

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

Volume 1: Main report

May 2019





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

Final Evaluation Report

Volume 1: Main report

Prepared for //
African Development Bank

Date // 29th May 2019

By// IOD PARC

IOD PARC is the trading name of International
Organisation Development Ltd//

Omega Court
362 Cemetery Road
Sheffield
S11 8FT
United Kingdom

Tel: +44 (0) 114 267 3620
www.iodparc.com

ACKNOWLEDGEMENTS

| | |
|--|---|
| Task Manager: | Mirianaud Oswald Agbadome, Principal Evaluation Officer, BDEV.2 |
| Team: | Daniel Patrick Alonso Valckx, Evaluation Officer, BDEV.1 Latefa Cone Camara, Evaluation Officer, BDEV.1 Carla Felix Silva, Consultant, BDEV.2 Jeannot Ngoulma Tang, Consultant, BDEV.2 |
| Consultants: | IOD PARC UK Dorte Kabell, Team Leader, Mark Singleton, member, Simon Henderson, member, Matthew Crump, member, Alayna Imlah, member, Nur Abdelkhalig Zamora, member. |
| Reference Group | Temilade Abimbola, Advisor to the SVP, SNDI0 Frederik Teufel, Assistant to the Vice President, RDVP Armand Nzeyimana, Division Manager, SNDR2 Afef Bouabene-Kallel, Division Manager, FIFC2 Josselyne Ahogny, Director, SNVP Jessica Kitakule-Mukungu, Lead Corporate Services Office, CHVP Felicia Avwontom, Division Manager, SNDI1 |
| Knowledge Management | Jayne Musumba, Principal Knowledge Management Officer, BDEV.3 Dieter Gijbrecchts, Senior Knowledge Management, Communications and Events Officer, BDEV.3 |
| Other support / contributions provided by | Foday Turay, Chief Evaluation Officer, BDEV.1 (Internal Peer Reviewer) Steve Kayizzi Mugerwa, Consultant, (External Peer Reviewer) |
| Administrative support | Emillia Iwuagwu Yeye Agwajinma, Administrative Assistant, BDEV.2 Ruby Esi Adzobu-Agyare, Secretary, BDEV.0 |
| Special thanks to | The evaluation team would like to thank all members of the Board of Directors, senior management and staff as well as other stakeholders who participated in the evaluation for their support and availability. |
| Division Manager | Madhusoodhanan Mampuzhasseril, Chief Evaluation Officer (OIC BDEV.2) |
| Evaluator General | Karen Rot-Munstermann (Acting) |

Contents

| | |
|---|-------------|
| ACRONYMS..... | VI |
| EXECUTIVE SUMMARY | VIII |
| CHAPTER 1: INTRODUCTION AND BACKGROUND..... | 1 |
| Evaluation framework and methodology | 1 |
| Structure of the report..... | 5 |
| CHAPTER 2: THE DEVELOPMENT AND BUSINESS DELIVERY MODEL | 6 |
| DBDM Conceptualization and Design | 6 |
| The DBDM from a Change Management Perspective..... | 8 |
| CHAPTER 3: THE EXTENT TO WHICH FIVE-PILLAR REFORMS HAVE BEEN IMPLEMENTED AS CONCEIVED/PLANNED | 10 |
| Relevance..... | 10 |
| Efficient implementation | 10 |
| Effectiveness..... | 14 |
| Coherence | 21 |
| CHAPTER 4: THE EXTENT TO WHICH REFORMS INCREASED THE BANK'S CAPACITY TO DELIVER ON ITS OBJECTIVES | 23 |
| Knowledge management..... | 23 |
| Financial strength..... | 24 |
| Corporate effectiveness | 25 |
| CHAPTER 5: KEY CHALLENGES IN IMPLEMENTING REFORMS IN EACH PILLAR AND LESSONS FOR IMPROVING THE DEVELOPMENT EFFECTIVENESS OF THE REFORMS..... | 26 |
| Ambition of reforms..... | 26 |
| Prior analysis and clarity of assumptions..... | 27 |
| Consistency and sequencing reforms | 27 |
| Monitoring metrics and reporting..... | 27 |

Manage by KPIs28

Manage expectations and staff engagement28

Learning from the past29

CHAPTER 6: UNEXPECTED CONSEQUENCES AND EFFECTS.....30

For clients.....30

For operations.....30

For staff30

CHAPTER 7: CONCLUSIONS AND RECOMMENDATIONS31

Conclusions31

Strategic recommendations32

Acronyms

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

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

Executive Summary

What was evaluated, why and how?

