

Developing minerals sustainably

Sustainably managing Africa's natural assets is vital to ensuring that they will improve Africans' quality of life well into the future. A Bank-supported programme at the University of Zambia's School of Mines is equipping students with skills and knowledge in the sustainable development of mineral resources.

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Chapter 7

Improving our development impact and efficiency

The Bank is committed to continuously improving its portfolio and its organisational efficiency. This commitment underpins our ability to deliver the High 5s and help Africa achieve the sustainable development goals by 2030. This chapter presents our progress on operational effectiveness in 2019. An increasing proportion of our projects were assessed as delivering on their outcomes, we made important strides in ensuring that gender and climate change would be addressed across our operations, and our staff are increasingly motivated. We catalysed more financing to support Africa's development, and we increased our levels of climate finance to stay on track to meet our ambitious target for 2020. Our internal reforms helped bring us closer to our clients and streamline our organisational structure.

Delivering results by working as One Bank

In 2019, the Bank continued to pursue a range of reforms to improve its operational effectiveness and enable it to function as "One Bank." We prioritised reforms related to strategic staffing/right-sizing, digital transformation, and change management. This improved quality and results in delivery, strengthened our institutional capacity for policy dialogue, and augmented the capacity and authority of our regional hubs and country offices.

> *In 2019, we prioritised strategic staffing, right-sizing, digital transformation, and change management. Our commitment to continuous improvement underpins our ability to help Africa achieve the SDGs by 2030*

The Bank's portfolio continues to expand on the back of strong demand for development finance from African countries. In 2019, the Bank Group approved projects valued at $8.8 billion (UA 6.3 billion),[1] reinforcing an upward trend observed since 2017. In recognition of its role as Africa's premier development finance institution, in November 2019, the Bank's Board of Governors approved the institution's largest-ever general capital increase, representing a 125% increase of the Bank's capital resources from $93 billion (UA 67 billion) to $208 billion (UA 151 billion). Furthermore, the fifteenth replenishment of the African Development Fund (ADF-15) was concluded in December 2019, with donors committing $7.6 billion (UA 5.6 billion) to speed growth in Africa's poorest nations and help lift millions out of poverty. This amount represented a 32% increase in resources over the ADF-14 cycle. The general capital increase and the ADF-15 replenishment will provide the Bank with the resources it needs to continue to scale up its operations and meet the financing needs of African countries in the years to come.

At the time of writing, the Covid-19 pandemic is spreading across the African continent. The full impact of this crisis on African countries is difficult to assess, but it is likely to be severe and to continue beyond 2020. The Bank Group has launched a Covid-19 response facility to help African countries respond to the pandemic and cushion their economies from the worst effects of the crisis.

In scaling up its portfolio, the Bank is keenly aware of rising debt levels in a number of African countries. Growth in the Bank's sovereign lending is therefore likely to be concentrated in countries with lower debt exposure, greater fiscal space, and higher prospects for growth. The Bank will also keep pursuing opportunities to optimise balance sheets. Optimisation has several advantages. By improving the Bank's prudential ratios, it reinforces the safety margins that underpin the Bank's AAA credit rating. It also creates headroom to achieve the Bank's High 5s through active capital management, and it mobilises institutional and private investors, leveraging scarce public resources for development purposes.

Finally, the Bank will make greater use of innovative financing and private sector lending to support infrastructure.

1 This figure excludes the TSF and other special funds.

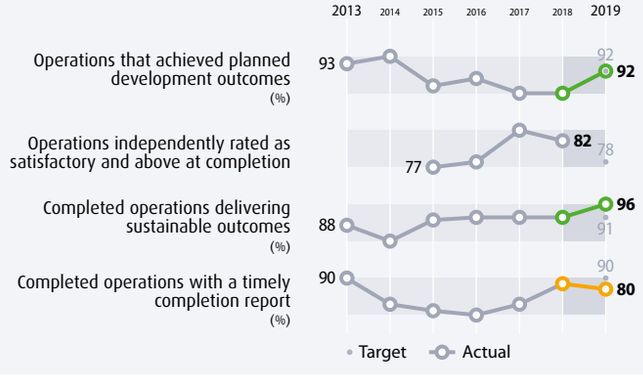
Table 13 **How effectively is the Bank managing its operations? (Level 3)**

