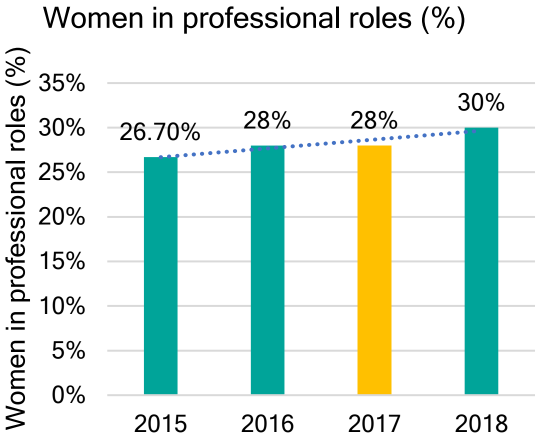



*Figure 9: Percentage of women in professional roles (EL, PL, LP)*

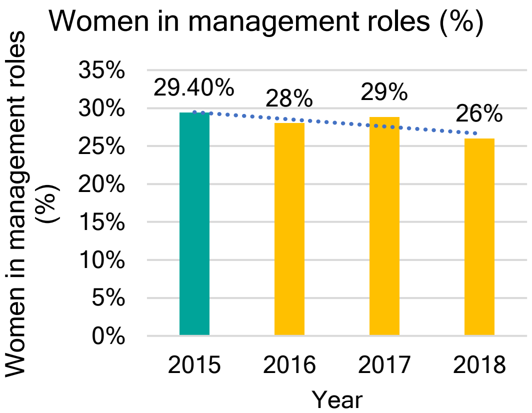



*Figure 6: Women in management roles*

However, the proportion of women in management roles shows a notable decline from a baseline of 29.40% in 2015 to 26% in 2018. The Bank has missed its KPI for share of management staff who are women for three successive years (2016-2018), with a 2%; 2.2% and 6% shortfall against corporate KPI in 2016 (30% target); 2017 (31%); and 2018 (32%) respectively (see figure 10).

The evaluation finds that DBDM has not successfully achieved its immediate objectives in this regard.

### *Retaining talent – Talent Management & Career Development*

Significant effort was exerted between the start of DBDM implementation until March 2017, with 95% of staff mapped into the new structure at that mid-point; following a position arbitration exercise that determined 2,435 as the ideal size of the new organization.[127] About 85 staff members, whose jobs were either abolished or changed significantly, were not mapped. The affected staff were encouraged to apply for new positions within the new structure; or separated from the Bank. A Voluntary Separation Scheme was applied and forty-two staff did not wish to continue with the Bank. By the end of 2017, there were 35 staff unmapped at the end of the period; however, by end 2018, only one staff remains unmapped. This is a significant accomplishment and has taken considerable effort (see Pillar 1 analysis).

In operationalizing the DBDM, considerable effort was made to better match skills and positions in the Bank. Management conducted a needs assessment exercises of recruitment in order to ensure the Bank could: 1) conduct operations from the regions and closer to the RMCs; 2) increase engagement in key areas such as energy, agriculture, industrialization, and job creation; and, 3)

[127] ADF/BD/WP/2017/92/Rev.1/Final, 3rd TMT Implementation Update (October 2017) (pg. 16)

strengthen fiduciary, social and environmental safeguards as well as operational risk mitigating measures. Two hundred ninety-eight priority positions were identified by management as critical for current business growth plans. However, evaluation evidence notes a framework is still needed which identifies critical technical skills required to implement the High 5s both now and in the future, with this framework informing workforce planning in terms of identifying new resources to recruit in terms of skills, experience and numbers aligned to the draft People Strategy.[128]

In terms of staff retention, it is worthy of note that average staff tenure continues a downward trendline most recently from nine years [129] in March 2018; dropping in a nine-month period to eight years in January 2019.[130] This may present the Bank with a risk to its institutional memory, whilst conversely presenting the Bank with an opportunity to refresh its workforce.

### *Talent Management and Career Development*

The evaluation found little evidence of systematic implementation of talent management or active career development initiatives on an institutional level, though this was a key element of DBDM in terms of retaining talent. The evaluation notes that whilst aspects of a draft talent management strategy and framework exist and were presented to CAHR in early 2018, little demonstrable progress is noted in converting that intent into implementation at this point. This limited progress is disappointing as the evaluation notes there is considerable conceptual work already undertaken that may form the basis of progressing this important aspect of the Bank's wider people strategy.

Qualitative evidence from key informant interviews note perceptions of a lack of career progress, with frustration expressed that whilst staff understand a talent management framework exists, they consider talent management and career development activities dormant. The Bank faces challenges here with a view that, collectively, staff are reluctant to recognise career development learning and development activities other than external training programmes. There is much work for the Bank to undertake to build knowledge and skills that will nurture and develop institutional capacity to deliver on the High 5s through a 70/20/10 model of capacity development (the Bank's preferred development model: 70% on-the-job learning, 20% learning through socialisation, and 10% formal learning and trainings).

The Bank has made limited progress with its academies programme in order to support talent retention, management and development. Whilst the Bank has been deliberating the use of academies as a vehicle for staff Learning and Development (L&D) and career development since 2016, with a draft paper on a Leadership and Management Development Academy for the Bank (2017-2020) produced in February 2017 - outlining a detailed and articulated timeframe for implementation, this was not approved nor implemented.

Furthermore, in November 2017, whilst the HR department was noted to be in the process of developing an "AfDB Learning Academy" to align internal technical training to the delivery of the High 5s, and in July 2018 a document on the Young Professionals Academy was produced with a timeline for various modules documenting all 2018 learning modules, this too was not approved nor

[128]AfDB's Human Resource Management Policy and Strategic Directions: A Formative Evaluation, Summary Report, November 2017 (pg. 6)

[129] ADF/BD/IF/2018/73 (9 May 2018) Making the AfDB's Transformation a Reality - An Update on the Progress Made in CHHR

[130] ADB/BD/IF/2019/42 (18 February 2019) Staff Overview Monthly Report As At 31 January 2019 – Information Note

implemented. The evaluation finds this lack of progress a likely result of the constrained capacity in the HR Department.

The evaluation notes significant frustration with the lack of opportunities for career development, with 88.89% of the ombudsman caseload for 2018 related to career concerns (Career Development and Job Security); representing a four-fold increase in comparison to the average of career concern cases for the three preceding years (2015 – 2017).

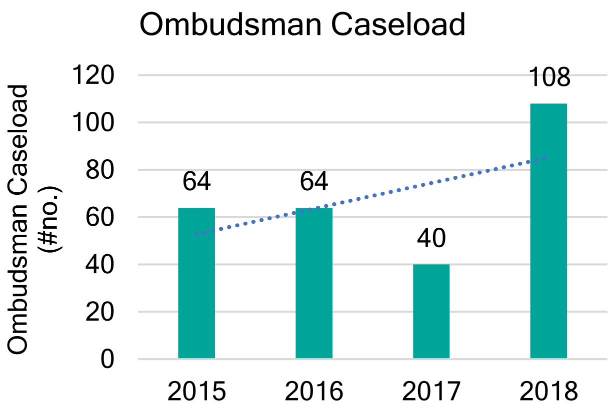


*Figure 11: Ombudsman annual caseload*

Triangulated key informant interview evidence further notes that talent management and career development activities have been significantly constrained and this has created frustrations; which presents a significant risk to talent retention that the Bank should urgently address.

## Conclusions

- The series of reforms prioritised under Pillar 3 are highly relevant to DBDM aims: 1) strengthening the performance culture through improvements to the performance management system and process, and 2) attracting new talent, capacity and skills into the Bank and developing talent from within; with both seen as key components towards the achievement of the DBDM aims in pursuit of objectives of the TYS and High 5s.
- Shifting the corporate culture of the Bank has been a long-standing ambition, with various policies, strategies and initiatives targeted towards culture change for more than a decade. However, the DBDM ambitions to strengthen the Bank's performance culture, have not been matched by the Bank's capacity and capabilities to deliver the range of Pillar 3 reform initiatives as a coherent package of systemic incentives. This has weakened the Bank's ability to sufficiently change behaviours and ways of working across the Bank at an institutional level.
- Whilst motivation for change has been strongly amplified by management, the Bank has been unable as yet to roll-out the range of Pillar 3 reforms in a sufficiently connected and consistent way in order to create the enabling conditions for change throughout the three levels of the Bank as well as make the required shift to corporate culture. Nonetheless, the evaluation finds some evidence of individual behavioural change,; for example, changes in ways of working and behaviours (e.g. the 'climate' at a work unit level[131]) – where discussions about operational performance (origination and portfolio management) are becoming routine and systematic, supported by a better evidence base (see Pillar 4, below for analysis on operational performance).
- The Bank was able to implement some key reform initiatives, for example 1) establishing corporate, complex and individual KPIs linked to the TYS and High 5 objectives; 2) progressive improvements to the Performance Management System and practices; 3) attracting new talent to the Bank; 4) reducing vacancy rate (from 24% in 2017 to 14% in

[131] See Burke and Litwin (1992) A causal model of organisational performance and change. *Journal of Management.* Vol 18, No.3, 523-545.

2018); and 5) improving the Bank's standing in the employer market place (from 82nd place in 2015 to 4th in 2018). These have, however, taken significantly more time/ effort to accomplish than planned.

- As detailed in Pillar 1, the Bank recognises that it urgently needs to enhance particular capacities and skills sets, especially for NSOs, investment banking and financial engineering, environmental and social safeguards, oversight and risk management functions, and task manager positions. *"The Bank has put in place a framework for management teams to review vacancies and align recruitment with work-plans and deliverables. The Bank will fill all critical positions to finalise the DBDM-related recruitment drive in 2019."*[132]
- Work undertaken to reinforce the HR Department's capacity has been implemented in parallel to DBDM implementation; with this having implications for the delivery of DBDM reform initiatives across the pillars - given the central role of the department in many areas, but it has also resulted in a stronger capacity today including the establishment of regional HRBPs division.
- As limited resources were directed towards the achievement of some DBDM reform initiatives, some lagged behind. Sequencing and delivery delays have impacted on subsequent achievement of Pillar 3 reforms in the following areas: 1) universal usage of performance contracts; 2) talent management and career development, including staff academy roll-out; and 3) rewards and recognition initiatives. Whilst some elements of design and conceptual work and proposals on academies, career development, staff learning are noted, these have yet to be approved and translated into implementation. In the context of General Capital Increase (GCI), the Bank has committed to fully implement the Bank Staff Academy to build knowledge and skills that will nurture and develop institutional capacity to deliver on the High 5s.

## Technical recommendations and areas for attention

1. The Bank should ensure timely commission of staff survey and/ or other systematic, bank-wide perception data collection instrument to gather comparative quant/ qual data on culture.
2. The Bank should fulfil Pillar 3 initiative commitments to provide sufficient systemic incentives for cultural change; ensuring that organisational capacity and capabilities to manage change match motivation for change.
3. The Bank needs to be clear what cultural characteristics are needed in the bank now; what values, behaviours and ways of working are required to achieve corporate objectives.
4. Based on the Bank's internal analysis, the Bank should identify the remaining number of outstanding performance contracts to be finalised, and develop a realistic yet expeditious timeframe to completion, and then track assertively.
5. Ensure a continued focus on implementing the PMS in a credible manner, with robust consequence measures in place to support compliance actively track.
6. Establish a systematic mechanism for onboarding commensurate with the demands of accelerated recruitment initiatives and differentiated professional levels and roles.

[132] A Proposal For A 7th General Capital Increase A Stronger Bank For Africa's Accelerated Development Seventeenth GCC Meeting, 11 April 2019, Washington, DC

7. The Bank should accelerate its work to ensure the Bank is an attractive place to work for women, including in senior positions using a compendium of support schemes (including mentoring; targeted career development and family friendly policies).
8. The Bank should finalise and approve a talent management strategy and framework and launch it expediently.
9. The Bank should explore opportunities for exchange programmes with other MDBS and explore opportunities for staff rotation to broaden and deepen staff exposure to different parts of the Bank.

# PILLAR 4: STREAMLINE BUSINESS PROCESSES TO PROMOTE EFFICIENCY AND EFFECTIVENESS

## Key reforms covered by the evaluation

> **Box 2: Business process challenges**
>
> The Bank's processes today are often viewed by RMCs as slow and bureaucratic. This has reduced its ability to move quickly in response to the needs of clients…the pre-Board project lifecycle process takes more than 12 months for public sector projects, compared with seven months at the [Inter-American Development Bank] IADB, and 4–6 months at the [European Bank for Reconstruction and Development] EBRD. This takes up valuable staff time working on internal processes rather than working with clients, and prolongs the time before impact is seen on the ground. The process takes even longer for private sector projects, despite client demand for speed and responsiveness in that sector. Project procurement is significantly longer than the maximum expected timeline. The average time for Goods and Works combined is 283 days.
>
> DBDM proposal (April 2016, p3)

The DBDM proposal (April 2016) outlined the challenge facing the Bank regarding its business processes (Box 2). The overarching objective of Pillar 4 was to improve service delivery by increasing responsiveness and client orientation as well as shortening the project cycle.

In June 2016, the Bank established[133] the Delivery Accountability and Process Efficiency Committee (DAPEC) to review the Bank's existing business processes, organizational culture, policies and procedures, and redesign as necessary to advance DBDM objectives. Although under the overall strategic direction of the TMT, DAPEC was set up to liaise directly with the Senior Vice-President and the Vice-President for Human Resources and Corporate Services on operations and HR matters and consult freely with the office of the President, Vice-Presidents, Directors General in the regional hubs, and Directors and Managers responsible for processes and decisions in the Bank.

In October 2017, DAPEC was folded down, in spite of the fact that many of the identified business processes had not been reviewed (see below). Responsibility for the process reform effort subsequently passed to a new Director, Process Re-engineering, based within the Office of the Senior Vice President, who took up post in December 2018.

At the start of the DBDM, the Bank recognised that many processes required significant work to become more efficient and effective. As such, the Bank envisaged a series of reform 'waves' but identified three top priorities for initial attention:

- Project lifecycle;
- Project procurement; and
- Recruiting.

'Project lifecycle' itself encompasses multiple processes spanning project identification, approval, signature, disbursement, supervision/monitoring and completion. DAPEC incorporated these initial

[133] PD 03/2016

priority reform areas in its wider characterisation of the Bank's key business processes as either 'operational' or 'institutional' (table 10).

