Chapter 7
Improving our development impact and efficiency

The Bank continually seeks to improve its performance. We undertake new measures to maximise our development impact, mobilise more investment resources and deliver development outcomes as efficiently as possible.

This chapter shows that, overall, the Bank is improving its operational effectiveness and its organisational efficiency. In 2017, Bank disbursements reached a record level of $7.6 billion. As our operations scale up, our Development Business and Delivery Model is driving forward deep internal reforms, designed to enable us to deliver better value for money for our clients and stakeholders.

Accelerating results through organisational reforms

Under the Bank’s Development Business and Delivery Model (DBDM), we have undertaken comprehensive organisational reforms to become more effective in delivering our High 5 priorities. The DBDM introduces changes to the Bank’s organisational structure and the roles of departments, and streamlines business processes. The reforms are geared to ensuring that we are better equipped to serve our clients and be accountable to our shareholders.

Driving impact with enhanced accountability

In 2017, the Bank approved projects valued at $ 7.73 billion. Debt sustainability problems in several member countries and certain project preparation delays reduced the volume of approvals. This contrasted with the previous year’s record level of approvals, when we supported economies facing low global commodity prices, in line with the Bank’s countercyclical role.

Across our portfolio, we strive to achieve the greatest development impact. The Bank’s Project Completion Reports (PCRs) show that 89% of completed operations achieved their planned development outcomes. They also indicate that 91% of our completed operations delivered sustainable outcomes.

The Bank’s independent evaluation office (IDEV) independently rates PCRs, and the disconnect between its independent ratings and those of self-assessments recorded in PCRs gives an indication of operations’ teams level of candour and realism in preparing PCRs. While data are unfortunately missing for independently rated PCRs, previous evaluations of the Bank point to a limited level of realism from self-assessments.

The Bank’s Comprehensive Evaluation of Development Results (CEDR) suggested, however, that the Bank should set itself higher standards...
for assessing the achievement and sustainability of its development objectives, concluding that the Bank delivered development results, but not to its full potential. Over two-thirds of sampled operations were rated moderately satisfactory and above on effectiveness criteria, but only one-third was considered fully satisfactory. Building on these findings, the Bank is reconsidering its approach to assessing the impact of its operations with a view to setting higher standards of performance for its PCRs. It is also working with IDEV to strengthen project design, quality at entry and depth of project supervision.

We use evaluation findings to improve the quality and impact of our lending

To drive our development impact, the Bank Group developed a new sovereign lending instrument. The Results-Based Finance policy enables the provision of flexible financial and technical support while linking disbursements to the delivery of results and helps countries achieve structural reforms to their economies.

We use evaluation findings to improve the quality and impact of our lending. We track the implementation of agreed evaluation recommendations each quarter, using our Management Action Record System. Our PCRs also identify lessons for improving project design and implementation. Last year, we increased the proportion of completed operations with a timely completion report to 66%, up from 60% in 2015. For 2018 our target is to reach 90%.

The Bank was ranked among the top three multilateral organisations in an assessment by the Multilateral Organisation Performance Network (MOPAN), an independent network of 18 bilateral donors. MOPAN compares the performance, results and organisational effectiveness of major multilateral development organisations, and it assessed the Bank as a robust and resilient organisation that is fit for purpose.
Managing operations for development effectiveness

Whilst managing our lending, we are determined to retain and enhance the quality of our work. The quality of Country Strategy Papers was rated at 3.0, the same as in 2015; this is on a scale of 1–4 that assesses compliance and procedural and financing factors. The quality of new operations was rated at 3.1, slightly lower than 2015’s 3.3.

**Whilst managing our lending, we are determined to retain and enhance the quality of our work**

Reducing delays in preparing projects matters to achieving development effectiveness in a timely way. The time from concept note to first disbursement was 18.9 months, compared to a target of 20 months. The time from approval to signature and to first disbursement improved for most countries, suggesting that the 2015 Presidential Directive on the design, implementation and cancellation of projects has generated positive momentum for speed and efficiency. This partly explains how our disbursement ratio reached 23%, exceeding our target of 22%. Overall, important progress has been made, although it is below the expectations set out in the Presidential Directive (see Box 21).