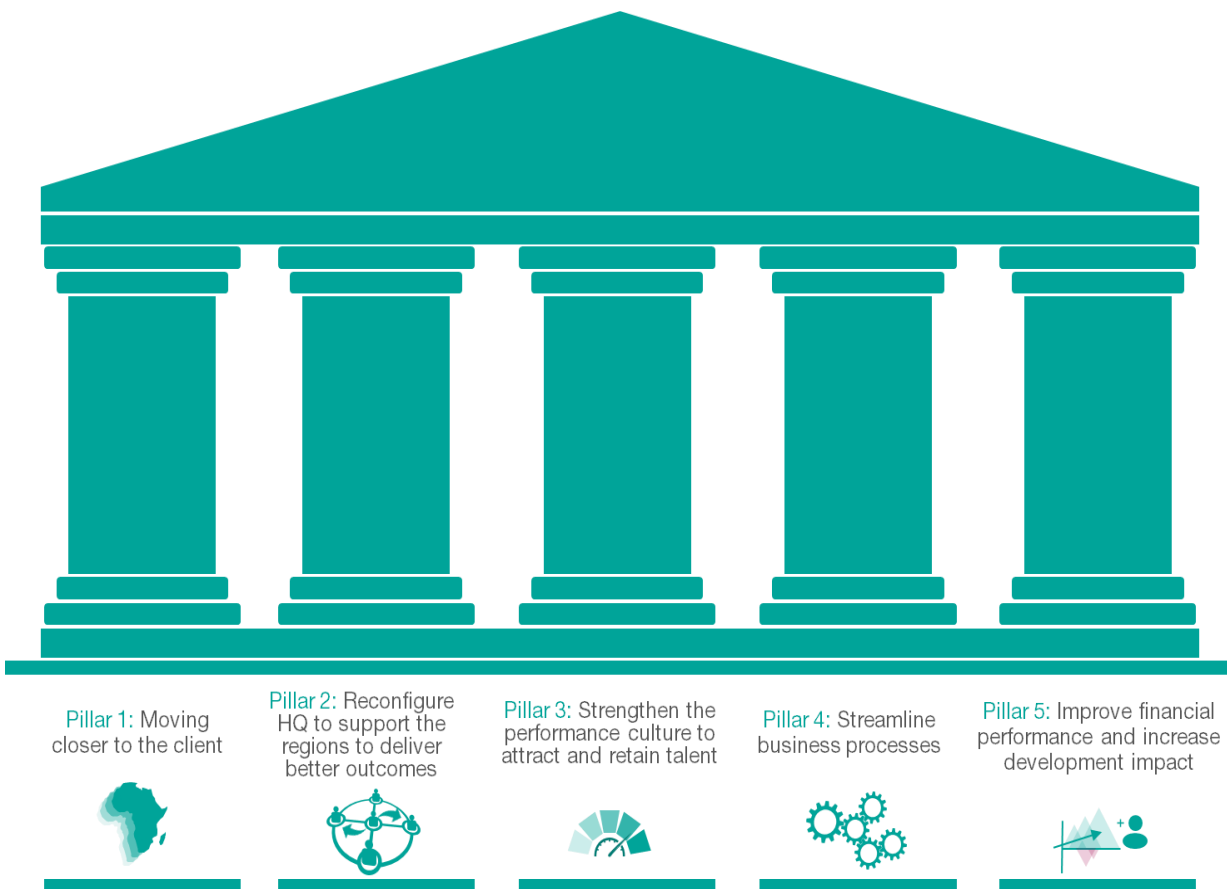
This report presents findings, conclusions and recommendations from an evaluation of the Implementation of the Development and Business Delivery Model (DBDM) of the African Development Bank Group.

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

The evaluation report aims to answer four key questions:

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

Figure 1: The five pillars of DBDM



The evaluation selected a sample of reforms within each of the five pillars for examination. In total, 18 reform initiatives comprising 43 specific elements were considered across the five pillars. The evaluation applied a mixed-methods approach, combining several sources of qualitative and quantitative evidence, including: (i) a review of internal documents; (ii) key informant interviews; and (iii) a survey. Interviews were held face-to-face and virtually with partners and clients, and Bank staff at headquarters, regional hubs and in 17¹ country offices. In total, 285 individuals were consulted in this process. Annex 2 provides further detail on the evaluation methodology.

