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Special Report

ACP–EU Energy Facility support for renewable energy in East Africa

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(pursuant to Article 287(4), second subparagraph, TFEU)

Audit team

02

The ECA's special reports set out the results of its performance and compliance audits of specific budgetary areas or management topics. The ECA selects and designs these audit tasks to be of maximum impact by considering the risks to performance or compliance, the level of income or spending involved, forthcoming developments and political and public interest.

This performance audit was produced by Audit Chamber III — headed by ECA Member Karel Pinxten — which specialises in external action spending areas. The audit was led by ECA Member Klaus-Heiner Lehne, supported by the head of his office, Michael Weiss; Gérald Locatelli, head of unit; Thierry Cozier, team leader; Ruurd De Jong, Myriam Cazzaniga and Joao Nuno Coelho dos Santos, principal auditors; and Jean-Louis De Neve, senior auditor.

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ACP: African, Caribbean and Pacific countries

DG International Cooperation and Development: Within the Commission, the Directorate-General for International Cooperation and Development is responsible for:

— formulating EU development policy and defining sectoral policies in the field of external aid;
— drawing up, together with the European External Action Service, the multiannual programming for the external aid instruments funded under the EDFs and the general budget;
— implementing these instruments;
— fostering coordination between the EU and the Member States on development cooperation and representing the EU externally in this field.

EDFs: European Development Funds
The EDFs are the main instrument for providing EU aid for development cooperation to the ACP states and overseas countries and territories (OCTs). The partnership agreement signed in Cotonou on 23 June 2000 for a period of 20 years ('the Cotonou Agreement') is the current framework for the EU's relations with ACP states and OCTs. Its main focus is on reducing and eventually eradicating poverty. The 9th EDF covers the 2000-2007 period and the 10th EDF the 2008-2013 period.

EF: ACP–EU Energy Facility
Financing instrument created in 2005 to support improved access to sustainable and affordable energy services for the poor in rural and peri-urban areas in ACP countries.

EF I: First Energy Facility funded under the 9th EDF.

EF II: Second Energy Facility funded under the 10th EDF.

EUEI: EU Energy Initiative for Poverty Eradication and Sustainable Development
The EUEI is a joint effort of the Commission and the Member States creating synergies between their respective development policies and activities. Its aim is to contribute to the achievement of the MDGs by providing adequate, affordable, sustainable energy services to the poor. It is also part of the EU response in the context of the 'Sustainable energy for all' initiative (SE4All).

EUEI PDF: EU Energy Initiative Partnership Dialogue Facility
Created in 2005 by the Commission and six Member States (Austria, Finland, France, Germany, Netherlands and Sweden) to improve governance in the energy sector. It does so by helping partner countries to develop sound energy policies and strategies.

GIZ: Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (German Federal Enterprise for International Cooperation)

kW: Kilowatt (unit of power). 1 kW equals 1 000 watts

MDGs: millennium development goals
The MDGs are eight international development goals that were established following the Millenium Summit of the United Nations in 2000, following the adoption of the United Nations Millenium Declaration. They range from halving extreme poverty and hunger to achieving universal primary education and ensuring environmental sustainability. All United Nations Member States, as well many international organisations, committed to help achieve these goals by 2015.

NGO: non-governmental organisation

Glossary and acronyms

06

OECD: Organisation for Economic Cooperation and Development
The mission of the OECD is to promote policies that improve the economic and social well-being of people around the world.

ROM: results-oriented monitoring
The ROM system was established by DG International Cooperation and Development in 2000. It is based on short, focused, on-site assessments by external experts. It uses a structured and consistent methodology to assess projects performance in respect of five criteria: relevance, efficiency, effectiveness, potential impact and likely sustainability.

SE4All: Sustainable energy for all
The initiative was launched by the UN Secretary-General in 2011. It has three interlinked objectives to be achieved by 2030: (i) ensure universal access to modern energy services; (ii) double the global rate of improvement in energy efficiency; and (iii) double the share of renewable energy in the global mix.

SMART: specific, measurable, achievable, relevant and time-bound

UN: United Nations

WSSD: World Summit for Sustainable Development
At the 2002 WSSD held in Johannesburg, South Africa, sustainable development was reaffirmed as a central component of the international agenda. A wide range of targets and commitments were agreed and reaffirmed by governments. In particular, the WSSD called for actions to substantially increase the use of renewable energy.

Executive summary

I

As highlighted during the World Summit on Sustainable Development (WSSD) held in Johannesburg in 2002 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.

II

In June 2005 the ACP–EU Council of Ministers approved the creation of the ACP–EU Energy Facility (EF) to promote access for the poor to modern energy services, with a strong focus on sub-Saharan-Africa and renewable energy. For the period 2006-2013, the EF was allocated 475 million euro under the 9th and 10th European Development Funds (EDFs), most of which was for providing grants to projects selected through calls for proposals. When our audit started, a total of 268.2 million euro had been granted under the first two calls for proposals, of which 106 million euro was for projects in East Africa, which had by far the lowest rate of access to electricity in Africa.

III

We found that the Commission was mostly successful but could have done better in using the EF to increase access to renewable energy for the poor in East Africa.

IV

The Commission allocated support for renewable energy to well-prioritised projects. However, insufficient rigour in the selection process meant that a quarter of the projects examined were awarded a grant despite significant design weaknesses being identified.

V

The Commission did not monitor all projects properly. Reports submitted by the implementing partners were of uneven quality and the Commission did not attempt to enforce compliance with their reporting obligations. For some projects, it did not make sufficient use of on-site visits to projects and results-oriented monitoring (ROM) reviews to complement the information provided by the implementing partners, particularly when projects were known to encounter serious difficulties. For some projects which experienced serious implementation difficulties, the Commission did not take appropriate and timely measures.

VI

Most of the projects examined were successful and are likely to be sustainable if the necessary measures envisaged are implemented and the context does not deteriorate too much. One quarter of the projects examined failed to deliver the majority of their expected results, due mainly to both design weaknesses that were not addressed and inadequate monitoring by the Commission.

VII

We make a number of recommendations for selecting projects more rigorously, strengthening their monitoring and increasing their sustainability prospects.

Introduction

Access to energy services is key for progress towards development objectives

01

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[1]. Volatile fuel prices on the international market, increasing energy demand in developing and emerging countries and climate change concerns are particular challenges in respect of increasing access to energy services.

02

While the member countries of the Organisation for Economic Cooperation and Development (OECD) are reducing their exposure to rising energy prices, most developing countries have increased theirs due to the sector's unattractive investment climate and low process efficiency[2]. The links between lack of access to affordable and sustainable energy services and the difficulties in making firm progress towards most development objectives were highlighted during the WSSD held in Johannesburg in 2002 and in other international development debates.

1 COM(2004) 711 final of 26 October 2004, 'The future development of the EU Energy Initiative and the modalities for the establishment of an Energy Facility for ACP countries', p. 2.

2 On average, developing countries use about twice as much oil equivalent per unit of economic output than OECD countries (COM(2004) 711).

Picture 1

© The Visible Earth, NASA.

A view over the whole of the European and African continents

The ACP–EU Energy Facility was created for rapid delivery on the ground

03

In the context of the WSSD, the Commission and the EU Member States joined forces to create the EU Energy Initiative (EUEI) for Poverty Eradication and Sustainable Development. Its aim is to contribute to the achievement of the millennium development goals (MDGs) by providing adequate, affordable and sustainable energy services to the poor in socioeconomically disadvantaged areas. The EUEI initiated the dialogue with developing countries to promote energy sector reforms, technology transfer and investments, and to encourage initiatives to mitigate climate change.

04

In 2002 and 2003 the Commission emphasised the need for funding in the energy sector of developing countries[3]. This was acknowledged by the Member States and the ACP countries, which proposed the creation of an ACP–EU EF[4]. In June 2005, following the Commission's proposal[5], the ACP–EU Council of Ministers approved the creation of the EF on the basis of a set of key principles (see ***Box 1***).

3 COM(2002) 408 final of 17 July 2002, 'Energy cooperation with developing countries', and COM(2003) 829 final of 23 December 2003, 'The World Summit on Sustainable Development one year on: implementing our commitments'.

4 At the 'Energy for Africa' conference held in Nairobi in November 2003 and the ACP–EU Council of Ministers in Gaborone in May 2004. The ACP–EU Water Facility was referred to as a useful model with its main objective of providing safe drinking water and basic sanitation to the poor.

5 COM(2004) 711.

Box 1

Key principles of the ACP–EU Energy Facility

The EF's activities should be directed towards:

(i) targeting the ACP countries which had already established or were committed to establishing a sound energy policy and good governance;

(ii) promoting ownership at national level (and possibly inter-border level) by ensuring coherence with the relevant sector policies and an overarching poverty reduction strategy;

(iii) permitting flexibility regarding co-financing mechanisms with Member States, lending institutions and private, public or associative entities; and

(iv) promoting innovation when faced with the challenges of providing sustainable and affordable energy services to the poor.

