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## Comparative Study of Board Processes, Procedures and Practices in International Financial Institutions



AFRICAN DEVELOPMENT BANK GROUP

February 2018

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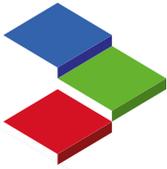
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February 2018

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The overarching objective of the African Development Bank Group is to spur sustainable economic development and social progress in its regional member countries (RMCs), thus contributing to poverty reduction. The Bank Group achieves this objective by mobilizing and allocating resources for investment in RMCs and providing policy advice and technical assistance to support development efforts.

**About Independent Development Evaluation (IDEV)**

The mission of Independent Development Evaluation at the AfDB is to enhance the development effectiveness of the institution in its regional member countries through independent and instrumental evaluations and partnerships for sharing knowledge.

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# Acronyms and Abbreviations

<b>ADF</b>	African Development Fund	<b>EIB</b>	European Investment Bank
<b>AfDB</b>	African Development Bank	<b>GCC</b>	Governors' Consultative Committee
<b>AMBD</b>	Committee on Administrative Matters Concerning the Boards of Directors	<b>GCI</b>	General Capital Increase
<b>AIIB</b>	Asian Infrastructure Investment Bank	<b>GF</b>	Global Fund to fight AIDS, Tuberculosis and Malaria
<b>AOB</b>	Absence of Objection Basis	<b>HR</b>	Human Resources
<b>AsDB</b>	Asian Development Bank	<b>IaDB</b>	Inter-American Development Bank
<b>AUFI</b>	Committee on Audit and Finance	<b>IDEV</b>	Independent Development Evaluation
<b>BRAG</b>	Board Rolling Agenda of Meetings	<b>IMF</b>	International Monetary Fund
<b>CAF</b>	Development Bank of Latin America, formerly Corporación Andina de Fomento	<b>IMFC</b>	International Monetary and Financial Committee
<b>CODE</b>	Committee on Operations and Development Effectiveness	<b>LOTB</b>	Lapse of Time Basis
<b>CWHOLE</b>	Committee of the Whole	<b>MDFI</b>	Multilateral Development Finance Institutions
<b>DBDM</b>	Development and Business Delivery Model	<b>NDB</b>	New Development Bank
<b>EBRD</b>	European Bank for Reconstruction and Development	<b>OECD</b>	Organization for Economic Cooperation and Development
<b>ECAM</b>	Committee of External Communications and the Preparation of the Bank Group Annual Meetings (formerly ANRE)	<b>PDC</b>	Pre-determined criteria
		<b>RMF</b>	Results Measurement Framework
		<b>ToR</b>	Terms of Reference
		<b>TYS</b>	Ten-Year Strategy
		<b>WB</b>	World Bank
		<b>WBG</b>	World Bank Group



# Executive Summary

## Introduction

The Independent Development Evaluation (IDEV) of the African Development Bank Group (AfDB) was asked to conduct a comparative study to synthesize experiences and lessons of a number of international development organizations regarding Board Processes, Procedures, and Practices (BPPP). The study covers a range of broadly comparable Multilateral Development Finance Institutions (MDFIs) — the AfDB, Asian Development Bank (AsDB), Asian Infrastructure Investment Bank (AIIB), Development Bank of Latin America, formerly Corporación Andina de Fomento (CAF), European Bank for Reconstruction and Development (EBRD), Inter-American Development Bank (IaDB), International Monetary Fund (IMF) and World Bank (WB)<sup>1</sup>. It is intended to be primarily a comparative review leading to the identification of lessons and good practices, to inform, rather than recommend, a particular course of action.

## Findings

The study points to some lessons and good practice that could contribute to the effectiveness and efficiency of the Board. These lessons are organized along four essential dimensions — corporate governance, the exercise of accountability, the functioning and operations of the Board, and the operational support received by the Board.

The study notes that there is great similarity and consistency among comparator organizations in the stated objectives of corporate governance, in the institutional and organizational structures, and in the language spelling out the general and specific roles and responsibilities of oversight

and accountability. In this regard the AfDB is very much in the main.

A notable difference among comparators derives from the founding decision as to whether the comparator organizations have a resident board or not, although once this decision is taken, it has proven very difficult to materially change. Where differences among comparator organizations are evident, these are mainly with regard to the efficiency and effectiveness of the implementation of processes, procedures and practices and the day-to-day operation of organizational structures. The items highlighted for consideration in this study focus on these practical implementation issues.

All organizations' Boards and managements struggle to varying degrees with finding the appropriate balance between providing oversight over strategy, risk and results, and engaging in more executive, transactional activities and decisions, especially as the internal and external context changes. The desire to shift the balance towards more strategic oversight is felt by both Executive Directors of the Board and senior management. This is also true for AfDB. It is therefore important for AfDB Board and Management to periodically clarify and agree to a shared interpretation of this balance, with a shift in Board responsibilities toward greater strategic guidance, more explicit discussion of the risk tolerances/appetite, programmatic delegation/reviews, and, more focus on results. As this agreed balance shifts, it will also be reflected in the Board agenda – what items will be considered in which order and when.

A second important finding of this study points to the importance of well-functioning Board

committees. While Board committees do not decide, they determine the extent and strength of consensus – indeed build consensus – and identify those limited number of items that warrant full Board consideration. Committee work thereby reduces the burden on the full Board, and allows it to focus on critical issues and provide oversight over strategy, risk and results. This is certainly true for AfDB; it is important to strengthen Committees to provide clear and timely inputs to full Board discussions.

A related finding of the study is the critical contribution of Secretary General offices to the effectiveness and efficiency of corporate governance. In AfDB, and all comparator organizations, the Secretary General serves as a privileged channel of communication between Board and management, and provides institutional memory and continuity to the Board and its Committees. Secretary General offices therefore deserve to be adequately resourced, including in having dedicated staff to assist in the effective functioning of key Committees.

Interviews with many Executive Directors in AfDB and among comparator organizations highlighted that greater delegation to Management entails the ability to track Management commitments and results. In this regard AfDB would want to substantially strengthen an on-line tracking system.

Interviews with Board members (including of AfDB), pointed to the importance of building an esprit de corps and a shared understanding of the opportunities and challenges among Executive Directors as officers of the organization, who otherwise represent different shareholder interests. A thoughtful and thorough induction program facilitated by the Secretary General, and the provision of supportive materials is essential, in particular at this critical time as AfDB delivers on an ambitious agenda and experiences significant turnover among Board members.

An unexpected yet important finding of this study is that building social capital, the basis for trust and confidence among Executive Directors, and between the Board and Management, is vital for effectiveness and efficiency of corporate governance. The stronger the capital of trust between Board and Management, the faster and more effectively AfDB will be able to respond to changes to external challenges and internal developments, and the more the Board will be able to focus on the strategic agenda and its achievement.

It should be noted that the changes provided for consideration in the above (see the full list below) are not absolute but incremental, cumulative and mutually reinforcing in their effect.

## Items for Consideration

### Corporate Governance

- Repurpose and reactivate the Governors' Consultative Committee (GCC) to advise the Governors on the response to the current strategic challenges (implementation of the Ten-Year Strategy (TYS), High 5s etc.).
- Bring greater clarity to statutory and non-statutory roles and responsibilities of Board and Management.
- Review and agree on a shared interpretation of the balance between Board control and oversight and executive Management authority over operations.
- Engage in a Board-led strategic exercise focused on the implementation of YYS and High 5s, and the associated requirements of staff capacity, administrative budget and, importantly, ADF resources and a timely increase in the Bank's capital (GCI VII).

## Accountability

- Focus Board on systematically tracking commitments and results.
- Establish/Improve effectiveness of on-line platforms to track Management commitments.
- Move to program budgeting and multi-year expenditure framework.
- Identify positive list of the limited number of senior positions where Board participation in selection and appointment is warranted and clarify procedure.
- Review proportion of operations subject to approval on a Lapse of Time Basis (LOTB) to ensure that the intended share of items reviewed by full Board is achieved/maintained.
- Clarify and agree on principles and Pre-Determined Criteria (PDC) for the extent of Board engagement on (i) budgeting, (ii) HR and organization, and (iii) Operations.
- Track impact of projects/programs subject to PDC on Board agenda.
- Introduce an annual/periodic Board update of regional program implementation.
- Explore opportunity for consolidating units reporting to the Board
- Systematically track progress and impact of programs on High 5s through a strengthened Results-Measurement Framework (RMF). E.g., better aligned, improved quality of data, increased timeliness and frequency of data, and overall usefulness of RMF.
- Commission periodic Board self-evaluation surveys to identify areas for improved efficiency

and effectiveness, and discuss at facilitated Board retreat.

- Explore dual performance feedback.

## Board (and Committee) Functioning

- Create Terms of Reference (ToRs) for Executive Directors (EDs) outlining key competencies and key responsibilities.
- Establish a formal mechanism to create the agenda, as part of an existing committee or the Dean's responsibilities, to give it more strategic content, better align and sequence discussions, and reduce volatility of the Board Rolling Agenda of Meetings (BRAG).
- Improve Board document package to include committee summary, items on which Management seeks guidance (as with Memorandum of the President), and Secretariat/General Counsel analysis of policy/legal antecedents.
- Introduce practice of advance written statements by Directors and staff responses.
- Set indicative discussion time for each agenda item.
- Reduce the number of committees by considering consolidation (e.g. the Audit and Finance with the Human Resource Policy Issues committees, or by merging ECAM and AMBD).
- Extend Committee members' term to 2 years to stagger turnover, ensure greater continuity and enable development of deeper subject matter expertise.
- Explore possibility of bringing in outside expertise into Audit, Finance & HR Committee.

- Adopt goal of one Committee meeting per specific topic/document, provide clear guidance to Management, and ensure that Committee guidance is fully reflected in document subsequently presented to the Board.
- Strengthen Chairs' summary report as input to Board documents package.
- Encourage orderly handover including practice of Chair's handover notes.
- Agree with Management on the level of participation in Board and Committee meetings as function of meeting nature (e.g. information, consideration, approval).

### Support to Board and Executive Directors

- Strengthen Secretary General capacity to support EDs with consistent, coherent, clear background information of issues, and provide channel for smooth even-handed Board-Management communication.
- Dedicate Secretariat staff to key Board Committees to help shape agenda, flag issues, draft/finalize summary in a timely manner, track follow-up, and liaise with staff of other committees.
- Improve the effectiveness of off-site Induction program for Executive Directors and Advisors.
- Provide for technical briefings on key organizational strategies, e.g. to cover the implementation of TYS and High 5s and the expected results.
- Update Executive Directors' Manual and create an

on-line Handbook on Board working procedures, practices and conventions {with a "cheat sheet" or summary sheet}.

- Create on-line Lexicon (French and English) to define what specific terms intend to convey (extent of agreement, expectations of the Board for Management action etc.).
- Render Board Portal effective by ensuring that it is populated and up-to-date.

### Social Capital

- The President, Dean of the Board, and the Secretary-General to set tone, role model and send unambiguous signal on expected conduct.
- Schedule periodic informal, without set agenda, luncheons of Executive Directors with the President.
- Create opportunities and venues for informal exchanges among Executive Directors and between Executive Directors and Senior Management.
- Make available venues/space such as open meeting spaces on Executive Directors' floors and Executive dining room for informal get-togethers between Executive Directors and with Senior Management.
- Hold annual or semi-annual retreat of Board of Executive Directors to review strategic agenda, build social capital, and ensure open dialogue. ■

# Introduction

As part of its 2017 work program the Independent Development Evaluation Department (IDEV) was asked to carry out a comparative study to synthesize experiences and lessons of a number of international development organizations regarding Board processes, procedures, and practices. The study is intended to be primarily a comparative review leading to the identification of lessons and good practices, to inform, rather than recommend, a particular course of action.

The review aims to harvest evolving good practices and lessons of experience intended to help the Bank remain at the cutting edge of organizational thinking, relevant to its members and clients, competitive among comparators, and contribute to the effectiveness and efficiency of the Board of Executive Directors (the Board) in fulfilling its mandate.

This study covers a range of broadly comparable multilateral development finance institutions (MDFIs)—the WB, IMF, laDB, AsDB, EBRD, CAF, AIIB and AfDB<sup>2</sup>. While the Global Fund to fight AIDS, Tuberculosis and Malaria (GF, commonly referred to as the Global Fund) is not a traditional MDFI, it is included in the review as it offers a number of creative multi-lateral public and private partnership solutions and operating procedures of potential interest. The timeline of the establishment of MDFIs is shown in Figure 1.