*Table 10: Summary of DAPEC key business processes*

| Operational | | Institutional | |
|---|---|---|---|
| Knowledge, analytics and advisory activities | Knowledge Generation (core diagnostic tools) | Human Resources | *Talent Sourcing* |
| | Policy Dialogue | | Career Development & Management |
| | Technical Assistance & Capacity Building | | Performance Management |
| | Knowledge Dissemination | | Benefits |
| Programmatic Engagement with Countries & RECS | Country Strategy paper (CSP) | Administrative support | Corporate Procurement |
| | Regional integration Strategy paper (RISP) Monitoring of CSP and RISPs | | Travel & Logistic |
| | Evaluation of CSPs & RIPs | | Facility & Real Estate Management |
| | Country Strategy paper (CSP) | | Corporate IT |
| Project and Program Development and Lending (Government/ Public Sector) | *Identification* | Budgeting & Performance Monitoring | Budget Preparation and Allocation |
| | *Preparation* | | Budget Management |
| | *Appraisal* | | Performance Monitoring & Fiduciary Safeguards |
| | *Lending (Negotiation, Board Presentation and Approval)* | Resource Mobilization | Partnerships |
| Project and Program Development and Lending (Private Sector) | *Business Case* | | Trust Funds |
| | *Preparation* | | |
| | *Appraisal* | | |
| | *Lending (Negotiation, Board Presentation and Approval)* | | |
| Implementation Support Monitoring & Evaluation | *Loan /Grant Signature and Effectiveness* | | |
| | *Project Procurement and compliance Review* | | |
| | *Loan Disbursement* | | |
| | *Supervision and monitoring* | | |
| | *Loan and grant administration* | | |
| | Project evaluation and post-evaluation | | |

Note: Italicised text identifies the priority business processes identified for the first wave of reforms under DBDM.

## Theory of Change and expected results

The goal under Pillar 4 was to reduce processing time by at least 50% across each of the Bank's key processes.[134] In the case of project lifecycle, this was to be achieved by a combination of:

- Simplification, by eliminating low value-add preparation, review and clearance steps (including redundant committee reviews);
- Differentiation, to allow low ticket and low risk projects to be processed with only the (minimum) appropriate amount of documentation and procedure; and
- Improve monitoring of project progress and quality, that would increase the focus on performance and thereby incentivise staff.

[134] DBMD proposal (April 2016, p13).

Reductions in procurement processing times were also expected to come from greater use of countries' own procurement systems. The revised Procurement Policy (2015) set out a more differentiated, risk-based approach, based on a more nuanced assessment of both the quality of national systems and complexity of the particular transactions involved[135]. For eligible contracts, the shift from International Competitive Bidding to National Competitive Bidding enabled by the use of national systems was estimated to reduce procurement lead times for goods and works by an average of three months (from 9.4 months to 6.4 months).[136]

In the case of recruitment, specific process reforms were not detailed at the start of the DBDM. However, gains in recruitment speed were expected from a combination of actions:

- Increased training in recruitment processes for managers;
- Batch recruitment for similar jobs in the same job family;
- Simultaneous advertising of vacancies internally and externally;
- Reductions in advertising time from 15 to 10 business days; and
- More efficient, competency-based interview processes and shorter short-lists.

In practice, identifying the specific results targeted by the Bank from the planned business process reforms is not straightforward. In part, this reflects the fact that in some cases targets were advocated – for example in Presidential Directive 02/2015 – that were aspirational rather than based on detailed analysis of what particular reforms could yield. In other cases, the Bank used different targets in different publications (figure 13). We found no clear explanation for the variation.

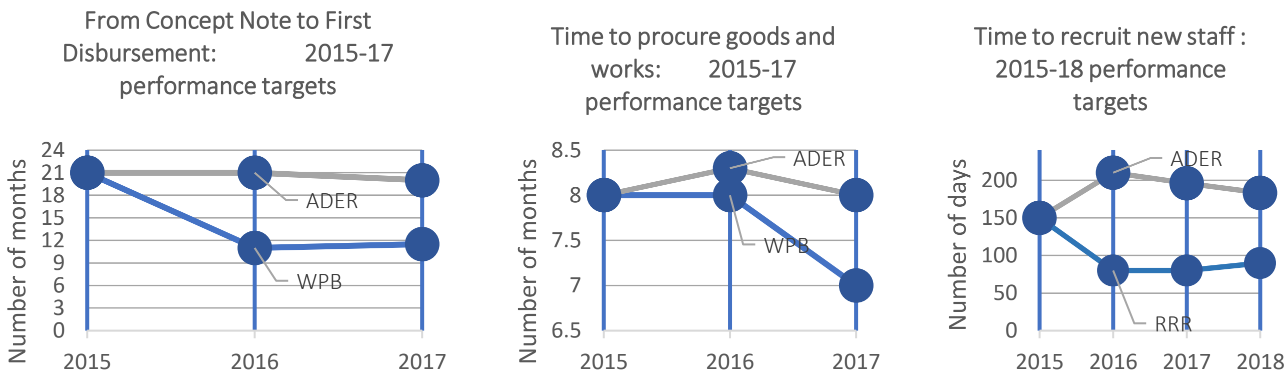



*Figure 7: Selected performance targets for key business process reforms*

**Note**: ADER-Annual Development Effectiveness Report; WPB-Work Programme and Budget document; RRR-Retrospective Review Report

Certainly, the targets for the above measures presented in the ADER demonstrate none of the step-change in performance envisaged in the DBDM. Indeed, the ADER targets in 2017 and 2018 show little or no significant change from those of 2015 for the key performance indicators included in the above figure.

[135] Comprehensive review of Bank Group procurement policy, procedures and processes: revised version (28 Sep 2015).
[136] Impact of the application of the new procurement framework (11 September 2015)

## Relevance

In broad terms, the reforms prioritised under Pillar 4 can be seen as highly relevant to DBDM aims: 1) the introduction of new capacity and skills was a key part of the DBDM and the ability to accelerate recruitment processes to support that was an important enabler of that; 2) similarly, streamlining procurement and project lifecycle processes was key to both strengthening the Bank's own financial position and enhancing clients' experience working with the Bank. For example, the existing procurement processes were identified as both a major factor in disbursement delays (of about 13 months after Board approval), and in creating dissatisfaction among clients, with 60% rating the process as non-satisfactory.[137]

In terms of relevance for the Bank's clients, all the business process re-engineering proposals prepared by DAPEC for project lifecycle and procurement processes (see below) identified client orientation/ responsiveness as a key objective in the redesigns. And all the proposals identified aspects of the Bank's existing processes that negatively affected clients' experiences, along with proposals to address.

Determining whether the reforms, as designed, are relevant for the Bank's ambition to reduce processing times by at least 50% is hard to assess at this stage, given limited implementation (see below). Certainly, DAPEC *ex ante* assessments of the proposed reforms – at least for those processes that were addressed – suggests significant potential savings in the range of 60-25% of cycle time for individual sub-processes (table 11). For example, overall cycle time for project development and lending (from identification to approval) was projected to fall by 52%[138] while loan/grant signature and effectiveness (ready for first disbursement) was projected to fall by 54%[139].

*Table 11: DAPEC projected reductions in cycle times for sub-processes in key operational processes*

| | Time savings: Range |
|---|---|
| Project Development and Lending Process | 58-40% |
| Loan /Grant Signature and Effectiveness | 60-20% |
| Project Procurement and Compliance Review | 45-25% |
| Loan & Grant Disbursement | 60-20% |
| Supervision and Monitoring | 50-29% |
| Loan/Grant Administration | 50-29% |

However, the evaluation identifies two important risks to the robustness of these projections: One, DAPEC BPR analyses acknowledge that delays can also be attributable to clients, reflecting limitations in their knowledge or capacity. Solutions such as training, user-friendly guidelines and standardised templates are proposed. However, because the analysis does not identify what share of the cycle time is attributable to client processes (rather than the Bank) it is hard to assess the realism of the projected savings.

And two, interviews conducted during the evaluation at HQ, regional and country levels highlighted limitations in the extent of staff engagement in the business process reform exercise. While consultations took place initially, it

[137] DAPEC BPR report OP_ISME_2: Project Procurement and Compliance Review. September 2017 version 1.5

[138] DAPEC BPR report OP_11: Project and Program Development and Lending. Public Sector. September 2017 version 1.4.

[139] DAPEC BPR report OP_121: Loan/Grant Signature and Effectiveness. September 2017 version 1.4

seems that in many cases these were not revisited. The proposed reforms therefore were not subject to further scrutiny and ground-truthing by relevant staff, including front line staff. Furthermore, unintended consequences/risks as a result of the changes were not explicitly considered in the DAPEC BPR reports. Subsequent consultations and testing are important elements in checking the realism of the anticipated effects and identifying possible risks (see box 3).

**Box 3: Procurement process reforms**

Procurement process reforms advocated by DAPEC are projected to provide significant potential time savings. Increasing the value thresholds that can be approved at a country/regional level is an important element of this. However, under the reforms, Task Managers are no longer allowed to approve lower value, routine procurements alone, but must involve Procurement Officers in all procurement cases. A number of field-level staff suggested during interviews that this change means potentially replacing one bottleneck with another.

Finally, a caveat on relevance relates to the Bank's recruitment. The evaluation has not been provided with a formal proposal for streamlining the Bank's recruitment processes. As such, it has not been possible to review in detail the relevance of the designs of proposed reforms.

## Implementation efficiency

Assessing the implementation efficiency of reforms under Pillar 4 is difficult given the absence of an overarching implementation plan. The plan presented to staff in May 2016 set out the intention to have redesigned, piloted, tested and rolled-out the first wave of priority process reforms by the middle of 2016. Subsequent process reforms were expected to be in place by the end of 2016. This timeline appears to have been overoptimistic but the plan itself was not updated to reflect delays.

Nevertheless, the available information from both Bank reports (i.e. TMT Updates) and interviews conducted during the evaluation indicates that implementation of business process reforms has been more limited than planned, both in terms of scope and depth:

### *Project lifecycle*

- DAPEC undertook no work on institutional business processes for reasons of limited capacity.
- DAPEC did, however, complete detailed business process re-engineering exercises for the majority of priority operational processes.
  - Most of these were completed by September 2017, however, none have yet been fully implemented/institutionalised within the Bank (see table 12).
  - Revisions to authorities associated with the proposed reforms have been reflected in the updated Delegated Authority Matrix (2018), though some will be subject to further revision in the light of subsequent planned changes. However, inclusion in the DAM represents just the first step in re-engineering the process.
  - The gains in process efficiency anticipated by DAPEC also depend on significant, complementary changes in IT systems (e.g. Project WAKANDA), training (for staff and clients), new guidance, introduction of standard templates and so on. These complementary inputs are not yet in place.

*Table 12: Implementation status (Jan 2019) of key operational business process reforms targeted by DAPEC*

| Operational Processes | | |
|---|---|---|
| **Groups** | **Processes** | **Status** |
| Knowledge, analytics and advisory activities | Knowledge Generation (diagnostic tools) | Some structural changes reflected in revised Delegated Authorities Matrix (2018) but no significant process re-engineering activity undertaken to date. |
| | Policy Dialogue | |
| | Technical Assistance & Capacity Building | |
| | Knowledge Dissemination | |
| Programmatic Engagement with Countries & RECS | Country Strategy paper (CSP) | Business process re-engineering analysis completed, and recommendations provided. New country strategy paper template distributed.<br>Proposed revisions to the review/approval process awaiting confirmation with CODE.<br>Recent changes to ownership of CSP process will necessitate revision to DAM. |
| | Regional integration Strategy paper (RISP) Monitoring of CSP and RISPs | |
| | Evaluation of CSPs & RIPs | |
| | Country Strategy paper (CSP) | |
| Project and Program Development and Lending (Government/ Public Sector) | Identification | Business process re-engineering report complete, and recommendations provided.<br>Structural reforms reflected in the revised Delegated Authorities Matrix (2018) though not all fully operational yet (e.g. Technical and Quality Assurance Committee).<br>Further refinement/ streamlining is considered necessary for Energy Sector projects.<br>Necessary complementary inputs identified in the Transformation Action Plan not yet implemented.<br>No significant change to date in business processes on the ground. |
| | Preparation | |
| | Appraisal | |
| | Lending (Negotiation, Board Presentation and Approval) | |
| Project and Program Development and Lending (Private Sector) | Business Case | Business process re-engineering report apparently completed by DAPEC though not provided to the evaluation team.<br>Some uncertainly regarding the status of changes to NSOs though in practice it appears that changes in practices have been limited to date.<br>Further refinement/streamlining identified as necessary. |
| | Preparation | |
| | Appraisal | |
| | Lending (Negotiation, Board Presentation and Approval) | |
| Implementation Support Monitoring & Evaluation | Loan /Grant Signature and Effectiveness | Business process re-engineering report complete, and recommendations provided.<br>Structural reforms have been reflected in the revised Delegated Authorities Matrix (2018) though further refining/streamlining is considered necessary under recent proposals for strengthening the Bank's approach to supervision and monitoring and for implementation of the procurement policy.<br>Necessary complementary inputs identified in the Transformation Action Plan not yet implemented.<br>No significant streamlining to date in business processes on the ground save for procurement approval arrangements (in the revised DAM) |
| | Project Procurement and compliance Review | |
| | Loan Disbursement | |
| | Supervision and monitoring | |
| | Loan and grant administration | |

### *Procurement*

- The Bank's procurement policy was revised in 2015, in advance of the DBDM launch. However, implementation to date has been limited:
  - The implementation manual/guidelines for the new policy have only recently been finalised and revised guidance and toolkits are expected to be submitted for approval by April 2019.

- Similarly, tools to support a more systematic approach to the assessment, use and capacity building of national systems are expected to be submitted shortly
- While DAPEC proposed process re-engineering for procurement in September 2017, changes on the ground have been limited to date:
  - Under the updated DAM, authorities for procurement have been delegated further to the regional level and approval thresholds have been increased.
  - However, this has only been implemented recently (late 2018/early 2019) and interviews suggest application has been variable to date. This is primarily because concomitant training of Task Managers as Procurement Accredited Staff (PAS) to support this shift has not yet begun. Furthermore, the training is voluntary, and it remains uncertain as to whether all Task Managers will apply when available. Findings from interviews conducted during the evaluation suggest mixed views on this – with a number of Task Managers reluctant due to existing workloads.
  - It was also suggested to the evaluation that the updated DAM is no longer aligned with the Bank's Procurement Policy, on the use or post- and prior-reviews, suggesting further refinements may be necessary.
- A project procurement workflow pilot was conducted but has not yet been rolled out. More generally, enabling developments to IT systems (e.g. e-procurement) have not yet been undertaken while the current system has not been updated to reflect fully and support new permissions created in the updated DAM.

*Recruitment*

- Progress in reforming the recruitment business process is less clear:
  - The Bank has reported that changes have been introduced to accelerate recruitment, including batch recruitment for similar jobs; simultaneous advertising of vacancies internally and externally; and competency-based interview processes and shorter short-lists.[140]
  - The Bank is currently developing its recruitment manual but in the meantime, there have been improvements to the process (e.g. greater involvement for hiring manager) that have helped to reduce the time from advertisement to offer;
  - However, challenges remain in particular in the timeline from offer to 'candidate-in-post'.
  - It is the evaluation's understanding that recruitment is still a largely manual process with only limited piloting of e-recruitment to date.

