Chapter 7
Improving our development impact and efficiency

The Bank continuously improves its portfolio and its organisational performance to produce greater development impact. In 2021, we improved the quality of our country strategy papers, we increased our climate mainstreaming, we stepped up our efforts to leverage additional finance for regional member countries, and we made rapid progress on the reforms to which we committed under GCI-VII. Nevertheless, continuing Covid-19 constraints, evolving client needs, and limited lending headroom created challenges at the operational level. We expect these challenges to be lifted as we remain committed to finding ways to keep improving our performance.

Continued constraints on Bank approvals in 2021

In 2021, Bank Group approved $6.3 billion (UA 4506 million) in financing[1]—8% more than the previous year but less than the amounts approved before the pandemic. Disruptions in the operating environment led to the postponement of over 60 operations worth $2.9 billion that had been scheduled for approval in 2021. The main reasons were as follows:

- Changes in client countries' priorities as they addressed the economic and social impact of the pandemic;
- Processing delays on the part of clients and the Bank, partly because of Covid-19-related lockdowns and travel restrictions that affected project preparation;
- Lending headroom constraints, including delays in confirming the amount of the Bank's non-concessional window resources available for eligible low-income ADF countries;
- Difficulty on the part of several borrowers and clients to produce satisfactory safeguards studies on time.

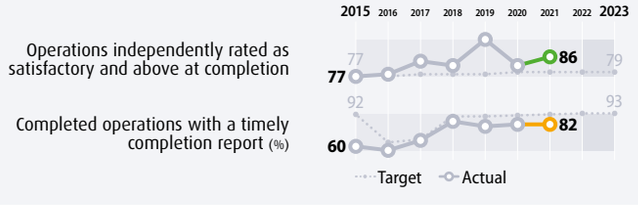
2021 was also a challenging year for non-sovereign operations (NSOs). Between 2010 and 2019, the Bank increased its lending to non-sovereign clients. In 2020, however, the pandemic created an urgent need for budget support to help client countries address the most pressing challenges created by the Covid-19 pandemic. For these reasons, in March 2020 the Bank froze its lending for NSOs, instead approving a record level of sovereign operations, 92% of which were for budget support under the Covid-19 Response Facility. However, challenging operating environment for NSOs continued in 2021 driven by prudential lending limits and spill-over impact of the Covid-19 pandemic.

In terms of the breakdown of financing approved in 2021, the infrastructure sectors (transport, water, power, and communications) constituted 41% of the total. The proportion of financing for agriculture increased significantly over the year, rising from 3% of the total amount in 2020 to 18% in 2021, largely because of accomplishments in developing special agro-processing zones and other flagship initiatives (see the chapter entitled "Feed Africa").

Sustaining high performance

The Bank is committed to ensuring that it tracks the results of and key lessons from its operations, so that in can correct performance issues and improve its operational effectiveness. The Bank's central tool for this effort is project completion reports (PCRs), the timely production of which helps us evolve our operational design. The proportion of our **completed operations with a timely completion report** remained

Figure 6 **The Bank is achieving development impact and improving its measurement approach**



1 This figure includes ADB resources, ADF resources, and special funds.

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

INDICATOR	AFRICA			ADF COUNTRIES		TRANSITION STATES	
	Baseline 2015	Actual 2021	Target 2021	Baseline 2015	Actual 2021	Baseline 2018	Actual 2021
ACHIEVE DEVELOPMENT IMPACT							
Operations independently rated as satisfactory and above at completion[1]	77	86	79	63	89	-	87
Completed operations with a timely completion report (%)	60	82	92	64	86	89	80
Operations that achieved planned development outcomes (%)	71	81	-	73	85	68	89
Completed operations delivering sustainable outcomes (%)	74	92	-	76	92	68	89
ENHANCE THE QUALITY AND SPEED OF OPERATIONS							
Quality of country strategy papers (1–4)	3.0	3.1	3.4	3.0	3.1	3.0	3.0
Quality of new operations (1–4)	3.3	3.3	3.5	3.3	3.3	3.4	3.4
New operations with a gender-informed design (%)	75	87	87	84	89	86	77
New operations with a climate-informed design (%)	75	92	87	90	97	-	81
Operations with satisfactory environmental and social safeguards mitigation measures (%)	87	81	92	92	70	-	80
Time from concept note to first disbursement (months)	21.9	27.4	15	23.9	27.7	17.5	22.7
IMPROVE PORTFOLIO PERFORMANCE							
Procurement contracts using a national system (% value)	0	33	12	0	13	0	10
Timely coverage of country portfolio performance reports (%)	57	69	68	65	78	-	82
Time to procure goods and works (months)	8.5	8.2	7.0	8.5	8.1	-	7.4
Disbursement ratio of ongoing portfolio (%)	21	14	23	18	16	14	13
Operations at risk (%)	15	14	11	18	14	8	13
Operations eligible for cancellation (%)	25	29	17	31	30	29	31
Projects facing implementation challenges and delays (%)	29	30	21	29	31	24	32
KNOWLEDGE AND ADVISORY SERVICES							
New ESW and related papers (number)	122	323	179	110	227	-	204