05
The main objective of the EF was to promote access to modern energy services for the poor in rural and peri-urban areas, with a strong geographical focus on sub-Saharan Africa. It also aimed to support improved governance in — and increase the attractiveness to investors of — the energy sector, facilitate large-scale investments in cross-border energy infrastructure and promote renewable sources, as well as energy efficiency measures.

06
The EF was allocated 475 million euro for the 2006-2013 period: 220 million euro for the first facility (EF I) funded under the 9th EDF, and 255 million euro for the second facility (EF II) funded under the 10th EDF. Almost 90 % of this allocation (415.7 million euro) was used for providing grants to projects selected through calls for proposals[6]. The remaining part was to provide support to the EUEI Partnership Dialogue Facility (PDF)[7], a pooling mechanism that finances medium-sized investment projects[8], the Africa-EU Infrastructure Partnership[9] and miscellaneous activities[10].

07
When our audit started in June 2014, a total of 268.2 million euro had been awarded to 142 projects under the first two calls for proposals: 169 million euro to 74 projects from the call for proposals launched in May 2006 under EF I and 99.2 million euro to 68 projects from the first call for proposals launched in November 2009 under EF II[11].

08
Around 85 % of the projects selected following the first two calls for proposals are related to renewable energy, 12 % to hybrid sources (renewable and fossil) and 3 % to fossil sources. Based on their main activities, the categorisation of the projects is as follows: off-grid small-scale electricity production[12] (42 %); interconnection, transmission and distribution of electricity (42 %); governance/capacity building[13] (9 %); and energy for cooking and others (7 %).

09
A total amount of 106 million euro was granted to 50 projects in East Africa. With less than 20 % of its population having access to electricity, this region has by far the lowest access rate in Africa[14]. The same is true regarding access to non-solid cooking fuel, with a rate of less than 10 % of the population compared with around 20 % for the West and Central African regions and more than 40 % for the Southern African region[15].

6 The call for proposals modality is not unique to the EF. For more details see DG International Cooperation and Development's website at http://ec.europa.eu/europeaid/prag/

7 The EU contribution of 3.5 million euro is channelled via a delegation agreement to the Gesellschaft für Internationale Zusammenarbeit (GIZ), which manages the project of around 16.5 million euro. Other contributions are from Austria, France, Germany, the Netherlands, Sweden and Finland. This PDF aims to build institutional capacity and to improve the environment for private investments in the energy sector.

8 Initially planned for up to 40 million euro, it contributed 24.8 million euro to six projects.

9 An allocation of 17 million euro primarily to facilitate cross-border interconnections of national networks.

10 Consulting and services for proposal assessment, monitoring, evaluation and audit of projects and contingencies.

11 The last two calls for proposals launched under EF II in March and October 2013 respectively were concluded in December 2014. Grants amounting to a total of 147.5 million euro were awarded to 31 projects.

12 I.e. a rather small electricity production unit feeding a distribution network not interconnected with the main electricity grid.

13 All projects in other categories include capacity-building components.

14 The electricity access rates of the other African regions range from 34 % to 44 %. For details see Report Africa-EU Energy Partnership 2011/2012 (http://www.euei-pdf.org/support-to-the-africa-eu-energy-partnership-aeep).

15 Non-solid cooking fuel is mainly gas in canisters or kerosene as substitutes for firewood and charcoal.

Audit scope and approach

10

We sought to assess whether the Commission successfully used the EF to increase access to renewable energy for the poor in East Africa. Our audit focused on the following three main questions.

(a) Did the Commission allocate EF support for renewable energy to well prioritised and designed projects?

(b) Did the Commission monitor the projects properly?

(c) Did the projects achieve their objectives?

11

The audit focused on renewable energy projects[16] funded under the two first calls for proposals in 12 East African countries[17]. It was carried out between June 2014 and February 2015 and included the following.

(a) A review of EU policy documents related to the energy sector in developing countries, to the EDF cooperation strategy and to the EF;

(b) Interviews with officials at DG International Cooperation and Development and with representatives of contractual partners.

(c) A review of 16 projects that were implemented in five countries: Kenya, Madagascar, Mozambique, Tanzania and Zambia (see ***Annex I***)[18]. The selection criteria included materiality[19] and coverage of all the technologies used as well as of the different types of implementing and operating partners[20]. This review aimed to assess the effectiveness of these projects, which were scored using relevant criteria from the Commission's ROM methodology (see ***Annex II***).

(d) Visits to Madagascar from 13 to 23 October 2014 and to Zambia and Tanzania from 3 to 20 November, involving interviews with EU delegation staff, representatives of public entities of the beneficiary countries and implementing partners, as well as on-the-spot visits to eight projects.

16 Solar photovoltaic, wind, hydropower and biomass.

17 The East African countries considered are: Burundi, Djibouti, Eritrea, Ethiopia, Kenya, Madagascar, Malawi, Mozambique, Rwanda, Tanzania, Uganda and Zambia.

18 When projects are mentioned in the observations, reference is made to their numbering and short name as indicated in the annexes.

19 EF contribution of a minimum of 0.5 million euro.

20 Non-governmental organisations (NGOs), para-public bodies and private firms.

Observations

The Commission prioritised EF support well, but a quarter of the projects examined had serious design weaknesses

12
We examined whether the Commission had prioritised EF support well, and whether it had allocated EF support to well-designed projects.

The selection process led to support projects in line with the EF priorities

13
The system of calls for proposals involves a transparent and well-documented selection process (see ***Box 2***).

Box 2

Selecting project proposals

In order to ensure a high level of participation, transparency and a demand-driven approach, the call for proposals and the guidelines for applicants are widely published. These guidelines contain practical instructions to the applicants and the objectives and priorities of the call. The applicants submit a concept note describing the main features of the proposed project, and a full application detailing the action proposed together with its budget and detailed information on the applicants.

The management of the call for proposals is overseen by an evaluation committee[21], which is responsible for the evaluation of the proposals on the basis of selection and award criteria that are set in the call's guidelines.

Both the concept note and the full application are assessed by two persons, in most cases an external consultant and a representative of the EU delegation concerned[22]. The assessments are carried out using a scoring system and standardised evaluation grids with criteria that cover in particular the relevance, feasibility, effectiveness, sustainability and cost-effectiveness of projects.

Where there are significant differences of opinion between the two assessors, a third assessment is carried out by the evaluation committee to determine the final score.

The grants are awarded to the projects with the highest scores.

21 For calls for proposals under the EF, the evaluation committee is composed of representatives of the Commission (DG International Cooperation and Development, DG Environment, DG Research and Innovation, DG Energy) and the ACP Secretariat.

22 When the project concerns actions in more than one country, the project is assessed by an external consultant and a representative of the relevant regional directorate of DG International Cooperation and Development.

14

For the first two calls for proposals under the EF, 975 proposals were submitted, from which 142 projects were selected (15 %). As regards the relevance of projects, the selection criteria ensured consistency with the priorities set by the EF and the two calls for proposals.

(a) All 12 East African countries covered by the audit had or were establishing a national energy policy. Support was also provided under the EUEI-PDF (see paragraph 6) to eleven of these countries to enhance institutional capacity and improve the business environment for investments in the energy sector (see ***Annex III***)[23].

(b) A high priority was given to projects using renewable sources of energy, which account for 85 % of grants awarded (see paragraph 8).

(c) Projects address well-identified needs regarding access to modern energy services (see ***Box 3***) in rural or peri-urban areas mostly populated by economically modest or poor communities.

23 For eight countries, energy was also selected as a focal sector in the 11th EDF cooperation strategies.

Box 3

The essential energy needs of poor populations

In rural and peri-urban areas, households' priority electricity needs are generally lighting, charging mobile phones, a radio set or a television, air circulation and, when and where possible, a refrigerator, air conditioning or other appliances. At village/community level, supplying electricity to medical centres is usually the top priority, followed by administrative facilities, schools and, where needed, water pumping. The main economic activities rendered possible by the arrival of electricity include grain milling, rice husking, sawmilling, food and drink refrigeration, tailoring or communication centres.

Energy for cooking remains based, in the vast majority of cases, on firewood or charcoal. Engineered stoves permitting fuel savings and soundly managed forestry are first steps towards the more efficient use and production of energy. Modern energy solutions for cooking include the availability of affordable and safe gas canisters or biogas production close by the place of use. (*Sources:* various project documents and the report *Poor people's energy outlook 2013* — http://practicalaction.org/ppeo2013-pr)

Picture 2

Source: European Court of Auditors.