In the fifth and final update from the Bank's TMT, business process streamlining was the only pillar rated as RED for implementation status. In response, the new Director of Business Process Re-engineering has recently commissioned a team of consultants to carry out an in-depth review on the status of process reforms to date and identify the steps necessary to carry the work forward. This exercise is taking place over the next six months under a new "Business Process Improvement, Optimization and Reengineering Project"[141].

## Effectiveness

[140] Annual Development Effectiveness Review 2018.

[141] ADF/BD/WP/2018/179/Rev.2 - 2019 – 2021Work Program and Budget Document: Revised version (Dec 2018)

This section considers whether the Bank's performance in terms of the priority business processes has improved under the DBDM period and whether there have been any unintended consequences.

As the previous section notes, to date the Bank has made limited progress in streamlining processes. As such, we cannot expect to see changes in performance attributable to the process re-engineering effort. Nevertheless, the DBDM has introduced other systemic changes into the Bank, which might potentially also have impacted on process efficiencies:

- Under Pillar 1, efforts to "move closer to the client" could in principle enable faster resolution of issues arising during the design and implementation of operations, even though changes in formal authorities under the updated DAM were only introduced late 2018/early 2019;
- Reforms under Pillar 3, designed to enhance the performance culture of the Bank, might also impact on how staff approach operations. While it is true the evaluation found little to support the notion that the Bank's overall organisational culture has shifted significantly, we did find evidence of changes in 'climate' at a work unit level[142] – where discussions about operational performance (origination and portfolio management) are becoming routine and systematic, supported by a better evidence base (in the form of dashboards);
- A key rationale for the restructuring effort under Pillar 2 of the DBDM was mobilising the Bank's sectoral expertise more effectively to support staff in the regions. In principle, progress in this regard could also help expedite operations, with improved coordination and more timely access to expert advice. In practice, however, challenges to date in operationalising the Bank's matrix management model make this the least likely channel of influence identified.
- Perhaps most influential is the (pre-DBDM) Presidential Directive No.2/2015 issued in November 2015 and which reiterated expectations of staff regarding the processing of Bank sovereign operations, including a ceiling of four months for project design and six months from approval to first disbursement, in the absence of any waivers.[143]
- Finally, the new Procurement Policy, again issued pre-DBDM in 2015 but perceived as very much aligned with the DBDM reforms, may also have had some effect; although implementation of the policy only got underway more recently.

While it is reasonable to consider these alternative sources of influence on business processes, two points should be kept in mind. Firstly, they are focused largely on operational processes, and so any potential effects are much less likely on institutional processes (such as recruitment). Secondly, and most importantly, none of these alternative sources of influence can be expected to have the same potential impact on business process efficiency as the planned re-engineering effort. While the alternative influences might, for example, focus attention on process times and encourage staff to work harder within existing systems, the planned process re-engineering should provide staff with new, more efficient systems, but this has still to be implemented.

[142] See Burke and Litwin (1992) A causal model of organisational performance and change. *Journal of Management.* Vol 18, No.3, 523-545.
[143] Presidential Directive No. 02/2015 concerning the design, implementation and cancellation of Bank Group sovereign operations.

*Project lifecycle*

Over the period, the Bank has reported performance in terms of the average time for a project to move from: Concept Note to Approval; Approval to First Disbursement; and more recently a combined measure, Concept Note to First Disbursement.

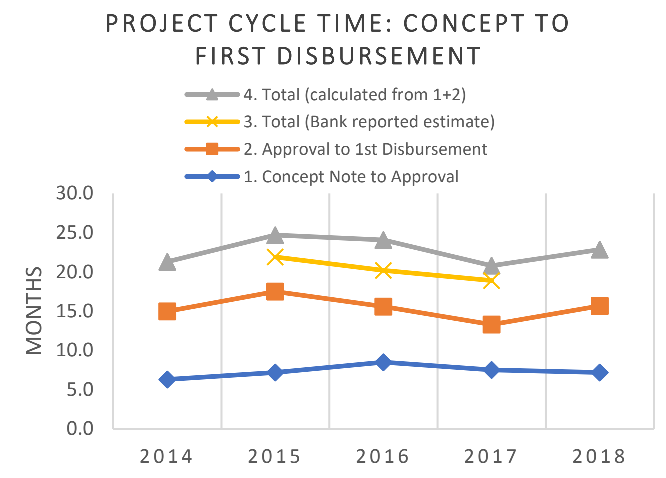



*Figure 8: Project cycle time*

Estimates for these metrics vary depending on the source of Bank data used. It has not been possible in the time available to determine the reasons for this or reconcile the differences. Nevertheless, the pattern provided by the different estimates is largely consistent over the period and is summarised in Figure 14.

While there has been some gradual improvement in pre-Approval (Concept Note to Approval) timelines since 2016, average performance is not much changed over the period examined. Overall timelines are driven more by the longer, post-Approval phase, and it is there where the averages have improved most since 2015. However, 2018 data point to an increase in the average time from Approval to First Disbursement, calling into question how systemic recent improvements are and therefore their sustainability.

Nevertheless, there are limitations in the Bank's use of an 'average' figure for processing times – given its sensitivity to outliers, long-term problem cases and its silence about the distribution of cases. The following analysis re-examines both pre- and post-Approval cycle times in terms of distribution rather than average to shed more light on performance.

The distribution of pre-Approval cycle times – from Concept Note to Approval – for sovereign operations (Figure 15) highlights the slight U-shaped performance curve traced in Figure 14 but also reveals that in 2016 – the 'worst' average year – the proportion of projects reaching approval in less than four months actually rose, while in 2018 more than a third of projects reached approval in less than four months, significantly higher than in 2015 – aspects of performance completely lost in the 'average' measure. By contrast, pre-Approval cycle times for NSOs have been quite stable in terms of the 'less than 6 months' measure, though more variable at the four-months mark.

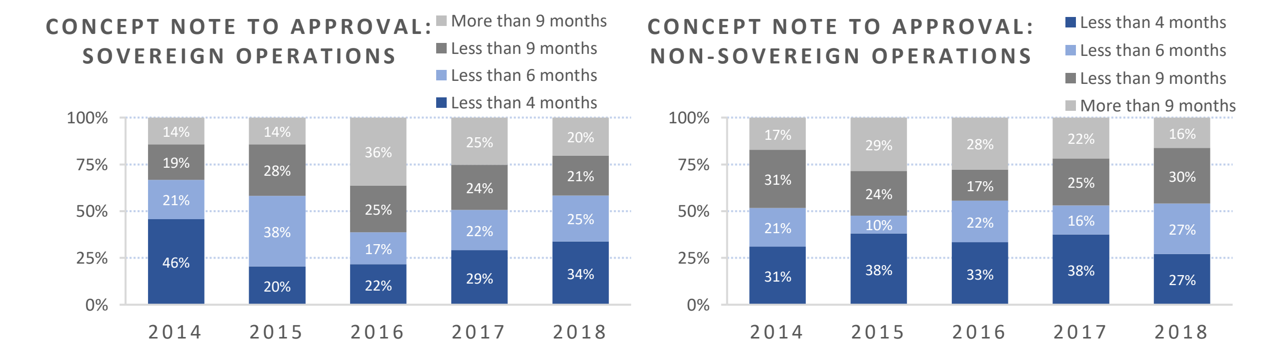



*Figure 9: Concept note to approvals for sovereign and non-sovereign operations*

Examining the distribution of post-Approval cycle times – from Approval to First Disbursement – for public sector operations is equally informative (Figure 16). Again, it highlights the improvement since 2015 and slippage in 2018 (presented by the 'average' measure in Figure 14). But it is interesting to note that the share of projects starting disbursement within six months largely held up in 2018, with the performance dip in the main explained by a smaller share of projects coming in within the 12 months mark.

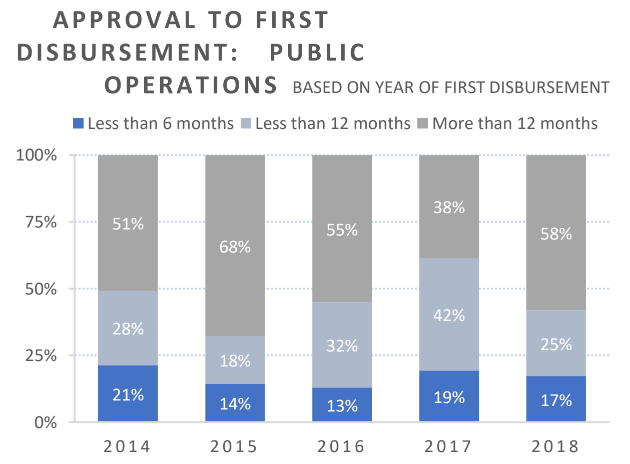



*Figure 10: Approval to first disbursement for public operations*

It is noted, however, that the Bank's measure of annual performance here is based on the year of first disbursement, not the year when the project is approved. The resulting figures, therefore, are to a degree 'backward looking', and include any problematic cases approved in earlier years but which only reach first disbursement in the year of reporting. As such, they do not necessarily closely reflect the Bank's performance in the reporting year. Using year of approval as the measure has the key advantage of providing stakeholders with the results for those projects approved in the year in question – likely to be more sensitive to Bank's efforts in the reporting year. The disadvantage, however, is that it creates a reporting delay, with reliable figures for 2018, for example, only becoming available towards the end of 2019. Nevertheless, given the advantage, there is merit in using this measure additionally, to inform the discussion of performance.

Overall, on project cycle times, the evidence points to some improvements in performance during the DBDM period though it is too early to conclude whether these represent sustainable gains. In the case of pre-Approval cycle times (Figure 15), some improvement is evident in the share of the projects reaching Approval in less than four months, though the total share reaching Approval in less than six months is unchanged compared with 2015 – pre-DBDM – levels of performance. We can say the Bank has recovered from 2016, which was clearly a challenging year but whether pre-Approval times will continue to fall may depend on the success of process re-engineering efforts. For post-Approval cycle times (figure 16), it is too early to determine whether 2017 or 2018 represent 'a-typical' years and therefore what the trend is. We return to the question of what is driving these results below in the discussion of unintended consequences.

### *Procurement*

Procurement is a key business process for the Bank and is consequently monitored and reported as a corporate KPI in terms of the (average) time taken to procure goods and works. Like Approval-to-First-Disbursement cycle times discussed above, this KPI is in some sense backward looking, based on the duration of procurement processes completed (or at least signed) in the reporting year, not the duration of procurements approved that year.

In a similar vein to project life cycle data, estimates for procurement times vary depending on the source of Bank data used. The sources broadly correspond: all suggest from 2014-2018, average procurement times have fallen by about 1 month (for Goods and Works). However, the starting point and to some extent the journey to arrive at that point differ between sources (figure 17). Again, time constraints have prevented a full analysis of the reasons for these differences.

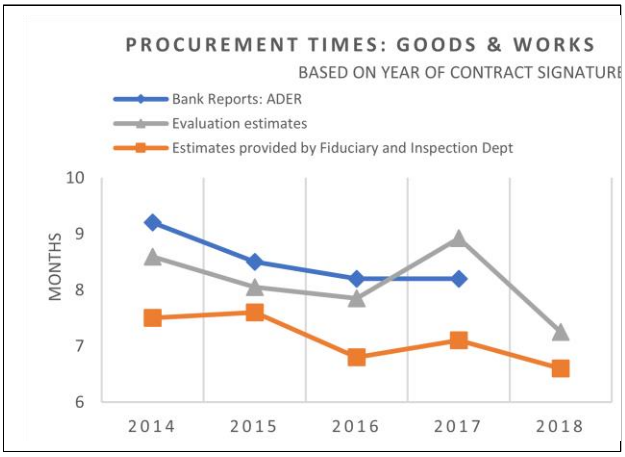



*Figure 11: Procurement times for goods and works*

As discussed above, examining the distribution of procurement times is in many respects more informative than the simple average used for KPI reporting purposes. Using datasets provided by the Bank's Procurement divisions, we estimated the distribution over the period, based on the lapsed time from Bank approval of the procurement document to signature of the procurement contract. Figures 18-20 present the findings separately for Goods and Works procured under national and international competitive bidding arrangements (NCB[144]/ICB[145]) and for Services procurement.

For Goods and Works, the improvement suggested by the average measure is still evident but the picture is clearly more mixed. For NCB contracts (Figure 18a), the proportion of faster procurements since 2014 has oscillated gradually upwards. In 2018, performance of NCB procurements improved notably but whether this can be attributed to the new Procurement Policy is less clear given the Policy has only recently started to be implemented, and associated changes in delegated authorities were only formally introduced in late 2018. Our own analysis of the Bank's procurement data, based on Year of Approval (Figure 18b), suggests the 2018 shift may be attributable largely to contracts approved in 2017. In 2017, the Bank reported a large increase in the percentage value of procurements using national systems (from 3.5% the year before, to 14.3%). This itself was an ambition of the new policy but it is unclear from the Bank's definition of this indicator whether it looks forwards or backwards– i.e. whether it counts the procurement at the approval stage or at completion. If the latter, we would expect to see any effects reflected in the data based on contracts *signed* in

*Figure 12 (a and b): Goods and works - NCB*

[144] NCB - National Competitive Bidding
[145] ICB - International Competitive Bidding

2017 (Figure 18a). This is not the case. However, if forward-looking, we would expect to pick up effects for contracts *approved* (Figure 18b) that year – which does appear to be the case.

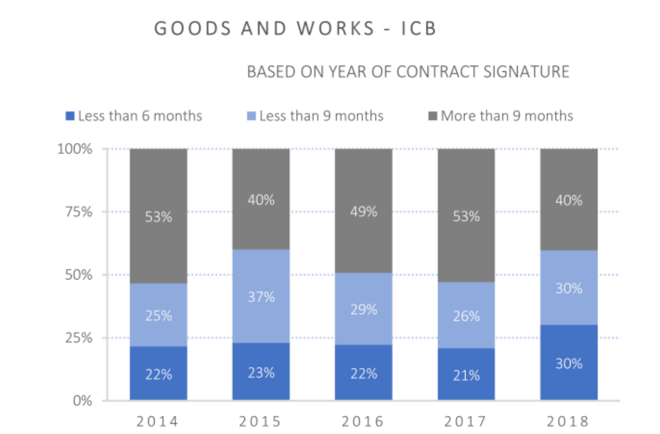


Figure 14: Goods and works - ICB

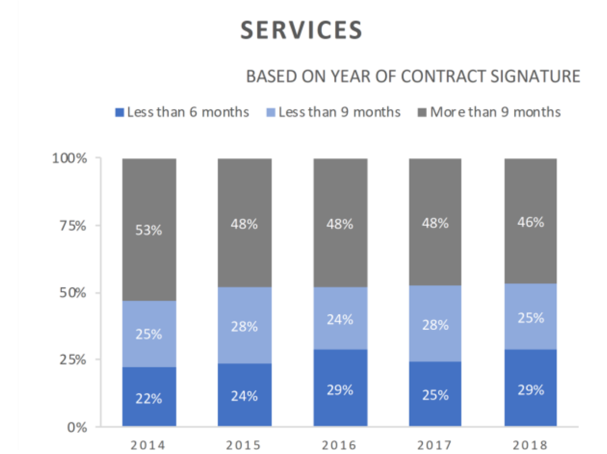


Figure 13: Services

For ICB contracts (Figure 19), the improvement in 2018 is also evident predominantly in the share of procurements taking less than 6 months. Nevertheless, for the share of ICB procurements taking less than 9 months, there is little discernible trend – positive or negative – over the period.

