Chapter 7

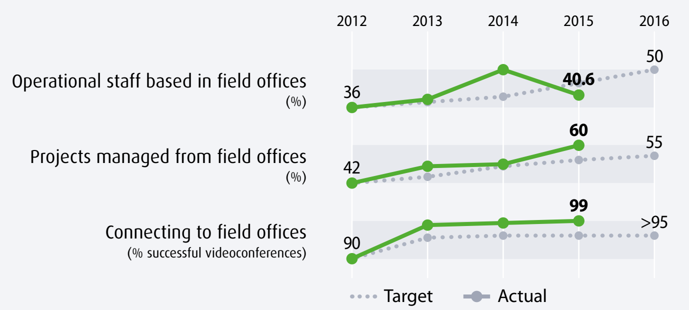
The organisation's efficiency

This chapter assesses how efficient we are as a development institution. The 15 indicators show the progress we have made in reforming and strengthening our structures and management processes, to ensure that we deliver high-quality, sustainable results. The results also provide evidence of areas where the Bank needs to make improvements to deliver effectively on its ambitious agenda.

Decentralisation: sustaining gains

The Bank Group's priority in 2015 was to sustain the gains from the implementation of the 2011–2015 Decentralisation Roadmap. Critical activities included learning lessons from a review of the two pilot Regional Resource Centres established in 2012 in Eastern and Southern Africa, and deciding on a third Regional Resource Centre in North Africa (see Box 15).

Figure 15 **Decentralisation**



Box 15 **Assessing the effectiveness of the Bank's Regional Resources Centres**

A Bank presence at the regional level has proven to be an effective and efficient delivery platform for decentralisation. The 2015 review of the two pilot Regional Resource Centres in Eastern and Southern Africa is enabling the Bank to deepen the quality of its delivery from this level. The Centres have increased the franchise value of the Bank in their regions through more timely dialogue with stakeholders, enhanced business development, and improved aid coordination and portfolio management. The advantages of the Centres to be leveraged include the ability to: respond quickly to requests for technical support from the countries they serve because of close proximity; optimally deploy and coordinate the limited technical services available for the benefit of all countries, particularly those in fragile situations; develop effective teams across sector lines because of the critical mass of experts available at the regional level; and operate much more strategically in support of regional economic priorities and initiatives aimed at promoting regional economic integration.

During 2015, the Bank maintained its presence in 38 regional member countries while working on enhancing the delegation of authority to the offices in these countries. In term of performance, the share of ● **projects managed from field offices** (Regional Resource Centres and Country Offices) increased from 51% in 2014 to 60% in 2015 (see Box 16).

> *The Bank is reviewing its decentralisation action plan to align it with the new business delivery model*

There was, however, a decrease in the share of ● **operational staff based in field offices**, from 50% in 2014 to 40.6% in 2015. The Bank is reviewing its decentralisation action plan to align it with the new business delivery model. The infrastructure needed to ensure good communication between staff in field offices and Headquarters remains sufficient, with 99% of videoconferences successfully ● **connecting to field offices**.

Human resources: ensuring motivated and high-calibre staff

As a development bank, our effectiveness depends as much on our people and their knowledge and skills as it does on our finance. The Bank needs to attract the highest calibre of development professionals across a wide range of specialist fields. We need to ensure that staff members continuously develop their skills and expertise, and we must offer them rewarding career paths with incentives for continuous improvement.

The Bank's return to its Headquarters in Abidjan was a major undertaking, requiring strong change management and business continuity planning. The return was accomplished successfully, with minimal disruption to the Bank's business. The Bank is the only multilateral institution that has moved its entire operations and staff internationally, on two occasions, and done so successfully, surpassing its lending targets in 2015 by 20%.

The return to Abidjan was a major step into the unknown for many at the Bank: 68% of the 2014 workforce was recruited in Tunis, and many of the staff who came from Abidjan when the Bank moved in 2003 had not visited Abidjan during the temporary relocation period. For this reason, management put in place a comprehensive change management strategy and communication plan. Change facilitation activities and communication sessions were provided throughout 2015 as staff arrived and settled in Abidjan. On-boarding sessions were held regularly to inform staff and engage them on issues related to settling into their new home and environment.