**The time from approval to signature and to first disbursement improved for most countries**

We pay close attention to cross-cutting issues in project design to deliver sustainable outcomes. On gender, we achieved 84% of new operations with gender-informed design. We also introduced a gender marker system to ensure that measures to address gender inequality are included in project design.

**On environmental issues, 90% of our operations had satisfactory environmental safeguard system mitigation measures**

On environmental issues, 90% of our operations had satisfactory environmental safeguard system mitigation measures, compared to 87% in 2015. We achieved only 70% of new operations with climate-informed design, a decline from 2015 and lower than our target. This decline was due to inconsistent application of our climate risk screening and greenhouse gas accounting tools and the lack of climate-informed design in some private sector projects. With an improved Safeguard Tracking System in place and responsibility now focused in one single department, we should achieve a more consistent approach to climate issues in project design.

Under the Bank’s first Climate Change Action Plan (2011–2015), we delivered around $12 billion of climate investments in renewable energy generation, energy efficiency, sustainable transport and sustainable natural resource management. In addition, many critical infrastructure investments were climate-proofed. Overall, the Plan contributed to Africa’s ongoing transition to low-carbon and climate-resilient development.

![Figure 22 The Bank is improving the quality of its projects, while accelerating implementation](image_url)

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<td>Time from concept note to first disbursement (months)</td>
<td>18</td>
<td>18.9</td>
<td>16</td>
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<td>16</td>
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<td>Operations with satisfactory mitigation measures (%)</td>
<td>76</td>
<td>90</td>
<td>85</td>
<td>84</td>
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<td>85</td>
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<tr>
<td>New operations with gender-informed design (%)</td>
<td>84</td>
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<td>New operations with climate-informed designs (%)</td>
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1 The methodology is being revised with the implementation of the gender marker system.

Our second Climate Change Action Plan (2016-2020) builds on current activities and is closely aligned to both our High 5 priorities and the Nationally Determined Contributions plans of member countries. All new projects across the Bank’s portfolio will need to indicate whether and how they will address climate mitigation or adaptation.

**Improving portfolio performance**

Our new procurement policy is now at full implementation stage, with a larger number of projects using country procurement systems. As a result, we increased our share of procurement contracts using national systems from zero in 2015 to 14.3% of value. This increase is partly due to the fact that quick-disbursing policy operations accounted for two-thirds of the volume of approved operations in 2017. During the same year, the time for procurement of goods and works was 8.2 months compared to 8.5 months in 2015.

Our procurement processes are in line with the global development effectiveness agenda. We also put in place a mutual reliance procurement agreement with the European Bank for Reconstruction and Development to increase the procurement efficiency of our cofinanced public sector operations.
In 2017, our projects facing implementation challenges and delays increased, reaching 36% of our portfolio. This increase reflects the number of operations that fell under the scope of the Presidential Directive described in Box 21, requiring the first disbursement within 6 months after approval. 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 6 months jumped from 24 in 2016 to 113 the following year. Meanwhile there was a moderate decrease in the share of our operations eligible for cancellation to 29% in 2017, from 31% in 2016.

While this level of performance still falls short of our own standard, Box 21 demonstrates our progress in reducing start-up delays. Benchmarking analysis on the matter also indicates that our performance is on par with or stronger than that of other multilateral development banks. Management is analysing the underlying challenges and bottlenecks associated with start-up delays with a view to making further progress in meeting our stretch targets. It should also be noted that 11.9% of projects were classified as operations at risk, a lower share than in 2015.
Our Special Operations Unit addresses non-performing operations in the private sector. The unit is overseeing a major restructuring of the South African Kalagadi resource project to recover Bank finance and a successful recapitalisation of Shelter Afrique to preserve the Bank’s equity stake and ensure loan recovery.

Last year, 46% of our Country Portfolio Performance Reports were completed on time, below our target of 61%—but this was a period when many country offices did not have country managers. Country managers have now assumed duty in all but two country offices. These annual reports check the health of our country portfolios and will be tracked more carefully to ensure timely delivery.