For Services, the analysis suggests a very stable, gradually improving trend in procurement times that appears to have started in 2014 if not earlier (Figure 20).

Overall, procurement cycle times for goods and works do seem to have gradually reduced over the period, though this trend appears to pre-date the DBDM. Nevertheless, the improvement evident in 2018 for NCB and, to a lesser extent, ICB procurements is noteworthy. The 2019 data will be required to see if this shift is sustained or indeed deepened. The prospects are, however, promising in principle, given that planned re-engineering of procurement processes is yet to take place and further gains from that can be anticipated. It will be interesting to see whether 2019 data confirm this shift, or whether the potential bottlenecks introduced by the updated DAM will have a negative impact (see box 3).[146]

### *Recruitment*

The original DBDM proposal identified recruitment as a key business process to be streamlined, no doubt to facilitate the re-/up-skilling of the Bank as foreseen in the proposal. As discussed above, DAPEC did not address 'institutional' processes (such as recruitment) and the evaluation is not aware of any separate re-engineering exercise for recruitment. Nevertheless, its inclusion as a corporate KPI – "average time to fill vacancies" – has meant that recruitment processing speeds have been subject to some attention and pressure for improvement.

[146] This refers to the new requirement for Procurement Officers to be involved in all cases, whereas previously Task Managers were permitted to approve routine, low value procurements alone.

In assessing the Bank's performance on recruitment times, the evaluation has been constrained by the lack of historical data. While the Bank has reported average performance against the KPI for 2015-18, only detailed data for 2018 have been provided to the evaluation.

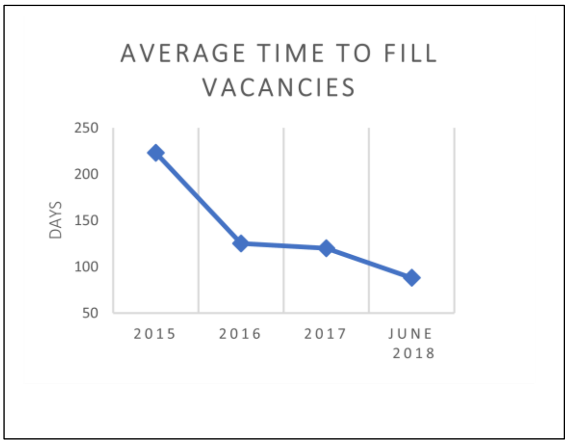



Figure 15: Average time to fill vacancies

The Bank's reported figures suggest there has been a step-change in processing times since 2015 (Figure 21). While we were unable to validate these figures, a positive shift in performance seems plausible; if only because it is inconceivable, given the demands of the DBDM during 2016, that the Bank could have continued to spend, on average, more than seven months in recruiting new staff. However, it is more difficult to be certain about the magnitude of the changes that have occurred. The Bank's Results Measurement Framework defines the recruitment KPI as follows:

> *"the average time taken to fill a professional level (PL) vacancy from the point the vacancy arises through advertisement, offer, acceptance of position, and assumption of duty"*[147]

Based on that definition, our analysis of the data provided for 2018 suggests that the average time from when the call for applications opens (as a proxy for the "point the vacancy arises") to the date for assumption of duty was around 140 days as of June 2018, compared with the Bank's reported figure of 88 days. Even allowing for some errors in our interpretation of the data, this discrepancy is large. Indeed, it is difficult to see how the end-to-end recruitment process could be completed in that 88 days, which suggests the Bank may be interpreting the indicator differently.

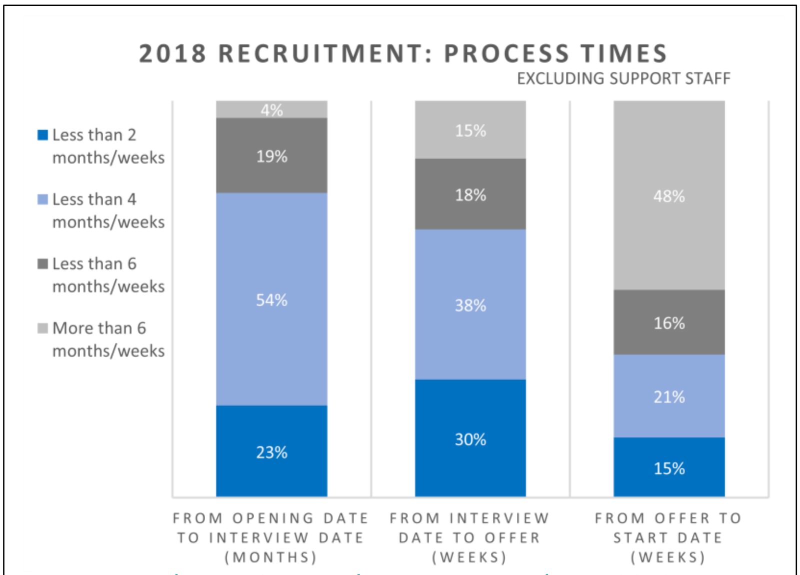



Figure 16: Recruitment process times, 2018

Examining the 2018 recruitment data in more detail indicates that the longest stage of the process is typically from opening call to interview – here measured in months (Figure 22). Nevertheless, more than three-quarters of recruitments during 2018 went from opening call to interview in less than four months. The elapsed time from interview to offer is generally much quicker (measured in weeks) but the distribution of elapsed times raises the question: why in one third of cases does it takes more than four weeks to issue an offer? Finally, the distribution of elapsed times from offer to start date

[147] The Bank Group's Results Measurement Framework 2016-25, April 2017.

is much more spread. The Bank has less control over the process at this point – with new recruits required to give their current employers notice, and so forth. However, concerns were expressed by a number of new staff interviewed regarding delays and insufficient communication from the Bank during this stage.

*Unintended consequences*

A concern commonly raised in interviews with front-line staff during the evaluation was that the Bank was overly focused on approvals and disbursements (primarily volumes and processing speed). Certainly, for systems already operating at full or near full capacity, applying additional pressure to work faster carries the risk of unintended consequences, in the absence of any associated enhancement in capacity (through new processes, technologies, labour or all three). The extent to which this poses a risk for the Bank depends in part on how much spare capacity existed in the system before the DBDM and how much it was enhanced during the process. The former is unknown while the latter would require detailed assessment of staff leaving, staff joining and any internal reorganisation of staffing[148]. As a result, forming an in-depth view on capacity assessment is beyond the scope of this evaluation. However, the evaluation can provide some observations on the risk concerning two particular unintended consequences; these being an adverse effect on client relations and quality.

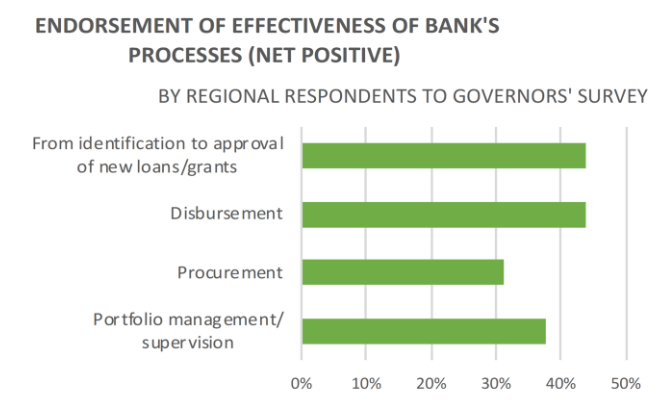



*Figure 17: Endorsement of Bank processes' effectiveness*

An overemphasis on the Bank's own deadlines could in principle adversely affect relationships with clients. And it is certainly true that a number (public sector) clients in interviews indicated that the Bank at times wanted to move too quickly during project design. However, we found no evidence to suggest that client relations have been adversely affected. Regional respondents to the survey of Governors indicated positive views on the Bank's key operational processes (Figure 23) and the survey revealed no noticeable deterioration in experience since the start of the DBDM.

We did, however, identify a risk of clients 'gaming the system' in order to meet the Bank's process deadlines. Specifically, we were told of paying upfront for works not yet carried out, in order to avoid cancellation of a project on the grounds that it had not disbursed in the last 180 days (PD 02/2015). It is impossible to know how common this and similar practices are – quite possibly very rare – but the fact that it was mentioned to the evaluation suggests it is more than just a hypothetical risk and points to the need for careful consideration by the Bank of the behavioural incentives created for clients by Bank policies.

[148] Given that business process re-engineering and associated changes in IT systems have yet to be implemented systematically.

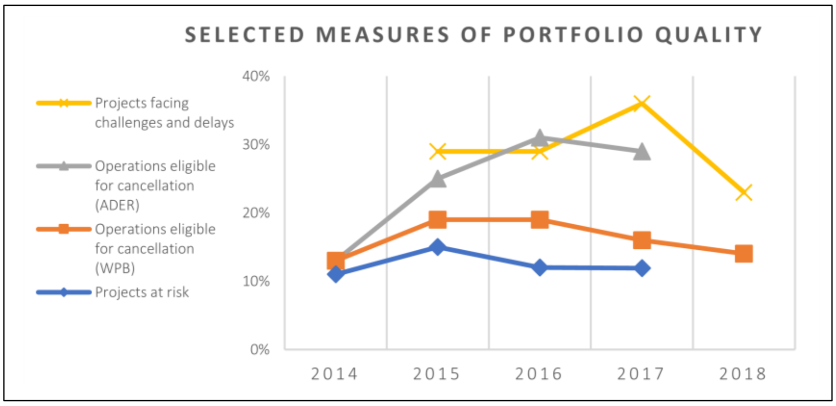



*Figure 18: Selected measures of portfolio quality*

Concern about the effect of faster processing times on subsequent quality was a common theme in interviews with front-line staff and was also voiced by some clients. The Bank has a number of measures relating to the quality of its portfolio included as corporate KPIs. These identify different categories of "problem" projects. The reported results do not suggest any deteriorating trend in quality following the advent of the DBDM (Figure 24). However, they all indicate some increase in problems over the period, even if most measures finish 2018 at broadly the same level or better than in 2014/2015. However, it is unclear why reported results differ between the ADER and the Work Programme and Budget report for ostensibly the same measure, "Operations eligible for cancellation".

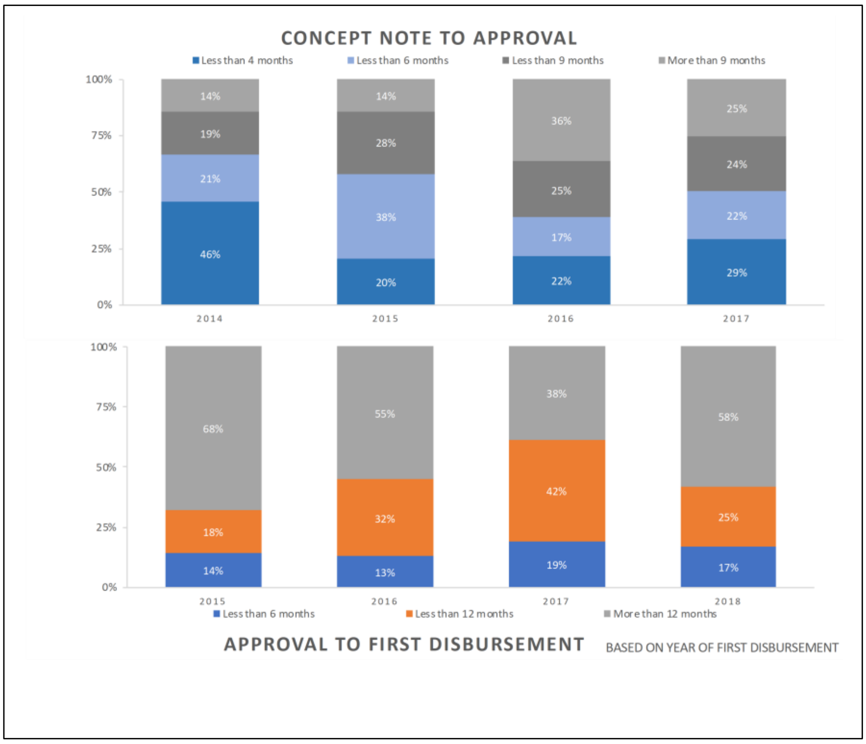



*Figure 19: Concept note to approval comparison*

This broad finding is corroborated by the Bank's Independent Development Evaluation (IDEV). IDEV examined the Bank's quality systems and, based on its own assessment, concluded that the quality of projects "at entry" (i.e. pre-Approval) had not changed significantly over the period 2013– 2017.[149]

The shape of the curve for "Projects facing challenges and delays" is noteworthy in that it appears broadly in line with the shape of the distribution of elapsed times for approval to first disbursement as presented earlier (Figure 16). To a large extent, we would expect to see a similar pattern in both measures, but the more interesting question is whether these results reflect normal, year to year fluctuations in performance or whether there are specific drivers.

Available data do permit limited exploration of one potential aspect of this; namely the risk raised during interviews that rushing project preparation simply deferred tasks/problems that then subsequently caused delays during implementation. If there is any truth in that, we might expect to

[149] Evaluation of Quality Assurance across the Project Cycle of the African Development Bank Group (2012–2017). IDEV, October 2018.

see a (negative) correlation between the elapsed times for concept note to approval, on the one hand, and for approval to first disbursement, on the other. That is, shorter times to approval mean longer times to first disbursement and vice versa.

Based on a very simple comparison between the distributions for the two processes (Figure 25), it appears there may indeed be some truth in this. A larger share of projects reaching approval more quickly does appear associated with a smaller share of projects reaching first disbursement the following year. And the converse is true. Admittedly, lagging the data by twelve months to reflect the temporal relationship between the two processes is somewhat crude but even this relatively unsophisticated analysis suggests an area for further attention by the Bank.

Overall, the evaluation has not found any definitive evidence of adverse consequences operating at scale with respect to the Bank's process reforms. However, interviews with front-line staff and clients as well as analysis of Bank data do point to risks that at the very least warrant further attention by the Bank, if only to confirm that in practice the risk posed is small.

The Bank recently set out its approach to strengthen quality assurance arrangements for both sovereign and NSOs[150]. This report acknowledges the risk to the quality of subsequent results arising from excessive focus on lending approvals, lending volume and disbursements. A number of actions are proposed, including streamlining and raising standards of review processes, provision of greater support to clients for implementation and in particular reorientation of KPIs to better emphasise quality and results. In principle, these measures appear sufficient to address concerns though given the stage of implementation of the new arrangements, it is too early to determine if they are having the desired effect.