Visibility sign of the project 'Up-scaling access to integrate modern energy services for poverty reduction' (Matadi, Siha district, Tanzania)

A quarter of the projects examined were funded even though the assessment process had identified significant design weaknesses

15
As regards the design of projects, appropriate evaluation criteria were used to assess:

(i) operational viability (with reference to the capacity of partners and the methodology to implement the project);

(ii) sustainability (socioeconomical, financial, technical and environmental);

(iii) cost-effectiveness (ratio costs–expected results); and

(iv) replicability (demonstrative effects serving as a model for future replication).

16
For 11 of the projects examined there was consistency between the scoring and the analytical comments of both assessors. This was not the case for the other five projects, for which the selection process was affected by inconsistencies that were not detected by the evaluation committee.

(a) In one case[24], the good score given by the external assessor was not logical given the serious design deficiencies and high risks of project failure that he found[25]. As the scores given by the two assessors were above the threshold, the project was selected.

(b) For the other four projects[26], the proposal had to be submitted to a third assessment, as the external assessors pointed to severe design weaknesses putting the projects at high risk (for example lack of applicant expertise, overambitious objectives, unrealistic implementation planning, sustainability of primary resources at risk, unfavourable cost-effectiveness, over-optimistic and/or ambiguous business plan). Nonetheless, the third assessment, which recommended the awarding of a grant, did not properly take into account the risks identified and the absence of appropriate mitigating measures.

17
In four of these five cases[27], the serious design weaknesses were the main reason for the projects' failure (see paragraph 36).

18
The selection process included an assessment of the appropriateness of each project's logical framework[28]. The objectives of the projects were SMART[29] but, due to the lack of proper feasibility studies, the performance indicators set to monitor their achievement were not always based on accurate baselines and well thought-out targets.

24 Project 5 (Up-scaling).

25 For example overambitious project, highly optimistic assumptions and business plan, the ongoing pilot project had not demonstrated its suitability.

26 Projects 2 (Best Ray), 6 (Bioenergelec), 13 (Nice roll-out) and 16 (Wood and charcoal).

27 Projects 5 (Up-scaling), 6 (Bioenergelec), 13 (Nice roll-out) and 16 (Wood and charcoal). See ***Annex VI***, 'Design' column, projects scored C or D.

28 It sets out the relationship between the socioeconomic needs to be addressed by the project and its objectives, inputs, activities and results.

29 Specific, measurable, achievable, relevant and time-bound.

19

Of the 13 projects which were completed or close to completion, five needed a significant adjustment of their performance indicators to adapt to the realities in the field[30], optimise technical options[31] or address an unforeseen event[32] (see ***Annex IV***). This mainly affected EF I projects. The Commission addressed this issue for EF II projects. The first EF II call for proposals recommended conducting feasibility studies before presenting an application, and this was made compulsory under the second call.

The Commission did not monitor all projects properly

20

We examined whether the Commission obtained adequate information from the projects' reporting to monitor progress and took appropriate and timely measures when needed.

The quality of the implementing partners' reports was uneven

21

The provisions of grant contracts concluded with implementing partners provide that payments of instalments of the grant are made upon approval by the EU delegation of interim and final narrative and financial reports. These reports should conform to a model set out in the grant contract: they should list activities carried out, explain the reasons why certain planned activities could not be implemented, elaborate on the problems faced and how they have been addressed and assess the results achieved.

22

For five of the 16 projects examined, the reporting was timely and of the expected quality. All of these five projects were implemented by experienced development partners[33]. As regards the other projects:

(a) narrative reports regularly lacked information about intermediate progress towards the objectives;

(b) when progress was not satisfactory, reports often contained limited information about measures planned or taken;

(c) in case of substantial implementation delays, the payment requests and associated reports became less frequent, providing the EU delegations with even less information.

30 For project 5 (Up-scaling), the resources available were found to be incompatible with the geographic distribution and number of sites to be equipped. For project 15 (Boreale), the cost and technical complexity involved in wind power units were found to be incompatible with local capacities, and one village (out of eight) had insufficient population for the project to be sustainable.

31 For project 8 (Sahambano), the topographic study showed that the hydropower available was 700 kW instead of the 460 kW planned. For project 7 (rHYviere), over the three sites, the hydropower installed went up to 890 kW instead of the 600 kW planned.

32 For project 6 (Bioenergelec), the forestry resources dedicated to one site (of the five planned) were destroyed by a cyclone before the construction of the electricity production unit.

33 Projects 2 (Best-Ray), 4 (Biogas), 7 (rHYviere), 9 (Resouth) and 15 (Boreale).

23
DG International Cooperation and Development contracted a consulting firm to assist the EU delegations in assessing the implementing partners' reporting, record data about implementation progress, establish a structured EF monitoring tool and produce reports about the EF global results. When the consulting firm identified weaknesses in the timeliness, quality or completeness of reports, it informed the implementing partner and the EU delegation and made recommendations to facilitate implementation where appropriate. Its review of the partners' reports was usually completed within 1 to 5 months following the period covered by the report. However, due to the late extension of its contract, there was a gap of several months in its activities, which delayed this review considerably in some cases (see ***Annex V***).

24
This standardised review by a single entity was useful for harmonising and improving the implementing partners' reporting to some extent. However, the consulting firm had no power to enforce the recommendations made and its contract did not provide for resources to check on the spot the information provided by the implementing partners. This verification could be performed only when other sources of information were available[34].

25
The budget of the projects examined provided for mandatory mid-term and final evaluations to be organised and contracted by the implementing partners to external consultants. Only half of the mid-term evaluations were performed. Of the 11 EF I projects examined, five were not subject to a mid-term evaluation, even though they started in 2008 and were about 1 year from completion at the time of the audit[35]. One EF II project[36] was ongoing for approximately 3 years and was planned to end within less than a year, but had also not been subject to the mid-term evaluation (see ***Annex V***).

For some projects which experienced serious implementation difficulties, the Commission did not take appropriate and timely measures

26
The weaknesses in project reporting were stressed in the February 2012 report on the mid-term evaluation of the first call for proposals organised by DG International Cooperation and Development[37]. The Commission did not follow up this finding, setting out the remedial actions planned, their timetable and the allocation of responsibilities[38].

34 Reports of on-site visits by the EU delegation programme manager, ROM reports and external evaluations.

35 The mid-term evaluation of project 6 (Bioenergelec) was carried out in March 2013, i.e. 5 years after the project had started for an initial 3-year implementation period.

36 Project 16 (Wood and charcoal).

37 Mid-term evaluation of the first call for proposal of the EF under the 9th EDF.

38 This issue is not unique to this evaluation. As mentioned in Special Report No 18/2014 — EuropeAid's evaluation and results-oriented monitoring systems, there are weaknesses in the follow-up of evaluation findings (paragraphs 56 to 60).

27
Under the contracts, if implementing partners fail to comply with their reporting obligations, DG International Cooperation and Development has the power to request additional information at any time, which must be supplied within 1 month, as well as to terminate the contract and recover the amounts already paid and not substantiated. DG International Cooperation and Development has not made appropriate use of these powers.

28
In the three EU delegations examined, there was little evidence of regular on-site visits to projects by programme managers, even when the EU delegations were aware of the serious difficulties encountered, as was the case for both failing EF I projects[39]. The reasons invoked were resources constraints and the fact that EF projects received less priority than programmes under the EDF cooperation strategies with partner countries[40].

29
For projects that are rarely visited by delegation staff or encounter difficulties, the programme managers in the EU delegations may ask for an ROM visit to be planned by DG International Cooperation and Development. Ten of the 16 projects examined were subject to at least one ROM[41] (see ***Annex V***). However, sufficient use was not made of this possibility for projects that were experiencing serious and well-known implementation difficulties, as shown below.

(a) Project 5 (Up-scaling), which started in January 2008, was only subject to one ROM, in June 2013. The report highlighted the chaotic situation but it was too late to take remedial action.

(b) Project 6 (Bioenergelec), which started in April 2008, was never subject to an ROM despite extensive implementation delays[42] and the poor results achieved.

30
If the Commission believes that the contract can no longer be executed effectively or appropriately, it may seek to agree on a solution with the implementing partner, and it may terminate the contract if such a solution cannot be found. The Commission did not take this course of action when, around mid 2010, it was clear that both projects mentioned in paragraph 29 could no longer be implemented as planned:

(a) for project 5 (Up-scaling), an option might have been to reduce significantly the geographical scope and the number of villages to be equipped and to reconsider the continuation of the jatropha cultivation scheme[43];

(b) for project 6 (Bioenergelec), the project plan might have been reassessed in the light of the poor results of an earlier similar project also implemented in Madagascar by the same partner[44].