**Becoming a knowledge Bank**

We aim to become a leading analytical voice on economic and statistical research in Africa. Our new Bank department for country economists enables greater coordination and quality assurance of research. Working closely with member countries, we will focus our expertise on policies to achieve the High 5s. Our aims are to generate knowledge to transform economies and create jobs, improve operational quality to increase development effectiveness and strengthen national policymaking to build institutions. This knowledge will also inform programme design by both the Bank and the international community.

In 2017, we produced 252 new economic and sector work products, exceeding our target of 141. Examples include an assessment of Somalia’s transport needs and an analysis of how to build small and medium enterprise value chains in Algeria.

### Mobilising resources to maximise value for money

Given the ambitious global development agenda captured in the SDGs, our member countries need more development finance over the coming years. In response, the Bank has raised its level of ambition, focusing on the High 5 priorities to accelerate the SDGs.

Last year, the Bank disbursed a total of $7.6 billion, the highest amount in its history. This is partly because we disbursed against some of our large policy-based operations in Nigeria, Egypt and Algeria. We are mobilising public and private sector resources to

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**Table 8 Is AfDB managing itself efficiently? (Level 4)**

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<td>MOVE CLOSER TO CLIENTS TO ENHANCE DELIVERY</td>
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<td>Share of operations staff based in country offices and regional hubs (%)</td>
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<td>58</td>
<td>49</td>
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<td>Projects managed from country offices (%)</td>
<td>60</td>
<td>76</td>
<td>65</td>
<td>68</td>
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<td>IMPROVE FINANCIAL PERFORMANCE AND MOBILISE RESOURCES</td>
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<td>Climate-related Bank commitments (%)</td>
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<td>28</td>
<td>20</td>
<td>32</td>
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<td>Total Bank income (UA millions)</td>
<td>93.2</td>
<td>258</td>
<td>271</td>
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<td>Resources mobilised from public sector entities (UA billion)</td>
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<td>Resources mobilised from private sector entities (UA billion)</td>
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<td>INCREASE VALUE FOR MONEY</td>
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<td>Administrative costs per UA 1 million disbursed (UA '000)</td>
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<td>97</td>
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<td>Work environment cost per seat (UA '000)</td>
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<td>Cost of preparing a lending project (UA '000)</td>
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<td>89.4</td>
<td>84</td>
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<td>Cost of supporting project implementation (UA '000)</td>
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<td>19</td>
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<td>STAFF ENGAGEMENT, DEVELOPMENT AND PRODUCTIVITY</td>
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<td>Employee engagement index (%)</td>
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<td>..</td>
<td>68</td>
<td>75</td>
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<td>Managerial effectiveness index (%)</td>
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<td>52</td>
<td>54</td>
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<td>Share of women in professional staff (%)</td>
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<td>Share of management staff who are women (%)</td>
<td>29.4</td>
<td>28.8</td>
<td>31</td>
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<td>Net vacancy rate—professional staff (%)</td>
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<td>28</td>
<td>15</td>
<td>14</td>
<td>13</td>
<td>9</td>
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<td>Time to fill vacancies (days)</td>
<td>223</td>
<td>120</td>
<td>196</td>
<td>183</td>
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<td>Operations professional staff (%)</td>
<td>67</td>
<td>73</td>
<td>68</td>
<td>68</td>
<td>68</td>
<td>70</td>
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*We have achieved or are within 90% of achieving the 2017 target*  
*We have achieved 80%–90% of the 2017 target*  
*We have achieved less than 80% of the 2017 target*  
*Data are not available to measure progress*

1 The unit of measure for this indicator has changed from tracking the volume of commitments to measuring the share of climate-related Bank commitments over total commitments. This reflects the targets set in the 2016-2020 Climate Change Action Plan approved by the Board of Directors in 2017. For the purpose of the ADER exercise, the 2020 target of 40% is kept as flat until 2025.
2 Correction—The 2017 ADER misstated the value for the indicator Total Bank income. The 2016 value is 120, not 135.
3 Cumulative for 2016-2025.
enhance our development impact whilst ensuring value for money for our member countries. Through our DBDM, we are undertaking deep internal reforms to be fully equipped to serve our clients better.