Achieved or exceeded 90% of the 2021 target · Achieved 80% to 90% of the 2021 target · Achieved less than 80% of the 2021 target · Data not available

1 Updated data from IDEV rate 75% of 2017 projects and 72% of 2018 projects as satisfactory or above-satisfactory at completion. In the 2021 ADER, we reported 84% (2017) and 82% (2018).

at 82% in 2021, sustaining a historical high in performance that has grown rapidly since 2015, when just 60% of PCRs were completed on time. This achievement is all the more remarkable, given that Covid-19-related travel restrictions continued in 2021. To make PCRs timelier still, we are developing better guidance for our operational teams and have created a simplified version of the completion report template for small operations and studies.

Each year, the Bank's Independent Development Evaluation Department (IDEV) produces a candid, independent analysis of the performance and effectiveness of projects closing that year. Newly validated data indicate that project outcomes remain high and well above baseline levels. In 2021, 81% of **completed operations achieved their planned development outcomes**, up from 80% in 2020 and 69% in 2019. Similarly, IDEV rated **completed operations that achieved sustainable outcomes** at 92% in 2021, up from 86% in 2020, and 78% in 2019. Updated data on overall performance of completed operations rated 86% of 2021 projects and 85% of 2020 projects as satisfactory or above satisfactory at completion. The Bank is committed to improving this performance further.

> *Timely project completion reports are essential to quality control. 82% of reports were filed on time in 2021, up from 60% in 2015*

In line with our commitment to strengthen accountability, we continue to use evaluations to improve the quality and impact of our operations, and every six months, our Management Action Record System tracks the implementation of recommendations and actions to which we agreed. As of December 2021, the share of recommendations completed or being implemented had reached 90%—the highest share ever—compared to 64% in 2017. The

Bank will continue to ensure that all agreed audit and evaluation recommendations close within the agreed timeframe.

Enhancing project design and accelerating operations

Our project cycle starts by our designing country and regional strategies that guide the Bank's interventions in line with our regional member countries' priorities. When developing our country and regional strategy papers, we thoroughly diagnose the needs of the country or region and engage stakeholders so that our projects reflect their main concerns. In 2021, the **quality of our country strategy papers** rated 3.1 on a four-point scale, up from 2.8 in 2020. The timeliness of the papers improved as well.

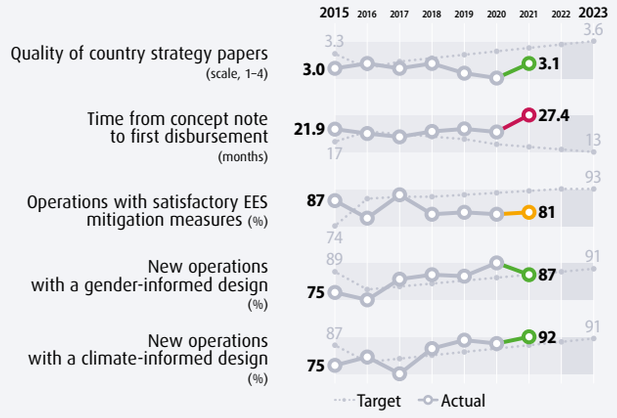
> *Our country strategy papers are better, more timely, and more considerate of the climate*

Before approving an operation, the Bank assesses the project's quality of entry: that is, whether the project is ready for financing. Making sure that our operations are well designed at this stage is vital for effective project implementation. Our assessments found that the **quality at entry of new operations** remained steady in 2021: it averaged 3.3, slightly below our target of 3.5. To assess projects' readiness more thoroughly, in September 2021 we launched an enhanced readiness review that uses 13 criteria to measure readiness at the stages of project concept and project appraisal. The criteria are grouped in four dimensions: strategic readiness, results readiness, implementation readiness, and cross-cutting priorities. The new enhanced readiness review is helping teams improve the design and other aspects of operations before submitting them for approval, by making sure that red flags raised at earlier reviews are addressed proactively before a project moves forward. The aspects that are most improving are results measurement and the application of a fragility lens.

