



Preparation and funding of energy projects in ACP countries

Challenges and recommendations

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Current situation – first call for proposals

Some facts and some conclusions (from Mid-term Review of Energy Facility):

- Energy Facility: Out of 307 proposals received, only 230 were evaluated (went through to Concept Note stage). 25% of all proposals received could not be accepted for evaluation because of avoidable errors:
 - **23** applications received **after deadline** and rejected
 - **Administrative Compliance** check: **54 rejected** on missing:
 - Signature and status of applicant (State Actor or Non State Actor)
 - Required documents

cont.



Current situation – first call for proposals

Some facts and some conclusions (from Mid-term Review of Energy Facility):

- Satisfactory **relevance** of the projects selected in relation to national policy. Compatibility of Call for Proposal mechanism with implementation of country policy in the energy sector (82% of EC Delegations).
- NGOs (EU and ACP) are the largest applicants (1/3 applications). Why?
 - Do other entities (State actors, public companies, private sector...) have more difficulties in preparation of projects in the energy sector?



Preparation and funding of Energy Facility projects – current situation

Main challenges during execution - experiences:

- **Riders:** Most projects request a rider to modify the duration (no cost extensions) and / or the activities during the execution period.
- **Sustainability:** Many projects have large delays at the beginning of their implementation and have to speed up at the end of the execution period. Does this put at risk sustainability of the action? What can be improved?

Can this be prevented with a better preparation?



Steps in the preparation of energy projects – in general

1. A good idea – a problem to be solved
2. What, when, where and how ? Energy demand, technologies, estimates...(pre-feasibility)
3. Prior studies before the preparation (**feasibility**)
4. Preparation of a **concept note / project identification note** and **project proposal**:
Objectives; Activities; Implementation plan;
operational costs and tariffs; Co-financing ...
5. Negotiations and contract signature



1. The “Good Idea” if you want to get finance from the Energy Facility and many other funds:

- **Innovative approaches** - with the important objective of replication and multiplier effects
- Easy to **replicate, multiplier** effects
- In accordance with relevant sector planning

Sources of ideas: innovation, seminars, best practices, what worked in other countries? Establish network, use internet and other sources of information etc.



2. “What, when, where and how?”..

Challenges when preparing projects in the energy sector:

- **Technologies** are changing very fast
- **Supply chain limitations:** Available technologies in the country (i.e. for PV, Wind power, biofuel generators...)
 - Local production
 - Import duties, restrictions..
- Considerations of **planning** in the sector: Electricity master plans, distribution networks (i.e. Biomass, biofuels), Sector Wide Approach Programmes (SWAPs) and other programmatic documents.
- **Commercial nature** of the energy sector (much more participation in energy than in water sectors)



3. What is the current situation? – Before the preparation

Infrastructure projects (access to energy):

- Get feasibility studies (separate session today).
- How to finance them?
 - Internally financed
 - External support
 - Prior projects as a source of funding
 - Other organisations (previous studies)



3. What is the current situation? – Before the preparation

Energy governance projects:

- Capacity assessment (Project Cycle Management guide)
- Institutional assessment and capacity development eg.

Context analysis, systems and processes, training to improving performance



3. Partners and associates

Selection of partners and associates? Questions to answer first:

- What is my expertise? (technical / social)
- How can I complement it through a partnership?
- Which partnerships would give most value to the project?
- Local vs international partners..

Careful:

- Not to have too many partners
- Will the partnership work? (common understanding of the project and common values).

Suggestions:

- Define clearly responsibilities **before** going into the project together (MoU...)
- At the end it all depends on the people... verify who will be in charge of the project from each of the sides.



4. Preparation – Concept note

- Brief document, easy to prepare
- Project ideas
- Concrete, well written and clear (open model)
- Relevance to the objectives of the EF
- General information about: Technology, beneficiaries, costs, activities, co-financing



4. Preparation of project proposals

Preparation of energy project proposals:

- Who writes it? Internally or externally?
- Things to consider:
 - Experience in implementation of similar projects (technology, location).
 - Expertise in two different areas: Energy sector and in project preparation.
 - Specific areas: Ecofin (Economical and financial analysis - major difficulty in call for Energy Facility I), technical sections...
 - Size of the organisation (available resources)
 - Time constraint

Is the cost of preparing the proposal worth the effort?



4. Development of the energy project proposal

- What to start with?
 - Logical Framework and Budget
 - Time schedule
 - Concept note
 - Look for co-donors
 - Full application form



4. Project duration

What is the ideal project duration?

Basically to follow your time schedule!

Important choice in order to:

- Avoid extensions
- Delays cost money
- Avoid rushing at the end
- Try to get “early wins” and success in the implementation
- Motivation of all parties!



4. Project duration

Issues to consider:

- **Access to energy:**
 - Include defects liability period in the duration of the contract!
 - Do the works as early as possible in the contract and foresee time after installation of equipment for “soft” activities (organization, setting up of O&M structures, etc...)
- **Energy Governance:**
 - How to ensure the effects of the capacity building activities? Dissemination of laws, strategies, regulations...
 - Does the project need follow-up to ensure sustainability?
 - Consider any events that do not depend on your organisation! (import delays, audits, donor no objections, re-launching of tenders, evaluations and visits etc...) and try to include them in the time schedule



4. Project duration

Time schedule:

- Important tool for follow-up of the project!
- Share it with all parties during steering committee meetings and reports
- Update it during execution of the project
- Find **critical path** and consider it during execution (frequently it is procurement). Foresee bottlenecks or activities linked and dependent to another.
- Look for “early wins”
- Need of inception reports to update the circumstances from the moment of the conception until the project start?
- Do everything you can **before** the start of the project (studies, licenses etc.)
- Do scenarios?



Project duration

How much does it take to do this?

- Experience
- Similar projects
- Knowledge of the country (very important for tendering, imports, legislation...)
- Innovation: difficult to predict timing due to validation periods, approvals etc.
- Decision making process in the project (define level of autonomy and what decisions will be taken by the steering committee)

When choosing the time schedule...Be “pessimistic”, but happy !!



4. Elaborate a precise budget

Budget:

- How to foresee all costs? Today/Tomorrow and also in 5 years time
- How to account for inflation?
- Costs for tendering (separate procurement presentation)
- Sources of income from the projects (tariff and others)
- Check all the calculations in order to avoid errors in the calculations of the budget (very common)
- Flexibility and Clarity – avoid too detailed budget lines in the financial proposal



4. Funding Co-financing: Co-donors in the energy sector

Facts (EF and WF MTR):

- ACP State actors have been the most efficient mobilisers of funds from third parties (41% of all EF facility funds).
- Lack of innovative financial mechanisms: combination of loans from development banks, commercial banks, own funds, private sector

Challenges:

- Working with ongoing programmes in the sector

Ideas:

- Current donors from the energy sector
- Previous donors of the EF (See e.g. Energy Facility Monitoring website www.energyfacilitymonitoring.eu)
- Public Private Alliances (PPP's) - How can the private sector and the government work together?
- Networking (events – like this seminar)



5. Negotiations and contract signature ...

Not yet – before submission of any applications please consider once more!

- Verification of the project proposal with:
 - Evaluation grids
 - Guidelines of the donor / financing agency