## Conclusions

Business process streamlining was a fundamental enabling reform of the DBDM, designed to increase the efficiency and effectiveness of the Bank and enhance client satisfaction. From the start, the Bank set out an ambitious program to reform all business processes, though it prioritised project life cycle, procurement and recruitment processes for attention in the first wave. Clear and consistent targets for priority reforms have not, however, been applied over the period.

The reforms as designed appear to have been relevant to the DBDM's objectives, though a caveat here relates to recruitment, for which the evaluation has not seen a detailed process re-engineering plan. A further caveat exists for those reforms designed for operational process given the partial consultations with front-line staff that appears to have taken place. The relevance of proposed reforms therefore was not subject to further scrutiny and ground-truthing by relevant staff, including front line staff.

In practice, implementation of business process reforms has been much more limited in scope and breadth than was originally anticipated. Indeed, the initial priorities identified for the first wave of reforms are still not yet fully or systematically implemented. Changes have been made to the DAM in line with some proposed reforms, but this is a first step. Critical supporting actions required to implement the reforms – updating IT systems, staff training, standardisation of templates, production

[150] The Quality Assurance Implementation Plan (2019-21): A 10 point plan to raise the bar on quality and results. December 2018.

of new guidance and so on – are still work in progress. Other processes, not initially prioritised, also remain to be addressed.

As a result, a new Director of Business Process Re-engineering has been appointed. A team of consultants has recently been commissioned to carry out an in-depth review of the status of the process reforms to date and identify the steps necessary to carry the work forward.

Notwithstanding the limited progress achieved to date under Pillar 4, other aspects of the DBDM programme will also have promoted faster cycle times for key business processes. Perhaps the most influential of these are initiatives that pre-dated the DBDM but which align closely with its intentions, namely the Presidential Directive 02/2015 and, to a lesser extent, a new Procurement Policy, both issued in 2015.

That said, obtaining consistent cycle time data for key business processes over the period under review is problematic, which in turn limits the assessment of effectiveness that is possible. Nevertheless, available data do provide some tentative findings:

- On project lifecycle times, the evidence points to some improvements in performance during the DBDM period though it is too early to conclude whether these represent sustainable gains. In the case of pre-Approval cycle times, we can conclude the Bank has recovered from 2016, which was clearly a challenging year, but whether pre-Approval cycle times will continue to fall is likely to depend on the success of process re-engineering efforts. For post-Approval cycle times, it is too early to determine whether performance 2017 or 2018 represent ‘atypical’ years and therefore what the trend is.
- On procurement, cycle times for goods and works do seem to have gradually reduced over the period, though this trend appears to pre-date the DBDM. The increase in the value of procurements using partner country systems in 2017 does appear to be associated with faster procurement processes in 2018. This has the potential to be a sustainable improvement though further analysis would be needed to confirm causality.
- On recruitment, the Bank appears to have recorded a potentially substantial reduction in process times. The relative improvement in performance is noteworthy and credible, despite challenges in determining the absolute level, due to data availability limitations and uncertainties around the interpretation of this measure.
- On unintended consequences, we found no definitive evidence of adverse consequences operating at scale with respect to the Bank’s process reforms. However, evidence from interviews and our own analysis of Bank’s data suggest the need for careful attention to potential risks arising from efforts to accelerate business processes.

## Technical recommendations and areas for attention

Looking forward, there appears to be significant scope to realise further cycle time efficiencies through the full implementation of the planned business process re-engineering efforts. However, in taking this work forward, we recommend that the Bank:

1. Develops a realistic timeframe for both the design and implementation phases of process reforms, supported by a detailed, implementation plan that is actively used and updated.
2. Within that process, the Bank should ensure adequate time for consultation, especially with front-line staff and, where appropriate, clients. This consultation should include testing of proposed reforms once developed to ensure their feasibility and relevance.

3. At the same time, the Bank should explicitly include a risk assessment with proposed business process reforms, in particular considering potential adverse impacts on quality. Where mitigating measures are not warranted, the Bank should identify how risks to quality will be monitored to ensure they do not materialise – in line with the Bank's new Quality Assurance Implementation Plan.
4. In terms of analysing and reporting business process efficiencies, a single, "average" indicator for a process has limitations in terms of explaining performance to stakeholders and identifying areas for improvement. While the size of the Bank's Results Measurement Framework needs to be kept manageable, there is scope to examine aspects of performance in more depth (as illustrated above) and present this selectively in key performance reports.
5. More immediately, further research by the Bank appears warranted to 1) explore the apparent relationship between pre- and post-Approval processing times; and 2) the behavioural incentives for clients created by the process deadlines advanced in Presidential Directive 02/2015.

# PILLAR 5: IMPROVE FINANCIAL PERFORMANCE AND INCREASE DEVELOPMENT IMPACT

## Key reforms covered by the evaluation

The name and scope of this pillar has evolved over the course of the various iterations and updates of the DBDM since 2016 and as such no specific measures could be traced in the documentation that solely focus on increasing development impact. This aspect therefore could not be included in the sample of reforms to be examined under this pillar, as agreed, and explained in the inception report.

> **Box 4: Financial performance and development impact challenges**
>
> While the financial position of the Bank Group remains strong, as reflected in recent reviews by the ratings agencies, there is need to further augment the Bank's revenues. Due to both internal and external factors, the net income of the Bank has declined significantly over the last 5 years and could adversely affect development impact in the near term. As the net income of the bank erodes, it becomes increasingly difficult for it to meet the needs of its clients.
> DBDM proposal (April 2016)

The point of departure for assessing Pillar 5 is the document "A Proposal to Redesign the Bank's Development and Business Delivery Model",[151] as well as TMT updates. No specific board resolution has been approved relating to Pillar 5 but the TMT updates show an evolving reform agenda and focus on various aspects related to financial performance and development impact.

The original 2016 proposal stresses the need for increasing revenue and improving the Bank's profitability, allowing the Bank's net income to grow to a target of 30% above budget by 2019. Key reforms proposed address approval and disbursement issues - a continuation of steps taken already in 2015 through the issuance of Presidential Directive PD02/2015, and highlight the need for better business development, to be addressed by various organizational units and reforms (Pillars 1-4).

Subsequent TMT updates have focused systematically on financial performance in different areas around operations and balance sheet optimization. Some documents refer to Pillar 5 (update 2 and 4), some (update 3, and 5-draft) refer to a principle of "*driving AfDB's income growth through improved disbursement to increase the active portfolio value and potentially innovative pricing and new services*."

Looking back over the TMT updates, reforms in Pillar 5 are both operational and financial, therefore implemented and tracked by different complexes.

The financial areas covered by Pillar 5 are areas where the Bank is under much scrutiny from various financial institutions, including the Rating Agencies. It is also an area frequently discussed and where the Executive Board is regularly updated through a range of budget documents such as the Retrospective Review Report on Budget and Work Programme Performance, the Rolling Plan and Budget document and the Two Year Work Plan and Budget, or the Mid-Year Bank Group Budgets

[151] ADF/BD/WP/2016/16/Rev.1/Final3 May 2016

and Work Programme Performance Report. There is thus a high level of transparency vis a vis the Bank's governing bodies on these issues.

Of the three areas selected for focus in the evaluation, one only includes a specific output that can be directly attributed to only Pillar 5, namely the introduction of a new pricing policy. The other two areas (disbursement and portfolio performance) are the result of reform initiatives in other pillars, selected because of the strong focus on these during the TMT updates. In that respect, Pillar 5 is somewhat different from other pillars.

This review focuses on the following key reform efforts, as agreed in the inception report:

*Table 13: Key reforms*

| Key reforms |
|---|
| Reform: Reforming the disbursement process<br>Outcome: Speed up disbursement |
| Reform: Portfolio management<br>Outcome: Timely delivery of quality lending programme |
| Reform: Update the pricing policy<br>Outcome: Improve the cost-to-income ratio |

The performance related to disbursement is closely linked to progress in streamlining the business processes for approval and disbursement (Pillar 4) and to reforms in performance management; therefore the evaluation considers this by assessing the process perspective in Pillar 4, the behavioural and corporate culture aspects in Pillar 3, and the volume aspect under Pillar 5.

## Theory of Change and expected results

Prior to the DBDM there was an expressed concern with a deteriorating income as the Bank's net income had dropped sharply; declining 56% between 2010 and 2015, from UA 214 million in 2010 to UA 93 million in 2015. The analysis underpinning the DBDM showed that while approvals had increased, disbursements slightly declined from UA 3.2 billion in 2011 to UA 3.1 billion in 2015, concluding that disbursements were not keeping up with approval levels, and suggesting that available capital was being tied up in undisbursed approvals and not generating income. This resulted in a number of reforms being gradually introduced to address issues related to financial and operational performance. The evaluation focuses on three of these reform areas, with a large potential to affect the Bank's overall capacity to deliver development outcomes for its RMCs.

The key objectives addressed through these three reforms as a means to ultimately deliver on the Banks TYS and High 5s are to:

- Improve the Bank's profitability;
- Increase net income; and
- Enhance the pricing strategy to bring the best services at the best price.

Three mutually related underlying challenges were identified by the Bank, namely that:

- Loan capital was tied up in operations because of long approval process and slow disbursement;
- The effect on the ground was limited because of poor portfolio management (supervision, quality assurance); and
- Products and pricing needed to be adjusted to better match what was offered by peer institutions.

While different reform elements were identified over the DBDM period to address these problems and achieve the objectives, there has been a consistent and strong focus on disbursement throughout the period. This is confirmed by the key guiding principle for Pillar 5 which was articulated in TMT update 3 as, "*Drive AfDB's income growth through improved disbursement to increase the active portfolio value and potentially innovative pricing and new services*".

The underlying assumption is that speedier disbursement means more development impact in the High 5 areas. However, three issues should be kept in mind:

The first is that money disbursed does not necessarily mean that it is well spent – it could have gone into projects with little or no development impact, or of little relevance. To know this, evaluations of maturing projects approved during the DBDM period need to confirm that the increased disbursement has indeed led to tangible development outcomes in priority areas for the borrower. In the short term, to diminish the risk of limited development impact, the Bank's reforms in Pillars 1 and 2 are critical. The hypothesis here is that being closer to the client with the right skills and authority means more relevant and effective support and project implementation, diminishing the risk of poor project identification and preparation and hence augmenting the possibility of strong development outcomes.

Secondly, disbursement is triggered by project implementation – implementation is the responsibility of the borrower and to a large extent beyond the control of the Bank. The Bank has control only on part of the disbursement process, and therefore initiatives to speed up disbursement by improving internal processes (see Pillar 4) should be accompanied by initiatives to strengthen not only the project implementation capacity of borrowers, but also the capacity to track development impact, i.e. the M&E capacity.

Pending evaluations of the operations approved during the DBDM period, there are proxy indicators on quality of new operations that can speak to possible long-term impact. However, many things can influence a project's success and even the best designed project may be impacted by adverse external factors. The Bank is very aware of these external factors and does track – via the ADERs – both the quality of the existing pipeline such as operations at risk or eligible for cancellation, and the quality of new operations, including satisfactory mitigating measures. These KPIs are further analysed below.

The last issue to keep in mind is that while the Bank's High 5 strategy is clearly articulated and performance is tracked through the RMF, this is a corporate focus. Individual borrowing is demand driven and depends on individual country situations that are highly varied, change over time, and do not necessarily fit completely within the High 5s. Therefore, as with disbursement, High 5 performance is not entirely within the Bank's control.

In November 2016 the Bank published an IDEV evaluation that, based on a sample of 14 CSPs, examined performance of Bank interventions and the quality of its country strategies. The findings from this informed the design of the 2016-2025 RMF and the introduction of new KPIs.  Level 3 of the RMF tracks the quality of the Bank's portfolio through a number of indicators.

## Relevance

The evaluation finds that the reforms in Pillar 5 are highly relevant to the achievement of the goal of the DBDM. They are at the core of the analysis leading to the introduction of the DBDM, namely the finding that the Bank's profitability had declined sharply, and operation disbursements were not keeping up with approvals, suggesting that available capital was being tied up in undisbursed approvals and not generating income.

The reforms address a series of highly interrelated issues, in that profitability is a function of both disbursement and the pricing policy, for example (although other aspects may have an even larger bearing) and disbursement is a function of the lending programme, which in turn depends on the Bank having the right products and rightly priced products.

In terms of relevance for the Bank's clients, the strength of the Banks financial position is fundamental for its ability to borrow at attractive terms, and hence in turn provide its RMCs with much needed capital.  Individually and taken together, the reforms were necessary and relevant to address the fundamental financial problems identified and ensuring a solid future basis for the Bank to enable delivery of the High 5s.

However, sustainable, durable success in Pillar 5 is highly dependent on how well change in other pillars becomes institutionalized.  This is not clearly articulated in the Bank's documents but is an implicit assumption that should be carefully tracked so that course correction can be made – this means that attention must be given to ensuring that the same elements are tracked annually (see comment in Coherence, below). Accelerated disbursement is highly dependent also on reengineered business processes (Pillar 4).  Better portfolio and portfolio management is highly dependent on proximity to clients and success of reforms in Pillars 1 and 2.  Both areas need capable, empowered staff guided by as strong performance culture as expected from Pillar 4.

## Implementation efficiency

The DBDM proposal does not elaborate on specific inputs to reforms under Pillar 5, and there is not a detailed implementation plan with milestones and annual targets, beyond the Bank's regular lending and disbursement targets and other operationally relevant targets tracked in the ADER and various budget documents.  As mentioned above, Pillar 5 to a large extent is about the effect and outcome of efforts under other pillars. However, there is a constant focus on speeding up disbursement in different ways, including through better portfolio management, and on improving the Bank's income position.

### *Net Income*

While attribution of effect from DBDM implementation cannot be established, as many other elements contribute to the Bank's income, the trajectory of the Bank's income has been positive, although uneven, since 2015.

The original DBDM proposal set a target for income growth: "*These changes (the DBDM) will create operational capacity to accelerate delivery of the Ten Year Strategy with a focus on the High 5s. Additionally, they will improve the Bank's profitability, allowing ADB net income to grow 30 per cent above budget by 2019*".

Examining the evolution of the Bank's net income as presented in the annual documents on allocation of Net Income[152] reveals that net income from 2015 and 2018 shows that a stark reversal has taken place, from a negative net income in 2015 of UA million 30.83 to a positive income of UA million 41.68 in 2018, however significantly less than the UA million 176,43 in 2017. The drop since 2017 is largely explained, according to the Bank by various changes beyond the Bank's control.

Increasing commitment charges (and other fees and income) have contributed to an increasing income from UA million 30.75 in 2015 to UA million 35.28 and UA million 44.53 respectively in 2017 and 2018.

Total Allocable Income in 2018 was UA million 154. While higher than the 2015 figure of UA million 137.4, it was however somewhat lower than which was foreseen in the 2015 medium term income prospects (2016-2025), namely UA million 166.

The cost to income ratio, also mentioned in the DBDM, has shown a steady increase from 34.7% in 2016, to 41.9% in 2017 and peaking at 45,5% at the end of 2018. The main driver of this increasing ratio is the rise in administrative expenditure (from UA million 357.10 million in 2016 to UA million 376.81 million in 2017 to UA million 428,29 in 2018).