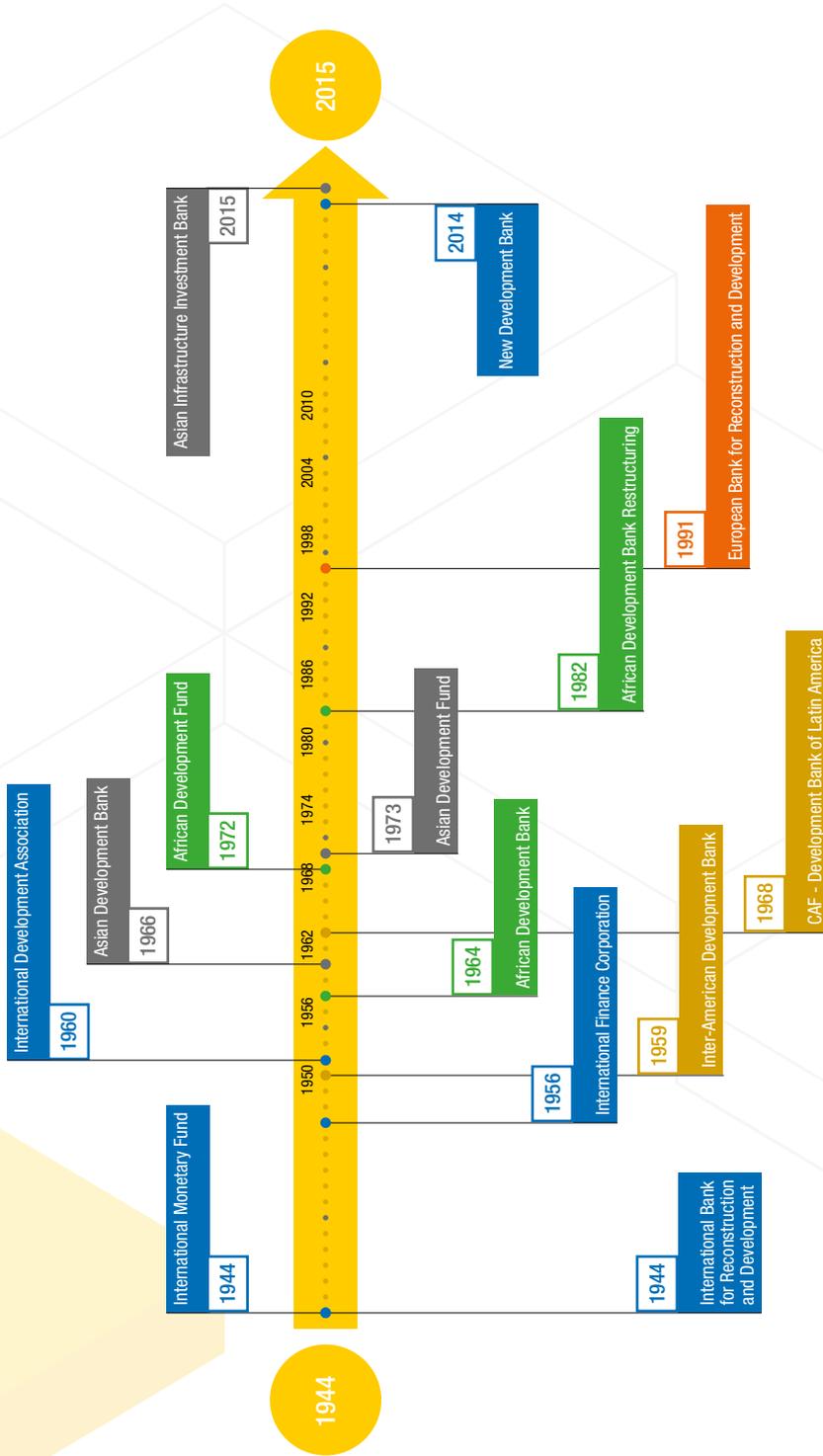
The study is grounded in a systematic review of a wide range of Board-related documents. In addition, the study relies also on extensive semi-structured interviews with past and present Board members and senior managers of AfDB and comparator organizations, as a significant part of critical Board processes and practices are informal and are embedded

as tacit institutional memory rather than fully documented. See Annex 1 for a detailed description of the approach, methodology, and framework used in this study and Annex 2 for a list of documents reviewed.

This study examines the principal dimensions of Board processes, procedures and practices as they affect organizational efficiency and effectiveness through a framework consisting of the following four interrelated dimensions:

- i. **Corporate governance.** The first dimension of inquiry touches on the questions of: Shareholding structure; Governing bodies; Representation of shareholders on the Board; and the Role of the Board.
- ii. **Accountability.** The second dimension reflects on the efficiency and effectiveness of mechanism(s) by which: the Board of Executive Directors holds Management accountable for the responsibility it has delegated for the delivery of strategy and objectives; the Governors and respective capitals, as well as its civil society stakeholders, hold the Board of Directors accountable; and the Board holds itself accountable.
- iii. **Board (and Committee) Operations.** The third dimension covers: the Terms, Roles, Terms of Reference, and Background of Executive Directors; the setting of the Board's agenda; procedures for Board (and Committee) functioning; and Management participation in Board and Committee discussions. The frequency of meetings, decision-making process, the role of Board committees, and process of appointment of committee chairs and members, and

Figure 1 : MDFI Establishment Timeline



monitoring and follow-up of guidance and decisions are also covered.

- iv. **Support to the Board.** Fourth, and closely related to Board operations is the extent and quality of support provided to the Board – and indeed to Management – by the Board Secretariat.<sup>3</sup> This covers: Secretariat Role and Capacity; Induction of Executive Directors; and Tools such as training and learning opportunities and availability of a Board Handbook/Manual on working procedures.

The following four sections (II to V) of this report are organized along these four dimensions. The report concludes with a section on the importance of social capital, an essential ingredient for a harmonious, efficient and effective Board – Management relationship (VI). Items for the Board's consideration are included in each section (See Annex 3 for a complete list); these items are inter-related, require decisions at different levels (the Board, Management or both), and would need to be appropriately sequenced and phased over time. ■



# Findings and Lessons – Corporate Governance

As part of the discussion of corporate governance, this section addresses the questions of: Shareholding structure; Governing bodies; Representation of shareholders on the Board; and the Role of the Board.

## Shareholding Structure

**The shareholding structure, set forth in their respective Charters<sup>4</sup>, fundamentally defines the governance structure of MDFIs and their character.** Shareholder voting structure is usually determined through a combination of basic votes plus the number of shares held by a member as a function of their GDP. Regional MDFIs typically require a minimum level of voting power to be maintained by the regional members, effectively placing a cap on non-regional shares.

As shown in Table 1, borrower members<sup>5</sup> represent the majority of voting shares in recently established MDFIs (the New Development Bank-NDB<sup>6</sup> and the

Asian Infrastructure Investment Bank-AIIB) and almost the entirety of shares in CAF, perhaps the only MDFI borrower cooperative. Borrowers remain the minority shareholders in most other MDFIs.

However, AfDB still retains a more cooperative structure compared to other organizations with resident Boards. Prior to 1982 AfDB was a cooperative organization with borrower shareholders representing 100 percent of the voting shares, in 1982 AfDB opened membership to non-regional members, thus shifting from being a cooperative of borrowers, to an organization with an increased role of donor country members (See Annex 3 for further information on the evolution of AfDB shareholding).

## Governing Bodies

**The basic governing body structure of all comparator MDFIs is quite similar.** All adopted a structure where the highest body is typically a ministerial-level plenary body—the Board of

**Table 1:** Shareholding Structure

	AfDB	WB	IMF	laDB	AsDB	EBRD	CAF	GF	AIIB <sup>1</sup>
Number of Shareholders at Inception	20	30	30	21	31	36	6	n/a	57
Voting Share of Borrowers at Inception	100%	n/a	n/a	58.8%	35.4%	13.5%	100%	n/a	n/a
Number of Shareholders Currently	80	189	189	48	67	67	41	n/a	57 <sup>2</sup>
Voting Share of Borrowers Currently	59.2%	n/a	n/a	50.0%	38.8%	14.0%	100% <sup>3</sup>	n/a	n/a
Voting Share of Regional Members at Inception	100%	n/a	n/a	n/r	62.6%	n/r	100%	n/a	75.0%
Voting Share of Regional Members Currently	59.2%	n/a	n/a	80.0%	65.2%	n/r	93.8% <sup>4</sup>	n/a	75.0%

1. AIIB does not distinguish between borrowing and non-borrowing members.

2. A further 23 approved members are currently completing the membership process.

3. All CAF member countries are potential borrowers.

4. All except Spain and Portugal.

Note: This table and all subsequent tables organize comparator institutions according to Board residency status. AfDB, IMF, WB, laDB, AsDB, and EBRD have resident Boards. CAF, the Global Fund, and AIIB have non-resident Boards.

Governors, where each member has a seat, and which represents the direct interests of the member states. The Governors delegate their responsibilities and authority directly to the Board of Executive Directors, which in turn delegates the day-to-day management of the organization to the President/Chief Executive.

The Bretton Woods Institutions, with their large global membership, found it helpful to create intermediate bodies between the Board of Governors and the Board of Directors (the International Monetary and Financial Committee, IMFC, and the Development Committee, DC) to serve as advisory bodies. These bodies have been a useful influence on strategic directions and in establishing broad, working level endorsement (“comfort”) on significant strategic directions. Most respondents from the Bretton Woods Institutions agree that these bodies are important in influencing the strategic direction of the organization, building ownership and providing the necessary authorizing environment for major initiatives.

AfDB established, in 1998, a Governors’ Consultative Committee (GCC) *“to provide the member states of the Bank with a forum for dialogue on issues pertaining to the Bank, and development in Africa, generally, in order to increase the effectiveness of the Governors’ oversight functions”* (AfDB By-Laws,

p.80). However, the GCC has been inactive for some years; its last meeting was held in 2012. It may be useful to repurpose and reactivate the GCC to advise on AfDB’s current strategic challenges, such as TYS and High-5 implementation as well as prepare the groundwork for the Governors’ dialogue on critical strategic issues at the Bank’s Annual Meetings.

#### *Item for consideration:*

*Repurpose and reactivate GCC to advise the Governors on the response to the current strategic challenges (implementation of the TYS and High 5s).*

## Board Representation

**The representation of shareholders in the size and composition of the Board has a key influence on the character of and decision-making by the Board of Directors.** In organizations with resident boards a less concentrated structure is believed to provide a valuable base for more cooperative decision-making, as no single country chair is able to exercise undue influence or veto powers. A larger Board provides a forum for the voice of a larger number of shareholders, but also contributes to complexity and tensions, notably in the decision-making processes,

### Box 1: Resident and Non-resident Boards

One of the foundational decisions taken at the time of establishment of MDFIs is whether to also create a Resident Board. The debate of whether to create a Resident Board (as proposed by H.D. White) or a non-resident Board (as proposed by J.M. Keynes) goes back to the 1944 Bretton Woods conference creating the IMF and the World Bank (WB). The option of a resident board was adopted for the IMF and WB, driven in part by the travel and communications constraints of the day and has remained the dominant model adopted by various MDFIs since. CAF and EIB, and the more recently established MDFIs, have opted for non-resident Boards.

Each model has its pros and cons. The Resident Board encourages and allows for closer oversight and engagement by the Executive Directors. They typically serve on a full-time basis, are paid through the administrative budget of each organization, and have access to a larger staff and budget. The non-resident Board model, on the other hand, accepts a higher degree of delegation of the day-to-day operations and executive decisions to Management. This model allows for shareholders to nominate more senior officials who occupy line positions in government as Executive Directors; they remain a part of and thus closely connected with their capitals.

Management widely perceives non-resident Boards to be more effective and efficient. The views of the Executive Directors are more divided; those serving on Resident Boards on balance favor that model. Regardless of the advantages and disadvantages of the two models, it is clear that once adopted, residency decisions of the Board have proven impossible to alter.

and to diffusion of accountability. Interview results suggest that the smaller Boards seem to be more effective, require less support and arrive at decisions faster. All interviewees acknowledged that once established, the size of Boards could only be expected to increase.

The Board of Directors is typically constituted of representatives of member states.<sup>7</sup> The size varies from 12 to 28 chairs (see Table 2).

Excluding the outlier, the Global Fund, the average size of Boards is 20 chairs—AfDB is right on average.<sup>8</sup>

A more significant difference lies in the composition of the Board as reflected in the number of shareholders represented by each Board chair. AfDB has one Board chair for every four shareholders, better than the average of 4.8 across all comparators. The MDFI Boards typically reflect a mix of chairs representing single countries and others that represent a larger “constituency” of a number of shareholders. The range of single member chairs ranges from 1 (AfDB) to 8 (IMF). Among the Regional Development Banks, the AfDB Board stands out with two-thirds of Board seats held by regional, borrower members, and only one chair held by a single member country. CAF is an exception as its Board is constituted almost entirely of single constituency chairs; it is perhaps the best example of a borrower-cooperative organization.

Another element related to representation at the Board has been that of the choice between a resident or non-resident Board. This choice, once made at inception, has not been subject to reconsideration (Box 1).

## Role of the Board

### Statutory Functions

**The coverage and language regarding oversight roles and responsibilities of the Board of Directors are broadly comparable across institutions; the differences lie in their interpretation and implementation.** The statutory roles and responsibilities of the Board of Directors as delegated by the Governors, and as further delegated to Management are laid out in the organizations’ Charter.

The Board of Directors’ responsibilities primarily include: direction and oversight on conducting the general operations of the organization; examination and submission of audited accounts for the approval of the Governors; review of corporate risk; oversight over and approval of the budget; decisions pertaining to loans, grants and other financial instruments and their terms; institutional borrowing; and administrative and operational policies (see Annex 4, Table A4.1). The Board of Directors is also typically tasked with preparing the work of the Board of Governors.

**Table 2:** Board of Directors—Size and Composition

	AfDB	WB	IMF	laDB	AsDB	EBRD	CAF	GF	AfIB
Number of Shareholders	80	189	189	48	67	67	41	n/a	57 <sup>2</sup>
Executive Directors	20	25	24	14	12	23	19	28 <sup>1</sup>	12
Regional/Non-Regional Executive Directors	13/7	n/a	n/a	11/3	8/4	19/4	18/1	n/a	9/3
Number of shareholders per Board seat	4.0	7.6	7.9	3.4	5.6	2.9	2.2	n/a	4.8
Single-country constituencies	1	7	8	2	3	6	17	5	1
Multi-country constituencies	19	18	16	12	9	15	2	8	11
Constituencies with 5+ countries	7	15	15	5	9	4	2	7	6

1. 8 are non-voting.

2. A further 23 approved members are currently completing the membership process.

**Box 2:** Good practice example: Global Fund – Roles and Function of the Board

“The Board is the supreme governing body of the Global Fund. The Board shall exercise all powers required to carry out the purpose of the Global Fund, including the following core functions:

## i. Strategy Development:

- Establish the strategies and initiatives of the Global Fund; and
- Establish the principles that govern the grant-making activities of the Global Fund.

## ii. Governance Oversight:

- Appoint Board and Committee leadership and Members;
- Establish Board Committees as appropriate;
- Establish overall principles and direction for the governing, administrative and advisory bodies of the Global Fund; and
- Select, appoint, assess and, if necessary, replace the Executive Director and the Inspector General.

## iii. Commitment of Financial Resources:

- Review and approve funding proposals;
- Approve work plans and budgets for the governing, advisory and administrative bodies of the Global Fund; and
- Approve the annual report and financial statements of the Global Fund.

## iv. Assessment of Organizational Performance:

- Establish and oversee the framework for the monitoring and periodic performance and accountability assessment of activities supported by the Global Fund; and
- Establish and oversee the framework for the periodic assessment of the performance of governing, administrative and advisory bodies of the Global Fund.

## v. Risk Management:

- Establish and oversee the strategy for identifying and managing risks (including but not limited to financial, reputational, legal, regulatory, operational and strategic risks); and
- Establish and oversee the risk-tolerance framework of the Global Fund.

## vi. Partnership Engagement, Resource Mobilization and Advocacy:

- Promote the active engagement of and collaboration with a wide and diverse range of partners;
- Mobilize public and private sector donors to support the mission of the Global Fund; and
- Promote the mission, principles and activities of the Global Fund.

Source: Bylaws of The Global Fund To Fight Aids, Tuberculosis & Malaria.

Some institutions, such as the Global Fund, IaDB<sup>9</sup>, and AIB, seek to provide greater clarity of the roles and responsibilities through additional details.