The Bank is committed to ensuring that all of its operations address a range of critical cross-cutting priorities, such as gender equality, climate change, and environmental and social issues. In 2021, 87% of our **new operations met our criteria for a gender-informed design**, below 95% in 2020 but higher than our target and above our baseline of 75% in 2015. In addition, 100% of sovereign operations were categorised using our gender marker system, which measures the extent to which gender equality measures are mainstreamed across our operations. There was a significant rise in the number of category 1 operations—operations whose sole purpose is to empower women and girls. The share of these operations rose from 2% in 2020 to 6% in 2021. We will continue to ensure that thorough gender analyses are fully integrated into project design and project appraisal reports.

In 2021, 92% of our **new operations had a climate-informed design**, up from 88% in 2020 and above the baseline of 75% in 2015. It is worth noting that 100% of our country strategies and policy documents were designed with climate change and green growth in mind.

Figure 7 **The Bank is improving the quality of its projects while accelerating implementation**



As for environmental and social issues, the enhanced readiness review process is drawing attention to environmental and social safeguards. All safeguard documentation, including information on the mobilisation of resources to pay resettlement costs, must now be completed prior to project appraisal. In 2021, the proportion of our **operations with satisfactory environmental and social safeguard mitigation measures** increased only marginally, to 81%. To encourage borrowers to better monitor environmental and social measures, the Bank put in place a mechanism for collecting and reviewing environmental and social implementation reports monthly for high-risk operations and quarterly for medium-risk operations, resource limitations notwithstanding.

Part of the solution will be found in the Environmental and Social Safeguards Strengthening Action Plan that the Bank developed as part of its commitments for the GCI-VII and the ADF-15 replenishment. This Action Plan outlines measures and targets geared towards strengthening the Bank's ability to address the environmental and social risks associated with the operations it finances, as well as to increase regional member countries' capacity to comply with the Bank's environmental and social safeguards.

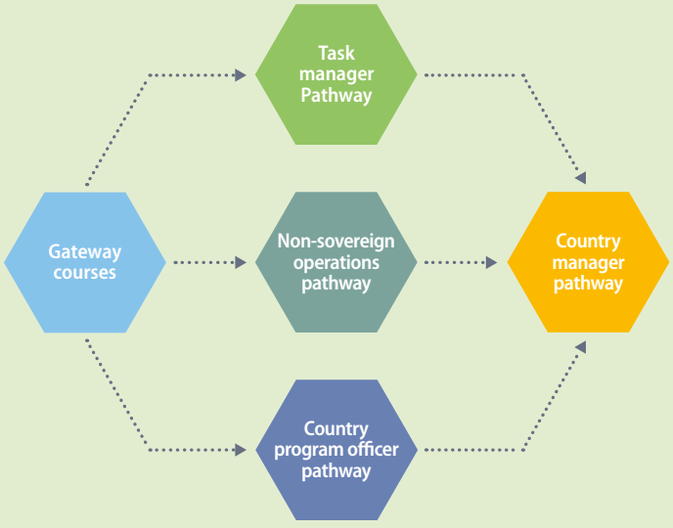
> *New operations are designing better results measurement systems and more thoroughly applying a fragility lens*

An important challenge for the Bank is to reduce the time we take to develop and begin implementing projects so that we can respond more rapidly to regional member countries' needs. In 2021, the **time from concept note to first disbursement** increased significantly, rising to 27.4 months from 20.8 months in 2020. This increase was largely because most of our operations in 2020 were fast-tracked Covid-19 projects, whereas in 2021, the Bank refocused on investment lending and resumed processing operations that had been postponed. Ongoing Covid-19-related travel restrictions, debt

sustainability assessments, and challenges in processing projects and finalising procurement also added processing time. The Bank is currently reviewing its target for first disbursement lead times, to make it more realistic.

