European Parliament
2014-2019

Committee on Budgetary Control

18.11.2015

WORKING DOCUMENT

on ECA Special Report N° 15/2015 (2014 Discharge) on "EU Energy Facility support for renewable energy in East Africa"

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Introduction

As highlighted during the World Summit on Sustainable Development held in 2002 in Johannesburg and in other international development debates, access to energy services is key for progress towards development objectives. In 2004 nearly two billion people, mainly living in rural and peri-urban areas of developing countries, did not have access to adequate, affordable and sustainable energy services.

In June 2005, the ACP-EU Council of Ministers approved the creation of the ACP-EU Energy Facility (EF) with the main objective to promote the access for the poor in socioeconomically disadvantaged areas to modern energy services with a strong geographical focus on Sub-Saharan-Africa. The EF also aimed at supporting improved governance in the energy sector and to increase the attractiveness to investors, facilitate large scale investments in cross border energy infrastructure and promote renewable energy.

The EF was allocated 475 million euro under the 9th and 10th European Development Funds for the period 2006-2013[1], most of which was for providing grants to projects selected through calls for proposals. When the audit started in 2014, 268,2 million euro had been granted to 142 projects under the two first calls for proposals, of which 106 million euro for 50 projects in Eastern Africa[2]. Following the first two calls for proposals, around 85% of the selected projects were related to renewable energy, 12% to hybrid source and 3% to fossil sources. Based on their main activities, the categorisation of the projects is 42% for off-grid small-scale electricity production, 42% for interconnection, transmission and distribution of electricity, 9% dedicated to governance and capacity building and 7% related to energy for cooking and others.

Audit Scope and Objectives

The Court examined whether the Commission successfully used the Energy Facility to increase access to renewable energy for the poor in Eastern Africa and structured the audit on the three following question:

- Did the Commission allocate EF support for renewable energy to well prioritised and designed projects?
- Did the Commission monitor the projects properly?
- Did the projects achieve their objectives?

The audit focused on renewable energy projects funded under the two first calls of proposals in twelve East African countries[3] and included documentation reviews of EU policy documents on energy sector in developing countries, EDF cooperation strategy and the EF, interviews of staff in DEVCO and EU delegations (Madagascar, Zambia and Tanzania) with representatives of contractual/implementing partners and public entities of the beneficiary countries and a review of projects implemented in five countries (Kenya, Madagascar, Mozambique, Tanzania et Zambia).

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[1] 220 million euro was allocated for the first facility (EF I) under the 9th EDF and 255 million euro for the second facility (EF II) funded under the 10th EDF.

[2] This region has less than 20% of its population having access to electricity which is by far the lowest access rate in Africa, the electricity access rates of the other African regions ranging from 34% to 44%.

[3] Burundi, Djibouti, Eritrea, Ethiopia, Kenya, Madagascar, Malawi, Mozambique, Rwanda, Tanzania, Uganda and Zambia.

Court's Findings and Observations

I - Did the Commission allocate EF support for renewable energy to well prioritised and designed projects?

The Court noted that the system of calls for proposals was transparent and relied on a well-documented selection process. For the selected projects by the Court, it was observed that the selection criteria ensured consistency with the priorities set by the EF as all 12 East African countries covered by the audit had or were setting up a national energy policy, 85% of the grants were allocated to projects using renewable sources of energy and projects were addressing well-identified needs regarding access to modern energy services in rural or peri-urban areas.

As regards the selection process as such, the Court considered it was not sufficiently rigorous insofar a quarter of the projects examined were awarded a grant despite significant weaknesses identified. Even though it was noted that the design of projects used appropriate evaluation criteria like the operational viability, sustainability, cost-effectiveness and replicability, the audit work revealed that for 5 out of 11 projects were affected by inconsistencies not detected by the evaluation committee such as inadequacy between good scoring given by an external assessor regardless serious deficiencies and high risk of project failure and the absence of mitigating measures. Moreover, for the assessment of the appropriateness of projects' rationale, the objectives were SMART[1] but the performance indicators defined to monitor projects' achievements were not always based on accurate scenarios and targets due to the absence of prior feasibility studies. Lastly, for 13 projects completed or near to completion, 5 requested a significant adjustment of their performance indicators to adapt to the reality on the field, unforeseen event or optimise technical options.

II – Did the Commission monitor the projects properly?

The Court pointed out that the information from the projects' reporting to monitor progress and to take the required appropriate measures if need be was not satisfactory. From the Court' sampling of 16 projects selected, only 5 had timely and expected qualitative reporting. For the others, the Court identified uneven quality with the following shortcomings like the lack of information about intermediate progress compared to set objectives or limited information on measures to be taken when progress is unsatisfactory. In order to face this situation, DG DEVCO contracted a consulting firm to assist EU delegations in assessing the implementing partner' reporting, record data on implementation progress and set up a structured EF monitoring instrument with the possibility of issuing recommendations.

The Court found this action useful for approximating the implementing partners' reporting but pointed out that the consulting firm had no power to implement the recommendations issued or to make on the spot visits to check the data provided by the implementing partners. The Court also noted that only half of the mandatory mid-term evaluations on projects were carried out.

With regard to some projects that encountered serious implementation difficulties, the Court observed that the Commission did not take appropriate and timely measures and this,

[1] Specific, measurable, achievable, relevant and time bound.

regardless the 2012 report on the mid-term evaluation of the first call for proposals wherein such weaknesses were already reported.