The Global Fund is unique in that it covers, within its Board’s statutory functions, an assessment of organizational performance (M&E), risk management, and partnership engagement/resource mobilization/advocacy (see Box 2).

Specific roles and responsibilities delegated to Management are also spelled out in the Charter (see Annex 4, Table A4.2). The Board of

Directors<sup>10</sup> or the Board of Governors<sup>11</sup> appoints the President/Managing Director to serve as Chief Executive Officer and as the main point of communication between the Board of Directors and corporate operations. The President, the highest-ranking officer of the organization, is also an elected member of the Board and chairs the meetings of the Board of Directors. Management, via the President, is primarily responsible for: (i) conducting the current (also referred to as ordinary, immediate) business (also referred to as management and administration) of the organization under the direction of the Board of

Directors; (ii) organizing officers and staff, and in particular appointment and dismissal of senior officers (e.g., Vice-Presidents and above) in accordance with rules and regulations parameters adopted by Directors; and (iii) designating the Secretary of the Board in accordance with the rules, regulations and guidance of the Board.

**Item for consideration:**

*Although AfDB is not an outlier in this regard, it may benefit from greater clarity in the interpretation of statutory and non-statutory roles and responsibilities of Board and Management.*

**Board priorities and Management independence**

**The primary role and responsibility of the Board of Executive Directors, and where it can potentially contribute greater value, is to provide strategic guidance in a changing global competitive environment, to provide fiduciary oversight of Management toward the implementation of the agreed objectives, and to hold Management accountable for results.**<sup>12</sup>

In practice, strategic oversight and transactional decisions lie on a continuum, and are not entirely mutually exclusive in the day-to-day operation of Boards. The principal question is whether the “right” balance has been struck as to the principal roles and responsibilities of EDs as opposed to Management. Most organizations with Resident Boards have sought to manage this balance by agreeing on principles and procedures of engagement on operational issues of budgeting, human resources, and projects and programs (See Section on Accountability). Over time, the desired balance may need to shift in order to adapt to changing external and internal contexts.

It is important for the Board to remain focused on strategy and its implementation, keeping an appropriate distance from transactions (“micro-management”). Good governance

principles also suggest that Management be provided the flexibility and independence to perform its functions within pre-agreed strategic and fiduciary bounds, and be held accountable for achieving desired results. Delegation of decisions to Management is all the more important in the context of a more decentralized Bank.

However, interviews with Management in most comparators with Resident Boards indicate frustration with the extent of micro-management. Executive Directors of the AfDB commented that they spend much of their time on transactional reviews and they would prefer to shift their focus to more value enhancing strategic oversight and guidance, and to hold Management accountable for results. Not unlike other MDFIs, there remains a gap between what the Executive Directors prefer and where they direct most of their efforts today.

**Item for consideration:**

*Review and agree on a shared interpretation of the balance between Board control and oversight and executive Management authority over operations.*

**AfDB and Strategic Direction**

**It is only by working closely together that the Board and Management can ensure that the Bank is most effective in assisting Africa’s development efforts.** The AfDB Board has provided strategic guidance through its approval of the TYS and the High 5s. It is vital that the ambitious agenda therein now receive the full and active support of the Board. In this context, the Board should consider undertaking an exercise to address the key strategic challenges facing the Bank in implementing the TYS and High 5s. Such an effort by the EDs themselves would be very different from the typical practice of Management preparing a paper for the Board’s consideration. The “Forward Look” initiative of the World Bank may yield some useful lessons (see Box 3).

**Item for consideration:**

*Engage in a Board-led strategic vision exercise focused on the implementation of TYS and High 5s,*

*and the associated requirements of staff capacity, administrative budget and, importantly, ADF resources and a timely increase in the Bank's capital (GCI VII). ■*

**Box 3:** Good Practice Example: World Bank Forward Look

In developing its forward strategy and plans in 2015, the World Bank Group faced a challenge. While its Board of Governors expressed general support for the strategic directions proposed by Management, it also indicated that more detailed work would be required to mobilize support for the capital and staffing resources needed to implement the strategy. The Governors indicated that they expected the Board and management to work together and agree on the actions needed to justify full support for the Bank's ambitious agenda.

The Board and Management undertook an innovative approach, the "Forward Look," with the objective of developing a shared understanding on the key development challenges leading to 2030, how management expected to confront these issues, and what level of financing and staffing resources would be required to effectively implement the proposed strategy. This work began with a background paper summarizing the general development environment and the broad challenges facing the Bank. It then proceeded to a second paper, which developed some of the operational options the Bank was considering to address these challenges. Both papers were comprehensively reviewed in day-long retreats where the Board actively engaged with senior operational management. Concluding sessions then allowed for open exchanges between the Board and the Bank President on both papers and included detailed discussions on the way forward.

This exercise, which took almost a year, produced a greater degree of collaboration between the Board and Management. By engaging the Board in both a hard look at the WBG's operations and business model and in detailed discussions on how the Bank can best ensure the WBG remains central to the 2030 development agenda, this effort has generated broader Board understanding and support for management's proposed strategy.

# Findings and Lessons – Accountability

While all organizations set forth roles and responsibilities with varying degrees of specificity, the Charter provides very limited guidance on how and over what issues accountability is to be exercised. Instead, accountability mechanisms and processes have developed organically over time.

- Operational policies; and
- Corporate scorecard, Results Framework and other similar instruments.

## Accountability of Management to the Board

**At the highest-level, accountability mechanisms – both the coverage of issues as well as the tools – are similar among comparator organizations.**

Executive Directors devolve to Management specific authority to implement and deliver results. However, accountability to ensure that Management delivers results efficiently and effectively within agreed guidelines cannot be devolved and must remain with the Board – *the greater the delegation, the stronger is the need for accountability.*

Most Boards of Directors review, recommend approval, approve or sign off by statutory responsibility, a combination of finances, programs, budgets and people:

- Annual Reports;
- Audits and financial statements, including guidance on risks;
- Current and capital budgets, including total compensation (salary and benefits);
- Allocation of net income and product pricing;
- Selection and appointment of a limited number of senior staff positions;

## Mechanisms for monitoring Board decisions

**While the oversight responsibility of the Board is described in the Charter rather broadly, most of the interviewees concurred that in practice there is no effective mechanism for the Board to hold Management accountable.<sup>13</sup>**

Accountability mechanisms used by the Boards of Directors have tended – by their own admission – to be transactional and ‘fragmented’ in the sense that they look at particular aspects of the organization (e.g., budget, HR) but have less opportunity to take a consolidated view (e.g., efficiency and effectiveness in achieving results).

Some Boards of Directors have increasingly come to rely on periodic ex-post independent evaluations of the country and/or sector portfolios to provide oversight, guidance and to hold Management accountable. These not only assess how effective management’s actions have been, but also provide opportunity to give guidance on future expectations. The International Fund for Agricultural Development (IFAD) for instance has established a President’s Report on the Implementation Status of Evaluation Recommendations and Management Actions ([PRISMA](#)) that reviews follow-up actions on recommendations made by the Independent Office of Evaluation.

Boards of Directors have also found it useful to have some tools to track operational management commitments. These include various reports and

briefings that are often shorter term and more detailed than some of the other accountability instruments noted above. The Global Fund uses several tracking tools, such as the [Annual Report on Status of Board Decisions](#)<sup>14</sup>, and in 2014, they introduced a new management tracking tool ([Agreed Management Actions](#)) that provides regular status updates to the Board on outstanding actions.

Several AfDB EDs expressed frustration at their inability to systematically track management commitments (regarding timeline, clarity, and assigned responsibility) made during Committee and Board meetings. An effective online platform to track management commitments, managed by Secretariat staff, would ensure that Board and Committee guidance has been appropriately addressed, and reduce the pressure for repeat meetings.

#### Items for consideration:

- *Focus Board further on systematically tracking commitments and results.*
- *Improve effectiveness of on-line platform to track Management commitments.*

### Board role with respect to Allocation of Income, Budget, Human Resources, and Operations

**Interviews suggest that the budget (operating and capital) is the most frequently used tool for the Board to exercise oversight and hold Management accountable.** The accountability discussions in comparator organizations have focused on the allocation of net income to competing uses (reserves, administrative budget and grants etc.), on the budget itself and on the alignment of programs and budgets with agreed priority objectives, strategy, work programs and human resources. Comparator organizations have progressively moved to programmatic budgeting and few have tried, thus far unsuccessfully, to move to multi-year budgeting (Table 3).

#### Item for consideration:

*Continue reform toward program budgeting and multi-year expenditure framework.*

Regarding Human Resource (HR) management, the Board of Directors sets forth rules and regulations to Management for the approval and dismissal of officers and staff. Thereafter, most MDFI Boards focus the bulk of HR oversight on: (i) overall staffing

**Table 3:** Board Role with respect to Budget

AfDB	WB	IMF	IaDB	AsDB	EBRD	CAF	GF	AiIB
<b>Program vs. line item</b>								
Approves program budget	Approves program budget	Approves program budget	Approves program budget	Approves program budget	n/r	Approves program and line-items	Approves program budget	n/r
<b>Single-year vs. multi-year</b>								
n/r	Provision for multi-year budget framework	Provision for multi-year budget framework	Single-year, considering multi-year	No provision for multiyear <sup>1</sup>	n/r	No provision for multiyear	Provision for multi-year budget framework	n/r
<b>Provisions for carry-over</b>								
n/r	None <sup>2</sup>	✓	1.5% carryover	✓	n/r	None	✓	n/r

1. Indicative budget framework (budget growth) for 3-years is presented in the three-year rolling work program and budget frame. This is discussed with the Board but AsDB does not seek Board approval.  
2. A 2% general flexibility band is in place.

structure and organizational design; (ii) positioning of compensation relative to competitors; (iii) diversity; and (iv) trends in total compensation (including liability reserves). Of these essential elements of HR, usually only the level of and annual adjustment to total compensation is discussed and statutorily approved as a component of budget considerations (See Table 4).

Most organizations have moved to avoiding discussions of individual appointments or of position or complement control. Nevertheless, the Board retains a direct role in the selection and appointment of certain senior staff positions (The President, positions with a dual reporting role like the General Counsel, Secretary General, and positions such as the Evaluator-General that report directly to the Board).

**Item for consideration:**

*Identify positive list of the limited number of senior positions where Board participation in selection and appointment is warranted and clarify procedure.*

Similarly, on operational projects and programs – loans, grants, guarantees, investments – MDFI Boards have moved to spend more time on strategy. Some organizations have agreed on Pre-Determined Criteria (PDC) – a positive list – for a sub-set of transactions that will be considered at full Board, and to approve all other transactions on a streamlined basis. The PDC include principles such as first engagement of a member, particularly large and risky transactions, innovative transactions that could yield useful lessons, whereas all repeater or supplemental transactions, or small operations, would be approved on an Absence of Objection Basis (AOB) or on a Lapse of Time Basis (LOTB). Board members retain the right to request a full Board discussion when they have concerns.

The principles adopted by various comparators for choice of LOTB vary, but the thrust is broadly similar and aimed at shifting the time devoted by the Board to greater value products. In 2015, AsDB revised its criteria for operations considered by the full Board reducing the number of sovereign operations requiring full Board discussion from

**Table 4:** Board Role with respect to Human Resources and Organizational functions

	AfDB	WB	IMF	IaDB	AsDB	EBRD	CAF	GF	AIIB
Appointment of Vice Presidents (or level just below President)	Consulted	n/r	Approves	Approves	Approves	n/r	Consulted	n/a	Approves
Appointment of Directors (or level two levels below President)	Receives information	n/r	Receives information	n/a	Receives information				
Staff Compensation Framework	Approves	Approves	Approves	Approves	Approves	n/r	Receives information	Receives information	Approves <sup>1</sup>
Staff Complement	Receives information	Consulted	Consulted	n/r	Receives information	n/r	Receives information	Receives information	Approves
Determining the number of Vice Presidents	Approves	Receives information	Approves	Approves	Approves	n/r	Receives information	n/a	Approves
Reorganization	Approves	Consulted	Receives information	Approves	Approves	n/r	Receives information	Receives information	Approves

1. In the context of annual budget.

37 to 27 percent and non-sovereign operations from 69 to 23 percent. The World Bank, in 2013, moved towards a principles-based approach in determining which operations would be discussed formally by the Board based on certain criteria) as determined by Management based on the following four criteria: (i) significantly high risk; (ii) innovation; (iv) requirement for policy waivers; and (iv) issues of particular interest to the Board. AfDB has been moving cautiously in this direction with smaller projects increasingly moving to the LOTB approval mechanism. The 2015 “Streamlining of Procedures for Approval Process by the Board of Executive Directors” allowed for a decrease in the number of projects for full Board consideration (see Table 5 and Annex 4, Table A4.3).<sup>15</sup>

Newer organizations without Resident Boards have moved to full delegation of transactions to Management. At AfDB, Management does not even share documents ex ante, but only reports out quarterly decisions taken by Management.

However, project and program reviews are still seen by a significant share of Board members to be an important tool for the Board of Directors to hold Management accountable for delivery of strategic goals. The World Bank recently introduced annual “regional updates” to brief the Board on regional programs, progress and issues, and to give the Board the opportunity to provide “light-touch” guidance at that level.

#### **Items for consideration:**

- *Review proportion of operations subject to LOTB to make sure that the intended share of items reviewed by full Board is achieved/maintained.*

- *Clarify and agree on principles and PDC for the extent of Board engagement on: (i) budgeting, (ii) HR and organization, and (iii) Operations.*

- *Track impact of projects/programs subject to PDC on Board agenda.*

- *Introduce an annual/periodic Board update of regional program implementation (see discussion on pg.25).*

#### **Units reporting to the Board**

**Over time MDFI Boards have turned to structural options for holding Management accountable by creating additional units, which cover functions such as evaluation, inspection, integrity and audit, with varying degrees of independence from Management to provide an independent review in order to improve relevance, efficiency and effectiveness.** The earliest such units, starting with the World Bank Operations Evaluation Department (now the Independent Evaluation Group), were tasked with project and program evaluation. AfDB established the Operations Evaluation Department (OPEV, now Independent Development Evaluation (IDEV)) in 1995 to serve this function. Subsequently, a number of MDFIs added Inspection panels charged with Integrity and Anti-corruption. While in most organizations these units are solely responsible to the Board, some units in AfDB have primary responsibility or secondary responsibility also to the President (see Table 6).

The EBRD and Global Fund each have only a single such unit directly reporting to the Board.