INDICATOR	AFRICA			ADF COUNTRIES		TRANSITION STATES	
	Baseline 2015	Actual 2019	Target 2019	Baseline 2015	Actual 2019	Baseline 2015	Actual 2019
ACHIEVE DEVELOPMENT IMPACT							
Operations that achieved planned development outcomes (%)	90	92	92	90	90	89	88
Completed operations delivering sustainable outcomes (%)	90	96	91	90	94	97	100
Completed operations with a timely completion report (%)	60	80	90	64	85	89	85
Operations independently rated as satisfactory and above at completion	77	..	78	63	..	..	..
ENHANCE THE QUALITY AND SPEED OF OPERATIONS							
Quality of new operations (1–4)	3.3	3.3	3.5	3.3	3.3	3.4	3.3
Operations with satisfactory environmental and social safeguards mitigation measures (%)	87	81	90	92	70	..	80
New operations with gender-informed design (%)	75	86	83	84	91	86	85
New operations with climate-informed design (%)	75	90	83	90	90	..	95
Quality of country strategy papers (scale. 1–4)	3.0	2.9	3.3	3.0	2.9	3.0	3.0
Time from concept note to first disbursement (months)	21.9	22.0	18	23.9	22.3	17.5	16.8
IMPROVE PORTFOLIO PERFORMANCE							
Time for procurement of goods and works (months)	8.5	7.5	7.5	8.5	7.5	..	6.9
Procurement contracts using national system (% value)	0	17	8	0	17	..	10
Non-performing operations – operations at risk (%)	15.0	7.0	12.0	18.0	7.0	8.2	10.0
Timely coverage of Country Portfolio Performance Reports (%)	57	56	64	65	57	..	48
Projects facing implementation challenges and delays (%)	29	27	23	29	28	24	27
Non-performing operations – operations eligible for cancellation (%)	25	30	20	31	30	29	27
Disbursement ratio of ongoing portfolio (%)	21.0	16.2	22.0	18.0	18.5	13.5	22.1
KNOWLEDGE AND ADVISORY SERVICES							
New ESW and related papers (number)	122	193	160	110	188	..	..

Achieved or are within 90% of achieving the 2019 target Achieved from 80% to 90% of the 2019 target Achieved less than 80% of the 2019 target

Data not available

Figure 8 **The Bank is achieving development impact and improving its measurement approach**



Improving impact and accountability

The Bank's investments are guided by our Ten-Year Strategy and are aligned to our pursuit of the High 5s. Our project completion reports show that in 2019, we met our target of 92% of **completed operations achieving their planned development outcomes**—an increase from 89% in 2018. Furthermore, 96% of our **completed operations achieved sustainable outcomes**—an increase from 91% in 2018 and comfortably above our target.

> *In 2019, 92% of our completed operations achieved their planned development outcomes and 96% achieved sustainable outcomes—comfortably above our targets*

The Bank's Independent Development Evaluation department independently analyses the performance of completed projects each year. While 2019 data is not yet available for **independently rated completed operations**, the department updated data for 2017 and 2018 and rated 84% of 2017 projects and 82% of 2018 projects as satisfactory and above at completion. In 2019, the proportion of **completed operations with a timely completion report** was 80%,

down from 85% in 2018. In low-income ADF countries and transition states, 85% of operations produced timely completion reports in 2019.

Managing operations for development effectiveness

The Bank's country and regional strategies aim to enhance the impact and quality of our work. Based on a scale of 1 to 4 and measuring compliance, procedural factors, and financing, the **quality of country strategy papers** in 2019 was rated 2.9, down from 3.1 in 2018 and below our target of 3.3. Using the same scale, in 2019 the **quality of new operations** approved by the Bank was rated 3.3, the same as in 2018.