There is no evidence that the Bank has tracked the expectation in the original proposal that "On the cost side, the changes will ensure that the Bank's country offices are able to cover their cost at a minimum (except in select cases such as transition countries)" over the period.

### *New loan pricing policy*

Overall, the Bank has been deliberate in its efforts to turn around its income trajectory. An important step towards this was the Board approval of changes that the Bank made to its loan pricing policy. This was approved in 2016, as a difficult but necessary action to drive stronger financial health for the Bank.

The background to the change in the pricing policy is explained in the 2015 Mid-Term Financial Outlook which presents analyses of the Bank's financial performance and development capacity for the year 2014, as well as the outlook for the 2015-2024 period. The key conclusions of these analyses were that, overall, most of the Bank's key financial ratios were within the limits set in the income model, despite the low interest rate environment, but two areas of concern were the sovereign loans coverage ratio and the efficiency (cost to income) ratio which remained below and above their thresholds respectively. To address these issues, management presented to the Board measures designed to improve the Bank's cost efficiency through more stringent expenditure management, and proposals to review sovereign loan pricing and improving the loan coverage ratio. As part of DBDM,

[152] ADB/BD/2019/03/Rev.1 Allocation of ADB 2018 Net income. 27th March 2019; Allocation of ADB 2015 Net Income, 15th March 2016

the Bank thus updated its pricing policy to match its comparators and improve its cost-to-income ratio. In May 2016 the following changes were agreed by the Board:

- ADB[153] public interest spread;
- Commitment fee on undisbursed ADB-Public funds;
- Front-end fees for new ADB-Public loans;
- Fees on key syndication and transaction advisory.

The policy has been accepted by all RMCs as a necessary although not necessarily welcome measure to improve the Bank's financial position.

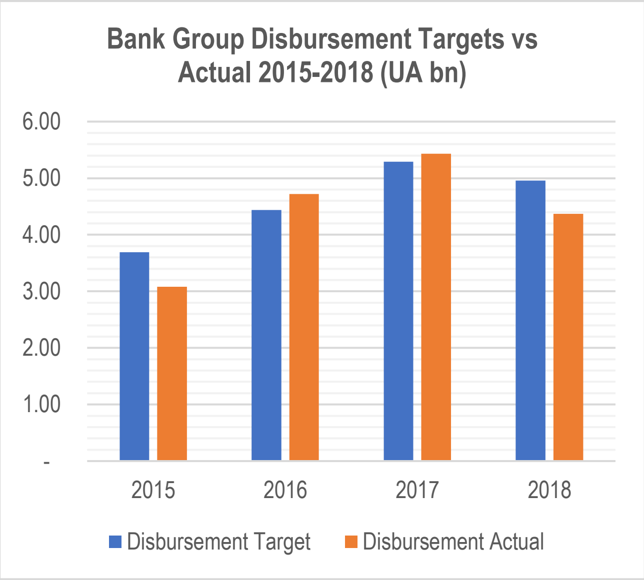



*Figure 20: Disbursement Targets vs. Actuals*

*Approvals and Disbursement*

Disbursement had been a serious preoccupation to senior management prior to the introduction of the DBDM, as evidenced by the Presidential directive PD 2/15, issues in November 2015.

A presentation to staff in the regions in May 2016 identified specific activities to achieve efficiencies in approvals and disbursements. These were, in summary: 1) streamlining and simplifying the project lifecycle process; 2) introducing a disbursement control centre; 3) increasing leadership and expertise in regions; and 4) introducing new performance management mechanisms. Most of these activities are dealt with in other pillars, however, improved approvals and disbursements also depend on pipeline development, and hence the Bank's planning process.

Evidence from interviews suggest that while the planning process has improved over time, in terms of delivering what is planned, significant change will not be made until vacant positions for Investment Officers and Task Managers - to help develop and manage a more robust pipeline of investment projects - are recruited and at post. This relates particularly to NSO, a specific objective of the DBDM. To what extent and how the reforms in Pillars 1 and 2 have impacted on the Bank's ability to generate a solid pipeline and ensure a high level of approvals in the private sector is difficult to say with certainty as attribution would require a deeper analysis than what is possible within the scope of the current work.

However, the 2018 Retrospective Review Report on Budget and Work Programme Performance states that resources will be given to business development to ensure a robust pipeline for 2019, as well as "*proactively foster dialogue with both public and private sector entities*", something that should be facilitated by the decentralisation process. Indeed, the Bank has been developing various tools and processes to strengthen pipeline development, including the Indicative Operational Programme

[153] The AfDB comprises three entities: the African Development Bank (ADB), the African Development Fund (ADF) and the Nigeria Trust Fund (NTF).

(IOP) which serves to identify the level of preparedness of the pipeline proposed for each year. The IOP is a useful instrument, but its readiness and credibility has needed improvement and the process has been strengthened through continuous communications and feedback with Task Managers and regions, and additional budgetary resources to improve the robustness of the pipeline. In addition, operations staff, such as country programme officers and regional economists, has been trained in the budget process along with the IOP preparation process. In January 2019, a Planning Week was held to further improve the level of readiness, align the current IOP to the High 5s and avoid "bunching", a recurrent problem in the Bank. The IOP also serves to address concentration risk as well as country headroom limits and its implications on the Risk Capital Utilization Rate to adjust the lending program accordingly.

## Effectiveness

### *Disbursement performance*

While Pillar 4 examines the changes in business processes intended to speed up disbursement, the following looks at actual disbursement performance to understand what drives accelerated disbursement, and what regional differences show. Disbursement figures are given for financing instruments, and also analysed based on regions.[154]

Figure 26 shows an increasing disbursement trend since 2015, peaking in 2017 and slightly declining in 2018. In 2016 and 2017 the Bank surpassed its targets. In 2015, disbursement volumes reached UA 3,084 million, which was 84% of the Bank's target of UA 3,692 million. Slow disbursement was attributed primarily to weak institutional and management capacity in some RMCs.

Subsequently, the November 2015 Presidential Directive on the design, implementation and cancellation of operations[155] introduced requirements for all public sector projects to reach signature within three months, and first disbursement within six months after Board approval. Projects failing to meet this target from this point had to be flagged for special attention, requiring a waiver to avoid cancellation. This subsequently impacted on the ratios for loan cancellation and problem projects.

Management formed an interdepartmental working group to promote ownership and accountability for disbursement performance across all Bank business entities, and implemented a revised procurement framework, which fosters extensive use of national procurement systems (see also Pillar 4).

Total disbursement the following year, 2016, stood at UA 4.72 billion. Public sector projects, especially policy-based operations, disbursed speedily, however, delays in meeting conditions held back private sector disbursement, according to the Bank's ADER. The overall disbursement ratio stood at 17.3% against a target of 21%.[156] Disbursement delays were attributed to delays in signing loan agreements, delays in ratification by parliaments, capacity weaknesses at the level of executing agencies, political transitions and delayed preparation of work programmes and budgets.

[154] Respective Retroactive Budget Reports
[155] PD 2/2015
[156] ADER 2017

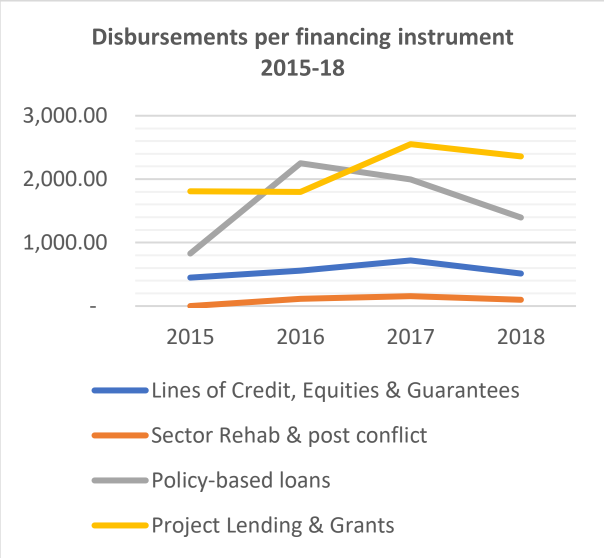



*Figure 21: Disbursements per financing instrument*

Policy-based operations constituted 48% of total disbursements in 2016. Policy-based Lending (PBL) disbursement however decreased by UA 253 million between 2016 and 2017, but this proportion of disbursement was still significant at around 37% of all disbursements for 2017 and included the disbursement of large policy-based operations in Nigeria, Egypt and Algeria.[157]

In 2017 the Bank disbursed a total of UA 6.2 billion, the highest amount in its history. While this performance according to the ADER 2018 was due to disbursement in large policy-based operations, the 2017 Annual Report states that the improvement in disbursement performance is due "*in part to decentralisation, which has helped deepen engagement with RMCs and speed up project implementation and monitoring*" and a 42% increase in project loan and grant disbursements which reflects improved portfolio management. These figures cannot be validated by the evaluation which notes the importance of fast disbursing policy-based lending in both 2016 and 2017.

In 2018, the Bank Group disbursed UA 4.37 billion (88% of the UA 4.9 billion target), a fairly significant drop from 2017. The Bank attributed this decrease to a reduction in the volume of Policy Based Operations (PBOs) – which decreased to 32% of total disbursements – and "*delays in reaching effectiveness and in finalizing procurement on some operations, project design issues and weak institutional capacity of some Project Implementation Units (PIU)".* The Bank highlights that improving portfolio management efforts, quick disbursements in lines of credit and PBOs have resulted in a steady increase in disbursements over the years.

Project lending and grants, which was 59% of all disbursements in 2015 dipped in 2016 when PBLs made up the bulk, but increased again significantly to 47% of all disbursements in 2017 and 54% of disbursements in 2018.

In 2016 the disbursement ratio of 16.27% on ADB Public Sector was below the target of 23%, highlighting some of the perennial issues causing disbursement delays. Management stated its intent to continue to address such issues as capacity constraints in executing agencies and delays by RMCs in ratifying loan agreements and processing of procurement and disbursement documents.[158]

The result of the Presidential directive did expedite disbursement as intended, but the full impact and cumulative effect of the policy change was felt in 2017, when the number of loans and grants signed and undisbursed for more than six months jumped from 24 in 2016 to 113 in 2017, constituting 36% of the portfolio. Meanwhile there was a moderate decrease in the share of operations eligible for cancellation to 29% in 2017, from 31% in 2016.[159]

[157] ADER 2018
[158] RRR 2017
[159] ADER 2018

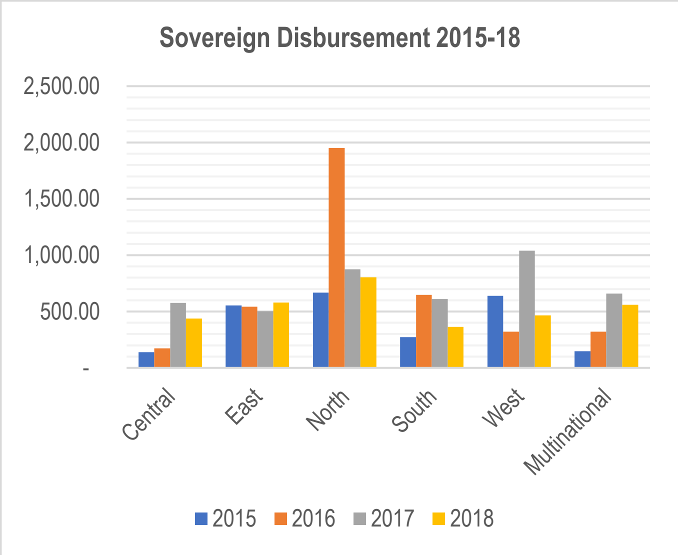



Figure 23: Sovereign disbursements

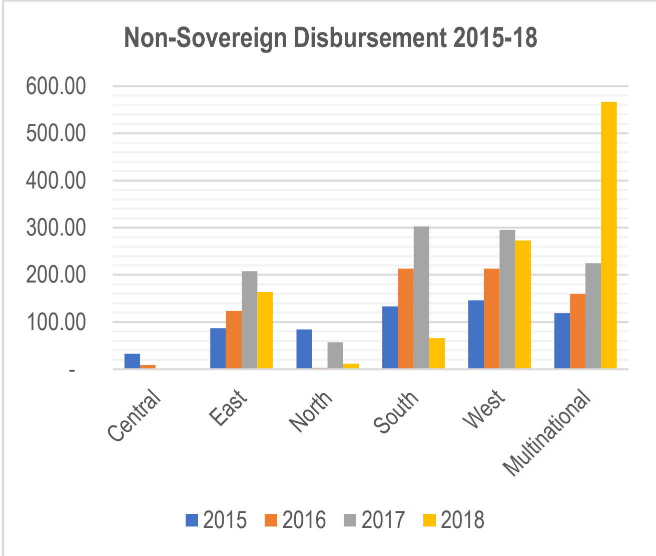



Figure 24: Non-sovereign disbursements

While approvals figures are given in Bank documents per region for the High 5s, the closest disbursement figures provided are for different sectors. As a number of these cover more than one, and all the High 5s in the case of finance, it is difficult to track the High 5 disbursement trend.

In terms of regional disbursement performance, there are large differences between sovereign and NSOs according to the Bank's Retrospective Reviews. While Regional volumes are given, targets are not specified in the documentation.

The North Region had the highest volume of disbursements (UA 4.45 billion) over the four years, largely due to a significant sovereign disbursement spike in 2016.

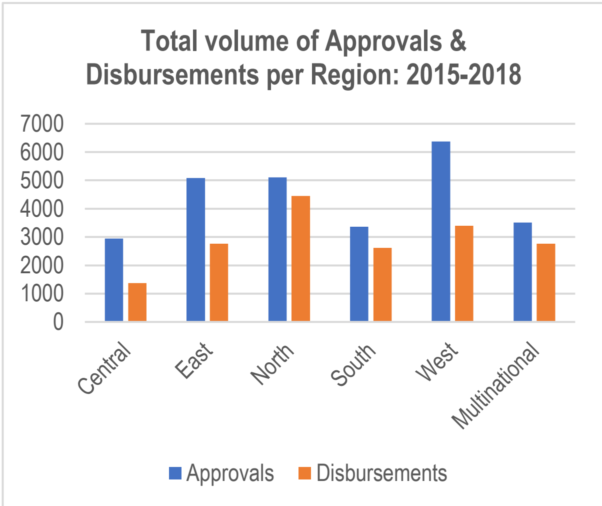



Figure 22: Total volume of approvals and disbursements per region

Sovereign disbursements fluctuated in all regions in 2015 and 2016, but the majority declined from 2017 to 2018, with the exception of the East which saw a small increase between 2017 and 2018.