39 For projects 5 (Up-scaling) and 6 (Bioenergelec), the implementation periods were extended to 78 and 81 months respectively (see ***Annex V***). For project 6 (Bioenergelec), no site visit could be documented for the Court to review.

40 Lack of sufficient on-site visits to projects is not unique to EF projects. As indicated in its 2014 annual activity report, DG International Cooperation and Development did not reach its objective of visiting at least 80% of ongoing projects and contracts (p. 112 and Annex 10 pp. 297-299). For 2014, overall results stood at 69%, below the 2013 rate of 72%. Staff restriction is one of the reasons mentioned.

41 Three projects were subject to two ROMs.

42 Initially planned for 36 months, the implementation period was extended to 81 months.

43 Jatropha is a plant whose oil-containing seeds are processed into biodiesel.

44 This project started two 2 before was not yielding satisfactory results, notably due to the unreliable machinery identical to the one used in project 6 (Bioenergelec).

31

EF II project 6 (Wood and charcoal) is being implemented in several countries by a private forestry company. It started in March 2012 and, less than 1 year from its planned completion date (July 2015), the innovative charcoal component[45] had made no progress and was unlikely to materialise. EU delegations in the countries concerned had not sought to identify the reasons for the project's failure, nor had they taken any action in response. Since the innovative charcoal component had been the justification for the project's eligibility under the EF, failure to deliver this element means that the Commission might be able to recover some of its funding.

Most of the projects examined were successful and had good sustainability prospects

32

We examined whether the intended project results were delivered as planned and whether these results were sustainable.

A quarter of the projects examined did not deliver most of the expected results

33

The implementation periods indicated in the project proposals, and subsequently set out in the grant contracts, generally underestimated the time needed to implement the projects[46]. Nine out of the 11 EF I projects examined had to be extended and two of them needed more than twice the time initially planned (see ***Annex IV***).

34

Of the 16 projects examined, 12 were successful: five had exceeded or were likely to exceed their initial targets, two had met or were likely to meet their targets and five were not likely to reach their targets but results were still reasonable[47] (see ***Annex IV*** and ***Annex VI***, 'Results' column, projects scored A or B). ***Box 4*** provides two examples of successful projects.

45 Using industrial ovens instead of poor yield artisanal production.

46 For example feasibility studies, construction permit request and procurement processes (see also paragraph 19).

47 Results are above 75 % of target values, or encouraging progress was noted after implementation of the project was complete (for example the number of households connected was progressively increasing).

Box 4

Examples of successful projects

Project 4 (Biogas) — This project implemented in Kenya aimed to recover methane gas from slurry digesters in small farms with three to 10 dairy cows. The biogas is used as cooking fuel for the farm owners' households. It contributes to saving firewood or charcoal, strongly reduces indoor pollution and improves the fertilising qualities of the slurry. Micro-institutions and public promoters were involved to ensure replication of the project. The project managed to install 765 digesters in five Kenyan provinces (against a target of 460).

Project 14 (Small-scale solar) — This project's aim was to enable around 18 000 people (or 4 000 families) to access sustainable small-scale solar power in two rural districts in Mozambique. Solar-energy-charged lanterns are a substitute for burning wood or kerosene for lighting. These lanterns are being made available for a modest daily fee from small-scale businesses (charging stations) run by local entrepreneurs that received special training from the project. Forty-one charging stations spread across 25 villages have been installed and 14 760 people (or 82 % of the target) are being provided with economic and clean-energy lighting. Half of these entrepreneurs are women. Solar charging stations are also used to recharge cell phones and other small appliances, such as radios or hair clippers.

35

The rural electrification projects that include the supply of energy services to households and local public buildings (by connection to a mini-grid in villages or using standalone solar units for dispersed housing) had a very positive effect in improving the day-to-day life of rural communities, even if the expected new economic activities were slow to emerge. For instance, the additional facilities and comfort encouraged key qualified personnel such as teachers, doctors and judges to agree to work in remote places. This has cascade effects, such as improving the availability of public services and creating ancillary employment, which are essential for contributing to poverty reduction[48].

48 For example projects 2 (Best Ray), 3 (Majaua), 7 (rHYviere), 10 (Rural electrification) and 12 (Green energy).

Pictures 3 - 4

Grid extension, notably to the Kamilambo clinic, 'Rural electrification infrastructure and small-scale projects' (Mumbwa district, Zambia)

A low-voltage transformer being connected to the distribution grid in Sahasinaka village, project rHYviere (Fianarantsoa province, Madagascar)

Source: European Court of Auditors.

36

However, four projects failed to achieve most of their expected objectives, mostly due to both design weaknesses and inadequate monitoring by the Commission during their implementation (see ***Annex VI***, 'Results' column, projects scored D).

(a) After 5 years of implementation, project 5 (Up-scaling) only managed to provide 11 out of the planned 120 villages with access to modern energy services[49]. Some equipment purchased remained unused and was becoming obsolete.

(b) Project 6 (Bioenergelec) was to use biomass to generate electricity by burning mainly wood in a boiler connected to a steam engine driving a generator. Many of the significant risks which had been identified in the project selection phase materialised[50]. However, the destruction of the forest in one of the five chosen sites by a cyclone was a major risk to materialise and that had not been identified. Six years after the start of the project only one installation had been completed, and was functioning only sporadically[51]. Planning the installation of five units prior to any convincing feedback from a pilot project was highly premature[52].

(c) Project 13 (Nice roll-out) aimed to extend a solar-powered internet centre already operating in The Gambia to over 50 locations in Zambia and Tanzania. The project had to be terminated due to the liquidation of the implementing partner in 2013. The business model involving the private sector was considered a prominent risk at the proposal evaluation stage.

(d) Project 16 (Wood and charcoal), aimed at sustainable wood and charcoal production in rural areas. The implementing partner had shown more interest in the profitable timber industry than in the innovative charcoal component, which was the reason for the project's eligibility for EF funding.

Almost all successful projects examined had good sustainability prospects

37

For one of the 12 successful projects examined, sustainability was a matter for concern due to the technical complexity involved combined with a shortage of local capacity. There was a risk of technical failure in the short to medium term[53]. The other 11 projects were likely to be sustainable if the necessary measures envisaged were implemented according to plan and the context[54] did not deteriorate too much (see ***Annex VI***, 'Sustainability' column, projects scored B).

49 For example lengthy procurement, logistics constraints, mobilisation of demand due to competition with other technologies and ineffective jatropha cultivation. The project is further affected by a legal dispute between the partner and a supplier which did not fulfil its commitment while blocking funds.

50 The project was also disrupted by a contentious situation between the equipment supplier and the national agency for rural electrification (also a partner of the project).

51 The machinery of Brazilian origin is rather a prototype and is still very dependent on its manufacturer.

52 Six units were planned in the proposal; only five were maintained in the grant contract.

53 Project 9 (Resouth) is scored C due to the complexity of its wind turbine component and extreme remoteness.

54 Exogenous factors that may directly or indirectly affect the projects, such as socioeconomic conditions, the security situation, a major change in sector policy or environmental degradations.

38

For the projects involving a decentralised electricity production unit and grid distribution[55], sustainability requires appropriate management of the operations (electricity production and sale) and regular technical maintenance[56]. Training was provided in all the projects to improve the managerial and technical capacities of future operators. However, given the local capacities, there remains a need for periodic training after project completion to ensure optimum management of the production units[57].

55 Projects 1 (Mwenga), 3 (Majaua), 7 (rHyviere), 8 (Sahambano), 9 (Resouth), 10 (Rural electrification) and 15 (Boreale).

56 Particular attention will be needed in some cases, for example in respect of some shortcomings in the quality of the infrastructure constructed and the equipment installed.

57 Long-established implementing partners have occasionally provided support at their own expense after the end of their contract, for example in project 9 (Resouth).

Pictures 5 - 6

Source: European Court of Auditors.

Solar photovoltaic unit on a school roof with its instruction card, project 'Increase access to electricity services' (Kalomo district, Zambia)

39
Some projects also raised awareness of environmental issues (see an example in ***Box 5***) and provided training on starting micro-businesses, rendered possible with the arrival of electricity.

40
Production units delivering electricity to a single customer (i.e. connection to the main distribution grid usually operated by a para-public body) may encounter payment defaults, which can jeopardise the sustainability of the project[58]. This risk is well known, and national energy policy reforms aim to progressively enforce better practices and make the national grid operators healthier and more capable of paying their suppliers[59].