The Bank is committed to addressing a range of cross-cutting issues across our operations, including matters related to gender, environmental and social issues, and climate change. In 2019, 86% of our new operations (91% of new operations in low-income ADF countries) had a **gender-informed design**, a slight decline from 87% in 2018. We remain committed to deepening efforts to address gender issues. Our gender marker system, which measures whether gender equality is being pursued across our operations, also shows an increasing proportion of our projects supporting gender equality effectively. As part of the general capital increase and the ADF-15 replenishment process, we are continuing to strengthen the gender marker system and we will develop a new gender strategy with a clear strategic vision for our interventions.

> *We are drawing on the increase in our resources to develop a new gender strategy and ensure that all of our infrastructure projects use a climate-informed design*

On environmental and social issues, in 2019, 81% of our **operations had satisfactory environmental/social safeguard mitigation measures**, up from 80% in 2018 but below our 2019 target (90%) and baseline (87%). In low-income ADF countries, only 70% of operations comprised satisfactory environmental and social safeguards mitigation measures. We are developing an action plan to strengthen compliance with our Integrated Safeguard System, which will emphasise the importance of increasing human and financial resources, updating our guidance, and strengthening institutional capacity across the project cycle.

Recognising the accelerating impacts of climate change on Africa, we have been scaling up our climate change response across our operations. In 2019, 90% of our **operations had a climate-informed design**, up from 85% in 2018 and well above our target. We are working to deepen these efforts by ensuring that all of our infrastructure projects use climate-informed designs. We are also expanding our support for low-carbon development and aligning our investments more closely with international climate agreements, especially the Paris Agreement.

Figure 9 **The Bank is improving the quality of its projects while accelerating implementation**

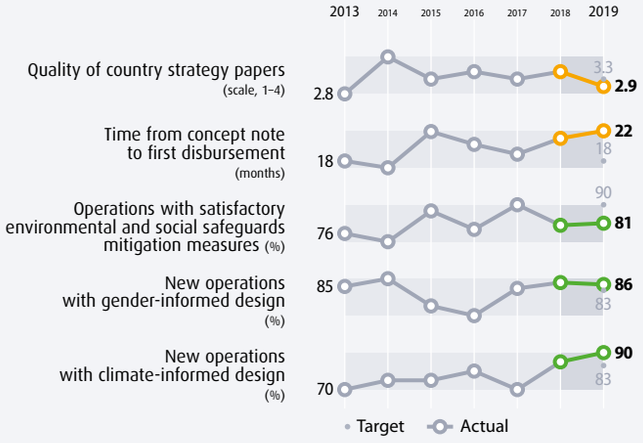
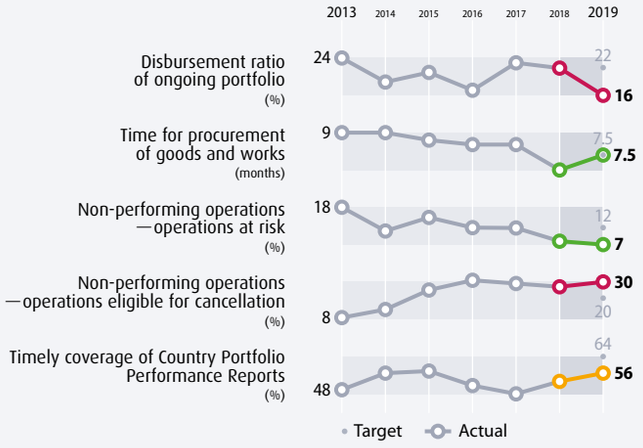


Figure 10 **The Bank faces portfolio challenges while improving procurement**



Improving portfolio performance

A key element of the Bank's efforts to improve its portfolio performance is stronger procurement, both within the Bank and in regional member countries. In recent years, we expanded our use of national procurement systems and reduced the time taken to procure goods and services. As a result, the share of our **procurement contracts using national systems** was 17% of value in 2019, a decline from 21% in 2018 but still above our target. The **time for procurement of goods and works** was 7.5 months in 2019, an increase from 6.5 months in 2018 but in line with our 2019 target. Infrastructure and regional projects face particular challenges in making procurement timelier and more efficient, and building project implementation units' capacity to meet the Bank's procurement procedures is a priority.