Furthermore, the Court considered that DG DEVCO had not used its power to request additional information, terminate a contract or recover amounts already paid when implementing partners do not comply with their contractual reporting obligations or when a contract cannot be effectively or appropriately achieved as planned.

The audit also showed that few projects managers were doing on the spots visits for projects with implementation difficulties or insufficiently used the possibility of launching a results-oriented monitoring (ROM) in such cases.

III – Did the projects achieve their objectives?

On the 16 projects reviewed, the Court found that a quarter of the projects examined did not deliver most of the expected results mostly due to design weaknesses and inadequate reporting by the Commission during their implementation phase. Indeed, it appeared that implementation periods included in the project proposals were in general underestimated thus requiring an extension. For the other remaining projects examined, 12 were successful, 5 exceeded their initial targets, 2 were likely to fulfil their targets and 5 were not likely to reach their targets but results achieved were still reasonable.

From the 12 successful projects examined, it appeared that most of the projects had good sustainability prospects if necessary measures envisaged are implemented and the context does not deteriorate. Only one was considered by the Court as questionable in terms of sustainability due to technical complexity combined with a shortage of local capacity. Training was provided in all the projects to improve management and local technical capacities and will be continued after the project completion. Alongside, it was observed that some projects also raised awareness of environmental issues and provided training on starting micro-businesses thanks to the arrival of electricity.

Summary of the Commission Replies

The Commission highlighted that the creation of the Energy Facility allowed the Commission to substantially address for the first time the issue of energy access in its development cooperation. The Commission stated that the fact that most of the projects examined were considered by the Court successful with good sustainability prospects was a good achievement given the difficult context of implementation of those projects.

For the quarter of projects which have not delivered expected results, the Commission mentioned unfavourable circumstances and insufficient local capacities in the remit of the beneficiaries which challenged the initial design and implementation of the projects but the Commission acknowledged there was room for improvement for the monitoring of the projects in the field.

Court's recommendations

In the light of its findings, the report makes a number of recommendations in order to select projects more rigorously, strengthen projects’ monitoring and increase their sustainability prospects:

1. Selecting project more rigorously

   When using calls for proposals, during the selection process, the Commission should reinforce the assessment:

   (i) of the risks related to the design of the actions and of the mitigation measures envisaged;
   (ii) of the partner's capacity with regard to the project implementation plans.

2. Strengthening the monitoring of projects

   The Commission should:

   (i) closely monitor compliance with the provisions of the grant contracts regarding the timeliness and quality of financial and narrative reports and evaluations;
   (ii) when these provisions are not complied with, suspend any further grant disbursement and ask the implementing partners to provide the information needed;
   (iii) increase on-site visits by programme managers and ROMs for sensitive projects, using a risk-based approach;
   (iv) when projects are unlikely to be implemented as planned, seek to agree on a solution with the implementing partner;
   (v) when a solution cannot be found, adopt a rational exit strategy to terminate the contract.

3. Increasing sustainability prospects of projects

   Upon completion of complex projects, in particular those involving infrastructure investments, the Commission should:

   (i) require the implementing partners to provide in their final report an assessment of the potential need for continued technical assistance for operators;
   (ii) consider the possibility of providing funding for this purpose, for example through an amendment to the grant contract.

Rapporteur's recommendations for possible inclusion in the Commissions' annual discharge report

[The European Parliament]

4. Welcomes the special report dedicated to the ACP-EU Energy Facility support for renewable energy in East Africa (EF) and sets out its observations and recommendations below;

5. Welcomes that from the second call for proposals under the Energy Facility including preliminary feasibility analysis has become compulsory; emphasizes the latter should be

based on accurate and realistic scenarios; the scenario should already include estimates on how the local community can be included in the implementation of the project in order to improve local ownership and project promotion;

6. Takes the view that the link between feasibility of the project and social economic and environmental sustainability should be better established to ensure not just efficiency, coherence and visibility of the EF's investment projects but also the effectiveness and broader results in the regions concerned;

7. Considers that the monitoring of projects and associated risks should be regularly performed and accompanied by rapid mitigation measures in view of adjusting if need be the procurement strategy, selection and implementation process; the findings in the monitoring reports should be used in the implementation of the following Calls;

8. Calls on the EF to ensure that local stakeholders such as NGOs or local communities are involved during the full time of the project from the launching to the post-completion of projects, carefully taking account of the needs required for such specific projects; for continued support to local capacity building with a proper training offer throughout the projects life, the main aim is to further improve local ownership and promote coordination so that the project is viable and sustainable after the funding period expires;

9. Calls on the DG DEVCO to make sure that the implementing partners answer all requests for additional information concerning the implementation of the project(s); calls on the DG DEVCO to focus especially on the potential corruption and/or fraud related activities by the implementing partners while avoiding unnecessary additional administrative burden; and in the case the former to duly terminate contracts and look for new partners in the region;

10 Calls on the Commission to ensure policy coherence and close cooperation with the other actors on the field not only in the field of energy in view of achieving the best possible results for people living in the region and the environment, especially UN bodies and the SE4ALL (Sustainable Energy for All); the synergies with other projects on the ground including project in planning phase whenever possible should be exploited by all project as much as possible.