58 Projects 7 (rHYviere, 1 site out of 3) and 8 (Sahambano).

59 For example, in Tanzania and in Madagascar the World Bank supports large programmes to reform the energy sector.

Box 5

The preservation of the primary energy resource is key for sustainability

Project 7 (rHyviere) — The project's objective was to construct small hydroelectricity production units in a hilly region of Madagascar. The sustainability of the high-altitude water streams requires sound management of the natural flora and of agriculture in the feeding basin to allow rainwater to continuously infiltrate the subsoil. Essential training and sensitisation components and a useful environmental scheme with the participation of the authorities to preserve the primary energy resource (the water streams) were included in the project. This scheme includes subsidies for peasants living in the feeding basin to preserve the flora by adapting their farming methods, notably to avoid further deforestation by slash-and-burn and by logging for charcoal production. The long-term financial resources required for the subsidies to local peasants were made available through a special levy (2.5 %) on the hydroelectricity produced and sold to the town in the valley.

Conclusions and recommendations

41
We conclude that the Commission was mostly successful but could have done better in using the EF to increase access to renewable energy for the poor in East Africa.

42
The Commission allocated EF support for renewable energy to well-prioritised projects. Proper selection criteria were applied in calls for proposals to ensure consistency with the priorities set in the EF. However, a quarter of the projects examined were awarded a grant despite the serious design weaknesses identified during the selection process. The inconsistency between the scores given to these projects and the analytical comments by the assessors point to insufficient rigour in the selection process (see paragraphs 12 to 19).

Recommendation 1 Selecting projects 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.

43
The Commission did not monitor all projects properly. The implementing partners' reporting was of uneven quality and the support given by the consultant hired by DG International Cooperation and Development to improve the reporting had a positive but limited effect. For some projects which experienced serious implementation difficulties, the Commission did not take appropriate and timely measures:

(a) it did not attempt to enforce compliance with the reporting obligations set out in the grant contracts;

(b) it did not make sufficient use of on-site visits to projects by programme managers in EU delegations and of ROM reviews to complement the information provided by the implementing partners, particularly when projects were known to encounter serious difficulties;

(c) despite being aware that some of the projects examined were unlikely to be implemented as planned, the Commission did not seek to agree on a solution with the implementing partners or to terminate the projects (see paragraphs 20 to 31).

Recommendation 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.

44

Most of the projects examined were successful and are likely to be sustainable if the necessary measures envisaged are implemented and the context does not deteriorate too much. While new economic activities were slow to emerge in rural areas after the arrival of the electricity, the quality of people's lives was significantly improving, particularly through access to enhanced public services. One quarter of the projects examined failed to deliver the majority of their expected results, due mainly to both design weaknesses that were not addressed and inadequate monitoring by the Commission (see paragraphs 32 to 40).

Recommendation 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.

This Report was adopted by Chamber III, headed by Mr Karel PINXTEN, Member of the Court of Auditors, in Luxembourg at its meeting of 6 October 2015.

For the Court of Auditors

Vítor Manuel da SILVA CALDEIRA
President

Annexes

Annex I

Projects examined

Project No and short name	CRIS No	EF No (CfP No)	Proposal No	Proposal assessment scores[3] *(in %)*	Title of the action	Country
1 Mwenga	2007/195-963	EF I	78	EE: 81.5 EUD: 86	Mwenga 3 MW hydro power plant	Tanzania
2 Best Ray	2007/195-964	EF I	132	EE: 57 EUD: 77 3rdE: 72	Best Ray (Bringing energy services to Tanzanian rural areas)	Tanzania
3 Majaua	2007/195-977	EF I	46	EE: 74- EUD: 75.5	Electrificaçao da comunidade de Majaua	Mozambique
4 Biogas	2007/195-982	EF I	244	EE: 71.5 EUD: 74	Up-scaling the smaller biogas plants for agricultural producers and processors	Kenya
5 Up-scaling	2007/195-985	EF I	214	EE: 71 EUD: 83.5	Up-scaling access to integrated modern energy services for poverty reduction	Tanzania
6 Bioenergelec	2007/196-004	EF I	217	EE: 65 EUD: 74 3rdE: 76.5	Bioenergelec (bioénergie électricité)	Madagascar
7 rHYviere	2007/196-005	EF I	144	EE: 74 EUD: 81	Programme rHYviere — Réseaux hydroélectriques villageois et respect de l'environnement	Madagascar
8 Sahambano	2007/196-009	EF I	54	EE: 69.5 EUD: 68.5	Aménagement hydroélectrique du site de Befanaova sur la rivière Sahambano	Madagascar
9 Resouth	2007/196-014	EF I	128	EE: 72 EUD: 78.5	Electrification rurale décentralisée par énergies renouvelables dans le sud de Madagascar (Resouth)	Madagascar
10 Rural electrification	2008/020-660	EF I	284	EE: 68 EUD: 78	Rural electrification infrastructure and small-scale projects	Zambia
11 Increase access	2008/195-971	EF I	200	EE: 80 EUD: 75	Increased access to electricity services	Zambia

Budget *(million euro)*	EU contrib. *(million euro)*	Percentage EU cont. /budget	Short description	Visited (or only examined in country)	Sites visited
7.81	3.60	46.1 %	Installation of a mini hydroelectric plant to provide reliable electricity to a tea company and to 14 villages	yes	Project in Mufindi (Iringa region); meetings with local authorities in Mafinga
1.50	1.13	75.3 %	Installation of solar PV units on 8 050 households (and public facilities) belonging to nine villages. Micro hydroelectricity with mini-grid and biogas were used in some places	yes	CERC and Mpambano cooperative in Oldonyosambu; training centre in Mkuru; project in Ngarenyanuki Secondary School in Olkung'wado; Arusha Technical College in Arusha.
2.49	1.87	75.1 %	Rehabilitation of a mini-hydro power plant (currently destroyed) and set up of a local electrical power network to connect 5 000 households	no	N/A
1.97	1.22	61.9 %	Use of biogas technology for cooking purposes in rural areas for 330 farmers in five provinces	no	N/A
3.05	2.29	75.0 %	Installation of multipurpose energy service centres powered by diesel engines using bio-fuels (jatropha oil) in 120 villages in six regions	yes	Matadi MFP Project site — Mji Mwema, Siha District — Kilimandjaro region; storage site in Moshi
3.16	1.96	61.9 %	Electricity generation from biomass for six villages (in four regions) and improved carbonisation	(yes)	No site visited[1] but stakeholders and implementing partner were interviewed
2.30	1.73	75.1 %	Construction of three hydropower plants on 'run-off river' + mini-grid to connect eight villages in eastern rural areas	yes	Two sites out of three: Sahasinaka and Tolongoina
3.31	2.48	74.9 %	Construction of a hydropower plant on 'run off river' + 20 km grid extension to connect one city and two villages	yes	One site: Ihosy
1.16	0.87	75.0 %	Electrification of two villages in the southern region using two wind turbines and solar PV units	(yes)	No site visited[2] but stakeholders were interviewed
36.51	10.00	27.4 %	Grid extension and installation of a mini-hydro plant and 2 000 solar home units to provide electricity to 27 000 households, 700 schools and health centres	yes	One site out of two: Mumbwa
33.00	10.00	30.3 %	Grid extension to facilitate access to renewable energy sources in rural and peri-urban areas in Zambia (65 000 beneficiaries)	yes	Three sites out of 24: Kabwe, Kanyama sub-station and Kalomo

Annex I

Project No and short name	CRIS No	EF No (CfP No)	Proposal No	Proposal assessment scores[3] *(in %)*	Title of the action	Country
12 Green energy	2011/231-578	EF II - (Call 1)	60	EE: 71 EUD: 85	Community-based green energy project	Kenya
13 Nice roll-out	2011/231-937	EF II - (Call 1)	183	EE: 47 EUD: 87 3rdE: 82	Nice roll-out	Zambia, Tanzania, The Gambia
14 Small-scale solar	2011/232-092	EF II - (Call 1)	620	EE: 83 EUD: 81	Enabling 18 000 people to access sustainable small-scale solar power in Quissanga district, Cabo Delgado	Mozambique
15 Boreale	2011/280-322	EF II - (Call 1)	534	EE: 84 EUD: 79	Best options for rural energy and access to light and electricity (Boreale)	Madagascar
16 Wood and charcoal	2012/232-680	EF II - (Call 1)	542	EE: 59 EUD: 87 3rdE: 75	Sustainable wood and charcoal production in rural Mozambique, Malawi and Tanzania	Mozambique, Tanzania, (Malawi)

Budget *(million euro)*	EU contrib. *(million euro)*	Percentage EU cont. /budget	Short description	Visited (or only examined in country)	Sites visited
2.32	1.74	75.0 %	Installation of solar PV units on 56 schools and 32 health centres in rural Kenya	no	N/A
8.44	2.50	29.6 %	Business development through ICT facilities powered by solar PV units (franchised NICE centres in 50 rural and peri-urban locations in The Gambia, Tanzania and Zambia)	no	N/A
0.79	0.59	75.0 %	Enabling 4 000 households to access sustainable small-scale solar power in two districts	no	N/A
2.30	1.72	74.8 %	Installation of solar PV units on 10 schools and eight health centres and 900 households in eight villages in the southern region	(yes)	No site visited[2] but stakeholders were interviewed
5.33	2.40	45.0 %	Sustainable biomass and energy efficiency through training of 2 000 households on tree planting and construction of a charcoal production plant	yes (Tanzania)	Plantations and green resources offices in Sao Hill (Iringa region of Tanzania)

1 The implementation of the project in the site selected for visiting was at too early a stage (the building was in place, but no renewable energy equipment was installed yet). The only site completed was too remote to fit in our mission planning.