The majority of non-sovereign disbursements also declined, with the exception of the multinational portfolio which saw a significant increase. Looking at the multinational projects these are primarily private sector projects,

The disbursement target was met for the private sector operations in all years in all regions but not met for any region in any year for the public sector. The multinational projects were significantly above the target in all years and saw a spike in disbursement surpassing any region in 2018. This gives reason for reflection on setting targets.

Key findings and trends in disbursements are:

- Total disbursements have increased over the period;
- The greatest volume of disbursements was for SO;
- The disbursement target was met for the private sector operations in all years in all regions but not met for any region in any year for the public sector;
- The multinational projects were significantly above the target in all years;
- The Bank does not track disbursements by High 5s, although it does track approvals in this way. As High 5s are key strategic measures for the Bank, understanding disbursement volumes in these areas would be useful;
- The reasons for disbursement delays have remained over the period according to Bank reporting (ADER, Budget documents) a combination of internal Bank processing problems and external factors;
- The Bank highlights that improving portfolio management efforts, quick disbursements in lines of credit and PBOs have resulted in a steady increase in disbursements over the years.

Examining disbursement trends and volumes in terms of instrument highlights the importance of PBL for speedy disbursement. Taken together with findings in Pillar 4 showing limited progress in terms of implementation of reforms, reveals that the increase in disbursement cannot be attributed to the DBDM. It remains a key element however to consider under Pillar 5 as disbursement is a key prerequisite for achieving the DBDM net income target.

At the level of reporting, approvals are tracked against the High 5s, but a key gap is the disbursement figures against these strategic categories. This is understandable between 2015 and 2016, but it would be expected that from 2017 onwards all categories should reflect in the same way across all corporate documentation.

### *Portfolio management*

Targets for portfolio management are tracked in the Bank's RMF and also described under Pillar 4 (see analysis above). In November 2016, the Bank published an IDEV evaluation[160] that, based on a sample of fourteen CSP, examined performance of Bank interventions and the quality of its country strategies. The findings from this informed the design of the 2016-2025 RMF and the introduction of new KPIs. Level 3 of the RMF tracks the quality of the Banks portfolio through a number of indicators.

Comparing data pre-DBDM was made difficult by a change in the reporting methodology and indicator in the ADER. However, in 2015, of the projects identified as problematic at the beginning of 2015, 36% were successfully brought back on track enabling the Bank to stabilise the overall proportion of operations at risk at 15%. However, the share of operations eligible for cancellation increased to 19% from 13% in 2014, well above the target of 7%[161]. According to the Bank, the proportion of operations at risk decreased in 2016 from 15% to 12%, "*because of proactive measures by regional departments and country offices and monthly monitoring by senior management, using tools such as the Portfolio*

[160] Comprehensive Evaluation of Development Results (CDER)
[161] ADER 2016

*Flashlight report and the Executive Dashboard*".[162] The share of operations eligible for cancellation however increased from 25% to 31%, largely because of the Presidential directive which prescribed a change in the standards for signature and disbursement timelines of public sector operations; project signature is required to take place in the first three months after approval and first disbursement within six months after approval (see Pillar 4 detailed findings above).[163] Disbursement ratios represent some measure of portfolio performance.

*Table 14: Disbursement ratios*

| | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|
| ADB Sovereign Disbursement Ratio | 21 | 13 | 16 | 13 |
| ADB Non- Sovereign Disbursement Ratio | 64 | 64 | 64 | 75 |
| ADF Disbursement Ratio | 18 | 16 | 21 | 19 |

Targets for 2018 were 23, 50 and 18 for the three financing windows in Table 14. Given that disbursement ratios can be taken as a measure of performance, this shows that the NSOs performed consistently better than sovereign operations over the period, and above target in 2018.

Table 17 below shows the progression of KPIs measured annually by the Bank. Timely PCR coverage increased substantially from 2017 to 2018. Projects at risk show a steady decline, although the percentage for 2018 shows sovereign operations only. The percentage of flagged operations is very variable, as is the impaired loan ratio, which in 2018 is outside of the target by less than 5% for the first time. Operations eligible for cancellation have declined somewhat, but at 16% in 2017 and 2018, are still not anywhere near the target of 6.5%, and in both years the value of these grants and loans, although declining in absolute value, sits at UA 3.9 billion and UA 3,1billion, respectively. These amounts are equivalent to three quarters of the value of disbursements in each year.

*Table 15: Trends in key portfolio management indicators*

| | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|
| Projects at risk | 13,31% | 10,31% | 9,57% | SO: 7,39% |
| Share of flagged operations | 37% | 28% | 36% | 23% |
| Impaired loan ratio (targets <5%) | 3,96% | 4,91% | 2,6% | 5,3% |
| Operations eligible for cancellation (targets 6,5%) | 18% | 19% | 16% | 16% |
| Timely PCR coverage | 56% | 56% | 58% | 85% |

Operations flagged or of concern between 2015 and 2018 are presented in table 16 below,[164] by region. Although data are not completely comparable, we have nonetheless highlighted where 25%

[162] ADDR 2017
[163] ADER 2017
[164] All figures are drawn from the AFDB Key Performance – Regional Distribution diagrams in the Retrospective Review Reports. Different categories are shown in 2015 and 2016 and the percentages may not be completely comparable because the indicator in the ADER was changed.

or more of operations are of concern. Multinational NSOs, where approvals are growing substantially, show 73% and 50% flagged operations in 2017 and 2018. The West, North and East Regions which hold the largest proportions of sovereign approvals over the four years, all have well over a third of operations flagged in 2017; this declines somewhat in 2018. In the Central Region, sovereign operations are of continuous concern.

*Table 16: Sovereign vs. non-sovereign operations*

| Sovereign operations | | | | | | Non-sovereign operations | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Supervised twice | At risk | Flagged operations | | | Supervised twice | At risk | Flagged operations | |
| | 2015 | 2016 | 2017 | 2018 | | 2015 | 2016 | 2017 | 2018 |
| Central | 44% | 31% | 29% | 36% | | 0% | 6% | 29% | 0% |
| East | 46% | 6% | 42% | 25% | | 39% | 3% | 17% | 7% |
| North | 41% | 0% | 35% | 21% | | 13% | 7% | 17% | 10% |
| South | 30% | 13% | 37% | 23% | | 17% | 19% | 27% | 19% |
| West | 40% | 12% | 41% | 26% | | 36% | 0% | 20% | 10% |
| Multinational | 44% | 14% | 67% | 56% | | 44% | 8% | 73% | 50% |

Both of the tables above show fluctuating performance over the four years and hence no clear trend or trajectory can be established.

The 2018 Retrospective Review, states that: "*The wide gap between the Bank Group's targets under the High 5 strategies and the results delivered so far require the Bank to transform, building on the Development and Business Delivery Model introduced in 2016. Thus, within and across the High 5 priorities, the Bank needs to take action to (i) sharpen its operational focus and (ii) strengthen its capacity and effectiveness*".

## Conclusions

Pillar 5 is distinctively different from other pillars in as much as it only has one specific output covered by the evaluation, namely the introduction of a new pricing policy. On the other hand, the pillar does have a number of outcomes that the evaluation has examined, including those related to income, disbursement and portfolio performance.

The Bank did indeed introduce and implement the new pricing policy as planned, and it also achieved the overarching outcomes of reversing the negative trend for net income and accelerate disbursement. This achievement should be duly recognized. At the same time, it is clear that it is not possible to attribute this to the DBMD, although it may have had a positive impact at some levels; many elements contribute to this result. It should also be noted that despite the improvement in net income, the cost-to-income ratio has not improved as intended.

There is no evidence that the Bank has tracked the expectation in the original proposal that on the cost side, "*the changes will ensure that the Bank's country offices are able to cover their cost at a minimum (except in select cases such as transition countries*)" over the period.

Although not examined in this work because there were no specific initiatives planned, Pillar 5 is also about achieving development impact. In this regard, it should be noted that while a strong focus in 2015 on disbursement was justified, the evaluation also notes senior management's current focus on implementation and accountability for development results. In this respect, KPIs could better reflect elements that enhance the likelihood of successful projects and development impact, as identified by the Bank's evaluations.

The Bank uses KPIs and targets as instruments for management, and these are indispensable instruments. However, looking at the disbursement targets over the relevant period, these were met for the private sector operations in all years in all regions but not met for any region in any year for the public sector. The multinational projects were significantly above target in all years and saw a spike in disbursement surpassing any region in 2018. This gives reason for reflection on setting targets and indicate that a review of targets and their underlying assumptions for setting them may be required.

## Technical recommendations and areas for attention

1. The Bank may wish to consider to what extent the current balance between KPIs focused on approval and disbursement are well balanced with KPIs focused on project quality, implementation and development results.
2. Given the importance of measuring disbursement for High 5s, it is recommended that the Bank improves its data and reporting tools to better capture that.
3. Given the expectation that the Bank’s country offices are able to cover their cost at a minimum (except in select cases such as transition countries), it is also recommended that the Bank analyse to what extent that has happened and under what conditions it is feasible.
4. A review of approval and disbursement targets, and the underlying assumptions for setting them, may help the Bank better develop more realistic and achievable targets for improved results management and accountability.

# Annex 2: Methodology

## Evaluation process and timeline

The evaluation was conducted by an independent team from IOD PARC. The Bank's own independent evaluation function, IDEV, provided assistance and liaison for the team but did not participate in the work. The team also obtained advice and feedback from an internal reference group comprising of relevant Bank staff.

The evaluation was conducted over the period of November 2018 to June 2019. The inception phase took place from November 2018 to January 2019 and comprised: contract mobilisation, review of key documents, a rapid evaluability assessment and initial consultations with Board members and senior Bank staff. Substantive data collection and analysis was carried out during the period January 2019 to March 2019. Emerging findings were shared with the reference group for validation and preliminary findings presented to the Board and the Governors' Consultative Committee in April 2019. Following comments from this committee, a draft evaluation report was issued for comment by Bank management and the reference group, in advance of drafting the final report. The final report was quality assured by IOD PARC and presented, together with management's response, to the Board of Directors on 31 May 2019 for endorsement, and subsequently to the Board of Governors, in June 2019.

The implementation process is summarised as follows:

| Nov | Dec | Jan | Feb | Mar | Apr | May | Jun |
|---|---|---|---|---|---|---|---|
| **Inception** | | **Data collection** | | **Analysis** | **Preliminary findings** | **Final report** | |

## Evaluation scope and focus

The evaluation refers to the period from April 2016 to December 2018. The cut off point for evaluation evidence was 31 December 2018, although allowance was made to receive relevant data for the reference period up to mid-February 2019. The period 2014-15 was used for comparison of 'before DBDM' conditions for selected reforms.

The subject of the evaluation is the set of reforms introduced under the DBDM. For the purposes of the study, the DBDM constituted what had been agreed to by the Board, as reflected in successive resolutions. These comprised the focus of the evaluation, the point of departure and baseline for the evaluation.

Guidance obtained from the Board of Governors indicated that the evaluation should be comprehensive, covering all five DBDM pillars. Based on our preliminary evaluability assessment findings (see box below), we selected a sample of reforms within each pillar for examination.

**Rapid evaluability assessment**[1]

*Evaluability in principle:* The broad logic to the DBDM is that by strengthening its institutional and operational capacity, the Bank would improve its development effectiveness, in turn leading to positive outcomes for the continent. Determining the relationship between organisational reforms in the Bank and development outcomes on the continent is extremely challenging. However, testing more intermediate effects of reforms, on the Bank's efficiency and effectiveness is in principle more tractable.

*Evaluability in practice:* A significant challenge for DBDM reforms is that they have been or are still being implemented at a different pace. As a result, the depth of evaluation possible across each pillar varies. There is verifiable evidence, including data on preliminary effects, for Pillars 1, 2 and 5 in particular, but less so for Pillars 3 and 4. The compressed timeline for the evaluation also means that while measures of process quality, output and some immediate outcomes are evaluable intermediate and longer-term outcomes/impact are not.

*Usefulness of an evaluation:* The evaluation can address whether reforms have been implemented as initially conceived/ planned; whether they have subsequently been adjusted and why; and explanations for observed performance. To a more limited degree, the initial effects of reforms can also be examined. The evaluation provides insights on the challenges and lessons for further improvement.

[1] See Inception Report, Annex 2 for more detail.

Table 17 presents the key reforms under each pillar selected for examination in the evaluation.

*Table 17: List of DBDM reforms included in the evaluation*

| DBDM PILLAR | DBDM REFORM |
|---|---|
| Pillar 1:<br>Move closer to the client to enhance delivery | • Regionalisation and expansion of country offices<br>• Rightsizing of field presences (incl. adequate staff quantity and quality)<br>• Devolved decision-making authority from HQ to field level<br>• Streamline functions, responsibilities and oversight mechanisms<br>• Enhance the Bank's value-added as a partner at country level |
| Pillar 2:<br>Reconfigure HQ to support the regions to deliver better outcomes | • Establish Sector Complexes and associated reconfigurations<br>• Streamline internal collaboration and coordination between Sector Complexes, regional hubs, departments and units<br>• Rationalise and implement structural changes to roles and responsibilities between functions and regions, including Pilot – Co-Pilot mechanism<br>• Develop specialist knowledge, sectoral expertise and new products |
| Pillar 3:<br>Strengthen the performance culture to attract and maintain talent | • Results-oriented performance contracts (including KPIs)<br>• Improved performance appraisal / management system<br>• Attracting and retaining talent (including Talent Management Framework)<br>• Staff recognition / awards |
| Pillar 4:<br>Streamline business processes to promote efficiency and effectiveness | • Shorten recruiting process<br>• Streamline project life cycle process<br>• Redesign procurement process to enable fast and efficient procurement |

| | |
|---|---|
| Pillar 5:<br>Improve financial performance and increase development impact | • Accelerate disbursement<br>• Improve portfolio management performance<br>• Introduce a new loan pricing policy |

## Evaluation criteria

The evaluation followed Evaluation Cooperation Group[165] guidelines and principles. It used a blend of OECD-DAC[166] and DBDM-specific[167] criteria to guide the enquiry, focusing on the key areas of interest to Governors. The choice reflected both the tight timeline and our consideration of feasibility and opportunity cost associated with other criteria. Table 18 summarises the criteria selected and associated evaluation questions.

*Table 18: Evaluation criteria*

| Evaluation Criteria | Source | Application/scope | Evaluation questions |
|---|---|---|---|
| Relevance | OECD-DAC | Examined at the level of specific reforms, to test their relevance to the objectives and ambitions of the DBDM | • Was the reform designed with a clear line of sight to the DBDM aims?<br>• Was the reform necessary and sufficient to achieve its intended objectives for partners/ clients? |
| Implementation efficiency | OECD-DAC | Examined at the level of specific reforms, to test whether the intended outputs have been delivered in line with effort expended | • Was the reform implemented as planned?<br>• Were intended short-term results (outputs) achieved as expected? |
| Effectiveness | OECD-DAC | Examined at the level of specific reforms, to test whether the objectives of reforms are considered likely to be achieved | • Has the reform achieved its immediate objective(s)? |
| Coherence | TOR | Examined at the cross-pillar/reform level, to test whether key dependencies between reforms are understood and risks managed across units | • Were dependencies between key reforms / organisational units managed? |

In examining *Relevance*, the evaluation considered the design of specific reform initiatives, and, in particular, the extent to which these were client-facing/responsive to RMC needs - a key ambition of the DBDM initiative. It did not, however, consider the relevance of the DBDM initiative as a whole.