> *The Bank is the only multilateral institution that has moved its entire operations and staff internationally, on two occasions, successfully*

The Staff Survey is one of the tools the Bank uses to engage with and obtain feedback from staff. It measures progress across the pillars of the People Strategy, including on employee engagement, managerial effectiveness, performance and accountability. Besides monitoring employee motivation and well-being, the survey collects feedback on the quality of management and leadership, and enables the Bank to diagnose organisational issues that require intervention.

The Bank has conducted four Staff Surveys since 2007. The last survey was in April 2015, with a participation rate of 82% — the highest rate ever, and the best among multilateral development banks. The result of the 2015 Staff Survey for the ● **employee engagement index** was 73%, a reduction of 2% on 2013 results. This may be attributed to disruption created by the return to Abidjan. The Staff Surveys concluded also that the ● **management effectiveness index** remains stable at 48%, indicating that more needs to be done.

Some recurring themes need to be addressed: building a culture of openness, trust and respect; the persistent gender gap; career development/coaching; and toleration of poor performance. Against these can be set a number of areas where the surveys reveal real strengths: pride in working for AfDB, sense of accomplishment, clarity of expectations, and improvements in work/life balance.

Management is committed to a continuous review of progress to identify areas of improved performance, such as preventing delays in setting forward objectives by delinking the process from the annual review process. A strong performance management system will lay the foundation for an effective Talent Management and Succession Planning system that management is aiming to put in place in the next two years, in line with the People Strategy and HR Action Plan.

Box 16 **Good practice in Morocco field office for smooth project implementation**

In 2012, we supported Morocco in increasing the share of renewable energy by helping to finance the Ouarzazate solar complex. The Bank office in Morocco played an important role in monitoring this project, which disbursed fully and was completed on time. As the Bank was the main financier, the field office coordinated other donors and provided leadership, particularly when urgent decisions were required.

In addition, the Bank engaged in a continuous dialogue on and supervision of the project, supporting the project implementation unit in better understanding and applying Bank rules. Because the field office was instrumental in solving problems and providing guidance to the executing agency, the Bank received good-quality disbursement requests, which expedited disbursements and project implementation.

The plant has been commercially active since December 2015. It is functional to its full design capacity of 160 MW and an additional 350 MW of power generation is expected by the end of 2018. During and after the construction of phases I and II, 1100 permanent and 2400 temporary jobs will be created.

Figure 16 **Human resources**

Over the past few years, we have also been working to improve management practices throughout the Bank. We have implemented a Leadership and Management Development Programme, and we work with a range of external business partners to provide continuous training to managers.

The Bank is actively seeking innovative ways to reach, attract and retain women in its workforce. This calls for a good understanding of the Bank's internal gender profile and the priorities and expectations of female staff. In all key Staff Survey questions on engagement,

Table 2: **How efficient AfDB is as an organisation (Level 4)**

This table presents the Bank's progress in achieving its 2015 targets for organisational performance:

- ● We have achieved or are within 90% of achieving the target
- ● We are regressing against the baseline but within 80% of achieving the target
- ● We are not moving towards the target
- ● Data points are missing

INDICATOR	BASELINE 2012	LATEST 2015	TARGETS		
			2014	2015	2016
DECENTRALISATION: MOVING CLOSER TO OUR CLIENTS					
● Operational staff based in field offices (%)	36	40.6	40	45	50
● Projects managed from field offices (%)	42	60	50	53	55
● Connecting to field offices (% successful videoconferences)	90	99	95	95	>95
HUMAN RESOURCES: ENGAGING AND MOBILISING STAFF					
● Employee engagement index (%)	53	73	64	67	[70]
● Managerial effectiveness index (%)	48	48	55	60	65
● Operations professional staff (%)	67	67	70	70	70
● Share of women in professional staff (%)	27	26.7	28	30	33
● Share of management staff who are women (%)	24	29.4	28	30	32
● Net vacancy rate—professional staff (%)	9	15.7	15	13	9
● Time to recruit new staff (days)	223	..	..	150	100
VALUE FOR MONEY: IMPROVING COST EFFICIENCY					
● Administrative costs per UA 1 million disbursed (UA 000)	86	98.9	87	85	80
● Cost of preparing a lending project (UA 000) [1]	74	85.6	72	71	70
● Cost of supporting project implementation (UA 000) [1]	21	19.7	20	19.5	19
● Work environment cost per seat (UA 000)	3.5	3.6	3.4	3.5	3.3
● Share of users satisfied with IT service delivery (%)	96	96	more than 97	97	more than 97

.. = Data not available; IT = information technology; UA = Units of Account.