2 Not visited due to security reasons.

3 Proposal assessed by an external expert (EE), the EU Delegation (EUD), and in some cases by a third evaluator (3rdE).

Annex II

Scoring methodology

For the purpose of the audit, the scoring of the design, results and potential sustainability were determined based on the Commission's ROM methodology. The criteria used are listed below.

Design	
A	The project concept (including the technology chosen) is realistic and relevant in the context. Risks and local constraints well identified and mitigation measures to be implemented exhaustively described. Clear and well-structured logical framework, SMART objectives (the score is not affected if baseline and target figures still have to be tuned after feasibility study), adequate performance indicators are proposed.
B	Adequate intervention logic. Omission/concerns are noted regarding the concept or the technology chosen, the risks and constraints listed are not exhaustive and/or their mitigation is not fully convincing. Objectives and/or indicators need modifications.
C	Intervention logic shows problems which may substantially affect the results expected. Issues/problems are noted concerning the elements listed above.
D	Intervention logic is faulty and strongly reduces the chance of success for the project, or major issues/problems will jeopardise the project.
Results	
A	All results have been, or most likely will be, delivered with good quality contributing to outcomes as planned, activities are regularly monitored and implemented on schedule (no delays are noted or are minor and logically explained).
B	Result delivery is, and will most likely be, according to plan, but there is room for improvement in terms of quality, completion of the quantity expected or timing. However, delays do not harm delivery of results.
C	Some results have not been/will not be delivered on time, according to expected quantity or with good quality. Corrective measures are necessary. Activities are delayed and somewhat disconnected from the intervention logic and plans.
D	Quality and delivery of results has, or most likely will have, serious deficiencies. Major adjustments are needed to ensure that at least the key results are delivered. Serious delays and fundamental disconnect of activities from intervention logic and plans. An exit strategy may have to be envisaged to limit further problems.
Sustainability	
A	The results will be sustainable in the long run and potential replication is ensured by a favourable context and/or the associated measures put in place by the project or other interventions.
B	The results (or most of them) will most likely be sustainable in the long run if the necessary measures envisaged are implemented according to plans and/or the context does not deteriorate too much.
C	The results (or most of them) will likely fail to be sustainable in the medium term or the long run if the necessary measures envisaged are not appropriately reinforced or complemented, especially if the context has a tendency to deteriorate.
D	The results (or most of them) will most likely fail to be sustainable in the medium term, whatever the measures taken in the prevailing context.

Annex III

EUEI PDF projects and 11th EDF focal sectors per country

Country	EUEI PARTNERSHIP DIALOGUE FACILITY (PDF)			
	Existing policies pertaining to energy	PDF project in energy sector (description)	Stakeholders	Dates
Burundi	Jan 2011 (+ rural electrification plan 1993, revised in 1997)	Assist the Ministry of Energy and Mines in the development of a national policy for the energy sector as well as an implementation strategy and investment plan	Ministry of Energy and Mines	November 2009-April 2011
Djibouti	2005	Assist the Ministry of Energy in charge of Natural Resources (MERN) in formulating a national strategy and action plan for the electricity sector, as well as in the preparation of a draft electricity law	Ministries, Electricité de Djibouti — technical and financial partners, donors	November 2012-July 2014
Eritrea	1997	-	-	-
Ethiopia	1994 (revised in 2012)	Assist the Ethiopian government in articulating a clear long-term vision for biomass energy and formulating a biomass energy strategy and action plan	Ministry of Water, Irrigation and Energy	July 2012-February 2014
Kenya	2004 (revised in 2014)	Design a support intervention that will be implemented through long-term experts who will provide direct advisory services concerning the regulatory framework for small-scale on-grid renewable energy power generation	Ministry of Energy	January 2013-March 2014
Madagascar	1974 (became a law in 1998)	Update of Madagascar's policy and national energy strategy and the preparation of a strategy for the energy sector of Madagascar	Ministry of Energy	July 2014-July 2015
Malawi	2003 (revised in 2009)	Support for the development of a biomass energy strategy to ensure a sustainable supply of biomass energy and promote access to modern cooking fuels and efficient biomass combustion technologies	Department of Energy	February 2008-February 2009
Mozambique	1998 (revised in 2009 and 2011)	Support to design and implement a national biomass energy strategy, with a particular focus on the charcoal supply chain and addressing both the supply side and the demand side	Ministry of Energy and the National Directorate for New and Renewable Energy	January 2011-December 2012

11th EDF *(Focal sectors and estimated budget adopted or likely to be adopted at the time of the audit)*										
Focal sector 1	**Budget** *(million euro)*	**Focal sector 2**	**Budget** *(million euro)*	**Focal sector 3**	**Budget** *(million euro)*	**Focal sector 4**	**Budget** *(million euro)*	**Non-focal**	**Budget** *(million euro)*	**TOTAL BUDGET** *(million euro)*
Sustainable rural development for nutrition	80	Health	87	Rule of law and fragility	143	Energy	105	Civil society	17	432
Water, sanitation and solid waste	52	Food security	35					Civil society and NAO support	18	105
Energy (not decided but gov's will)		Agriculture		Economic governance						0
Sustainable agriculture and food security	252	Health	200	Roads and transition to energy	230			Civil society	63	745
Food security and resilience to climate shocks	190	Sustainable infrastructure (transport and energy)	175	Accountability of public institutions	60		60	NAO support	10	495
Governance and institutions	143	Rural development	140	Infrastructure (increase energy access for economic development)	230			NAO and TCF	5	518
Governance	120	Education	110	Agriculture	250			Civil society	30	510
Good governance and development	367	Rural development (including energy: 50 million euro)	330							697

Annex III

Country	EUEI PARTNERSHIP DIALOGUE FACILITY (PDF)			
	Existing policies pertaining to energy	PDF project in energy sector (description)	Stakeholders	Dates
Rwanda	2004 (revised in 2009)	Support the development of policies and strategies for the geothermal energy subsector and support the institutional, legal and regulatory framework for geothermal energy, with a particular focus on options for private sector engagement	Ministry of Infrastructure	December 2013-January 2015
Tanzania	1992 (revised in 2003 and 2014)	Assist the development of a national biomass energy strategy that identifies means of ensuring a more sustainable supply of biomass energy; raising efficiency of production and use; promoting access to alternative energy sources; and ensuring an enabling institutional environment for implementation	Ministry of Finance	March 2012-April 2014
Uganda	2002 (revised in 2007)	Develop a set of recommendations and a list of potential energy projects to be supported under SE4ALL ('Sustainable energy for all')	Ministry of Energy, private companies, civil society, development partners	May 2012-June 2012
Zambia	1994 (revised in 2008)	Organise a consultative process for the integration of access to energy services in the national development plan and the national long-term vision	Ministry of Energy and Water Development	September 2005-August 2006
East Africa		Capacity assessment for scaling up access to modern energy in East Africa	East African community	November 2010-July 2011

11th EDF *(Focal sectors and estimated budget adopted or likely to be adopted at the time of the audit)*										
Focal sector 1	**Budget** *(million euro)*	**Focal sector 2**	**Budget** *(million euro)*	**Focal sector 3**	**Budget** *(million euro)*	**Focal sector 4**	**Budget** *(million euro)*	**Non-focal**	**Budget** *(million euro)*	**TOTAL BUDGET** *(million euro)*
Sustainable agriculture and food security	200	Sustainable energy	200	Accountable governance	40			Civil society	20	460
Good governance and development	291	Energy	180	Sustainable agriculture	140			Civil society	15	626
Transport infrastructure (energy may be included after mid-term review)	230	Food security and agriculture	130	Good governance	168			Civil society	50	578
Energy	244	Agriculture	110	Governance	100			NAO support	30	484
N/A										