What did the evaluation find?

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

There are useful lessons in terms of the design and the implementation process. These relate to setting realistic timeframes, ensuring full analysis of underlying assumptions and possible knock-on effects on interlinked reforms, and putting in place a strong oversight mechanism/ team that is able to generate buy-in across the organisation. Without a clear implementation plan and a results

framework, proper oversight is not possible, either by the Bank's management or its governance structure.

Monitoring metrics and key performance indicators (KPIs) and reporting can be improved.

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

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

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

Are there unexpected consequences and effects?

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

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

Strategic recommendations

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

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

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

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

Technical recommendations and areas for attention by pillar

Pillar 1: Moving Closer to the Client to Enhance Delivery

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

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

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

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

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

Pillar 3: Strengthen Performance Culture and Attract and Retain Talent

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

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

Pillar 4: Streamline Business Processes to Promote Efficiency and Effectiveness

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

Pillar 5: Improve Financial Performance and Increase Development Impact

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

Chapter 1: Introduction and Background

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

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

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

The Bank launched its High 5s in 2015—an ambitious programme defining the Bank’s role in promoting Africa’s development; a programme that needed an efficient and effective institution to support its delivery. Consequently, the DBDM was introduced in 2016. In 2018, at the Bank’s annual meeting, Governors authorised “the Governors’ Consultative Committee to launch (...) a review of the reforms to increase the Bank Group’s capacity to deliver on its objectives”. Subsequently, following a series of discussions between management and the Board of Directors to draw up Terms of Reference (TOR), an independent evaluation was launched in November 2018.³

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

Evaluation framework and methodology

Purpose and objectives

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

The *objectives* of this evaluation are threefold:

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

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

The evaluation report aims to answer four key questions:

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

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

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

4. Are there unexpected consequences and effects?

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

Scope and methodology

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

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



Guidance obtained from the Board of Governors⁴ indicated that the evaluation should be comprehensive, covering all five DBDM pillars, although at different depths. We selected a sample of reforms within each pillar for examination (Figure 3), which were set out in the Inception Report. The sample was chosen purposively, based on a consideration of: (i) significance to the objectives of the DBDM pillar; (ii) maturity of the reform (given implementation and effect lags); and (iii) resources available for the study (see Annex 2 for details).

The evaluation followed Evaluation Cooperation Group (ECG) guidelines and principles as stipulated in our TOR. It used a blend of OECD-DAC and DBDM-specific⁵ criteria to guide the enquiry, focusing on the key areas of interest to Governors and Bank management. The choice reflected both the tight timeline, and our consideration of feasibility and opportunity cost associated with other criteria. Table 1 summarises the criteria selected and associated evaluation questions.

⁴ GCC meeting in Rome on 5 December 2018

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

Table 1: Evaluation criteria

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

Data collection methods

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

Key informant interviews and focus group discussions

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

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

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

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

Survey of Governors

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

Secondary data collection and document review

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

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

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

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

Analysis methods

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

Limitations

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

Practical limitations

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

on implementation to date, the challenges and lessons rather than summative conclusions help to mitigate against these constraining factors.

Data constraints and limitations

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

Structure of the report

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

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

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

Chapter 2: The Development and Business Delivery Model

Context

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

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

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

DBDM Conceptualization and Design

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

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

activities, and strengthen its impact in the countries in which it is involved. In short, it was a clear and ambitious undertaking.⁶

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

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

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

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

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

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

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

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

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

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

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

⁷ Ibid.

The DBDM from a Change Management Perspective

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

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

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

The DBDM's level of ambition, scale and the interdependence of the reforms demanded firm institutional arrangements, including a dedicated Transformation Management Team (TMT), and tight planning and monitoring mechanisms. There is evidence that the Bank recognised this: the DBDM implementation plan included a set of institutional arrangements to manage the organisation's transformation. These were established in two Presidential Directives¹⁰ covering the TMT, and the Delivery, Accountability and Process Efficiency Committee (DAPEC). The TMT was tasked with ensuring "implementation of the DBDM and guaranteeing timely institutionalisation of the new organisational structure and related institutional reforms",¹¹ while the DAPEC was expected to "review the Bank's existing business processes, organisational culture, policies and procedures, and redesign as necessary to advance the objectives of the transformation agenda".¹²

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

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

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

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

⁹ TMT Update 2, January 2017 (p. 6).