[1] Both the cost for project preparation and the cost for project implementation are still based on estimates.

Source: African Development Bank

leadership, performance and accountability, and the workforce of the future, the responses of female staff have consistently been less favourable than those of male staff.

> *To reach our target for women in management will require an additional 10 female managers, 7 female directors, and 1 vice president*

We are determined to increase the proportion of women in professional and management positions. In 2015, the percentage of ● **women professional staff** remained stable at about 27% of our professional staff, just below our target of 30%. The ● **share of women management staff** also remained stable at 30% in 2015. To reach the target of 32% at the managerial level will require an additional 10 female managers, 7 female directors, and 1 vice president.

We have sought to address these issues in several ways: performance indicators for managers to ensure gender parity in teams, proactive head-hunting of qualified women for recruitment, mentorship and career advancement for female professionals, and a revision of the sexual harassment prevention policy.

The Bank is also actively seeking innovative ways to reach, attract and retain women in its workforce. Following the staff survey, the Bank convened a World Café for Bank female staff to participate and share their views on how to improve this gender gap. The Bank is committed to take forward the recommended priority areas.

Our staff balance is registering steady improvement. The share of our employees who are **operations professional staff** is already quite high at 67%, but we plan to increase it further. Our **net vacancy rate for professional staff** has been stable compared with 2014, at 16%, but above our target of 13%, given attrition and a freeze in recruitment during the Bank's return to Headquarters.

We had expected that the Bank would have a high attrition rate through the return process. However, by September 2015, only 13.5% of the Bank population had opted to take the separation package because of the move.

After two years of case-by-case recruitment during the return to the Bank's Headquarters, by the end of 2016 we will launch a recruitment plan that will reduce the **time required to recruit new staff**.

Value for money: improving cost-efficiency

The Bank is committed to maximising the value for money (VfM) it delivers. We want to make sure that every dollar we spend delivers the greatest development value for our shareholders.

This has implications at different levels: projects need to achieve their objectives cost-efficiently; our capital should be allocated on the basis of country performance; and we should keep our running costs at a level that helps the Bank to achieve its goals.

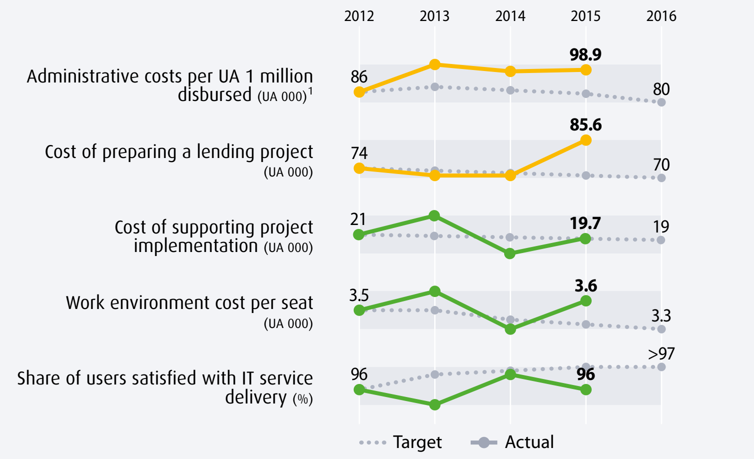
Jointly with other multilateral development banks, we have reflected on a common understanding of value for money

Jointly with other multilateral development banks, we have reflected on a common understanding of VfM. A conceptual framework endorsed by the AfDB and five other multilateral development banks outlines the economic principles of a VfM approach centred on cost-effectiveness and cost-efficiency. During the next phase, the Bank will conduct a case study of its approach to VfM, providing useful material for its sister organisations. This initiative is renewing emphasis on improving both the efficiency and effectiveness of our operations and those of other multilaterals.