**Table 5:** Board Role with respect to Operations (number)

AfDB	WB	IMF	IaDB	AsDB	EBRD	CAF	GF	AfIB
<b>Percentage of items approved through LOTB/AOB procedures - 2016</b>								
48%	91%	12%	n/a	50% (loans)	n/r	100%	40%	n/a
<b>Percentage of items approved through LOTB/AOB procedures (2012-2017 Average)</b>								
42%	90%	11%	n/a	50%	n/r	100 %	40%	n/a

**Table 6:** Accountability units responsible to the Board of Directors

	AfDB	WB	IMF	IaDB	AsDB	EBRD	CAF	GF	AiIB
Evaluation	Independent Development Evaluation <sup>1</sup>	Independent Evaluation <sup>1</sup>	Independent Evaluation Office <sup>1</sup>	Office of Evaluation and Oversight <sup>1</sup>	Independent Evaluation Department <sup>1</sup>	Evaluation Department <sup>1</sup>			Compliance, Effectiveness, and Integrity Unit <sup>1</sup>
Inspection	Administrative Tribunal <sup>3</sup>	Inspection Panel <sup>1</sup>	Office of Internal Audit <sup>2</sup>	Independent Consultation & Investigation Mechanism <sup>1</sup>					Compliance, Effectiveness, and Integrity Unit <sup>1</sup>
Compliance	Compliance Review & Mediation <sup>3</sup>	Compliance Office <sup>2</sup>	Office of Internal Audit <sup>2</sup>		Office of the Compliance Review Panel <sup>1</sup>			Office of the Inspector General <sup>1</sup>	Vice President, Policy and Strategy <sup>2</sup>
Sanction	Secretariat to the Sanctions Appeals Board <sup>3</sup>	Sanctions Committee <sup>2</sup>	Ethics Office <sup>2</sup>	Sanctions Committee <sup>2</sup>					Compliance, Effectiveness, and Integrity Unit <sup>1</sup>
Integrity	Integrity & Anti-corruption <sup>4</sup>	Integrity Office <sup>2</sup>	Ethics Office <sup>2</sup>	Office of Institutional Integrity <sup>2</sup>					Compliance, Effectiveness, and Integrity Unit <sup>1</sup>
Audit	Office of the Auditor General <sup>4</sup>	Internal Audit Department <sup>2</sup>	Office of Internal Audit <sup>2</sup> ; External Audit Committee <sup>3</sup>	Internal Audit <sup>5</sup>			Audit <sup>1</sup>	Office of the Inspector General <sup>1</sup>	Internal Auditor <sup>3</sup> ; External Auditor <sup>3</sup>
<b>Units reporting to Board</b>	<b>6</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>3</b>

1. Reporting solely to the Board.

2. Reporting to Management.

3. Primary Reporting to the Board.

4. Secondary Reporting to the Board

AiIB has consolidated the functions of evaluation (effectiveness), compliance and integrity into a single unit reporting directly to the Board of Executive Directors.

AfDB has the largest number of offices that are overseen to varying degrees by the Board. This risks diluting Board attention from other

matters. Most of the other MDFIs have similar units, however they do not report to the Board of Directors.

**Item for consideration:**

*Explore opportunity for consolidating units reporting to the Board.*

**Box 4: AfDB Disclosure Policy**

The Boards of Directors of the African Development Bank Group first approved a policy on public disclosure of information in 1997. This was in response to an increasing presence and involvement in Bank work from various external institutions, civil society groups, and individuals, who sought disclosure of documents and information from the Bank. The initial policy was a “positive” disclosure list. The policy was further revised in 2004, with the aim of expanding that list; a more substantial revision took place the next year, 2005, in tandem with requests made by Deputies during ADF-9, to align the Bank’s disclosure policies with best practices.

In 2012, the Bank undertook a more dramatic revision, which resulted in the current policy. This policy abolishes the “positive” list and outlines instead a “negative” list of those documents, which are not to be disclosed, with an assumption that all others are fit for public disclosure. It also defines an appeals mechanism for document designation, provision for simultaneous disclosure, and increased access to disclosed documents for stakeholders. Currently, only the following broad types of documents are restricted from disclosure: deliberative information and incomplete reports; communications involving the Bank Group’s President, Executive Directors, and the Governors; legal disciplinary or investigative matters; information provided in confidence by member countries, private-sector entities, or third parties; administrative information; financial information; and safety and security; and personal information.

In terms of timeliness of disclosure, all information classified as “Public” is to be disclosed on the AfDB website within 5 working days following the date of approval, distribution, completion, endorsement, discussion, issuance, receipt, or submission of the document, unless specified otherwise in the Policy. Finally, this most recent policy reflects more proactive engagement with stakeholder in terms of information disclosure, creating more resources to access information and working with Regional Resource Centers and field offices to increase dissemination.

**Results and Performance Instruments**

**Corporate Scorecards, Results Measurement/Management Frameworks (RMFs), Key Performance Indicators (KPIs) and equivalent instruments that seek to spell out a causal chain from inputs to impact, exist in most comparator organizations with varying degrees of use by Executive Directors and Management** (See Annex 4, Table A4.4). Notwithstanding their potential as tools for accountability, these instruments are currently not put to effective use for this purpose.<sup>16</sup> AfDB’s RMF, which has been aligned with the TYS and the High-5 Agenda, could usefully serve as an accountability tool; progress is already reported as part of the Annual Development Effectiveness Review.

**Item for consideration:**

*Systematically monitor, evaluate and learn from progress and impact of programs on High 5s through a strengthened RMF (e.g., better aligned, improved quality of data, increased timeliness and frequency of data, and overall usefulness of RMF).*

**Accountability of Board to Governors and civil society stakeholders**

**Boards of Directors have an accountability relationship with the Governors and their civil society stakeholders.** The former is statutorily essential as Board of Directors work by delegation from the Governors. The Charters of almost all comparators specify that the Board of Executive Directors are responsible for preparing the work of the Board of Governors, submitting the accounts for each financial year and an annual report for approval to the Board of Governors at each annual meeting (see Annex 4, Table A4.1).

In practice Directors maintain a steady exchange with their capitals on issues of interest, to convey decisions or to seek guidance on positions to adopt and to ensure that the capitals and public maintain an adequate level of understanding and continue to support the work of the organization. The tools include primarily: (i) Annual Reports; (ii) Financial and Audit reports; (iii) Annual Meetings; (iv) Briefings of authorities on strategy, policy and program developments; (v) Country visits;

and (vi) Open (e.g. Data sharing) and Joint (e.g. Commitment/disbursement information) information platforms.

In addition, over the past three decades,<sup>17</sup> there has been greater openness<sup>18</sup> and disclosure. Boards have recognized the importance of their accountability to civil society stakeholders. Most organizations' disclosure policies, including [AfDB's revised 2012 policy](#) (see Box 4), have moved from a "positive" list of what is to be disclosed toward a list of a limited "negative" list of items marked for non-disclosure, with the presumption that disclosure applies to items not on the list of exceptions (See Annex 4, Table A4.5). The timeliness of disclosure varies from simultaneous circulation to after approval by Board.

### Board self-accountability

**Boards of Directors of all comparators have established Codes of Conduct to spell out the standards and rules of accountability of individual Board members vis-à-vis the organization.** The Code enjoins individual Executive Directors and their staff to "maintain the highest standards of integrity in their personal and professional conduct and observe principles of good governance." While an ad hoc Board Ethics Committee or equivalent adjudicates cases in extremis, the Code serves mainly to set norms and standards for desirable and acceptable conduct, enforced through institutional "culture."

The World Bank and the [Global Fund](#) have also commissioned self-evaluation surveys that seek to identify areas for further efficiency and effectiveness (e.g., with respect to structure, procedure, and behavior). These survey results are shared with the Directors and are discussed in various fora; however, there has been limited follow up.

In 2011, the World Bank Board of Directors and Management adopted the principle of "Dual Performance Feedback" (formerly called "dual evaluation") whereby the President shares feedback of the Board's efficiency and effectiveness with the Dean (and co-Dean) in restricted session, while the Dean provides feedback to the President of the Executive Directors' view of his/her effectiveness.

This holds promise provided there is a built-up capital of mutual trust and respect between the Board and Senior Management. To build on experience gained since 2011, third party consultant services have recently been procured to help identify opportunities to strengthen the Dual Performance Feedback.

#### *Items for consideration:*

- *Commission periodic Board self-evaluation surveys to identify areas for improved efficiency and effectiveness, and discuss at facilitated Board retreat.*
- *Explore Dual performance feedback.* ■



IDEV

International Development Evaluation  
African Development Bank

▶▶▶ Accountability

▶▶▶ Learning

▶▶▶ Promoting  
an Evaluation  
Culture

False & Dan

helpful phrases

- ▶ "That is not the..."
- ▶ "Those are the..."
- ▶ "I disagree..."
- ▶ "No, and..."
- ▶ "I have to..."

Photo © ADB

# Findings and Lessons – Board (and Committee) Operations

The quality of Board operations — how well the Board functions — is another essential element that determines overall effectiveness and efficiency of Boards and is frequently a function of how effectively and efficiently Board Committees operate and contribute to Board deliberations. Facilitating the work of the Board, and rendering the Board time more efficient and effective, are prime objectives of Committees. This section will therefore discuss both, operations of the Board as a whole, and of Board Committees.

## Board Member Term, Roles and Terms of Reference

### Term

**Term length and term limits for Executive Directors are thought to influence Board character and decision-making and are quite similar among comparator organizations.** Term length ranges from 2- to 3-years, typically without limitations on renewal and re-election (Table 7).<sup>19</sup> These term limits are systematically adhered to in the case of multi-country constituencies where the Executive Director positions are rotated among constituency members by prior agreement. Most EDs appreciated the continuity and depth of knowledge

gained with time and felt that a single term limit is short but also believed that a total Board term beyond 5 years has limited value. Most EDs also believed that a consistent practice should be adopted for advisors. Some suggested a cap of 10 years.

AfDB is somewhat of an exception in that renewal of Executive Directors is limited to one additional term. In practice however, officers in the Directors offices can rotate between jobs and the 2-term limit is not a constraint, i.e., the clock resets for each new position.

### Roles, Terms of Reference, and Background

**The composition of MDFI Boards is similar.** Boards are comprised of a Chairperson, a Dean, and members. Board members can serve on one or more Committees. The roles and responsibilities of these positions are defined to various degrees in MDFI Charters, Board Rules of Procedure and Guidelines (See Annex 5), and Committee ToRs (See Annex 6).

The Dean of the Board occupies an important role in shaping and managing the Board as a cohesive team, coordinating with Management, and overall in building as much as possible consensus among EDs to advance the organization's agenda. In most comparator organizations, by tradition, the Dean of

**Table 7:** Executive Director Term Limits and Average Time served

	AfDB	WB	IMF	IaDB	AsDB	EBRD	CAF	GF	AiIB
Term Length	3 years	2 years	2 years	3 years	2 years	3 years	3 years	4 years	2 years
Average # of years served*	n/r	2.4	2.9	1.8	3	n/r	5	3.9	n/a
Term Limit	2	none							

\* Average for Executive Directors who served over the last 5 years (2012-2017)

the Board is the longest serving Executive Director (see Annex 4, Table A4.6). Some organizations are discussing whether to create a nomination and election process to select the Dean.

The Board Chair at all MDFIs<sup>20</sup> is the President and CEO of the organization. The Chair does not have a deciding vote, except in cases of equal division. Most MDFI Charters or Rules of Procedure specify that the Chair is responsible for preparing the meeting agenda. Only the Global Fund provides a detailed description of the key responsibilities expected of the Chair and Vice-Chair ([Operating Procedure, Annex 1, page 10](#)). In the Chair's absence, the President designates a Vice President to serve as Board Chair<sup>21</sup>. This latter practice has at times – especially when the President is frequently absent, and when there is a deficit of social capital – led to the question of whether in the absence of the President, it should not be an Executive Director who should chair the Board, since Managers are not, by statute, members of the Board.

Table 8 below summarizes the practices of comparator organizations (Also see [Operating Procedures, Annex 1](#)).

#### *Item for consideration:*

*Create ToRs for EDs outlining key competencies and key responsibilities.*

The backgrounds and experiences of Executive Directors are quite diverse across comparators. Many come from Ministries of Finance, Planning, Foreign Affairs, from Central Banks, and from their respective overseas development organizations. Interviewees indicated that this diversity of backgrounds added to the richness of views on development issues and actually contributed positively to Board discussions and to decisions. Similarly, the improvement in the gender balance of the Boards in many of the comparator organizations over the past years is believed to have enhanced the quality of Board deliberations. AfDB's Board in terms of background, experience and gender diversity is broadly in line with comparator organizations (See Annex 4, Table A4.7).

### Setting the Board Agenda

**The agenda of the Board (and the Committees) drives how the Executive Directors use their time and hence is critical to Board efficiency and effectiveness.** Sound preparation by the Secretariat in consultation with the EDs, and in particular with the Dean and the Committee Chairs, and high-level participation by Management, has resulted over time, in shaping the Board agenda to better reflect issues of mutual concern and interest. Greater clarity and predictability of the agenda, in

**Table 8:** ToRs and/or Job Descriptions

	AfDB	WB	IMF	IaDB	AsDB	EBRD	CAF	GF	AIIB
The Board		✓	✓	✓	none	n/r	✓	✓	✓
Dean	✓	✓**	none	none	none	n/r	none	n/a	none
Executive Directors	None	✓**	✓	none	none	n/r	✓	✓	*
Committee Chairs	✓	✓	none	✓	none	n/r	✓	✓	none
Committees	✓	✓	✓	✓	✓	n/r	✓	✓	✓
Committee Members	✓	✓	none	none	none	n/r	✓	✓	none

\*Under Development  
\*\*Informal

turn, allows for timely preparatory work by the Board and Committees.

Relevant issues related to the agenda include the balance between different topics, sequence of discussions, and process to assure an effective and robust agenda. In all the comparator organizations, interviewed Board members noted that they find themselves too deeply engaged in the review of transactions and voiced their desire to devote more time to strategy and policy issues, and organizational risk.<sup>22</sup>

Most comparator organizations seek to sequence Board discussions toward ensuring coherence across key topics. Discussions of overall strategy, for example, set the stage for a discussion of the work program of financial and knowledge services, of the HR strategy and of the administrative budget. Regional, country and sector strategy discussions are required to be preceded by a discussion of the evaluation of earlier strategies. In the case of AfDB, particularly under the DBDM, regional updates with a focus on progress in the implementation of High-5s could add value to subsequent discussion of specific operations in the countries of the region (Also see pg. 18).