*Implementation efficiency* looked at the intended outputs – quantitative and qualitative – in relation to the planned effort/resources. The evaluation considered whether outputs were achieved on time and in line with expectations.

*Effectiveness* relates to whether the reform attained its objective(s). In practice, the evaluation focused on initial effects, from two perspectives: 1) changes in the way the Bank operates; and 2) changes in clients' and partners' experience working with the Bank. However, assessing the effects on partners/clients was more challenging given the fact that DBDM reforms had been introduced only recently. Therefore, the effectiveness criterion was assessed primarily for initial effects.

165 The Evaluation Cooperation Group (ECG) established in 1996 is dedicated to promote a more harmonized approach to evaluation, among multilateral development banks .
166 Organisation for Economic Co-operation and Development's Development Assistance Committee
167 As proposed in the original Terms of Reference for the evaluation.

*Coherence* related to the Bank's change management strategy, and whether the dependencies between different reforms within and across pillars were understood and managed in a holistic way. Critical dependencies may have existed between reforms within and across DBDM pillars and with other non-DBDM initiatives.

The remaining OECD-DAC criteria (*Impact* or *Sustainability*) were not considered, on the grounds that this was primarily an evaluation of implementation efficiency, and effectiveness. Any assessment of impact or sustainability at this point in time would be too speculative, while inclusion would also entail an opportunity cost in terms of reduced focus on the proposed, priority criteria. However, under *Effectiveness*, we included, where possible, consideration of unintended effects.

## Data collection and analysis

### *Data sources*

The evaluation team drew on both primary and secondary sources of data. Primary data were obtained from four sources (see Table 19):

- Interviews with AfDB staff in HQ, regional hubs and a number of country offices
- Interviews with a limited number of partners and clients face to face and by video
- Focus group discussions with subsets of AfDB staff in HQ and Regional Hubs
- A survey of Governors

Interviews were conducted in line with standard ethical protocols, with confidentiality and anonymity assured to interviewees, and information used on a non-disclosive basis.

*Table 19: Summary of primary data collection methods and purposes*

| Data collection method | Scope | Purpose |
|---|---|---|
| Semi-structured interviews with AfDB staff | Sample of staff at HQ, Regional Hubs and Country Offices spanning AfDB operating contexts | A small number of interviews were confirmatory, to augment secondary data sources, validate our understanding and address any limitations in available data/documentation.<br><br>The majority of interviews with AfDB staff were evaluative, designed to explore issues for which no secondary data exist, assess the degree of implementation of reforms 'on the ground' and to test key assumptions underpinning DBDM reforms. This included obtaining respondents' views on the extent to which behaviours had changed and, where appropriate, sought examples to substantiate any claims.<br><br>Interviews with staff in Country Offices were partly face-to-face but predominantly remote. |
| Semi-structured interviews with AfDB partners and clients | Sample of partners/ clients selected from AfDB operating contexts | Interviews were held both remotely and face-to-face. They were evaluative in purpose in order to: triangulate results from other AfDB staff interviews and reports; test key assumptions underpinning the design of DBDM reforms; and explore issues of effectiveness, including any unintended consequences arising from changes introduced under the DBDM. |

| | | |
|---|---|---|
| Focus group discussions (FGDs) with AfDB staff | Sub-set of AfDB staff in the Regional Hubs visited | FGDs were used to explore staff experience of the reforms in context. FGDs are an effective way to explore issues associated with the more complex reforms in some depth. However, participant selection requires care and therefore use of FGDs relied on Bank support in identifying appropriate participants. FGDs were held to explore specific aspects of the DBDM: performance culture; matrix management; and business process efficiency/implementation of DAM. |
| Questionnaire survey of AfDB public sector clients | On-line survey of AfDB governors | A short online survey, in English and French, administered by IOD PARC. Perception-based assessment of changes in the quality and ease of doing business with the Bank from a key stakeholder group |

A summary profile of interviews conducted during the evaluation is provided in Table 20 below:

*Table 20: Summary profile of interviews conducted*

| | |
|---|---|
| Overall | 285 individuals consulted (interviews and focus group discussions), comprising 211 AfDB staff, 30 representatives from partner/peer organisations and 44 representatives from governments |
| Countries | Face-to-face interviews in Cote d'Ivoire, Tunis, South Africa, Kenya, Lesotho, Benin, and Cameroon<br>Remote interviews conducted with Angola, Cameroon, DRC, Liberia, Nigeria, Sao Tome, Sierra Leone, Sudan, Tanzania and Zambia. |
| AfDB staff | 41 representatives from senior management (including 11 Executive Directors)<br>170 representatives from staff including managers (45), officers (119), consultants and support staff (6) |

For the survey of Governors, 39 (out of 80) Governors responded (49% response rate), of which 16 were from regional member countries (30% response rate) and 23 were from non-regional member countries (89% response rate).

Secondary data sources were predominantly drawn from:

- AfDB's policies, strategies and manuals, including Board papers relevant to the DBDM process;
- AfDB's own management information (financial, operational and administrative), including corporate performance data and reports;
- Relevant evaluation reports produced by the Bank's Independent Evaluation function and reviews by the Bank's Board; and
- Relevant third-party assessments of aspects of the Bank as exist, such as the most recent MOPAN assessment.

A list of documents consulted is provided in Annex 4.

### *Sampling*

Sampling was used at multiple points in the study:

- *Within pillars:* as set out in the evaluation scope, we examined a sample of reforms under each pillar. The sample was chosen purposively, based on a consideration of 1) significance to the objectives of the DBDM pillar; 2) maturity of the reforms - recognising implementation and effect lags; and 3) resources available for the study.
- *Regional Hubs:* The evaluation visited all regional hubs (i.e. a census), with West and Centre based in Abidjan and included during the visit to HQ.

- *Country offices:* 16 countries were selected for visits and remote interviews. The sampling strategy involved stratifying RMCs by FCAS[168]/AfDB eligibility categories and within strata, countries were selected randomly using monetary unit sampling, to ensure the sample reflected the significance of Bank involvement in different countries. Further minor adjustments were made to the sample to reflect regional considerations and date of country office establishment.
- *Focus group discussions (FGDs)*: FGDs were held at Regional Hubs to explore more complex aspects of the reforms – matrix management arrangements; and changes to the Bank's performance culture – as experienced by Bank officers. Identification of participants relied on Bank's assistance but was subject to discussion with the evaluation team. No concerns regarding sampling bias were encountered.
- *Clients/partners:* The planned on-line survey of Governors was a census survey and did not involve sampling. However, interviews were conducted with a limited sample of Bank clients and partners to obtain their perspective. Selection of country of origin followed the same logic as the country offices sample and was opportunistic based on availability and Bank's recommendations. Our aim in speaking to this group was not to obtain generalisable estimates of "client satisfaction" but rather to examine the robustness of assumptions underpinning key DBDM reforms aimed at improving the experience of clients/partners working with the Bank and explore initial effects of those reforms.

As explained above, our aim in sampling was not primarily to obtain results that may be generalised across the Bank. Rather, we used the samples as vehicles to explore the reforms in context and test assumptions and beliefs about how the reforms are working/will work. However, that does not diminish the informative value of our samples. Our ability to generalise with confidence about Bank performance was also boosted by the high level of consistency we observed in responses in the different contexts and congruence with other data sources.

### *Analysis, synthesis and drawing conclusions*

Our overall analytical approach to the drawing of inferences was qualitative. This approach was appropriate given the rapid nature of the exercise, the unique nature of the DBDM reforms, the on-going nature of the reforms and the importance placed in our terms of reference on lesson-learning. However, within that overall paradigm, both quantitative and qualitative analysis was conducted as part of the assessment.

The evaluation team employed a mixed-methods approach, using multiple lines of both quantitative and qualitative evidence drawn from both primary and secondary sources: interviews and focus group discussions, document and administrative data review, content analysis, trend and comparative analysis ('before-after'), field visits to regional hubs and remote engagement with country-level stakeholders.

Interviews and focus group discussions were semi-structured in nature and analysed qualitatively. Data obtained were coded and categorised to capture and synthesise respondents' views regarding key aspects of the DBDM reform – their relevance, implementation and effectiveness, as well as other factors affecting performance (positively and negatively).

With the exception of the on-line survey of Governors, primary data collection was not designed to provide statistically 'representative' results that would support Bank-wide generalisations. Rather, we aimed for 'situational' representativeness, i.e. to reflect the diversity of operating environments. For

[168] Fragile and Conflict Affected Situations

these different environments, interviews and focus group discussions were used to: 1) corroborate or contest findings suggested by other sources; 2) to test the reasonableness of assumptions underpinning the design logic of key DBDM reforms; and 3) deepen our understanding of the key reforms in context, for the purposes of lesson-learning.

The on-line survey of AfDB Governors was a structured questionnaire, exploring a limited number of issues primarily related to the Governors' perceptions about Bank engagement in member countries and changes since the advent of DBDM. Adequate response rates were achieved for the evaluation's purposes. Resulting data were analysed using standard survey analysis techniques, primarily to obtain estimates of prevalence and variability of views on key issues.

Document review was conducted using the evaluation criteria as a common framework to ensure consistency of approach. The search for secondary evidence was therefore a purposive one – designed to address the evaluation criteria – though we remained open to relevant information that fell outside our criteria.

Secondary data drawn from the Bank's management information systems were analysed quantitatively using basic statistical techniques (analysis of frequency distributions, mean and variance) for different aspects of Bank operations. Different sources of estimates of performance for the same processes were also examined and compared for congruence and for assurance about data quality.

As part of this process, we used thematic analysis to analyse results of interviews and survey, in order to identify common patterns or themes within and across DBDM pillars. Specifically, we employed Framework Analysis, which is a qualitative method appropriate to mixed-methods/ interdisciplinary research with "*specific questions, a limited time frame, a pre-designed sample (e.g. professional participants) and a priori issues (that need to be dealt with*"[169]. Our analytical approach combined both deductive (with a number of themes and codes pre-selected given the DBDM pillars and evaluation criteria) and inductive (with unexpected aspects generated from the data) reasoning.

Where appropriate, we also conducted comparative, 'before-after' analysis to investigate conditions pre- and during the implementation of the DBDM.

In order to arrive at our judgements, we systematically reviewed, weighed, triangulated compared and combined the different types of evidence (i.e. juxtaposed, reconciled, adjudicated and integrated findings from our multiple sources) to reach a defensible, evidence-based assessment. We did this as a team, for each pillar, presenting and testing the different sources of evidence and comparing with evidence for other pillars.

Our confidence in the evidence base determined the strength of conclusions that we drew: the formative nature of the evaluation meant we did not restrict ourselves to 'certain' conclusions (i.e. 'beyond all reasonable doubt' judgements) but also included those which we felt warranted further consideration by Bank management (i.e. 'on balance' judgements). The strength of our conclusions was a function primarily of two main factors:

1) The strength of the evidence base provided in support of that conclusion: where evidence that was corroborated by multiple, independent sources was considered stronger than evidence provided by a single source; and
2) The relevance of the evidence provided to the evaluation issue being considered – where relevance was determined on a (sliding) scale from confirmatory ('proves' the point) to disconfirmatory (can disprove but not prove the point), to congruent (strongly supports the

[169] Srivastava, A. & Thomson, S. B. 2009. Framework Analysis: A Qualitative Methodology for Applied Policy Research. Research Note JOAAG, Vol. 4. No. 2

point but neither proves nor disproves it) to circumstantial (relevant but capable of multiple explanations).

During the process of synthesis, we presented our findings/conclusions to IDEV, the Reference Group, the Board of Directors and Board of Governors, in order to test and refine our judgements.

## Quality assurance

IOD PARC is committed to delivering credible and high-quality assessments based on a clear set of organisational processes. These include a Quality Assurance process that is transparent to all stakeholders. Quality Assurance in this context refers to both the reliability, traceability and efficacy of evaluation management processes and also the professional and intellectual rigour and standard of the resulting outputs from those processes.

Within the core team, whilst the Team Leader has overall responsibility for delivering on the Quality Assurance system, an external Technical Advisor/ Quality Assurer (Julian Gayfer), as named Director of IOD PARC, will also take responsibility for ensuring the quality of outputs.

# Annex 3: Interviews Conducted

As is the case in IDEV evaluations, this evaluation protects the anonymity of individual interlocutors interviewed during the course of the evaluation. As such, individual names are not provided in this Annex. Semi-structured interviews were conducted with a broad range of internal and external stakeholders. The interview templates were designed to obtain qualitative insights, as well as structured responses to selected questions, deploying a theme-based format that could inform an aggregated response across interviews. Interviewees were selected to ensure adequate coverage of staff in different locations and diversity of roles. A summary of the interview data is set out below.

In total of 285 individuals we interviewed (semi structured interviews and focus group discussions) in all Regional Hubs and 13 Country Offices with AfDB staff (211), individuals from international partner/peer organisations (30) and individuals from governments/ client organisations (44).

## Location of Interviews

Face-to-face interviews were conducted in in 7 countries, in all Regional hubs and in 3 country offices:

- Cote d'Ivoire: HQ and regional staff, government officials, counterparts at ministries and international partner/peer organisations.
- Tunis: Regional staff, government officials, counterparts at ministries and international partner/peer organisations.
- South Africa: Regional staff, government officials, counterparts at ministries and international partner/peer organisations.
- Kenya: Regional staff, government officials, counterparts at ministries and international partner/peer organisations.
- Lesotho: Country team staff, counterparts at ministries.
- Benin: Country team staff and government officials.
- Cameroon: Country team staff, counterparts at ministries.

Video conference calls were conducted with country offices, governments and partners in 10 countries:

- Angola
- Cameroon
- DRC
- Liberia
- Nigeria
- Sao Tome
- Sierra Leone
- Sudan
- Tanzania
- Zambia

## AFDB Staff Composition

Interviews or focus groups were conducted with 211 AfDB staff (41 senior management, 164 middle management, 6 others)

Senior Management (41) includes the following:

- Executive Directors: 11
- Senior Vice President: 1
- All VPs: 6
- Director General: 1
- Directors: 17
- Senior Advisors: 5

Middle Management (164) includes the following:

- Managers: 45
- Chief Officers: 42
- Principal Officers: 43
- Senior Officers: 33
- Officers: 1

Others (6) includes the following:

- Consultants: 2
- Support staff: 4

In addition to this semi structured interviews were conducted with 30 international partner/peer organisations and PIUs as well 44 government interviews.

# ANNEX 4: Document List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30. AfDB (n.d.), *Fact checking tables Pillar 1-4*, African Development Bank.
31. AfDB (n.d.), *Full Listing of Documents by Period - 2015 PCN to board*, African Development Bank.
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