¹⁰ 02/2016, 03/2016.

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

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

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

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

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

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

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

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

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

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

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

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

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

Relevance

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

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

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

Efficient implementation

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

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

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

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

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

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

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

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

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

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

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

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

Pillar 3. Strengthen performance culture to attract and retain talent

| | |
|--|---|
| 10. Performance appraisal/ management system (incl. performance contracts) | <ul style="list-style-type: none"> ↑ Identification and development of corporate, complex and individual KPIs complete → Development of Performance Contracts and Performance Monitoring Tools require further action ↑ Performance Management System improvements complete → PMS Training to be developed and implemented |
| 11. Attracting talent | <ul style="list-style-type: none"> ↑ Staff mapping complete ↑ Refreshment and validation of job descriptions complete ↗ DBDM Recruitment Drive close to complete; requires final push |
| 12. Talent management and retention | <ul style="list-style-type: none"> → Talent management strategy and framework to be fully developed and implemented → Staff Academies need operationalization based on preliminary conceptual work → Staff rotation opportunities to be accelerated → Rewards and Incentives to be fully conceptualized and operationalized |

Pillar 4: Streamline business processes to promote efficiency and effectiveness

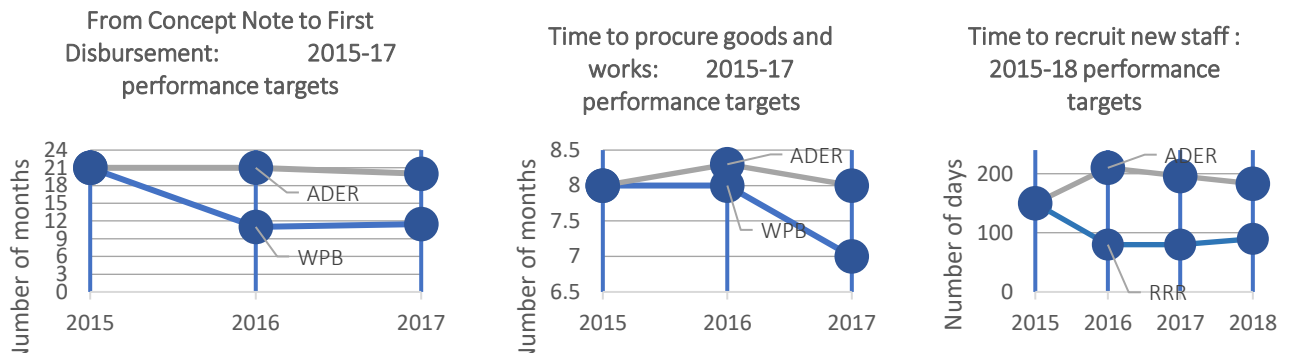
| | |
|---|--|
| 13. a Project life cycle management processes | <ul style="list-style-type: none"> → Business process reengineering for knowledge, analytics and advisory activities still to be initiated ↑ Programmatic Engagement with Countries & RECS ↗ Project and Program Development and Lending (Government/ Public Sector) ↗ Project and Program Development and Lending (Private Sector) ↗ Implementation Support Monitoring & Evaluation |
| 13. b Institutional processes | <ul style="list-style-type: none"> → Human Resources processes reengineering (excludes Recruitment – see below) still to be initiated → Reviewing and reengineering business processes for Administrative support still to be initiated → Improved business processes for Budgeting & Performance Monitoring - still to be initiated → Streamlining business processes for Resource Mobilization - still to be initiated |
| 14. Procurement | ↗ Implementation arrangements of 2015 revised Policy still in hand |
| 15. Recruitment | ↗ Process times from Opening Call-to-Offer reduced; challenges remain for Offer-to-In Post |

Pillar 5: Improve financial performance and increase development impact

| | |
|--------------------------|--|
| 16. Disbursement | ↑ Volume of disbursement increased |
| 17. Pricing policy | ↑ New policy approved and implemented |
| 18. Portfolio management | ↗ Fully implement 10 priority actions to enhance quality and impact of Bank operations |

