Level 4: How efficient is the Bank in supporting its energy operations?

Level 4 of our Development Effectiveness Review tracks how well we manage our organisation in order to deliver our energy projects efficiently and effectively, using the eight indicators of our Results Measurement Framework. We set out the changes we have made to our organisational structure and describe the new financing instruments we have developed to promote investment in the sector. We assess progress in creating a conducive working environment. We also look at the placement of energy professionals in the context of the Bank’s wider decentralisation programme.

Organisation, instruments and processes

Organisational background

The Bank has made a number of organisational changes to be better equipped to expand our lending operations and strengthen our advice to African governments in the energy sector. In 2010, we created the Energy, Environment and Climate Change Department (ONEC), which lead on the delivery of our energy agenda and the mainstreaming of environmental and climate change activities across all Bank operations (Figure 4.1). To achieve high-quality results in our energy operations, the Bank’s public sector and private sector teams must collaborate closely. ONEC is a pilot for sector wide collaboration: our public sector and private sector teams increasingly pool their knowledge and resources from project concept stage onwards and the recently established Energy Sector Network will foster this collaboration by assessing proposed energy investments, testing them against the pillars of the Energy Policy and identifying opportunities for the blending of financial instruments. In particular, the Network will work on public-private partnerships, to help develop our expertise and share good practice.

Figure 4.1 An effective structure to implement ONEC strategy
Developing an effective mix of instruments that respond to countries’ needs

The Bank draws the funds it invests in energy projects from a variety of sources. No single development institution could provide the funding Africa needs in this area; therefore one of the key objectives of our work on energy, climate change and the environment is to attract additional investments, particularly from the private sector. To increase investor confidence, we have developed financing mechanisms that reduce the risks and uncertainties involved in energy investments: the partial risk guarantee, which mitigates the risk that African governments might fail to deliver on their contractual obligations; and equity for public-private partnerships, which provides concessional resources for African governments to use as their contribution to such partnerships. Our Concessional Climate Finance is another mechanism we use to develop the Bank’s clean energy pipeline, especially with resources from the Scaling-up Renewable Energy Program and the Clean Technology Fund, two programmes under the Climate Investment Funds.

From our private sector window, we support energy projects by providing loans, equity investments, guarantees, lines of credit and loan syndications. We also support the provision of technical advice to governments on structuring and handling public-private partnerships and developing the legal and regulatory frameworks needed to promote effective energy provision and encourage investment.

Business efficiency

As part of our continuing effort to improve the quality of our operations, we strive to ensure that our project management staff manage a reasonable number of projects. The number of projects per task manager for public sector projects has decreased since 2010 from 3.6 to 2.4, which enables staff to allocate adequate time to the supervision of each project and to address any problems in a timely way.

The cost-efficiency of our work is stable since 2010, with the administrative costs per UA 1 million disbursed amounting...
to UA 7800 in 2010 and UA 7700 in 2013. To speed up communications and improve our business efficiency, we are finalising a departmental online management tool that will provide a collaborative platform for the teams involved in complex projects to communicate on and address any problems in need of urgent attention. It will also provide a forum for learning and collaboration.

Client-oriented human resources
To ensure high-quality energy sector operations, we need a workforce that fully understands our strategies and the needs of our clients, and is skilled, productive and motivated. We have made significant progress in reducing our net vacancy rate, on average from over 10% in 2010 to less than 1% in 2013. Moreover, the balance of our staffing is improving: the proportion of positions filled by professional staff has increased to 84%, giving us a broader pool of expertise to draw from.

One area of concern is the decrease in the share of women in the professional staff working on energy projects. This share has fallen on average from 35% in 2010 to 29%, and the proportion of women working on private sector operations has fallen by almost a third, from 40% in 2010 to 27.3%. The Bank is working to improve the recruitment, promotion and retention of women through gender-supportive policies.

The latest staff survey reveals that staff satisfaction with communication, learning and development, and overall job satisfaction, have improved for those working on energy projects; however, they remain below the Bank average, and more needs to be done in these areas.

Skills mix
The number of skilled energy professionals has grown over the last few years. On the public sector side, we now have a team of 73 specialists with a wide range of relevant expertise in energy, environment and climate change. Of these, 37 are dedicated energy experts, of whom 5 specialise in renewable energy, 11 are environmental and social impact professionals, 11 are climate change experts and 14 are support staff and consultants. The private sector department has 11 professionals dedicated to infrastructure financing, including energy.

We plan to further strengthen our skills mix, especially in the areas of renewable and clean energy technologies, energy efficiency, energy trade and financing, to support the Bank’s strategy objective related to green growth. Learning and development for our energy specialists is a high priority so that they can identify and apply best practices and technologies from successful energy investments across Africa and beyond.

Decentralisation
The Bank is undergoing an ambitious programme of decentralising staff and functions to its 34 field offices, to deliver more effective and responsible service for our regional member countries. However, the energy sector remains fairly centralised, with just 14% of our operational professional staff based in field offices, compared to a target of 38%. The proportion of professionals working in field offices on public sector projects has reached 28%, but we currently do not have any energy private sector project staff based in the field. The project tasks managed from the field office for the public sector projects have increased from 16% to 55% over the period, which compares well with our target of 45%.

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Figure 4.2 Client oriented human resources

<table>
<thead>
<tr>
<th></th>
<th>2010 BASELINE</th>
<th>2013 TARGET</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operations professional staff based in field offices (%)</td>
<td>11.5</td>
<td>38</td>
</tr>
<tr>
<td>Projects task-managed from field offices (%)</td>
<td>8</td>
<td>45</td>
</tr>
<tr>
<td>Share of women in professional staff (%)</td>
<td>34.5</td>
<td>28.9</td>
</tr>
<tr>
<td>Net vacancy rate (%)</td>
<td>10.25</td>
<td>9</td>
</tr>
<tr>
<td>Operations professional staff (%)</td>
<td>79</td>
<td>79</td>
</tr>
</tbody>
</table>

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Conclusion
We restructured the organisation to better serve the energy sector and created a unit dedicated to energy investments in 2010. Although still relatively young, the unit is developing rapidly. We have achieved good collaboration between our public sector and private sector teams, enabling us to offer blended financial products in accordance with the One Bank principle. We are developing a new Energy Sector Network to promote the sharing of knowledge and good practice. We have invested in building the right skills mix, with our professional staff providing increasing coverage across key knowledge areas. We have decreased the workload for staff, enabling them to put more time into project supervision, and developed an online management tool to boost management efficiency. Perhaps the most dynamic aspect of our energy portfolio has been the development of innovative financial instruments, which enable us to share risks with private investors and leverage new sources of funding into the energy sector.

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2 UA refers to Units of Account – a value defined by AfDB in terms of a basket of currencies, equivalent to the International Monetary Fund’s Special Drawing Rights.
3 A green bullet indicates Good progress has been made, and we are on track to meet our target.
4 A yellow bullet indicates little progress has been made and we are at risk of not achieving our target.