The Bank is working to reduce delays in preparing projects so that projects can deliver faster. In 2019, the **time from concept note to first disbursement** was 22 months, a marginal increase from 21 months in 2018 and some way from our target of 18 months. This

figure was just 16.8 months in Africa's transition states, suggesting that operations in these countries are initiated more effectively.

> *Many of our projects in 2019 were delayed. We are adding country staff, building countries' implementation capacity, and monitoring projects more closely*

Delays in developing and initiating projects underline persistent challenges related to the quality of projects at entry, in particular the lack of technical design studies; delays in opening special accounts, setting up project implementation units, and finalising compensation, resettlement, and concession arrangements; and inadequate readiness for procurement.

In 2019, Bank projects also continued to contend with delays in implementation. In 2019, 27% of our **projects faced implementation challenges and delays**, an increase from 23% in 2018. The share of **operations eligible for cancellation** increased to 30% in 2019, up from 29% in 2018 and significantly above the 2015 baseline figure of 25%. This is due in part to the Bank applying more exacting standards for project cancellation. Across the portfolio, our **disbursement ratio** fell to just 16.2%, compared to 21.9% in 2018 and our target of 22%, suggesting that operations took longer to be fully executed.

A range of issues contribute to project delays. These include delays in mobilising funds from counterparts; slow procurement and the slow execution of project contracts, due to project implementation units' capacity constraints; and the slow processing and transmission of payment requests to the Bank. In some countries, security concerns and political instability have disrupted operations. For regional projects, institutional arrangements have proved the main constraint. The gradual expansion of the Bank's portfolio over the last five years has also placed greater pressure on staff overseeing implementation.

The Bank is responding to implementation challenges with a range of measures: establishing country action plans that are monitored during supervision; adding staff at the country level; building implementation capacity in member countries and project implementation units; and initiating country-level dialogue to overcome bottlenecks and improve portfolio performance. The Bank is also producing an Annual Portfolio Performance Review to monitor its portfolio closely so as to identify and manage challenges proactively. Our work to better manage risk when planning and designing projects has reduced the proportion of **projects classified as at risk** to 7% in 2019, significantly below our target of 12%. To manage the disruption Covid-19 is likely to create for our supervision missions, we will recruit more local consultants to replace staff on essential missions.

Our country portfolio performance reports help us monitor the health of our operations in each country. Last year, 56% of our **country portfolio performance reports** were completed on time, a slight increase from 52% in 2018 but below our target of 64% for 2019.

Functioning as a knowledge Bank

The Bank is a leading actor in generating and disseminating knowledge about development issues in Africa. It fulfils this role by undertaking economic and sector work, by producing diagnostic studies and high-level analytical reports, and by generating statistical products and services. Its knowledge work makes projects and interventions more effective, informs policy dialogue, and helps regional member countries identify and address their development challenges.

> *Our diagnostic studies, analytical reports, and statistics on development make interventions more effective, for our partners and for us*

In addition to producing the *African Economic Outlook 2019*, in the last year we produced and delivered a wide range of knowledge products and services. We published the research report *Creating Decent Jobs: Strategies, Policies and Instruments*, which brought together the world's leading labour and development economists to recommend policies for creating decent jobs. We collaborated with the International Monetary Fund's Research Department to build a dynamic stochastic general equilibrium model to analyse debt sustainability in depth in African countries. We also organised the very successful African Economic Conference in Sharm el-Sheikh, Egypt, together with the United Nations Economic Commission for Africa and the United Nations Development Programme. The conference's theme was "Jobs, Entrepreneurship and Capacity Development for African Youth."