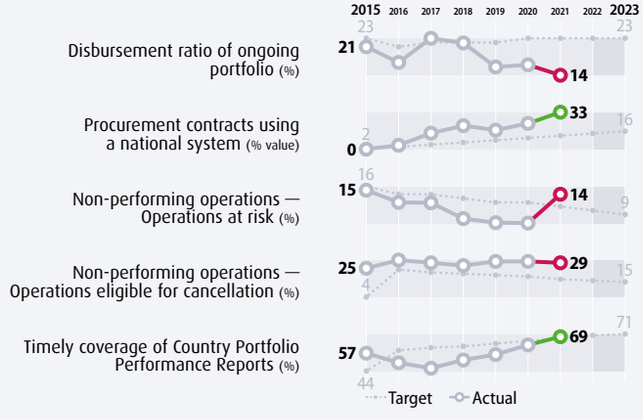
Box 14 **The Operations Academy: Reinforcing the knowledge of operational staff**

To better support staff and improve the organisation's operational effectiveness, the Bank has rolled out a comprehensive Operations Academy. With over 40 online courses on everything from procurement procedures to results-based financing and the design of investment projects, the Academy orients key career pathways across our operations.



By end of 2021, 763 staff and consultants had graduated from the Academy's first phase (the Gateway). Our target is to reach all staff working in operations and operations support. The Academy's second phase will train staff in certain operational roles, especially country managers, country programme officers, and task managers of sovereign and non-sovereign operations.

Figure 8 **The Bank faces portfolio challenges while improving procurement**



Improving portfolio performance

The Bank continues to ensure that our procurement policy and procedures are efficient. We also continue to increase our projects' use of national procurement systems, as a means of promoting local ownership and incentivising countries to reinforce the systems in question. In 2021, the **proportion of procurement contracts using national systems grew** to 33% from 23% in 2020 and 17% in 2019—marked progress since we began implementing our new procurement framework in January 2016. On a less positive note, the **time required for the procurement of goods and works** augmented to 8.2 months in 2021 from 7.2 months in 2020. The reason, once again, was pandemic measures, which delayed several stages of the procurement process—everything from the obtention of bidding documents to bid submissions, bid opening sessions, and the work of bid evaluation committees.

Despite the challenging operating environment in 2021, we made significant progress on issues that delayed implementation and caused challenges. More specifically, we reduced the proportion of our **projects facing implementation challenges and delays** from 33% in 2020 to 30% in 2021, in part as a result of better performance on the part of certain transport and power sector operations that had been approved over the last three years. We also marginally reduced the proportion of **operations eligible for cancellation** from 30% in 2020 to 29% in 2021. On both indicators, however, our performance is below target.

Project delays occur at several points in the implementation of projects: when updating design studies, when preparing bidding documents, when finalising compensation and resettlement arrangements, at the time of parliamentary approval, and when releasing counterpart funding. Slow disbursement during the implementation phase is mainly caused by weak capacity on the part of project implementation units and weak performance among project contractors. Since 2020, these challenges have been aggravated by Covid-19 restrictions and disruptions to supply chains.

It is also the case that the proportion of **operations at risk**—that is, operations that are facing implementation issues and have been categorised as problematic or potentially problematic—was 14% in 2021, higher than our target of 11%. To become more proactive on implementation issues, we made important changes to our business model, expanding project teams, devoting more resources to directly supporting operations, and building project implementation units' implementation capacity, among other things with training. We are also introducing new guidance to help teams improve reporting and take a proactive approach to supporting implementation.

Our **country portfolio performance reports** monitor the health of our operations in each country. In 2021, 69% of our country portfolio performance reports were completed on time, up from 63% in 2020. Through regular country dialogue and by closely monitoring the portfolio, the Bank will continue to proactively address project implementation challenges and improve capacity

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

INDICATOR	Baseline 2015	Actual 2021	Target 2021
MOVE CLOSER TO CLIENTS TO ENHANCE DELIVERY			
Projects managed from country offices (%)	60	76	80
Share of operations staff based in country offices and regional offices (%)	40	52	67
IMPROVE FINANCIAL PERFORMANCE AND MOBILISE RESOURCES			
Climate-related Bank commitments (%)	15	41	40
INCREASE VALUE FOR MONEY			
Administrative costs per UA 1 million disbursed (UA '000)	98.9	91.5	92
Work environment cost per seat (UA '000)	3.6	3.2	3
Cost of preparing a lending project (UA '000)	85.6	109.4	81
Cost of supporting project implementation (UA '000)	19.7	24.3	19
STAFF ENGAGEMENT, DEVELOPMENT, AND PRODUCTIVITY			
Employee engagement index[1]	64	80	75
Share of women in professional staff (%)	27	31	33
Net vacancy rate—professional staff (%)	16	11.2	12
Time to fill vacancies (days)	223	152	143
Operations professional staff (%)	67	71	69
Managerial effectiveness index[2]	48	50	60
Share of management staff who are women (%)	29	26	35

Achieved or exceeded 90% of the 2021 target Achieved from 80% to 90% of the 2021 target Achieved less than 80% of the 2021 target

1, 2: A staff survey is conducted every three years. The most recent survey was conducted in 2019.

in key areas of procurement, financial management, and disbursement, focussing more on development results.