As part of the agenda-setting process, the Secretariat continually engages with Committee chairs and the Dean to review important items on the management agenda, hears of items of importance to the Board and Committees, and then arbitrages and reconciles them. A number of comparators have also established a Steering Committee to serve as a venue to review the overall agenda, track progress of prior Management commitments, and allow for a structured exchange of views between Board and Management (Annex 4, Table A4.8).

At AfDB the Dean and Secretary General establish the Board agenda in consultation with the Senior Vice President; it is spelled out in the four-month

Board Rolling Agenda (BRAG), which is updated monthly. The Dean holds prior consultations with Committee chairs on issues that warrant inclusion in the BRAG. Board members commented that the BRAG is heavily driven by Management's pipeline schedules and furthermore, is subject to substantial volatility.<sup>23</sup> Executive Directors also felt that too much time is still devoted to project reviews as opposed to strategy, policy and to tracking implementation of adopted strategies. Another important feedback is that the agenda is also less than efficient because the Board often repeats in full, discussions previously held in Committee.

#### *Item for consideration:*

*Establish a formal mechanism to create the agenda, as part of an existing committee or the Dean's responsibilities, to give it more strategic content, better align and sequence discussions, and reduce volatility of the BRAG.*

### Procedures for Board functioning

**The frequency of Board meetings varies by organization, averaging almost weekly for official Board meetings** (see Table 9). Most items move to consideration by the full Board after being reviewed at Committee-level and the issuance of the Committee Chair's summary. A timely and complete Board package is instrumental to increasing the Board's efficiency. In addition to the summary, most EDs at comparators receive a Board package that includes the agenda, the documents to be reviewed, items on which Management seeks guidance, memorandum from the President, and Secretariat and General Counsel analysis of policy/legal antecedents.

In order to increase the time-efficiency of Board meetings, some comparator organizations have adopted the practice of circulating written comments, sometimes as joint statements

**Table 9:** Board Meetings – Number of Meetings and Items considered in 2016

	AfDB	WB	IMF	laDB	AsDB	EBRD	CAF	GF	AIIB
Number of meetings	41	75	355	37	43	25	3	2	6
Total hours met	123	137	330	n/r	100+/-	n/r	18	32-40	55
Number of items considered/ approved	82	184	190	n/r	72	n/r	30	31	59
Hours per item	1.5	1.3	1.74	-	1.39	-	0.60	1.0 -1.29	0.93
Informal meetings	8	37	106	n/r	48	n/r	3	2	n/a
Recess Length (weeks)	10	2	2-3	4	14	8	n/a	n/a	n/a

by multiple chairs, prior to the formal Board discussion. While some feel that it may take away from spontaneous discussions, all agree that this practice serves to increase efficiency and simultaneously helps to strengthen the minutes of the meetings. The practice is widely encouraged at the Bretton Woods institutions and followed sporadically at other comparators (laDB and Global Fund). In addition, some Boards (AfDB, WB, laDB, Global Fund) instituted limits on speaking times (3-4 minutes for Executive Directors and 10 minutes for management remarks); however, these limits are not always respected.

The Board Chair is not only responsible for guiding the discussion and adhering to the agenda, but also, with Secretariat support, for clearly communicating the decisions reached.

#### **Items for consideration:**

- *Improve Board document package to include committee summary, items on which Management seeks guidance (as with MOP), and Secretariat/General Counsel analysis of policy/legal antecedents.*
- *Introduce practice of advance written statements by Directors and staff responses*

- *Set indicative discussion time for each agenda item.*

## **Committees – Purpose, Types, and Membership**

### **Purpose and Number**

**Board Committees and on-going Committee-Management interactions form an important element to advance mutual understanding, to build trust, and to move the institutional agenda forward.** Board committees represent a subset of Board members delegated by their peers to provide detailed oversight, review and guidance on key corporate governance areas such as finance, personnel, and corporate effectiveness.

Most comparator MDFI Boards have three to six Standing committees (see Table 10); the more recently established organizations (EBRD, CAF, Global Fund, AIIB) have been tending toward fewer standing committees. Core standing committees typically deal with issues covering Finance (Budget and Audit), Human Resources, Development Effectiveness (Strategy and Policy), and Board Governance. The number of

**Table 10:** Board Committees

	AfDB	WB	IMF	IaDB	AsDB	EBRD	CAF	GF	AIIB
Number of Committees	7	5	8	6	6	3	2	3	3
Size of committees	7 <sup>1</sup>	8	6-14	14	6 (5 for Ethics)	n/r	5 - 12	16 (9 for ethics)	6
Number of EDs in single committee*	4	8	1	0	0	n/r	5	14	8
Number of EDs in > 1 committee*	16	17	23	14	10	n/r	1	6	4
ToRs for Committee members	✓	Informal	✓	✓	✓	n/r	✓	✓	None
ToRs for Chair and Vice Chair	✓	Informal	None	✓	None	n/r	✓	✓	None
Term for Members	1 year	2 years	2 years	3 years	2 years	n/r	✓	2 years	2 years

1. Committee of the whole made up of all 20 executive directors.

committees of the AfDB Board<sup>24</sup>—seven—is higher than all comparators except the IMF.

#### **Item for consideration:**

*Reduce the number of committees by consolidating for instance ECAM and AMBD.*

### **Term and Membership**

**At comparator organizations Committee Chairs, vice-chairs and members usually serve terms of 2 to 3 years, coincident with the term of the Directors.** At AfDB, although EDs serve for a three-year term, while Committee assignments are only for a one-year term, shorter than at all other MDFIs. As a result, AfDB Board committees have a high level of turnover and potentially lack of continuity and institutional memory.

#### **Item for consideration:**

*Extend Committee members' term to 2 years to stagger turnover and ensure greater continuity and enable development of deeper subject matter expertise.*

A significant number of EDs at AfDB and comparator organizations indicated that they did not receive clear guidance as to what was expected of them as Committee Chair, vice-Chair, or even as member (see Box 5) and that they received very limited technical support. In this regard investing in a quality (relevant) induction program and providing useful reference materials, as well as more systematic handover notes from predecessor Chairs would be well received (see following section on Support). AfDB<sup>25</sup> and the Global Fund,<sup>26</sup> go further than other comparators by clarifying what is expected of Committee leadership (See Annex 4, Table A4.9). AfDB's recent creation of detailed guidelines for the selection of Board Committee members, Chairs, and Vice Chairs and TORs of Committee Chairs is an important step in improving Board operations (see Table 8, pg. 24).

**Member Selection:** Due to the importance of Committee Chairs to the effectiveness and efficiency of committees, their selection receives high-level attention. Chairs are selected following a consultative process led by the Dean of the Board, the Secretary and the President. In most organizations, the Vice-Chairs and the members

are also selected based on consultations between the Dean, the Secretary and the President. At the WB for instance, Executive Directors are encouraged to express interest and preferences for various committees, and an effort is made to match these preferences while remaining sensitive to geographic diversity. The IMF uses committee member selection criteria which include: geographical balance, need for rotation, with some continuity; and reasonable distribution of the burden. In addition, all EDs are canvassed for their expressions of interest and the Dean consults with committee chairs in this regard as well. At AfDB, the President of the Board appoints the Chair of the Committees in consultation with the Dean and the Board of Directors. Committee members in turn elect the Vice-Chair.

While Board members comprise the majority of committee membership, a handful of organizations, such as the AIIB and Global Fund, have called

upon outside experts who are not Board members to serve on some Board committees – typically, the Audit Committee.

**Item for consideration:**

*Explore bringing in outside expertise into Audit, Finance & HR Committee.*

## Committee Meetings

**Most items designated for Board discussion are first reviewed in Committees prior to consideration by the full Board.** The frequency of Board and Committee meetings varies by organization and by the nature of Committees, averaging about 1-3 times per week (see Table 11).

Based on the most recent data available from comparators, Committees covering development

### Box 5: Committee ToRs

It is noteworthy that the ToRs of Board Committees are quite similar. Differences in their effectiveness and efficiency lie in their execution.

Committee ToRs typically summarize the purpose, responsibilities, and membership composition of each Committee. Some organizations, such as laDB and the Global Fund, include in the ToRs further description of meeting procedures, output and reporting requirements, support arrangements, communications with staff, and accountability mechanisms.

ToRs for AfDB committees were last reviewed and updated in July 2016. In terms of substantive content, the ToRs cover similar ground as those of comparators. Committee membership, chair, term, quorum, meeting frequency, work program and decision authority are spelled out in general terms in the Preamble, while specific functions and committee – management interactions are spelled out in the specific ToRs.

**Table 11:** Committee Meetings – Number of Meetings and items considered in 2016

	AfDB	WB	IMF	laDB	AsDB	EBRD	CAF	GF	AIIB
Number of meetings	101	80	20	131	42	n/r	2	9	6
Number of items considered	133	138	n/a	n/a	60+/-	n/r	10	90+/-	16
Items per meeting	1.32	1.73	-	-	1.43	-	5.0	10.0	2.67

effectiveness, met most frequently, ranging from 11 (AsDB) to 26 (IaDB) times during a year (CODE at WB met 19 times); Committees dealing with human resource matters met between six (AsDB) to 15 (IaDB) times a year (WB HR Committee met 13 times).

The frequency of committee meetings at AfDB ranged from not meeting at all to meeting 38 times a year. CODE and AUFI met with the highest frequency on average annually (based on data for 2015 and 2016), while others such as the CWHOLE met on average five times. In some instances, the frequency of meetings is driven by the importance and complexity of the issue. At other times however, the number of meetings may reveal inefficiencies, due perhaps to poor preparation, inadequate documentation, insufficient briefings, timing and secretariat support or to the inability to come to closure.

The Committee Chairperson guides the discussion and is responsible for determining the sense of the meeting as well as drawing conclusions and providing direction. There usually is no formal voting or decision authority,<sup>27</sup> therefore the Committee Chair's report is important in that it details critical issues and arguments, captures the extent of consensus, records differing viewpoints, and recommends principal follow-up decisions and actions for the Board's consideration. Timely issuance of the Chair's summary is key (See Annex 4, Table A4.10).

The recent decision by AfDB to provide dedicated Secretariat staff support to Committees will unburden the Committee Chair of the obligation to prepare the meeting report and allow for a more detailed summary report on the consensus achieved and the outstanding/important issues for Board consideration.

#### **Items for consideration:**

- *Adopt goal of one Committee meeting per specific topic/document, provide clear guidance*

*to Management, and ensure that Committee guidance is fully reflected in document subsequently presented to the Board.*

- *Strengthen Chairs' summary report as input to Board documents package. Ensure timely preparation.*
- *Encourage orderly handover including practice of Chair's handover notes.*

## **Management Participation**

**The more Management values Board and Committee work and takes it seriously, the better the outcome for the organization.**

In many comparator organizations, in recognition of the value of Board and Committee work, Management participates typically at VP (or equivalent) level, assisted as needed by technical staff. In some organizations, the senior-most leadership – the President or Managing Director(s) – signals to staff the importance of taking Board and Committee engagements seriously, by pre-meeting guidance and post-meeting de-briefings. In AsDB for instance the Managing Director General coordinates management participation in Committee work to demonstrate serious engagement and to ensure coherence and consistency. Management and Committee members tend to have an ongoing engagement through bilateral briefings on narrow issues of clarification.

#### **Item for consideration:**

*Agree with Management on the level of participation in Board and Committee meetings as a function of meeting nature (e.g. information, consideration, approval). ■*

# Findings and Lessons – Support to Board and Executive Directors

Board Secretaries (and Secretariats) play a critical role in the corporate governance of comparator organizations by creating the “appropriate cultures to enable the corporate governance structures, policies, and procedures to work effectively”.<sup>28</sup> This section describes the principal roles and responsibilities of the Secretary (and the Secretariat) to provide continuing support to the work of the Board, as well the Induction program for incoming Executive Directors and other supporting tools provided by Secretariat.

## Secretariat role and capacity

**Board Secretariats play a critical role in the corporate governance of institutions.** As officers of the Board, as well as Management, with dual reporting lines, Board Secretaries play an important role as the stewards of the organization’s corporate governance system and the primary channel of communication between Board and Management. In order to form coalitions together to advance the organization’s goals, an effective Board Secretary is accepted as evenhanded, discreet and trusted by both parties. The Board Secretary and his/her team – collectively the Secretariat - actively engage in, *inter alia* (see Annex 4, Table A4.11):

- Managing the corporate governance framework, ensuring compliance with corporate governance procedures (managing the “balance” of competing roles and responsibilities of Board, Committees and Management);
- Supporting the Dean of the Board and the President in anticipating and planning for Director rotations, selection and appointment of Committee leadership and guiding the induction programs for new Directors;
- Serving as a “bridge” for information, communication, advice, and arbitration among Directors and between Board and Management, to help Management understand requirements of the Board and help the Board understand the challenges faced by Management in meeting those requirements;
- Managing Annual Meetings of shareholders/ stakeholders, and any interim bodies;
- Managing the flow of information between the Board, the Board Committees and Management, scheduling and sequencing agenda items, and ensuring that the documentation is responsive to the needs of the item under consideration;
- Assisting in preparing Board and Committee meetings with the respective Chairs to ensure timely distribution of documents (and translation), identify sensitive and important issues which may arise, assist in managing the flow of the meetings, and help draft the Chair’s concluding summary and necessary clearances;
- Serving as a repository of knowledge of critical issues, as well as policy and procedural precedents to be able to provide Board members background analysis prior to Board consideration on the same issue;
- Anticipating potential issues and problems and facilitating resolution of these issues by raising them in time with both Board and Management;
- Managing information and data platforms (e-Board, Dashboard, etc.) to ensure that content is kept up-to-date and help track management commitments; and

- Maintaining essential support functions to Executive Directors and the Board (e.g. induction, handbook/manual, lexicon etc.).

In addition, while Secretariats of resident Board organizations vary in size, nearly all dedicate staff to support statutory Board committees (See Table 12 and Annex, Table A4.12).

AfDB had been an exception. Lack of dedicated Secretariat support in the past has meant that AfDB Committees did not benefit from knowledgeable and dedicated staff that assist members in preparing the meeting, shaping the agenda, gathering background materials, drafting (on behalf of the Chair) the summary minutes of the meeting in a timely manner, following up on agreements and commitments reached in the meetings, and more generally providing continuity. Following the 2017 Board Retreat, AfDB also decided to dedicate Secretary-General staff to the key Board Committees (CODE and AUI). Greater and continuous support to these Committees holds the potential to significantly contribute to the efficiency and effectiveness of Committees, and therefore the Board.