In 2019, we produced 193 **new economic and social work products**, down from 253 in 2018 but exceeding our target of 160. The Bank also provided technical and financial support to 11 regional member countries, to help them develop national statistical systems. As part of our knowledge and capacity development work, in 2020 we launched a Global Community of Practice on policy responses to Covid-19, to help African countries respond to the pandemic in 2020 and beyond.

Securing financing and mobilising talent

One of the Bank's critical priorities is securing the finance and developing the talent required to support Africa's development. African countries face significant financing and human resource gaps in achieving their development goals, and the Covid-19 pandemic will exacerbate these challenges. We are working to address these gaps by helping regional member countries generate additional public and private resources, and by building capacity and providing training.

> *We stand by countries as they secure the financing and develop the talent they need to grow*

In 2019, the Bank Group disbursed $5.2 billion (UA 3.8 billion) to mobilise public and private sector finance to support the resourcing

needs of our regional member countries. This is lower than the $6.1 billion (UA 4.4 billion) disbursed in 2018, a trend linked to the Bank being at the end of its capital cycle, prior to the conclusion of the GCI-VII negotiations.

Catalysing development resources

The Bank works actively with other international development agencies to co-finance projects. In 2019, the level of **resources we mobilised from public sector entities** was $6.3 billion (UA 4.6 billion), a decrease from the $7 billion (UA 5.0 billion) we mobilised from public sources in 2018. This included sovereign co-financing arrangements with the European Commission's Pillar Assessed Grant or Delegation Agreement, the Africa Growing Together Fund and the Accelerated Cofinancing Facility in Africa.

> *In 2019, we mobilised billions of dollars from public sources, the private sector, and bilateral and multi-donor trust funds*

To meet its development financing needs, Africa needs to mobilise more private investment. The Bank is scaling up its efforts to help regional member countries attract funding from the private sector. In 2019, we mobilised $17 billion (UA 12.4 billion) from **private sector entities**, a significant increase from 2018 and significantly above targeted levels. These figures were supported by syndicated loan transactions in which the Bank participated, mainly in energy projects in Côte d'Ivoire, Ghana, Madagascar, Mozambique, Senegal, South Africa, and Zambia.

Overall, **total Bank income** was $175 million (UA 126 million) in 2019, a slight increase from $173 million (UA 124.7 million) in 2018. The increase was primarily due to higher lending and investment returns, which more than offset an increase in impairment provisions and administrative expenses. Following the 2019 rating review exercises, the rating agencies reaffirmed the Bank's AAA rating with a stable outlook. This rating reflects the Bank's strong shareholder support, healthy capital adequacy, preferred creditor status and sound financial position.

Climate finance

The Bank is continuing to scale up its support for African countries to respond to climate change and pursue green growth strategies. In 2019, we dedicated 36% of our commitments to **climate finance**, putting us on track to achieve our target under the second Climate Change Action Plan of committing 40% of total annual approvals as climate finance by 2020. The Bank is distributing its climate finance equally to adaptation and mitigation.

Securing value for money

The Bank is committed to improving its efficiency and value for money and is pursuing a range of reforms to secure these goals.

In 2019, our **administrative costs per million of UA disbursed** increased to UA 101 000, up from UA 91 000 in 2018 but still within 90% of the 2019 target. This outcome is attributable to the decline in disbursement volumes discussed above, as well as to an increase in staffing capacity and consultancy costs, market adjustments, and merit-based performance increases. Our **work environment cost per seat** in 2019 was $5462 (UA 3950), a 13% increase since 2018 and the result of higher costs in building repairs and maintenance and repairs to furniture and equipment. The Bank remains committed to containing the growth trajectory of administrative costs; as part of its GCI-VII commitments, it will review its long-term financial sustainability framework in order to strengthen its financial profile while enhancing operational efficiency.