**Catalysing development resources and improving financial performance**

Cofinancing with other international development agencies is a high priority for us. Last year, $4.8 billion (UA 3.4 billion) was mobilised from the public sector, compared to our target of $7.5 billion (UA 5.3 billion). This is in part a reflection of our lower level of lending in 2017 as compared to 2016. We expect to see an increase in this level in line with our strengthened operations pipeline, which includes large-scale multidonor projects. We formalised a cofinancing agreement with the European Union, signing the European Commission and Bank Group’s Pillar Assessed Grant or Delegation Agreement (PAGODA), to support the High 5s and the SDGs. The first grants—15 ADF projects at a value of €434 million—were approved in September 2017.

We also crowd in funding from the private sector, sharing investment risk and using innovative instruments to catalyse resources. In 2017, we achieved only $4 billion (UA 2.8 billion) in resources mobilised from the private sector, compared to $8.2 billion (UA 5.8 billion) in 2015 and against a target of $9 billion (UA 6.4 billion). This level of achievement took place during a year of transition when the piloting of private sector operations was moved from the private sector department to sector departments. With expert staff from sector departments now piloting the preparation of private sector operations, we expect an increase in cofinancing and syndication.

Our ADF-funded Private Sector Facility releases additional capital in low-income countries. We use this financial instrument to invest in private sector activities in different sectors across ADF countries, whilst ensuring compliance with the Bank’s risk capital framework (see Box 22).

The total Bank income increased to $365 million (UA 258 million), in large part because of higher interest income on increased volumes of loans and investments and the favourable valuation effects of borrowings and derivatives. In addition, the Bank raises private sector finance from global markets at competitive prices. Last year all four rating agencies maintained the Bank’s AAA rating with a stable outlook, and this provided the context for the Bank’s highest-ever bond issue at $2.5 billion, with 3-year global benchmark. This was followed by a successful $2 billion 5-year bond issue.

We are also taking innovative routes to raise more investment finance. As Africa’s urbanised middle classes expand, private pension systems are rapidly accumulating assets that could be unlocked to support economic development. We are exploring ways to leverage institutional capital, such as these pension funds, to support the High 5 Agenda. Institutional investors play a critical role in capital markets, allocating long-term savings to support investment.

Another proposal has come from the Bank’s High Level Panel on Transforming Trust in the Bank Group into Influence, working with the ADF Policy Innovation Lab. They recommended an innovative approach of front-loading overseas development aid (ODA) through a Big Bond by securitisising annual ODA flows over a 30-year period and using it to boost investment to meet Africa’s huge infrastructure and human capital needs. The Panel recommends that the Big Bond be accompanied by intensive policy discussion, led by the Bank.

**Climate finance**

Under the Bank’s second Climate Change Action Plan (2016-2020), we committed to using 40% of total annual approvals as climate finance to promote climate-resilient and low-carbon development in Africa. We also mobilise finance from international climate funds and
the private sector to pursue these objectives, and ramp up climate investment on the continent.

"In 2017, we dedicated 28% of our commitments—$2.35 billion—to climate finance"

We expect to invest this allocated climate finance in the High 5 priorities. In 2017, we dedicated 28% of our commitments—$2.35 billion—to climate finance. This is higher than our target of 25% for 2017. In 2018 we will continue ramping up our investment to increase resilience to climate impacts and reduce emissions.

Preventing illicit financial flows in Africa
Illicit financial flows in Africa are one of the serious consequences of poor governance, particularly lack of transparency and accountability. Illicit financial flows and corruption together undermine social, economic and political progress at many levels and are also key drivers of state fragility. The Bank Group developed a new policy and a four-year strategic framework and action plan geared to preventing illicit financial flows in Africa. We will strengthen our internal anti-illicit financial flows practices and collaborate actively at the regional level to combat illicit financial flows.

Increasing value for money
By implementing the DBDM, we are delivering improved performance to increase value for money. Our reforms to business processes, portfolio management and organisational effectiveness are all focused on providing high-quality development outcomes and value for money.