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

Figure 3: Selected performance targets for key business process reforms



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

In the case of decentralisation targets, for example, in terms of numbers and share of staff on the ground there are also widely shared misconceptions on the target, pointing to insufficient clarity when presenting and discussing the issue. The evaluation notes that neither the DBDM proposal (April 2016) nor the subsequent Updated Decentralisation Action Plan (June 2016) contain specific targets in terms of staff volume and composition to be based at headquarters, and in ROs and COs. However, the 2016-25 Results Measurement Framework¹⁶ includes a quantitative target for the share of *operations staff* based in COs and regional hubs, to increase from 40.6 percent in 2016 to 85 percent by 2025. The Annual Development Effectiveness Review 2018 refers to this target, reporting a 58 percent achievement by the end of 2017, which is 4 percent higher than the target for that year.

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

There are, however, examples where the capacity for implementing change is impacted by a department's own reforms efforts. A key example is the staff mapping exercise and staff needs assessment for the High 5s, which were conducted¹⁷ to underpin further decentralisation. The staff mapping exercise took place at a time when the Human Resources Department itself was undergoing significant restructuring and re-profiling, with high staff turnover and perceived anxiety over job security. This impacted on the HR Department's capacity to deliver against some of the DBDM reforms under Pillars 1, 2 and 3.

Effectiveness

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

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

¹⁷ TMT Update 3 (October 2017 p. 30)

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

Pillar 1: Moving closer to the client

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

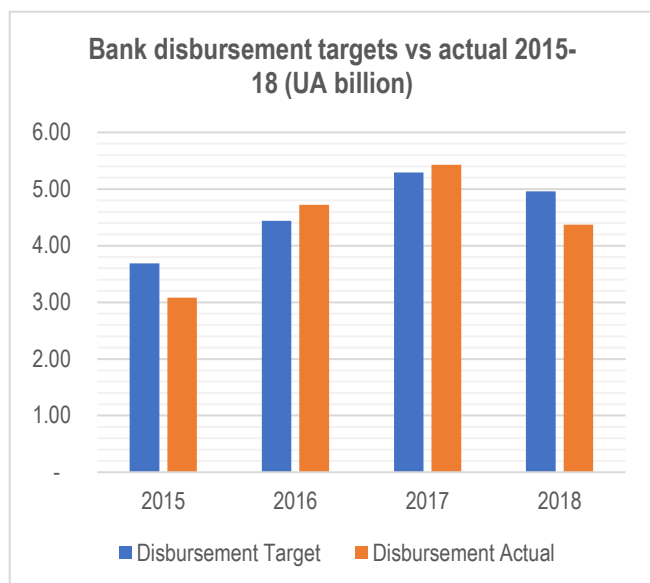
Procedures for better engagement have also been put in place, with the Bank's own staff and its partners on the ground perceiving the effects of decentralisation on the Bank's engagement with clients and its responsiveness to their needs as generally positive, albeit insufficient. This is evidenced both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

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

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

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

Figure 4: Disbursement targets vs. actual



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

Evidence from interviews points to delayed effect on portfolio improvement as an implication of delays in recruiting and appointing the relevant staff to the regions. Documents also confirm this: the Annual Development Effectiveness Reviews (ADER) for 2016 and

2017, for example, highlight significant delays in producing the Country Portfolio Performance Reports (CPPRs) owing to a lack of country managers in post. However, CPPRs are an important tool to track performance, anticipate problems and undertake course correction in the portfolio. A lack of Country Program Officers (CPOs) in post also adversely affected policy dialogue and economic work because country economists were called upon to fill the gap.

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

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

The June 2016 Updated Decentralisation Action Plan¹⁸ included some cost calculations and projections related to decentralisation. Total cost implications of the DBDM, including Decentralisation Plans 2016-18, were set at UA 24.7 million: UA 10.4 million for 2016; UA 10.4 in 2017, and UA 3.9 million for 2018. Recurrent savings were estimated to total between UA 24 and 28.9 million, by rationalising staff benefits (up to UA 15.3 million, largely on cuts in housing allowances), reorganising office space (moving to the new headquarters in Abidjan, which would save up to UA 4.1 million), changing the staff mix of the Bank (with an increased proportion of local professional (LP) staff and long-term consultants, which would save up to UA 9.5 million), cutting travel costs, adjusting staff headcount in COs and ROs, and optimisation of the Bank's infrastructure footprint at headquarters, as the Bank put it. These recurrent savings were not time-bound, however.