> *We are clarifying accountabilities and responsibilities and bringing more staff on board*

Our **costs of preparing lending projects** decreased to $128 600 (UA 93 000) in 2019 from $178 000 (UA 128 000) in 2018 but remained above target. Our **cost of supporting project implementation** decreased to $29 000 (UA 21 000) in 2019, down from $39 000 (UA 28 000) in 2018. Our priority in the short term has been to increase our knowledge and business development work in order to complement our lending operations. Furthermore,

Figure 11 **The Bank has increased its private resource mobilisation**

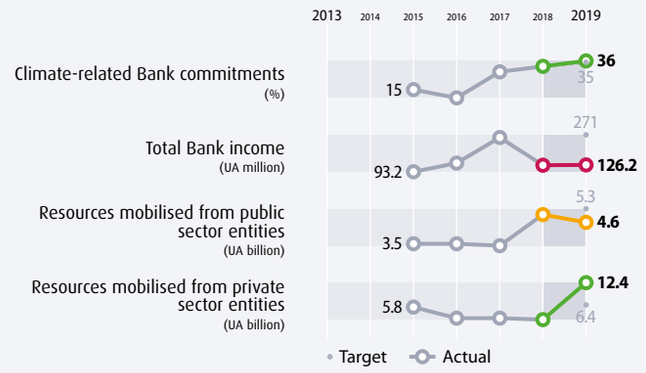


Figure 12 **The Bank's efficiency in running its operations achieves greater value for money**

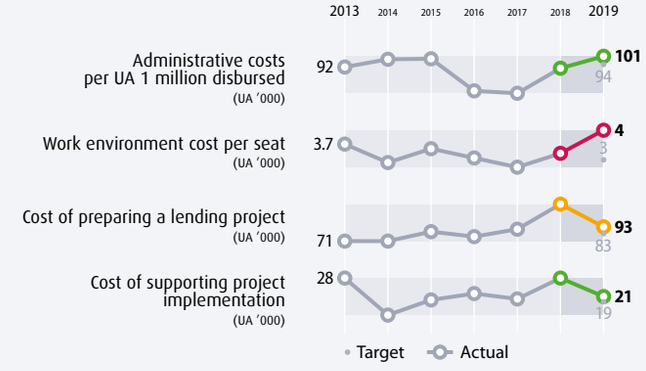


Table 14 **How efficiently is the Bank managing itself? (Level 4)**

INDICATOR	Baseline 2015	Actual 2019	Target 2019
MOVE CLOSER TO CLIENTS TO ENHANCE DELIVERY			
Projects managed from country offices (%)	60	78	78
Share of operations staff based in country offices and regional hubs (%)	40	51	58
IMPROVE FINANCIAL PERFORMANCE & MOBILISE RESOURCES			
Climate-related Bank commitments (%)	15	36	35
Resources mobilised from private sector entities (UA billion)	5.8	12.4	6.4
Resources mobilised from public sector entities (UA billion)	3.5	4.6	5.3
Total Bank income (UA millions)	93.2	126.2	271.0
INCREASE VALUE FOR MONEY			
Administrative costs per UA 1 million disbursed (UA '000)	98.9	101.0	94.0
Cost of supporting project implementation (UA '000)	19.7	21.0	19.0
Cost of preparing a lending project (UA '000)	85.6	93.0	83.0
Work environment cost per seat (UA '000)	3.6	3.95	3.0
STAFF ENGAGEMENT, DEVELOPMENT AND PRODUCTIVITY			
Employee engagement index (%)	64	80	72
Share of women in professional staff (%)	26.7	30.0	31.0
Net vacancy rate – professional staff (%)	16.0	9.9	13.0
Time to fill vacancies (days)	223	141	170
Operations professional staff (%)	67	69	68
Managerial effectiveness index (%)	48	50	56
Share of management staff who are women (%)	29.4	26.0	33.0