#### *Items for consideration:*

- *Further strengthen Secretary-General capacity to support Executive Directors with consistent, coherent, clear background information on the relevant issues, and provide channel for smooth even-handed Board-Management communication.*
- *Dedicate Secretariat staff to key Board Committees to help shape agenda, flag issues,*

*draft/finalize summary, track follow-up, and liaise with staff of other committees.*

## Induction of Executive Directors

**Integrating incoming/new Executive Directors into the organization, to build a shared foundation of background knowledge is critically important to ensure continuity in the Board's substantive and cultural leadership.**

All comparator organizations with resident Boards experience an annual turnover of Executive Directors. Even when the new EDs step into the new positions from having previously served in other functions in the organization, an effective induction program introduces new cohorts of EDs – and their staff – to the written and informal rules, procedures and practices of the organization, as well as giving baseline knowledge of resources, people and programs. Induction programs at many organizations include segments that call for the participation of the President and Senior Management. It contributes to build a team, an esprit de corps, and the substantive and cultural hand-over essential to harmoniously manage the institution.

An effective induction program for EDs and their staff typically covers matters such as (see also Annex 4, Table A4.13):

- Principles of corporate governance that apply to the organization, how EDs exercise their dual roles and responsibilities, clarifying the accepted interpretation of how oversight and executive management functions are balanced;

**Table 12:** Secretariat Budget and Staff Size – 2016

AfDB	WB	IMF	IaDB	AsDB	EBRD	CAF	GF	AiIB
<b>Secretariat Staffing</b>								
60 <sup>1</sup>	n/r	n/r	62	35	n/r	15	9	n/r
<b>Dedicated staff for Board Committee meetings</b>								
Yes	n/r	n/r	Yes	n/r	n/r	Yes	Yes	n/r

1. Office of the secretary general is composed of front office, Board affairs, and protocol. The number provided is for 2016.

- Code of Conduct (See Annex 7);
- Board organization and operations focused on processes, procedures and practices – and on what is expected from Directors, Committee members, and Chairs;
- Substantive overview of the global context, developments in member states, key strategic initiatives and programs, and corporate finances;
- Introduction to the main tools available to support of Directors' work, such as an on-line manual/handbook, searchable document bank, management dashboard, a lexicon of key terms in the official languages of the organization;
- Presentation of training available to Directors and their staff, on subjects such as leadership, negotiations, meeting management; and
- Logistics and security arrangements.

The AfDB has a formal induction program for Executive Directors<sup>29</sup>. A robust induction program is perhaps even more important for AfDB given the high levels of turnover of the Board chairs – 11 out of 20 (55%) in 2016 and another 6 out of 20 (30%) anticipated in 2017.

In interviews AfDB EDs and their staff systematically indicated that the current program and the supporting background materials are too high-level (e.g. providing the legal agreements for the organization) and focused on the formal structures to facilitate effective onboarding. They also noted the desirability – but lack – of discussion of the organization's procedures, practices, and the expectations of the role and conduct of EDs.

In this regard, the decision of June 2017 on Selection of Boards Committees Members, Chairs and Vice Chairs, which provides ToRs for Committee Chairs and the Dean, goes a long way to set expectations of key Board leadership positions and should be introduced and discussed at future Induction sessions (see Table 8, pg. 24).

### *Items for consideration:*

- *Improve the effectiveness of off-site Induction program for Executive Directors and Advisors.*
- *Provide for technical briefings on key organizational strategies, e.g., to cover the implementation of TYS and High 5s and the expected results.*

### **Tools**

**There are a number of operational tools that Boards of comparable organizations rely on to enhance organizational efficiency.** These tools take the form of a Handbook, or Manual,<sup>30</sup> as well as summary sheets for quick reminders ("Cheat-sheet"), and provide Executive Directors with a consistent reference source for organizational processes, procedures and practices. These materials complement the Induction/On-boarding, the training programs<sup>31</sup>, and the continuing support by secretaries, and introduce a degree of continuity in Board operations.

All comparator organizations now extensively use IT platforms to facilitate Board operations (See Annex 4, Table A4.14). Board documentation packages are electronically distributed and warehoused via e-Board platforms/Document portals maintained by the Secretariat. All organizations now allow for video-linking management for formal Board Meetings when operations are decentralized, and key staff are away from HQ. Comparator organizations also have some form of an on-line dashboard/tracking system for management commitments that is also maintained by Secretariat staff. This tracking system allows for Directors to ensure that commitments are dealt with in a timely manner.

AfDB has an EDs' Handbook, a Board portal and a dashboard. The Handbook is considered to be significantly outdated and a number of EDs admitted to not using it at all.<sup>32</sup> Updating and refreshing the handbook on-line would be useful to build greater collective identity and operational consistency.

**Item for consideration:**

*Update Executive Directors' Manual and create an on-line Handbook on Board working procedures, practices and conventions {with a "cheat sheet" or summary sheet}.*

Executive Directors and their staff also noted that an on-line lexicon of key terms does not exist but would be useful to arrive at a shared understanding among EDs and with Management on the intent of certain key terms. Such a lexicon in English and French, maintained on-line would list terms to inter alia: (a) indicate the degree of consensus or divergence (e.g. "majority, a large number, some, a few Executive Directors" etc.); (b) the insistence and urgency Board expects for Management follow-up (e.g. "wish, suggest, recommend, urge" etc.); and (c) the level of Board engagement in the

process (e.g. "participate, consult, inform" etc.). It could also include technical terms that warrant greater clarity.

Many AfDB Executive Directors acknowledged that a Board portal and dashboard system (DARMS and e-Board) exist but that they are currently not populated in a timely way and are not user friendly.

**Items for consideration:**

- *Create on-line Lexicon (French and English) to define what specific terms intend to convey (extent of agreement, expectations of the Board for Management action etc.).*
- *Render Board Portal effective by ensuring that it is populated and up-to-date. ■*

# Social Capital

**An unexpected finding: social capital is the oil that lubricates the complex machine.** A lesson that consistently emerged from the interviews as well as from the literature reviews is that while strengthening formal and structural elements of corporate governance, accountability, Board and Committee operations and support systems are necessary, they do not, and cannot by themselves, make for an effective and efficient Board. Interviews pointed to an unanticipated finding that a truly efficient and effective organization, irrespective of the age of the organization or the shareholder structure, also develops and nurtures a stock of “social capital” (often also referred to as “Chemistry”, “Trust”, “Confidence”) among the Executive Directors representing different constituencies and in particular between Executive Directors and Management.

There are two principal reasons for this finding. First, while when many of the formal structural elements can be acted upon by the Board of Directors’ decision alone, some areas require agreement and joint action by the Board and Management. Second, the Board-Management interaction and relationship is an ongoing dynamic process that is subject to course adjustments to respond to changes in the external context, shifts in member demand, or to strategic re-alignments of the Bank. The greater the social capital between the Board of Directors and Management, the easier it is to reach agreement on how Charters, rules and policies are to be interpreted and applied, and to make timely and relevant adjustments during implementation.

**Developing and nurturing such social capital is a particularly important role for the President and the Dean of the Board, assisted by the Secretary General and the General Counsel.** They

must set the tone, role model and send consistent, unambiguous signals as to the conduct expected from their staff and colleagues.

### *Item for consideration:*

*The President, the Dean of the Board, and the Secretary-General to set tone, role model and send unambiguous signal on expected conduct.*

Many comparators organizations with resident Boards have created opportunities and venues for informal exchanges among Executive Directors, and between Executive Directors and Senior Management to strengthen social capital (See Annex 4, Table A4.16). These include having opportunities for informal luncheons, impromptu coffees and teas in readily accessible dedicated spaces that encourage informal conversations.

laDB Executive Directors found the practice of periodic informal (without a set agenda) luncheons with the President helpful to create a greater sense of unity. At the World Bank, the availability of dedicated spaces (lounges and coffee shops) creates opportunities for frequent informal exchanges between Board and Management and is seen to contribute to better mutual understanding. In this regard, it is notable that the AfDB HQ building does not have adequate space for luncheons (cafeteria or dining facility), nor coffee/tea lounges on the Executive Directors’ floors.

### *Items for consideration:*

- *Schedule periodic informal (without set agenda) luncheons of Executive Directors with the President.*

- *Create opportunities and venues for informal exchanges among Executive Directors and between Executive Directors and Senior Management.*
- *Make available venues/space such as open meeting spaces on Executive Directors' floors and Executive dining room for informal get-togethers between Executive Directors and with Senior Management.*

Regular retreats, in part with Management participation, are important activities that serve to deepen social capital. In this regard, the February 2017 Board-Management retreat was a timely and important milestone to jointly identify measures that can enhance efficiency and effectiveness and ensure success in implementing the Bank's strategy and priorities.

***Item for consideration:***

*Hold Annual or semi-annual retreat of Board of Executive Directors to review strategic agenda, build social capital, and ensure open dialogue.*

In addition, all comparator organizations with resident Boards organized annual Executive Directors' visits to member countries. These visits are invariably judged to be important to build an esprit de corps among Directors and with accompanying Managers, as well as to hear directly from member country stakeholders. The country visits also provide a very important opportunity to learn about the challenges and the organization's projects and programs in much greater detail. Finally, the strategic visioning exercise proposed in section II based on the WB Forward Look initiative could help in building a shared understanding among the members of the AfDB Board. ■





# Annex 1: Methodology and Framework

## Comparators

The range of comparators reaches from the earliest institutions, the Bretton Woods Institutions (the IMF and the World Bank – WB), to the more recent ones like the Asian Infrastructure Investment Bank (AIIB). Some of these are global in reach and membership, others, regional. Some have resident Boards, others, such as the Development Bank of Latin America (CAF), European Investment Bank (EIB) and AIIB elected to not have a resident Board.

The World Bank was the first multilateral development finance institution to be established in 1944. Its governance structure evolved out of the discussions at the Bretton Woods conference and responded to the realities of the day. Some of the MDFIs that have been established since largely replicated this structure (e.g. the Asian Development Bank, AsDB). Others followed a different pattern driven largely by a different ownership structure (e.g., CAF). The African Development Bank was established as a regional institution and transitioned to a different ownership and governance structure following the admission of non-regional members in 1982.

The MDFIs that have been established recently, such as AIIB (2015) have drawn on the lessons and experiences of earlier institutions and adapted accordingly. There have also been a number of reflections on the matter of MDFI governance over these years. The evaluation of the Governance of the IMF completed by its Independent Evaluation Office in 2008 is important in this regard.<sup>33</sup>

## Methodology

The study is grounded in a systematic review of a wide range of Board-related documents (See Annex 2). Key Documents consulted included: Charters; Codes of Board Conduct; Board Work Programs and Agendas; Board Regulations; Annual Reports; and Terms of Reference (ToRs), Work Programs and Minutes of standing Board Committees. As background the study also looked at review and evaluation literature related to corporate governance. It also draws on review of literature and past assessments of Board policies and practices carried out by the development finance institutions themselves, or by think tanks (e.g. Center for Global Development) and similar organizations (e.g. the Organization for Economic Cooperation and Development-OECD). In addition, the study relies also on extensive semi-structured interviews<sup>34</sup> with past and present Board members and senior managers of AfDB and comparator organizations, as a significant part of critical Board processes and practices are informal and are embedded as tacit institutional memory rather than fully documented.

It should be noted that the majority of the Board members of comparator organizations interviewed for the study expressed a keen interest in its findings.

Not unlike other rapid studies based on reviews of available documents and structured interviews, this study also has limitations. The three primary limitations are:

- i. The findings are largely qualitative. Quantitative survey data of stakeholders would have provided additional insight into the degree/extent to which views were strongly held;
- ii. The track record of recent comparators organizations operations is still relatively recent and may not have had time to settle; and
- iii. The coverage of interviews and data, while very comprehensive for AfDB, has been often more limited for comparator organizations.

Notwithstanding these limitations, responses from Board members, Management and Secretaries of AfDB and comparator organizations evidenced a substantial degree of agreement on the issues and a strong convergence around possible areas for action. This suggests that the major findings of the study are quite robust.

## Framework

This study examines the principal dimensions of Board processes, procedures and practices as they affect organizational efficiency and effectiveness. The perceived efficiency and effectiveness of institutional structures and formal and informal relationships between the main bodies of Governance are critical to the legitimacy and relevance of the organization.<sup>35</sup>

Efficient governance calls for a clear and coherent division of labor among the organs of governance, avoidance of duplication of effort, and policy-making and implementation processes that involve only as many steps and actors as are strictly necessary. Effective governance requires that responsibilities are clearly defined, that different parts of the institution work in concert, and that information flows to the right place at the right time, allowing monitoring and evaluation mechanisms to identify problems and trigger corrective processes.<sup>36</sup>

A framework to examine efficiency and effectiveness addresses the following four interrelated dimensions:

- i. **Corporate governance.** The first dimension of inquiry touches on the questions of: Shareholding structure; Governing bodies; Representation of shareholders on the Board; and the Role of the Board.
- ii. **Accountability.** The second dimension reflects on the efficiency and effectiveness of mechanism(s) by which: the Board of Executive Directors holds Management accountable for the responsibility it has delegated for the delivery of strategy and objectives; the Governors and respective capitals, as well as its civil society stakeholders, hold the Board of Directors accountable; and the Board holds itself accountable.
- iii. **Board (and Committee) Operations.** The third dimension covers: the Terms, Roles, Terms of Reference, and Background of Executive Directors; the setting of the Board's agenda; procedures for Board (and Committee) functioning; and Management participation in Board and Committee discussions. The frequency of meetings, decision-making process, the role of Board committees, and process of appointment of committee chairs and members, and monitoring and follow-up of guidance and decisions are also covered.

- iv. **Support to the Board.** Fourth, and closely related to Board operations is the extent and quality of support provided to the Board – and indeed to Management –by the Board Secretariat.<sup>37</sup>

This covers: Secretariat Role and Capacity; Induction of Executive Directors: and Tools such as training and learning opportunities and availability of a Board Handbook/Manual on working procedures.

The clarity of corporate governance roles and responsibilities, the manner by which accountability is exercised, how the Board operates, and the nature and degree of operational support received from the Secretariat, represent essential dimensions of organizational governance. How and how well these four essential dimensions are integrated into the working culture of the organization appears to be a key feature of well-functioning Boards – whether multilateral development institutions, corporate Boards or not-for-profit entities. Furthermore, progress in any one of these dimensions appears to facilitate improvements in other dimensions and thereby contribute to build a foundation and culture of good governance. In addition, the relative importance of any one of these four dimensions is not static but changes over time to better adapt to changes in the external context and the particular internal demands of the organization.