¹⁸Op. Cit., pp. 17-19

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

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

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

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

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

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

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

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

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

Pillar 3: Strengthen performance culture to attract and retain talent

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

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

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

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

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

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

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

Figure 5: New staff appointments per year

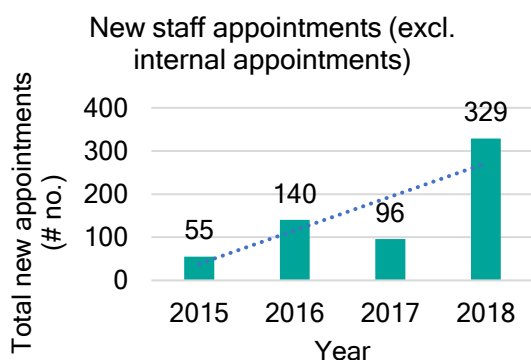
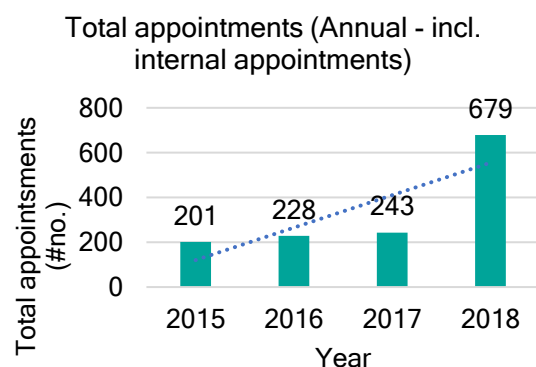


Figure 6: Total annual appointments



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

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

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

Pillar 4: Streamline business processes to promote efficiency and effectiveness

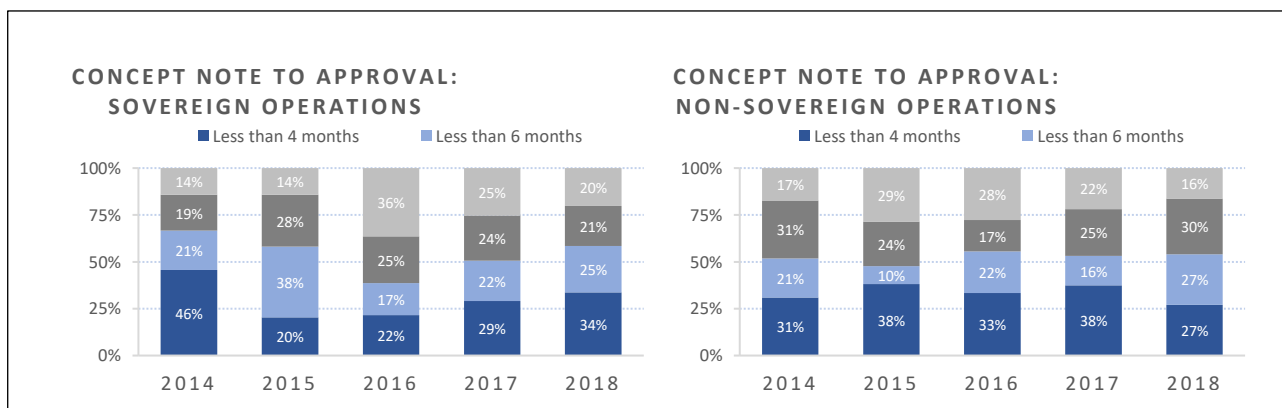
The results in Pillar 4 depend on the maturity of key process reforms. Despite an early and relatively solid start guided by the DAPEC, many of the processes are yet to be fully rolled out. This evaluation has examined initial effects of reforms where possible for a sample of key reforms. However, as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