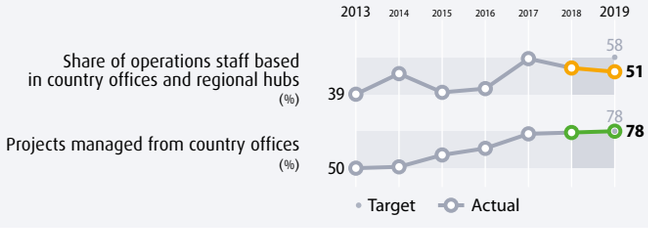
Achieved or are within 90% of achieving the 2019 target | Achieved from 80% to 90% of the 2019 target | Achieved less than 80% of the 2019 target

recent reviews of our staffing found that we need to scale up capacity, especially at the country level, so that we can develop and implement our projects more effectively.

Bringing the Bank closer to clients

In recent years, we have worked intensively to bring our operations closer to our clients, so that we can respond more effectively to their needs and better manage our operations.

Figure 13 **The Bank is moving closer to its clients to enhance delivery**



Introduced as part of the Bank's Development and Business Delivery Model (DBDM), our reforms in this area regionalise and expand country offices; right-size our presence in the field; devolve decision-making authority from headquarters to the field; streamline functions, responsibilities, and oversight; and add value to the Bank's role as a partner at the country level.

> *We are expanding country offices and devolving decision-making authority to the field*

In 2019, the **proportion of projects managed from our country offices** increased marginally to 78%, achieving our target for the year. This progress is making it possible for us to better adapt our projects to country challenges and contexts.

The Bank recognises that we must deepen decentralisation. In 2019, the **proportion of our operations staff based in country offices and regional hubs** fell marginally to 51%, below our target of 58% for the year.

Engaging and developing staff and increasing productivity

To realise its ambitions as Africa's premier development financial institution, the Bank needs to attract and retain high-calibre staff and ensure that they are highly motivated.

In 2019, our **employee engagement index** reached 80, exceeding our target of 72 and significantly surpassing the 64 achieved in 2015, the first time the index was calculated.

> *In 2019, our employee engagement index was its highest ever. We are strengthening our recruitment process and rolling out a comprehensive Operations Academy*

In 2019, our **managerial effectiveness index** reached 50, up marginally from 48 in 2015 but below our target of 56. In 2019, the Bank rolled out managerial training opportunities, including online courses in management capacity and effectiveness.

The Bank also strengthened the recruitment processes. In 2019, the **net vacancy rate** for professional staff was 9.9%, a notable fall from 12% in 2018 and significantly below our target of 13%. Since 2015, the Bank has also significantly lowered the **time required to fill vacancies**. Although this figure increased slightly in 2019, to 141 days, it was still well below our target of 170 days.

The proportion of **professional staff working on operations** was 69% in 2019, up from 66% in 2018 and just above our target of 68%.

Promoting staff diversity

The Bank continues to prioritise recruitment efforts as a means of promoting diversity in gender, language, and regional representation. As of March 2019, the Bank had employed staff from 72 out of 80 member countries.

In relation to gender diversity, in 2019 the **share of women in professional staff** was 30%, the same as in 2018 and just below our target of 31%. In 2019, the proportion of women amongst **management staff** was 26%, the same as in 2018 and notably below our target of 33%. The Bank will ensure that by 2025, 38% of professional staff and management staff are women.

Figure 14 **The Bank is accelerating recruitments to fill vacancies**



> *We recently launched the Economic Dividends for Gender Equality (EDGE) certification process and plan for 38% of professional and management staff to be women by 2025*

Conclusion

The Bank is making important progress towards its goals of improving development results and operating more efficiently. Keeping on with this progress in 2020 will be more important than ever, given the significant challenges that African countries will face from the Covid-19 virus and the social and economic disruption likely to ensue.

The Bank will therefore pursue its high ambitions for reforms in 2020, namely, fully addressing the recommendations from the DBDM evaluation, working hard to deliver the Integrated Quality Assurance Plan, and deepening our functioning as One Bank. ■