In terms of cost-efficiency, our administrative costs per million of UA disbursed decreased from UA 98 900 to UA 70 000. This significant decrease relates to the fact that our disbursement volume reached a record high in 2017, while our expenditure increased only moderately. Owing to better management and control of Bank facilities in the decentralisation context, our work environment cost per seat decreased from $5100 (UA 3600) in 2015 to $4500 (UA 3200). Our cost of preparing a lending project increased to $126 500 (UA 89 400) and our cost of supporting project implementation increased to $28 400 (UA 20 100). These updated data reflect our strong focus on delivering quality operations, as well as enhanced discipline from staff in reporting on the actual time spent in preparing and implementing operations.

Bringing the Bank closer to clients
We made progress in implementing our decentralisation plans, which enable us to work more closely with partners, supervise our projects better and deepen our understanding about the context in which we work. Decentralising staff and functions to the regional and country level improves the effectiveness of our operations and policy advice.

Figure 25 The Bank’s efficiency in running its operations achieves greater value for money

We have 58% of operations staff based in country offices and regional hubs, more than our target of 49%. We moved 121 staff from headquarters to regional offices, and 58 of them took up new positions. We also appointed a fresh team of 30 country managers and inducted them into their roles. As a result of these staffing changes, 76% of our projects are managed from country offices, above our target of 65%.

76% of our projects are managed from country offices

Fast-tracking and prioritising recruitments
To achieve the Bank’s mandate and deliver the High 5 priority areas, we need to recruit, retain and develop staff of the highest calibre. We need a robust, diverse, talented pool of staff to deliver outstanding results for our regional member countries. Given this context, we had the following human resource priorities in 2017:

- Recruiting the best-in-class talent
- Building a robust succession pipeline for key positions
- Harnessing a winning employee value proposition
- Building skills and competencies for winning
- Cultivating a high-performance culture

Figure 26 The Bank is moving closer to its clients to enhance delivery
To achieve these priorities, we accelerated our recruitment process; the ● time to fill vacancies fell to 120 days, compared to 223 days in 2015. However, we must continue to prioritise recruitment, given that our ● net vacancy rate for professional staff rose from 16% in 2016 to 28% because a large number of new positions were created under the DBDM. We are building our human resources cost-effectively: rather than hiring staff simply to meet gross vacancy numbers, we have prioritised 298 recruitments for critical positions to effectively deliver development results at scale, of which 123 had been recruited by end of 2017. While good progress has been made, the Bank’s ability to execute the 2018 work programme requires fast-tracking the recruitment process to fill the most essential positions, without compromising on quality. Actions for fast-tracking recruitment include the following:

- Batch recruitment for similar jobs in the same job family;
- Vacancies are being advertised both internally and externally at the same time to reduce the turn-around time;
- Advertising time has been reduced from 15 business days to 10 business days;
- Interviews are more focused to manage the interviewers’ time better by having tighter, high-quality shortlists; and
- Competency-based interviews to reduce the calls on management time while identifying the right calibre of staff.

The proportion of ● professional staff working on operations improved to 73%, exceeding the target of 68%. These factors are all critically important to enable the Bank to deliver on its commitments.

**Getting the right talent**

Africa has an increasingly competitive market for the premier talent that the Bank is seeking to recruit and retain. We have assessed the employment packages of relevant organisations, and we endeavour to remain an attractive employer. Last year we made changes to the benefits for internationally recruited staff and to the salaries of locally recruited staff based in country offices.

Creating leaders who hold themselves accountable for developing staff and managing them well is critical for the Bank. Embedding a culture of high performance and strong motivation is also closely linked to career development. We are designing a Leadership Academy to invest in our leaders, which is a key part of the Bank’s Talent Management Strategy and Framework.

There continues to be a gender gap in the Bank’s professional and managerial staff, although limited improvements have been made. The ● share of women in professional staff increased to 28% from 26.7% in 2015, and the ● share of management staff who are women was 28.4%, a decrease from 29.4% in 2015, but still close to the 2017 target of 31%.

Overall, the Bank is making considerable progress towards better development results and outcomes. We set stretch targets but are managing our operations more effectively and ensuring they deliver sustainable benefits. We place greater focus on crowding in both public and private sector finance to deliver greater impact for our member countries. By implementing our Development and Business Delivery Model, we have accelerated our decentralisation and recruitment processes and delivered efficiencies. All this is part of our efforts to increase value for money for our clients and maximise development outcomes to help reach the SDGs.