We aim to manage costs to deliver maximum VfM. We assess the extent to which the Bank has increased efficiency by reducing the administrative costs associated with disbursements. In 2015, because disbursements were below the expected targets, the Bank's **administrative costs per UA 1 million disbursed** stood at UA 98 000, the same level as last year, well above the UA 85 000 target.

Overall, the Bank compared favourably to the average of other Multilateral Lending Institutions on efficiency ratios as published by Standard and Poor's in 2015.

Figure 17 **Value for money: improving cost efficiency**



1 Revised after final financial statements

We also measure how well we manage our facilities, calculated as the total rental, maintenance, and utilities costs per seat. Our **work environment cost per seat** also increased in 2015, from UA 3300 to UA 3600, as result of increased costs related to the preparation for the Bank's move to its Headquarters building.

We continue to focus on cost-effectiveness at the project level, tracking the costs of preparing and implementing our operations. The **cost of supporting project implementation** has decreased from UA 21 000 to UA 19 000 — on target. However, the **cost of preparing a lending project** has increased from UA 74 000 in 2012 to UA 85 000 in 2015, above our target of UA 71 000. The increased coverage of our staff time recording system across operational departments means that we are capturing more cost data and that we can better allocate the expenditures associated with project identification, preparation, appraisal and launching.

To increase efficiency, the Bank continues to invest in modern, well-functioning IT infrastructure to facilitate the collaboration of teams, improve the efficiency of the Bank's business processes and reduce travel expenses. With improved videoconferencing capacities, almost all recruitment interviews with candidates based outside Côte d'Ivoire were made by videoconference, saving the Bank UA 16.3 million.

In scaling up our investments and implementation in our High 5s, we are also aiming to become more agile and responsive to the continent's needs

During 2015, we completed the transfer of our IT infrastructure to our Headquarters in Abidjan, including successfully migrating data from Tunis to Abidjan.

These efforts have improved the Bank's overall performance in 2015: 96% of ● **users were satisfied with IT services delivered**.

Looking forward

In scaling up our investments and implementation in our five key areas, the High 5s, we are also aiming to become more agile and responsive to the continent's needs, and therefore have changed our business model. We are undertaking several management and organisational changes to ensure closer alignment to these business priorities, enabling us to respond quickly to the needs of our clients, improving selectivity and operational effectiveness.

The redesign of the operating model is aimed at improving proximity to clients, becoming more cost-efficient, increasing revenue and accelerating developmental impact on the ground. These changes will help us accelerate delivery of the Ten-Year Strategy with a focus on the High 5s.

The redesign of our organisation will be built on five foundations (see Box 17).

Overall, we aim to deliver on our commitment to maintain the institution as Africa's premier financial institution and keep the institution relentlessly focused on results. The Bank will offer clients world-class development solutions by making the organisation efficient and impact-driven. Decentralisation is bringing us closer to our clients and our beneficiaries, making us better at listening and responding to their needs.

Box 17 **Five foundations support the redesign of our organisation**

The five foundations that we need to build within the Bank call for a culture change:

- moving closer to our clients to enhance delivery;
- reconfiguring Headquarters to help the regions deliver better outcomes;
- strengthening the performance culture to attract and maintain talent;
- streamlining business processes to promote efficiency and effectiveness;
- improving financial performance and increasing development impact.

> *Stronger management practices and an increasingly sophisticated communications infrastructure are helping us operate as One Bank*

Stronger management practices and an increasingly sophisticated communications infrastructure are helping us operate as One Bank, while working with a decentralised structure. To achieve this, the Bank will establish five Regional Development and Business Delivery Offices, one each for West Africa, East Africa, Central Africa, North Africa and Southern Africa. We will streamline all processes and systems to fully empower the regional integration and business delivery hubs.

Our current focus on VfM will bring us closer to becoming a leaner and more efficient organisation. Finally, we will continue building on our partnerships and on our role as conveners and facilitators at the continental level. This will ensure that we deliver on our ambitious programme to support Africa's transformation. ■