The Bank's Integrated Quality Assurance Plan sets out a range of commitments to improving operational performance and addressing challenges in implementation. We have successfully executed the plan and implemented several highly impactful reforms, including the development of the Bank's biggest and most structured e-learning programme, the Operations Academy (Box 14). The Operations Academy overhauls our approach to results planning for individual operations and strengthens key operational frameworks for non-sovereign operations.

By the end of 2021, the Bank had already implemented 79% of the programme of priority reforms planned under GCI-VII. We expect these reforms to improve portfolio performance in the coming years.

Delivering as One Bank and mobilising talent

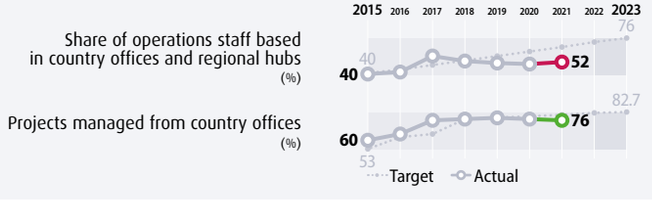
In 2021, we continued our work to embed and strengthen the Bank's Development and Business Delivery Model (DBDM). This model brings our operations closer to our clients, so that we can respond more effectively to their needs and better manage our operations.

During 2021, the Bank faced challenges in decentralising its operations, not least because of continuing constraints related to Covid-19. Nevertheless, the **proportion of our operations staff based in country offices and regional offices** increased from 50% to 52%. In the same year, however, the **proportion of our projects managed from our country offices** fell marginally to 76%, below our target of 80%. While the challenges and restrictions associated with the pandemic have affected staff movements and planning in general, the Bank is committed to aligning current and future staffing decisions with its objectives for decentralisation. Our strategic staffing initiative will go a long way to achieving this objective.

Leveraging public and private resources

The Bank continues to leverage resources that regional member countries need to meet their development objectives. By the end of 2021, the Bank Group's active resource mobilisation increased to $1.80 billion, with $1.39 billion mobilised for public sector

Figure 9 **The Bank is moving closer to its clients to enhance delivery**



operations and $442 million for private sector operations. Because of the pandemic and the re-alignment of priorities, we closed no syndication deals. This situation is expected to improve in 2022.

> *In 2021, we mobilised $1.8 billion in cofinancing, up from $1.3 billion in 2020. And our new Trust Fund Policy allows trust funds to deploy loans, equity, and guarantees as well as grants*

The Bank also mobilises funds through bilateral and multi-donor trust funds. In 2021, we mobilised $346 million for the Sustainable Energy Fund for Africa, which encourages private sector investments in renewable energy and energy efficiency; the Canada–African Development Bank Climate Facility; the African Water Facility; the Korea Africa Economic Cooperation Fund; and others. We also approved our Trust Fund Policy, which allows trust funds to deploy not only grants, but also loans, equity, guarantees, and other instruments available to the Bank. This will make trust funds more effective and increase their impact.

Figure 10 **The Bank's efficiency in running its operations achieves greater value for money**

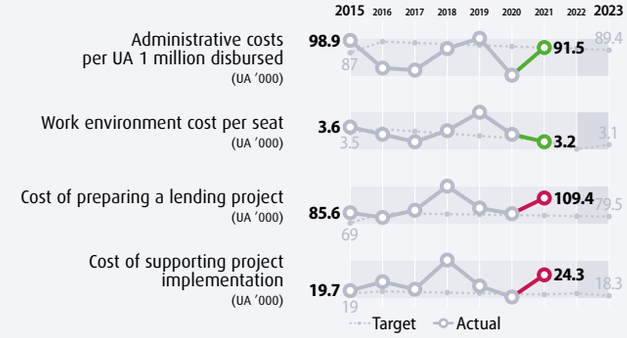
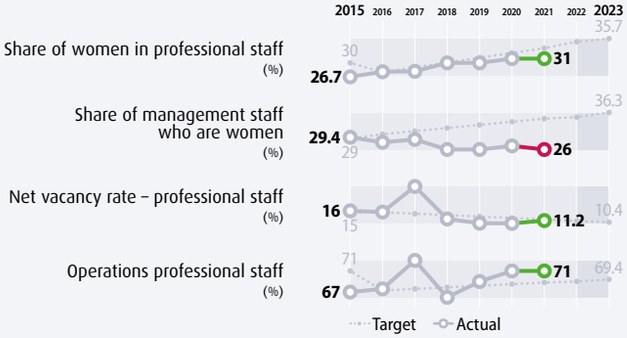