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

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

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

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



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

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

Pillar 5: Improve financial performance and increase development impact

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

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

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

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

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

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

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

Figure 8: Total volume of approvals and disbursements per region

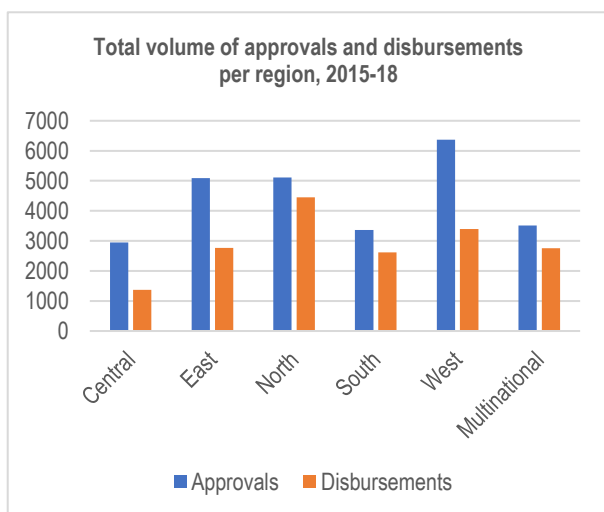
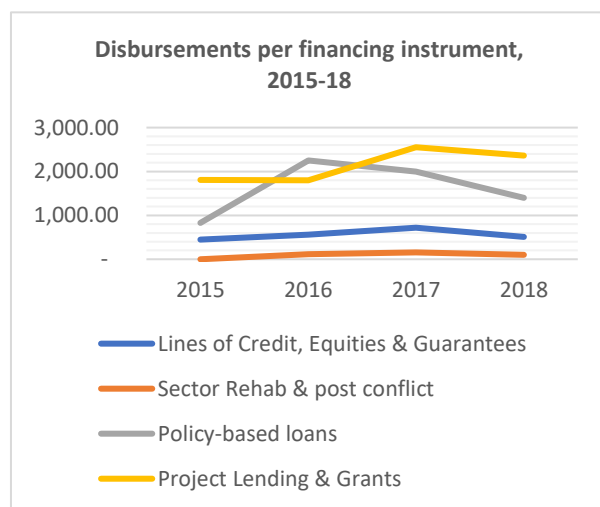


Figure 9: Disbursement per financing instrument per year



The Bank has, over the period of the implementation of the DBDM, delivered an increased level of both approvals and disbursement (Figure 8), and mostly reached the targeted levels. There are,

however, wide variations among regions, between public and private sector operations and modality, the full analysis of which is beyond the scope of this report. Improvements in portfolio indicators are visible some years.

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

Coherence

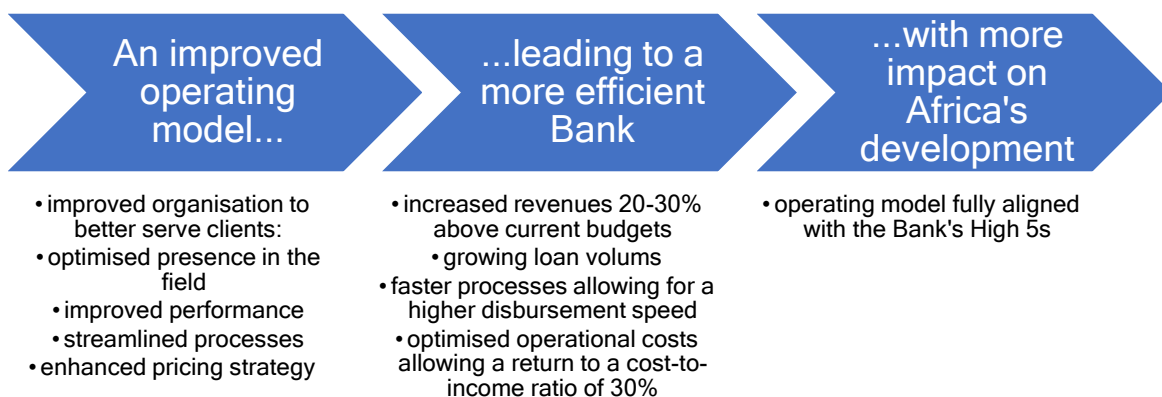
The success of the DBDM as a whole hinged on reforms across the pillars being analysed, planned and implemented with a clear understanding of the key inter-dependencies between the reforms and risks involved. On the basis of the analysis available (i.e., the DBDM proposal itself, and the presentations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

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

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

This is visualized in Figure 10.