Annex IV

Implementation period, objectives and achievements of the projects examined

Project No and short name	EF No (CfP No)	Title of the action	Country	Start date	End date
1 Mwenga	EF I	Mwenga 3 MW hydro power plant	Tanzania	22.12.2007	22.12.2012
2 Best Ray	EF I	Best Ray (Bringing energy services to Tanzanian rural areas)	Tanzania	1.4.2008	30.6.2011
3 Majaua	EF I	Electrificaçao da comunidade de Majaua	Mozambique	1.12.2007	30.11.2012
4 Biogas	EF I	Up-scaling the smaller biogas plants for agricultural producers and processors	Kenya	1.1.2008	1.1.2011
5 Up-scaling	EF I	Up-scaling access to integrated modern energy services for poverty reduction	Tanzania	1.1.2008	30.6.2014
6 Bioenergelec	EF I	Bioenergelec (bioénergie électricité)	Madagascar	1.4.2008	31.12.2015
7 rHYviere	EF I	Programme rHYviere — Réseaux hydroélectriques villageois et respect de l'environnement	Madagascar	7.1.2008	30.12.2015
8 Sahambano	EF I	Aménagement hydroélectrique du site de Befanaova sur la rivière Sahambano	Madagascar	1.3.2008	31.12.2014
9 Resouth	EF I	Electrification rurale décentralisée par énergies renouvelables dans le sud de Madagascar (Resouth)	Madagascar	1.1.2008	1.1.2013
10 Rural electrification	EF I	Rural electrification infrastructure and small-scale projects	Zambia	10.3.2008	31.12.2015

Extensions *(in months)*	% extension	Extension justification	Initial objectives amended - (achievements)
Initial: 60 m — no extension	0 %	n/a	No (beneficiaries were 14 345 against an expected 24 700 (58 %) but number is progressing)
Initial: 36 m — extended: 39 m	8 %	Extension justified by the need 'to better complete … key project activities, mainly focusing on institutional and sustainability aspects'	No (beneficiaries were 7 600 against an expected 8 050 or 94.4 %)
Initial: 36 m — extended: 60 m	67 %	In total, three extensions were requested but the last one (that proposed to extend the project up to 30.11.2013) was rejected by the EUD	No (in 2014, EUD has estimated the connections to +/– 500; about 3 years will be needed to reach the 5 000 target)
Initial: 36 m — extended: 45 m	25 %	To complete the reachable objectives within the budget	No (initial: construction of 350 digesters — end of the project: 765 were constructed)
Initial: 60 m — extended: 78 m	23 %	To try to catch up with planning	Yes — 200 MPESCs -> 125 (only 11 installed in June 2013)
Initial: 36 m — extended: 81 m	125 %	Contractual problem with partners (9 months) Preliminary study (9 months). Preparation DAO (not planned) and negotiation AGMIN–ADER (Jan 2010-Dec 2011) — ERD equipment not fully delivered (three sites missing out of five) — contractual issues ADMIN–ADER (contract signed 9.1.2012)	Yes — initial[1]: five sites 80-100 kW (400-500 kW), objectives in October 2014: four sites 70 kW (280 kW) — budget reduced by 100 000 euro (only one site equipped at the time of audit)
Initial: 48 m — extended: 84 m	75 %	Rider 1 — Political situation (12 months) Rider 3: cyclones in the region and restructuring of the ADER (12 months) Rider 4-5: Response time of the bank for a loan to a private investor (Tectra) for the purchase of a turbine + cable theft in harbour facilities (6+6 months)	Yes — initial: three sites: T: 2x60, S:3x80 A:3x80: 600 kW — objectives in October 2014: 3 sites T: 2x50, S:2x65, A:2x330: 890 kW (2 sites completed at the time of audit)
Initial: 30 m — extended: 82 m	173 %	Lack of decision about the site development: 12 technical options, new Zecca project manager in 2009, political instability, bad weather, delays in obtaining the concession permit, tax exemption, permission to use dynamite for digging the canal	Yes (initial: 460 kW — objectives in October 2014: 700 kW)
Initial: 60 m — no extension	0 %	n/a	No (initial: 5 000 beneficiaries -> 5 500)
Initial: 70 m — extended: 94 m	34 %	Feasibility study, relaunch of failed CfTenders, delays in receiving material/ equipment, insufficient capacity of local partners and works contractors	No (objectives won't be reached at the end of the project but progress will continue after)

Exceeded or were likely to exceed their initial targets
Were not likely to meet their targets but outputs were still reasonable
Had met or were likely to meet their targets
Had failed to deliver the expected outputs

Annex IV

Project No and short name	EF No (CfP No)	Title of the action	Country	Start date	End date
11 Increase access	EF I	Increased access to electricity services	Zambia	11.12.2008	15.12.2015
12 Green energy	EF II (Call 1)	Community-based green energy project	Kenya	1.11.2011	31.10.2015
13 Nice roll-out	EF II (Call 1)	Nice roll-out	Zambia, Tanzania, The Gambia	30.9.2011	30.9.2015
14 Small-scale solar	EF II (Call 1)	Enabling 18 000 people to access sustainable small-scale solar power in Quissanga district, Cabo Delgado	Mozambique	20.7.2011	19.9.2014
15 Boreale	EF II (Call 1)	Best options for rural energy and access to light and electricity (Boreale)	Madagascar	1.3.2012	28.2.2017
16 Wood and charcoal	EF II (Call 1)	Sustainable wood and charcoal production in rural Mozambique, Malawi and Tanzania	Mozambique, Tanzania, (Malawi)	19.3.2012	31.7.2015

Extensions *(in months)*	% extension	Extension justification	Initial objectives amended - (achievements)
Initial: 60 m — extended: 84m	40 %	Feasibility study, procurement procedure duration and complexity underestimated by IP; insufficient capacity of local partners	No (most expected outputs will probably be obtained at the end of the revised performance period)
Initial: 48 m — no extension	0 %	n/a	Yes (initial 56 schools and 32 health centres; in 2014, 88 schools and 42 HC equipped with solar PV)
Initial: 48 m — no extension	0 %	n/a	No (only one centre installed out of 50; the project has been stopped due to partner's liquidation)
Initial: 36 m — extended: 38m	6 %	Delay on the delivery of spare parts.	No[2] (beneficiaries were 14 760 against an expected 18 000, or 82 %)
Initial: 48 m — extended: 60m	25 %	Socio-eco study available 1 year after project start	Yes (wind turbine option cancelled and seven villages to be equipped instead of eight)
initial: 39 m — no extension	0 %	n/a	No, but little hope that charcoal component will be realised

1 In the proposal six sites were planned, but in the grant contract the number of sites was reduced to five.

2 In the proposal 25 000 beneficiaries were planned, but in the grant contract the number of beneficiaries was reduced to 18 000.

Exceeded or were likely to exceed their initial targets

Were not likely to meet their targets but outputs were still reasonable

Had met or were likely to meet their targets

Had failed to deliver the expected outputs

Annex V

Monitoring of the projects examined

Project No and short name	EF No (CfP No)	Title of the action	Country	Start date	End date	Project duration (years)
1 Mwenga	EF I	Mwenga 3 MW hydro power plant	Tanzania	22.12.2007	22.12.2012	5.0
2 Best Ray	EF I	Best Ray (Bringing energy services to Tanzanian rural areas)	Tanzania	1.4.2008	30.6.2011	3.2
3 Majaua	EF I	Electrificaçao da comunidade de Majaua	Mozambique	1.12.2007	30.11.2012	5.0
4 Biogas	EF I	Up-scaling the smaller biogas plants for agricultural producers and processors	Kenya	1.1.2008	1.1.2011	3.0
5 Up-scaling	EF I	Up-scaling access to integrated modern energy services for poverty reduction	Tanzania	1.1.2008	30.6.2014	6.5
6 Bioenergelec	EF I	Bioenergelec (bioénergie électricité)	Madagascar	1.4.2008	31.12.2015	7.8
7 rHYviere	EF I	Programme rHYviere — Réseaux hydroélectriques villageois et respect de l'environnement	Madagascar	7.1.2008	30.12.2015	8.0
8 Sahambano	EF I	Aménagement hydroélectrique du site de Befanaova sur la rivière Sahambano	Madagascar	1.3.2008	31.12.2014	6.8
9 Resouth	EF I	Electrification rurale décentralisée par énergies renouvelables dans le sud de Madagascar (Resouth)	Madagascar	1.1.2008	1.1.2013	5.0
10 Rural electrification	EF I	Rural electrification infrastructure and small-scale projects	Zambia	10.3.2008	31.12.2015	7.8
11 Increase access	EF I	Increased access to electricity services	Zambia	11.12.2008	15.12.2015	7.0
12 Green energy	EF II - (Call 1)	Community-based green energy project	Kenya	1.11.2011	31.10.2015	4.0