In addition to these four dimensions, an additional element emerged as critical to Board efficiency and effectiveness—the stock of “social capital between the Board and Management. This element focuses on the “chemistry,” “trust,” and “confidence” found between Executive Directors and Senior Management.

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## Annex 3: Evolution of AfDB Shareholding

AfDB is unique among multilateral development banks in that its shareholding structure and voting balance has shifted significantly since its founding.

- At the Bank's founding in 1964, its membership was 100% African countries, with Egypt, Algeria, and Nigeria holding the largest numbers of shares at 30.0%, 24.5%, and 24.1%, respectively. The Board of Directors had nine members.
- In 1972, the African Development Fund was established, including non-regional countries.
- In 1982, non-regional countries were invited to join AfDB to increase the Bank's capital. The number of board members rose from nine to eighteen, with twelve directors from Africa and six from outside the region.
- Twenty-four countries joined under these provisions by the end of 1985, primarily developed countries, but also large developing nations such as India, Brazil (both in 1983), and China (in 1985). The four largest shareholders after the addition of the new members were Nigeria, Egypt, the United States, and Japan, with 9.28%, 5.78%, 5.51%, and 4.68%, respectively.
- Namibia and South Africa joined in 1991 and 1995, respectively.
- In 1998, non-regional donor countries increased their subscriptions to 40%; at the insistence of the non-regional members the Charter was amended to require at least some non-regional support for all decisions.
- In 2010, the Board of Governors voted to add two new seats to the Board of Directors in an effort to more broadly represent shareholders. One was allocated to African member states and the other to non-regional members.
- In 2013, Turkey became the first new non-regional member to join the Bank since 1985, followed by Luxembourg in 2014. South Sudan acceded as a regional member in 2015.
- Presently, the largest shareholders are Nigeria (8.9%), the United States (6.6%), Egypt (5.5%), Japan (5.5%), South Africa (5.1%), Algeria (4.2%), and Germany (4.2%).

## Annex 4: Comparator Data Tables

Table A4.1: Core Statutory Functions – Board of Directors

	AfDB	WB	IMF	IaDB	AsDB	EBRD	CAF	GF	AIIB
Conduct/Direct general operations of the Bank	✓	✓	✓	✓	✓ <sup>1</sup>	✓	✓	✓	✓
Prepare the work of the Board of Governors	✓	✓	✓	✓	✓	✓	✓		✓
Take decisions concerning particular direct loans, guarantees, investments in equity capital and borrowing	✓	✓	✓	✓	✓	✓	✓	✓	✓
Take decisions concerning TA and other operations		<sup>2</sup>	✓	✓	✓	✓	✓	✓	✓
Take decisions concerning business and country strategies	✓	<sup>3</sup>	✓	✓	<sup>4</sup>			✓	✓
Submit the accounts for approval to the Board of Governors	✓	✓	✓	✓	✓	✓	✓		
Submit an annual report for approval to the Board of Governors	✓	✓	✓	✓	✓		✓		✓
Approve the budget	✓	✓	✓	✓	✓	✓	✓	✓	✓
Approve the basic organization of the Bank	✓			✓				✓	
Appoint/Elect a chairperson from among the Directors			✓	✓			✓	✓	
Appoint Vice Presidents on recommendation of the President			✓	✓	✓	✓			✓

1. Provides strategic guidance only.

2. Provides policy and strategic guidance only.

3. Discusses but does not approve.

4. Discusses and generally endorses but does not approve.

Table A4.2: Core Statutory Functions of President/Management

	AfDB	WB	IMF	IaDB	AsDB	EBRD	CAF	GF	AIIB
Conduct, under the direction of the Board of Directors, the current/ordinary business of the Bank	✓	✓	✓		✓		✓	✓	✓
Responsible for the organization of the officers and staff of the Bank in consultation/subject to the general control of the Board of Directors	✓	✓	✓		✓	✓	✓		✓

Table A4.3: Board Role with respect to Operations

AfDB	WB	IMF	laDB	AsDB	EBRD	CAF	GF	AiIB
<i>Criteria for AOB/LOTB</i>								
<p>ADOA rating of above or equal to good and/or credit risk rating below or equal to 4 in an amount equal to or below the threshold of UA 30 million</p> <p>Supplementary transactions of multi-year PBOs</p> <p>Emergency assistance operations financed under the Special Relief Fund</p> <p>Trust fund operations for amounts equal to or below UA 30 million</p>	n/r	<p>Article IV Consultations: i) there are no acute or significant risks, or general policy issues requiring Board discussion; (ii) policies or circumstances are unlikely to have a significant regional or global impact in the near term; (iii) in the event a parallel program review is being completed, it is also being completed on a lapse of time basis; and (iv) the use of Fund resources is not under discussion or anticipated.</p> <p>Program Reviews: (i) the relevant arrangement does not involve exceptional access; (ii) the most recent program review under the relevant arrangement was not concluded on a lapse of time basis; (iii) the relevant review is to be completed under an ECF or an SCF arrangement and does not take place immediately after the completion of an ad-hoc review under an ECF or SCF arrangement pursuant to Section II, paragraph 2(h) of the PRGT Instrument; (iv) the review to be completed does not raise general policy issues requiring Board discussion; (v) all prior actions for the review have been met; (vi) the review does not introduce major changes in the objectives or design of the program, including but not limited to, major changes in conditionality for future reviews, the combination of future reviews envisaged under the arrangement, the rephrasing of disbursements, or an augmentation of access other than an augmentation of access not exceeding 25 percent<sup>1</sup> of a member quota approved pursuant to Section II, paragraph 2(h) of the PRGT Instrument;</p>	n/a	<p>Sovereign operations &lt;\$200 million</p> <p>Non-sovereign operations &lt;\$100 million. except PBOs or sector development programs &lt;\$50 million.</p> <p>No major exception to an existing ADB policy, potential for significant adverse environmental, economic, and/or social impacts, novel financing arrangement; significant financial assistance relative to the size of the DMC in question, as determined by Management.</p>	n/r	<p>Public sector operations: &lt;US\$ 75 million</p> <p>Private sector operations: &lt;US\$ 50million</p>	Funding for grant programs	Fully delegated to Management

AfDB	WB	IMF	IaDB	AsDB	EBRD	CAF	GF	AIIB
<i>Criteria for AOB/LOTB</i>								
		and (vii) performance under the member's program does not raise concerns as to whether the review should be completed, in particular as a result of deviations, other than minor deviations, from the quantitative performance criteria and structural benchmarks. Where these conditions are not met, a program review would not be eligible for completion on a lapse of time basis						

Table A4.4: Results and Performance Instruments

AfDB	WB	IMF	IaDB	AsDB	EBRD	CAF	GF	AIIB
Scorecard								
n/r	✓	n/r	Not used	✓	n/r	Not used	Not used	✓ <sup>1</sup>
Results Measurement Frameworks (RMF)								
4-tier RMF <sup>2</sup>	4-tier RMF	n/r	4-tier RMF	4-tier RMF <sup>3</sup>	n/r	Not used	Not used	✓ <sup>4</sup>
RMF measures: (Inputs, Outputs, Outcomes, Impact)								
Inputs, Outputs, Outcomes, Impact	n/r	n/r	n/r	Outputs, Outcomes,	n/r	n/a	n/a	
Key Performance Indicators								
✓	✓	n/r	Not used	✓	n/r	Not used	✓	✓
Instruments for Reporting								
✓	✓	n/r	n/r	n/r	n/r	Annual report	Annual Results Report	Under development
Development Effectiveness Report								
✓	✓	n/r	✓	✓	n/r	n/r	✓	<sup>1</sup>

1. Under Development

2. Updated every one to three years

3. Updated every 4 years

4. Reviewed annually

**Table A4.5:** Disclosure Policies

AfDB	WB	IMF	IaDB	AsDB	EBRD	CAF	GF	AIIB
<i>Items for disclosure</i>								
Negative list	Negative List		Negative list	Positive and Negative list	Positive and Negative list	none	Positive and Negative list	Positive and Negative list
<i>Timeliness</i>								
Proactive Disclosure:  5 working days after approval if classified as public  Declassification of restricted documents: 5-20 years	Board documents: Simultaneous circulation of some  Declassification of restricted documents: 5-20 years	Most staff reports are published shortly after consideration by the Executive Board.  All Board documents except those classified as Strictly Confidential, are released: 3-5 years	Board documents: Simultaneous circulation of some  Declassification of restricted documents: 5-20 years	Proactive Board documents: Simultaneous circulation of majority  Board minutes: upon approval and no later than 60 days after meeting	Board documents: upon approval	n/a	Board decisions are published the day the meeting closes, documents are published shortly after	Not specified

**Table A4.6:** Election of President, Board Chair, and Dean

AfDB	WB	IMF	IaDB	AsDB	EBRD	CAF	GF	AIIB
<i>Election of President by:</i>								
Board of Governors	Board of Directors	Board of Directors	Board of Governors	Board of Governors	Board of Governors	Board of Directors	Board of Directors	Board of Governors
<i>Who Chairs the Board Meetings?</i>								
President or Vice-President designated by President.	President or Managing Director or CEO designated by President.	Managing Director	President or Vice-President designated by President.	President or Vice-President designated by President.	President or Vice-President designated by President.	President or other Director appointed by Board of Directors	Chair and Vice-chair selected by Board Members	President or Vice-President designated by President.
<i>Dean</i>								
Honorary title for the longest serving Executive Director	By practice, the longest-serving Executive Director.	By practice, longest serving Executive Director	By Board regulations, the Executive Director with the longest full-time service.	n/r	n/r	none	n/a	none

Table A4.7: Board Diversity — Age and Gender

	AfDB	WB	IMF	IaDB	AsDB	EBRD	CAF	GF	AIIB
Average age	53	55	52.5	54	56	54	53	51	n/r
Age Range	47-58	41-65	40-78	42-68	45-68	37-70	34-77	35-66	35 – 60
Percent women	20%	25%	9%	21%	9%	9%	10%	41%	0%

Note: The averages for the cohorts of the last five years do not materially differ from the current cohort.

Table A4.8: Agenda Setting

AfDB	WB	IMF	IaDB	AsDB	EBRD	CAF	GF	AIIB
<i>How is the Board agenda set and who is responsible for setting it?</i>								
President in consultation with the Dean and Committee Chairs	Office of the Secretary coordinates preparation of the agenda.	Managing Director through twice-yearly work program <sup>1</sup>	Office of the Secretary prepares the agenda	Secretary proposes for President's approval	n/r	Executive President and the General Secretary	Board Leadership with the Coordinating Group	President, or on his/her instructions
<i>Does a Steering Committee exist?</i>								
	✓		✓		✓			
<i>When is the Board agenda released?</i>								
As promptly as possible and, except in urgent cases, not later than one day before that meeting	Calendar maintained online and agenda released at least 24 hours before meeting. Calendar is disclosed publicly one month in advance.	Agenda of scheduled items is updated on weekly basis	Updated regularly - documents distributed 2 weeks before meeting	Two working days before meeting	n/r	20 days in advance of meeting	At least 3 weeks in advance of meeting	At least 3 weeks before meeting
<i>How can Executive Directors add items to the agenda?</i>								
By advising President at least 3 days before the date of meeting	By email to the SECVF or at the Steering Committee	By request to Secretary	By informing Secretary at least 3 days before meeting	By request to the Chair through Secretary	n/r	By proposal before formal approval of agenda by the Board	Through consultation as agenda is developed or requesting a new motion	Directors can request before start of meeting

1. The Communiqué of the International Monetary and Financial Committee (IMFC), serve as one of the chief inputs. The IMFC, composed of 24 Fund governors, meets in April and October. Fund Departments also provide inputs directly on their expected work program, including country work. The scheduling of Board meetings and specific day's Board agenda is handled by the Secretary's department, on the Managing Director's behalf

Table A4.9: Committee Selection and Duties

	AfDB	WB	IMF	IaDB	AsDB	EBRD	CAF	GF	AIIB
<i>Selection of members</i>	Board in consultation with Dean and President	Appointed by Board on nomination of President	Decided by Managing Director in consultation with Dean	All EDs are members of each committee	Appointed by President in consultation with Board <sup>1</sup>	n/r	n/r	Approved by Board based on candidates determined by Chair and Vice-Chair	Approved by the Board, based on proposals made by President
<i>Selection of Chair</i>	Appointed by President	Selected by each committee	Decided by Managing Director in consultation with Dean	Approved by Board on submission of names by Dean	Designated by President in consultation with Board	n/r	n/r	Approved by the Board based on candidates determined by Chair and Vice-Chair	n/r
<i>Member Duties</i>	Specific to each committee, no general duties	Meet as needed Comment on Report to Board for each Committee Item	Specified in terms of reference of committee	Specific to each committee, no general duties	Specific to each committee, no general duties	Specific to each committee, no general duties	n/r	<a href="#">Operating Procedures, Annex 1, Table 3.A</a>	Provided for under published Terms of Reference.
<i>Chair Duties</i>	<ul style="list-style-type: none"> <li>- Designation of Vice-Chairs</li> <li>- Lead the Committee members</li> <li>- Agenda Setting of the Committee</li> <li>- Chairing the Committee Meetings</li> <li>- Consensus seeking on proposed Committee Decisions</li> <li>- Interface with the Chair of the Boards and Senior Management</li> <li>- Hand-over Notes for the next Committee Chair</li> </ul>	<ul style="list-style-type: none"> <li>- Oversee and report to Board on Committee Work Program</li> <li>- Consult with other chairperson for matters relating to two committees</li> <li>- Provide Report to Board for each Committee Item</li> </ul>	n/r	Responsible for establishing Committee's work program and agenda	None specified in ToRs	None specified in ToRs	n/r	<a href="#">Operating Procedures, Annex 1, Table 5</a>	Standard responsibilities: agenda, chairing meeting, overseeing summary.