Figure 10: Improved portfolio and financial performance visualisation



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

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

Cost of the DBDM

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

¹⁹Op. Cit., pp. 17-19.

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

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

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

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

Knowledge management

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

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

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

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

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

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

Financial strength

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

A target was set to increase the Bank's net income by 30 percent over budget and the Bank has indeed increased its income in all years, to a varying degree. Examining the evolution of the Bank's net income from 2015 to 2018 as presented in the annual documents on allocation of net income²⁰ reveals that a reversal has taken place. From a negative UA 30.83 million in 2015, net income grew to a positive UA 41.68 million in 2018, however significantly less than the UA 176.43 million in 2017. The drop since 2017 is largely explained, according to the Bank, by various changes outside the Bank's control.

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

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

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

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

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

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

Corporate effectiveness

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

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

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

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

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

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

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

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

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

Ambition of reforms

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

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

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

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

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

Four lessons can be drawn, as follows:

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

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

Prior analysis and clarity of assumptions

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

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

Consistency and sequencing reforms

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

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

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

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

Monitoring metrics and reporting

The reforms were driven by a set of ambitious 'stretch' targets that were aspirational in some cases, rather than targets derived from detailed analysis of what particular reforms could yield. Compounding the challenges related to tracking progress against these ambitious targets was the issue of metrics. The evaluation found no evidence of a complete set of metrics for fully tracking implementation and undertaking course correction across all pillars. The absence of such clear and

complete metrics, and business intelligence may result in management having to make judgements and decisions without sufficient information, or based on anecdotal evidence that is not systematically derived.

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

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

The lessons are twofold:

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

Manage by KPIs

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

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

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

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

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

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

Manage expectations and staff engagement

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

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

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

Learning from the past

Many of the challenges that the Bank faces are already well known to the Bank. Several of these have been identified as requiring attention for some time. Findings from the Bank’s internal scrutiny revealed, for example, that the Bank made minimal progress against the four strategic pillars of its People Strategy (2012-17). This was primarily due to the Bank’s culture, identifying this as “*the key challenge to the execution and sustainability of the People Strategy objectives*”. Older studies, such as the Mercer Consultancy review of the implementation of the Human Resources Strategic Framework & Action Plan 2007-12,²¹ found there to be “*...a lack of a performance culture*”, with a corporate cultural legacy of “*...a very strong central and bureaucratic organisation, creating a culture that is risk averse in which decision-making is hierarchical and slow*”. More recently, the IDEV evaluation of the Bank’s administrative budget management (2015)²² identifies the need to strengthen “*...a more performance-driven management culture to inform decision-making.*” The 2015 Staff Survey²³ highlights similar issues related to “*...organisational culture; career development; and a toleration of poor performance*”.

Findings from the Bank’s recent evaluations on programme quality also point to a weakness in applying learning, in that problems seem to persist despite efforts to resolve them. The management response to the evaluation of the Quality at Entry of the Bank’s operations²⁴ thus states that: “*Over the past few years the Bank has made marked progress in results measurement and reporting in the Annual Development Effectiveness Review. However, incentives and organisational KPIs continue to emphasise lending and disbursement targets. In operations, staff incentives still tend to reward new lending approvals and lending volume.*” Furthermore, it states that management “*acknowledges that the effort to transform the approval culture into one that incentivises and focuses on results and development effectiveness in RMCs is unfinished business. Nonetheless, it is vital to ensure that all projects emphasise quality of outcomes and results over lending volumes. To reinforce this message, Management will adopt additional KPIs that emphasise quality and results and will embed quality in performance evaluations for staff and managers.*”

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

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

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

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

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

Chapter 6: Unexpected Consequences and Effects

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

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

For clients

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

For operations

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

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

For staff

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

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

Chapter 7: Conclusions and Recommendations

Conclusions

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

Underpinning the DBDM is a set of key findings:

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

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

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

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

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

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

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

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

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

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

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

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

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

Strategic recommendations

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

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

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

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

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

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

Technical recommendations and areas for attention by pillar

Pillar 1: Moving Closer to the Client to Enhance Delivery

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

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

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

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

Pillar 3: Strengthen Performance Culture and Attract and Retain Talent

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

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

Pillar 4: Streamline Business Processes to Promote Efficiency and Effectiveness

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

Pillar 5: Improve Financial Performance and Increase Development Impact

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