Figure 11 **The Bank is accelerating recruitments to fill vacancies**



Promoting value for money

The Bank is committed to improving its efficiency, its cost effectiveness, and its value for money, so that our operations maximise value for our regional member countries and our shareholders. In 2021, we succeeded in keeping **administrative costs per UA 1 million disbursed** to UA 91 500, (or $128 000) below our ceiling of UA 92 000 (or $128 760). The slight increase over 2020 was mainly because of the decline in the volume of disbursements: in 2020, the Bank's Covid-19 facility made large disbursements in fewer tranches.

The **cost of preparing a lending project** increased to UA 109 400 (or $153 000) from UA 84 000 ($118 000) in 2020. Both amounts exceed the target of UA 81 000 ($113 000). A principal factor in the increase of costs was the continued improvement in the recording of staff time spent on project activities. Similarly, the **cost of supporting project implementation** reached UA 24 300 ($33 600), up from UA 18 000 ($25 000) in 2020, also above our target. This cost is expected to increase in the short-to-medium term as project missions and physical meetings resume in earnest and the Bank continues to strengthen project implementation support in line with commitments to optimise portfolio performance and the quality of our operations. On the positive side, the **work environment cost per seat** fell in 2021, mainly due to cost savings from remote work.

Staff development, diversity, and recruitment

The effectiveness of the Bank's functioning and our ability to deliver impactful operations is determined in large part by our ability to attract and retain high-calibre staff. Our efforts are guided by our People Strategy, which sets out our approach to maximising our employee value proposition. Our goal is to make the Bank an employer of choice for skilled professionals, to build a high-performance culture, and to foster a diverse and respectful working environment.

> *We are committed to gender equality as our institution. We are seeking certification by EDGE (Economic Dividends for Gender Equality). And two-thirds of the young professionals we recruited in 2021 are women*

The Bank conducts a staff survey every three years. According to the latest staff survey, which took place in 2019, **our employee engagement index** was 80 (exceeding our target of 75) and our **managerial effectiveness index** was 50 (below our target of 60). To enhance employee engagement and managerial effectiveness, the Bank will conduct a new staff survey in 2022. The results will produce data that will inform our targets for our interventions and serve as a baseline against which we will measure progress annually. Going forward, employee engagement will be one of the parameters on which the Bank evaluates the performance of senior management.

Over the last year, **the share of women in professional staff** remained at 31%, just below our target of 33%. Also, the **share of management staff who are women** fell marginally from 27% to 26%, well below our target of 35%. Nevertheless, the recent recruitment of young professionals shows the Bank's commitment to improve in this area, with women accounting for close to 65% of the recruits. The Bank is committed to providing equal opportunities to all its employees and chose to be held accountable by launching the Economic Dividends for Gender Equality (EDGE) certification process. EDGE certification is a comprehensive assessment methodology designed to assist organisations to create a more equitable workplace for women and men and to attract, develop, motivate, and retain a gender-balanced talent pool.

Our challenging operational environment in 2021 increased our **net vacancy rate** for professionals to 11.2%, which leaves it just below our target of 12%. At the same time, the Bank reduced the **time required to fill vacancies**, which fell to 152 days (nine days longer than targeted). The Bank has implemented measures to make the recruitment process more efficient. For example, it is more systematically using a list of recommended candidates to fill vacant positions. It is also batching recruitments and delegating some authority.

Conclusion

Despite the headwinds we faced in 2021, the Bank delivered better development results and improved the efficiency of its operations.

Significant challenges to improving our portfolio and our organisational performance remain. That said, the stark development needs that face the continent as the Covid-19 pandemic perdures have deepened our commitment to making these improvements. In this, we are guided by a range of new operational policies and strategies and our commitments to the GCI-VII reforms. ■