1. Directors, as well as Alternate Directors are eligible to serve on Board committees.

**Table A4.10:** Committee Chairperson's Report

	AfDB	WB	IMF	IaDB	AsDB	EBRD	CAF	GF	AIIB
<i>Prepared systematically?</i>	Yes	Yes	Yes	Yes	Yes	n/r	No	Yes	Yes
<i>Circulated?</i>	By some committees	Yes	Yes	Yes	Yes	n/r	No	Yes	Yes
<i>Shared with Board prior to meeting on same subject?</i>	Generally	Yes	Typically	Yes	Yes	n/r	No	Yes	Yes

**Table A4.11:** Secretariat role as specified in Charter

AfDB	WB	IMF	IaDB	AsDB	EBRD	CAF	GF	AIIB
<i>Function performed by:</i>								
Secretary-General of the Bank	Secretary of the Bank	Secretary of the Fund	Secretary of the Bank	Secretary of the Bank	Secretary General of the Bank	General Secretary	Office of Board Affairs	Corporate Secretariat
<i>Role</i>								
Prepare summary records of proceedings and full record of decisions Organize Annual Meetings	Prepare summary record of proceedings	Prepare summary record of proceedings Prepare and organize meetings Prepare record official minutes, transcripts, and decisions	Prepare summary record of proceedings Prepare minutes of meetings Custodian of minutes and other documents	Prepare summary record of proceedings Custodian of minutes and other documents	Prepare summary record of proceedings and minutes Custodian of minutes, summary records of the proceedings and other documents	Coordinate and facilitate relations between Management and Governing bodies	Support the Board with planning and organization of Board meeting logistics, agendas and procedures Coordinate and communicate with constituencies during and between Board sessions	Prepare minutes and a summary record of proceedings Custodian of minutes, summary records of proceedings and other documents Arrange Annual Meetings, Board Visits, Board Retreats. Arrange meetings of the Bank's International Advisory Panel

**Table A4.12:** Secretariat Budget and Staff Size – 2016

AfDB	WB	IMF	IaDB	AsDB	EBRD	CAF	GF	AIB
<i>Total Administrative Budget</i>								
2016 proposed: US\$485 million	n/r	n/r	US\$524 million	n/r	n/r	US\$155 million	US\$ 300 million <sup>1</sup>	n/r
<i>Board Budget</i>								
2016 proposed: US\$14.6 million	n/r	n/r	US\$22.3 million	n/r	n/r	US\$0.7 million	See below	n/r
<i>Secretariat Budget</i>								
	n/r	n/r	US\$12.6 million	US\$ 0.55 mil- lion <sup>2</sup>	US\$ 4.5 million	US\$1.8 million	US\$6.6 million <sup>3</sup>	n/r

1. Secretariat and Office of Inspector General

2. Annual meeting not included.

3. Office of Board Affairs

Table A4.13: Board Support — Induction

AfDB	WB	IMF	IaDB	AsDB	EBRD	CAF	GF	AiIB
<i>Is there a formal induction process for Board members?</i>								
Yes	Yes	Yes	Yes	Yes	n/r	No	Yes	Under development
<i>If yes, what is the content of the induction?</i>								
<p>Bank / Board process information</p> <p>Overview of complex/ Department operations and activities,</p> <p>Sources of information: Relevant documents as well as presentations</p>	<p>Briefings from management and selected background information on policy, operational, procedural and institutional issues; and informal engagements with President and Senior Management.</p> <p>Sequence of sessions, covering:</p> <ul style="list-style-type: none"> <li>■ Board Policy and Operations</li> <li>■ Information Technology</li> <li>■ Information Management</li> <li>■ Membership and Capital Subscriptions</li> <li>■ Administrative Matters</li> <li>■ WBG Financial Products and Services</li> <li>■ WBG Financial Statements</li> </ul>	<p>Sessions are held on the budget of the Fund, the legal framework of the Fund, main policy issues, and HR related issues for Executive Directors' offices.</p>	<p>(i) Agreements establishing the IDB and IIC and organizational structures)</p> <p>(ii) Boards structure, Committees, and members' roles and responsibilities(iii) financial and budgetary aspects of Group</p> <p>(iv) Human Capital Strategy and Total Rewards Framework,</p> <p>(v) IDB's Institutional and Country Strategies and</p> <p>(vi) Other topics covered in response to new institutional priorities or needs.</p>	<p>Presentations/ briefings by Heads or senior staff of departments make followed by cocktail reception on the last day.</p>	n/r	n/a	<p>(i) Board – Induction on 6 core functions of Board, Global Fund Governance processes, roles and responsibilities, ethics and conflict of interest,</p> <p>(ii) Committee – Core mandate of committee, Global Fund Governance procedures, roles and responsibilities, ethics and conflict of interest, ways of working</p> <p>(iii) Board leadership – as above, and comprehensive Manual, transition memorandum from outgoing leadership, and series of onboarding meetings with key governance officials and Secretariat/OIG staff.</p>	n/a

AfDB	WB	IMF	IaDB	AsDB	EBRD	CAF	GF	AIIB
<i>What is the duration (days) of the Induction Program?</i>								
1 to 2 days	Short sessions (2-3 hours) over a month	2 to 3 days	4 half days	4 half days (20 sessions 30 minutes to 2 hours.)	n/r		Board: virtual meeting plus a meet and greet. (Dedicated and tailored programs on request.) Committees: 1-2 days	n/a

**Table A4.14:** Board use of Technology

AfDB	WB	IMF	IaDB	AsDB	EBRD	CAF	GF	AIIB
E-Board  Board Papers application  Board Dashboard	Board Portal  Board Operations System (BOS): interface for scheduling and preparing for Board and Committee meetings, and submitting and transmitting documents between staff and Board  eTranscripts: for viewing Board and Committee verbatim transcripts  ED office websites owned and curated by each office, providing information about their work  Video-conferencing	Board portal, including collaboration pages for sharing information with authorities  Video conferencing	Board portal  Audiovisual technology  Video-conferencing	Board portal (intranet)  Video-conferencing	n/r	e-portal available	External portal for document distribution and meeting registration  Video conferencing  Electronic decision-making (via email)	Board Portal  Video-conferencing

Table A4.15: Opportunities to increase social capital

	AfDB	WB	IMF	IaDB	AsDB	EBRD	CAF	GF	AIIB
<b>Retreats per year</b>	1	1	1	1	1	n/r	1	1	2
<b>Country Visits per year</b>	4	2-3 <sup>1</sup>	0	✓	3	n/r	3	1	2-3
<b>Lunches hosted by President</b>	✓	✓	✓	✓		n/r	Every 4 months	Ad hoc	4 times a year
<b>Informal discussions</b>	8	>15 per month	✓	✓	Several times a month	n/r	Every 4 months	Every Board meeting	2 times a year
<b>Technical Briefings</b>	5	5-8 per month	✓	✓	Several times a month	n/r	Every 4 months	Multiple per year	Usually before Board meetings

1. Five during  
2-year Board term

## Annex 5: Comparator Board Rules of Procedure

(Available Upon Request)

[AfDB Rules of Procedure for Executive Directors](#)

[World Bank Rules of Procedure for Executive Directors](#)

[IMF Rules of Procedure for Executive Directors](#)

[IaDB Rules of Procedure for Executive Directors](#)

[AsDB Rules of Procedure for Executive Directors](#)

[EBRD Rules of Procedure for Executive Directors](#)

[GF Rules of Procedure for Executive Directors](#)

[AIIB Rules of Procedure for Executive Directors](#)

## Annex 6: Comparator Board Committee Terms of Reference

(Available Upon Request)

[World Bank Committee Terms of Reference](#)

[laDB Committee Terms of Reference](#)

[AsDB Committee Terms of Reference](#)

[EBRD Committee Terms of Reference](#)

[Global Fund Committee Terms of Reference](#)

[AIIB Committee Terms of Reference](#)

## Annex 7: Comparator Board Codes of Conduct

(Available Upon Request)

[AfDB Code of Conduct for Executive Directors](#)

[World Bank Code of Conduct for Executive Directors](#)

[IMF Code of Conduct for Executive Directors](#)

[IaDB Code of Conduct for Executive Directors](#)

[AsDB Code of Conduct for Executive Directors](#)

[EBRD Code of Conduct for Executive Directors](#)

[GF Code of Conduct for Executive Directors](#)

[AIIB Code of Conduct for Executive Directors](#)

## Endnotes

1. The study focuses on the Board of the African Development Bank (AfDB); the ADF Board has a different composition and different role for its members and is not covered in this report.
2. The study focuses on the Board of the African Development Bank (AfDB); the ADF Board has a different composition and different role for its members and is not covered in this report.
3. Different organizations have different titles for the position. The term Board Secretariat is used in this report to refer to the position of Secretary General, Corporate Secretary, and Board Secretary and functions. The various titles that are used include: General Secretary at AfDB; Secretary General at EBRD; Corporate Secretary at WB, CAF, and AIIB; and Secretary at IMF, laDB, AsDB.
4. The term charter is used to refer to the organizations' establishment documents, also called Articles of Incorporation and Articles of Agreement by comparator organizations.
5. While the terms borrower and non-borrower or donor apply to most comparators, the AfDB charter distinguishes between regional (RMC) and non-regional member countries (NRM), and prescribes that RMCs shall hold 60% of the shares and non-RMCs 40%. Further, not all RMCs are borrowers and not all non-RMCs are contributors.
6. Initially, NDB was included as a comparator organization, but given its recent establishment and limited data availability, it is not included in this report.
7. There are three exceptions. The CAF and EBRD Boards include banks and regional institutions; and the GF Board has members representing donor organizations and includes 8 non-voting members.
8. The average size of Executive Boards in the private sector is small, e.g., just over 10 Directors in the S&P 500 firms and among privately listed firms in other OECD countries.
9. See [laDB Board of Executive Directors Regulations](#), Part 2-Section 2, for a list of the powers and duties of the Board.
10. At the IMF, World Bank, CAF, and the Global Fund.
11. At the AfDB, laDB, AsDB, EBRD, and AIIB.
12. This finding is consistent with the OECD [Principles of Corporate Governance \(2015\)](#) that emphasize reviewing and guiding corporate strategy, major plans of action, and business plans as key functions performed by a Board.
13. *In extremis*, the strongest instrument/exercise of accountability is removal of the President.
14. Progress on Board decisions is monitored by the Office of Board Affairs in collaboration with the Legal and Compliance Department.
15. Note that as long as operations are still LOTB/AOB (instead of delegated) the level of effort by Management or the elapsed time is only marginally reduced.
16. This is perhaps because the information is too detailed/granular and thus it precludes a view on the effectiveness of organization-wide actions, or because the information lags are too significant to permit exercise of accountability.
17. The World Bank introduced its first Disclosure Policy in 1985.
18. For example, having regional and in-country consultations around strategies, policies, programs and projects.
19. In all of the comparators the Alternate Directors have the same term limits as the Executive Director. However, none of the comparators have term limits for advisors.
20. At the Global Fund the Chair is selected through a nomination procedure.
21. At the CAF, in the absence of the President, an Executive Director is appointed by the Board to Chair the meetings.
22. See Section on "Board role with respect to Allocation of Income, Budget, *Human Resources, and Operations*" for approaches (LOTB/AOB approval) to reduce Board time spent on transactions.
23. A large percentage of BRAG items are rescheduled, with an average shift of 6 weeks for an agenda item. Over the past 2 years, on average, in each four-month BRAG period, 2 additional policy reviews were added, and 20 project reviews removed from the schedule. Data for comparators was not available.
24. These are the Committees on: (i) Operations and Development Effectiveness (CODE); (ii) Audit and Finance (AUF); (iii) Administrative Matters Concerning the Board of Directors (AMDB); (iv) Administrative Affairs and Human Resource Policy Issues (CAHR); (v) External Communications and the Preparation of the Bank Group Annual Meetings (ECAM) – Formerly ANRE; (vi) Ethics (ECBD); and (vii) Committee of the Whole (CWHOLE).
25. Selection of Boards Committees Members, Chairs and Vice Chairs (May 2017).

26. "... chair all Committee meetings with neutrality, including ensuring correct procedures, adherence to the agenda while allowing adequate time for discussion, reaching clear decision and overseeing a vote if consensus is not reached" (GF Board and Committee Operating Procedures, Annex 1, pg. 11)
27. With the exception of the Global Fund, which has delegated decision powers expressly to Committees.
28. See The Corporate Secretary: The Governance Professional. WB/IFC 2016
29. EDs staff participate in the staff induction program.
30. Board handbooks and manuals are used by the World Bank, IMF, Global Fund, and AIIB.
31. Training programs are offered by the World Bank, IMF, AsDB, the Global Fund, are under development at AIIB.
32. Responses by a significant number of Executive Directors implied a lack of knowledge of a useful handbook: e.g. "{they believed} a handbook exists" or "{that such a Handbook} must/should exist".
33. "Governance of the IMF—An Evaluation" 2007–2008 (IEO 2008).
33. List of Board members and senior managers interviewed (available upon request).
34. For an excellent introduction see Independent Evaluation Office (IEO) of the IMF: "Governance at the IMF: An Evaluation, 2008 and the accompanying Studies of IMF Governance: A Compendium, Lamdany & Martinez-Diaz (eds.), 2009.
35. See: Governance of the IMF: An Evaluation, (supra) Chapter 2: Analytical Framework
36. Different organizations have different titles for the position. The term Board Secretariat is used here to refer to the position of Secretary General, Corporate Secretary, and Board Secretary and functions. The various titles that are used include: General Secretary at AfDB; Secretary General at EBRD; Corporate Secretary at WB, CAF, and AIIB; and Secretary at IMF, laDB, AsDB



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## About this Publication

The Board Processes, Procedures, and Practices (BPPP) comparative study aims to synthesize experiences and lessons of a range of broadly comparable Multilateral Development Finance Institutions regarding BPPP. Its objective is to identify lessons and good practices that could contribute to the effectiveness and efficiency of the Board, to inform, rather than recommend, a particular course of action. These lessons are organized along four essential dimensions: corporate governance; the exercise of accountability; the functioning and operations of the Board; and the operational support received by the Board.

The comparative study focused on examining a wide range of board-related documents, documents and literature reviews, and semi-structured interviews. In general, this study finds among others that there is great similarity and consistency among comparator organizations. It indicates the importance of well-functioning Board committees, an esprit de corps and a shared understanding of the opportunities and challenges; while differences and challenges are mainly with regard to the board residency; implementation of the BPPP; the operation of organizational structures; the balance between providing oversight over strategy, risk and results, and engaging in more executive, transactional activities and decisions.

This study focuses solely on the Board of Directors of the African Development Bank (AfDB) because the African Development Fund (ADF) Board has a different composition and a different role for its members. It also highlights the unexpected but important finding that the stronger the capital of trust between Board and Management, the faster and more effectively AfDB will be able to respond to changes to external challenges and internal developments, and the more the Board will be able to focus on the strategic agenda and its achievement.



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