Mandatory evaluations			ROM(s)	Danish Management Group (DMG)			
Mid-term	Final (planned)	Specific line in budget		# IP narritive reports	# of DMG reviews	Delay to review IP reports	Latest report reviewed? (year of NR)
No	No	Yes (only mentions final)	June 2011 June 2013	12	11	1-16 months	Yes (2012)
March 2010	August 2011	Yes (only 2 500 euro in total)	No	12	7	0.5-7 months	Yes (2011)
No	February 2014	Budget annex not received	October 2013	5	3	1.3-10 months	No (2014)
April 2010	November 2011	Yes (MTE + final)	November 2009	7	7	0-7 months	Yes (2011)
No	No	Yes (MTE + final)	June 2013	6	3	4-10 months	No (2014)
March 2013	(End 2015)	Yes (MTE + final)	No	6	2	6-13 months	No (2013)
October 2011	(End 2015)	Yes (MTE + final)	September 2011 October 2013	6	3	6-18 months	No (2013)
No	(End 2015)	Yes (MTE + final)	No	3	1	9 months	No (2014)
February 2011	March 2013 (*ex post* end 2015)	Yes (MTE + final)	September 2011 September 2013	5	4	3.5-9 months	No (2012)
July 2013	No	Yes (MTE + final)	May 2010	34	1	1.5 month	No (2013)
December 2011, January 2012	No	Yes (MTE + final)	No	16	5	1-4 months	No (2014)
November 2013	No	Yes (MTE + final)	December 2013	5	2	4 months	No (2014)

Annex V

Project No and short name	EF No (CfP No)	Title of the action	Country	Start date	End date	Project duration (years)
13 Nice roll-out	EF II - (Call 1)	Nice roll-out	Zambia, Tanzania, The Gambia	30.9.2011	30.9.2015	4.0
14 Small-scale solar	EF II - (Call 1)	Enabling 18 000 people to access sustainable small-scale solar power in Quissanga district, Cabo Delgado	Mozambique	20.7.2011	19.9.2014	3.2
15 Boreale	EF II - (Call 1)	Best options for rural energy and access to light and electricity (Boreale)	Madagascar	1.3.2012	28.2.2017	5.0
16 Wood and charcoal	EF II - (Call 1)	Sustainable wood and charcoal production in rural Mozambique, Malawi and Tanzania	Mozambique, Tanzania, (Malawi)	19.3.2012	31.7.2015	3.4

Mandatory evaluations			ROM(s)	Danish Management Group (DMG)			
Mid-term	Final (planned)	Specific line in budget		# IP narritive reports	# of DMG reviews	Delay to review IP reports	Latest report reviewed? (year of NR)
n/a	n/a	No	No	2	2	1-7 months	Yes (2012)
October 2013	August 2014	Yes (MTE)	July 2012	4	3	1.5-2 months	No (2014)
End 2015	No	Yes (MTE + final)	No	3	3	4-5 months	Yes (2013)
No	No	Yes (MTE + final)	October 2013	5	2	1-4 months	Yes (2014)

Annex VI

Scoring of the projects examined

Project No and short name	EF No (CfP No)	Title of the action	Country	EU contrib. *(million euro)*	Short description	Design	Results	Sus-tain-ability
1 Mwenga	EF I	Mwenga 3 MW hydro power plant	Tanzania	3.60	Installation of a mini-hydroelectric plant to provide reliable electricity to a tea company and to 14 villages	A	B	B
2 Best Ray	EF I	Best Ray (Bringing energy services to Tanzanian rural areas)	Tanzania	1.13	Installation of solar PV units on 8 050 households belonging to nine villages	B	B	B
3 Majaua	EF I	Electrificaçao da comuni-dade de Majaua	Mozambique	1.87	Rehabilitation of a mini-hydro power plant (currently destroyed) and set-up of a local electrical power network to connect 5 000 households	A	B	B
4 Biogas	EF I	Up-scaling the smaller biogas plants for agricultural producers and processors	Kenya	1.22	Use of biogas technology for cook-ing purposes in rural areas for 330 farmers in five provinces	B	A	B
5 Up-scaling	EF I	Up-scaling access to integrated modern energy services for poverty reduction	Tanzania	2.29	Installation of multipurpose energy service centres powered by diesel engines using bio-fuels (jatropha oil) in 120 villages in six regions	C	D	n/a
6 Bioenergelec	EF I	Bioenergelec (bioénergie électricité)	Madagascar	1.96	Electricity generation from biomass for six villages (in four regions) and improved carbonisation	D	D	n/a
7 rHYviere	EF I	Programme rHYviere — Réseaux hydroélectriques villageois et respect de l'environnement	Madagascar	1.73	Construction of three hydropower plants on 'run-off river' + mini-grid to connect eight villages in eastern rural areas	A	B	B
8 Sahambano	EF I	Aménagement hydro-électrique du site de Befanaova sur la rivière Sahambano	Madagascar	2.48	Construction of a hydropower plant on 'run off river' + 20 km grid exten-sion to connect one city and two villages	A	B	B
9 Resouth	EF I	Electrification rurale décentralisée par énergies renouvelables dans le sud de Madagascar (Resouth)	Madagascar	0.87	Electrification of two villages in the southern region using two wind turbines and solar PV units	B	B	C

● Criterion met
● Minor weaknesses
● Serious weaknesses
● Criterion not met
n/a Not applicable

Annex VI

Project No and short name	EF No (CfP No)	Title of the action	Country	EU contrib. (million euro)	Short description	Design	Results	Sustainability
10 Rural electrification	EF I	Rural electrification infrastructure and small-scale projects	Zambia	10.00	Grid extension and installation of a mini-hydro plant and 2 000 solar home units to provide electricity to 27 000 households, 700 schools and health centres	B	B	B
11 Increase access	EF I	Increased access to electricity services	Zambia	10.00	Grid extension to facilitate access to renewable energy sources in rural and peri-urban areas in Zambia (65 000 beneficiaries)	B	B	B
12 Green energy	EF II (Call 1)	Community-based green energy project	Kenya	1.74	Installation of solar PV units on 56 schools and 32 health centres in rural Kenya	B	A	B
13 Nice roll-out	EF II (Call 1)	Nice roll-out	Zambia, Tanzania, The Gambia	2.50	Business development through ICT facilities powered by solar PV units (franchised NICE centres in 50 rural and peri-urban locations in The Gambia, Tanzania and Zambia)	D	D	n/a
14 Small-scale solar	EF II (Call 1)	Enabling 18 000 people to access sustainable small-scale solar power in Quissanga district, Cabo Delgado	Mozambique	0.59	Enabling 4 000 households to access sustainable small-scale solar power in two districts	B	B	B
15 Boreale	EF II (Call 1)	Best options for rural energy and access to light and electricity (Boreale)	Madagascar	1.72	Installation of solar PV units on 10 schools and eight health centres and 900 households in eight villages in the southern region	B	B	B
16 Wood and charcoal	EF II (Call 1)	Sustainable wood and charcoal production in rural Mozambique, Malawi and Tanzania	Mozambique, Tanzania, (Malawi)	2.40	Sustainable biomass and energy efficiency through training of 2 000 households on tree planting and construction of a charcoal production plant	C	D	n/a

Legend: On the basis of the scoring methodology in ***Annex II***, the following ratings have been established:

- Criterion met
- Minor weaknesses
- Serious weaknesses
- Criterion not met
- n/a Not applicable

Reply of the Commission

Executive summary

III
The Commission welcomes the Court's report. The creation of the EF allowed the Commission to substantially address for the first time the issue of energy access in its development cooperation, in the context of the huge needs (48 billion USD/year) in developing countries[1]. The Commission has used the EF effectively and, as the Court's report shows, most of the projects examined have been successful and have good sustainability prospects. This is a remarkable achievement given the difficult context in which development cooperation is to be implemented. Only one quarter of the projects examined have not delivered the expected results. This was due to some extent to unfavourable circumstances which challenged the initial design of projects and rendered any risk mitigation foreseen ineffective. The Commission is also aware that there is scope for some improvements, especially as regards its monitoring of projects in the field. The Commission has already taken some measures and will bring further improvements as recommended by the Court.

IV
The Commission applied the rules and procedures governing the call for proposals consistently and rigorously and allocated support to well-prioritised projects.

The existence of risks and weaknesses in EF proposals promoting innovative solutions for sustainable and affordable energy services for the poor was actually expected.

Such risks and weaknesses identified in the proposals evaluated were duly considered by the competent evaluation committee in view of the relevant mitigation measures proposed by the applicants concerned, prior to the award of the final scores that set the ranking of each proposal in a coherent and objective way against the criteria, the objectives and the priorities set in the call guidelines.

1 International Energy Agency report *Energy for all: financing access for the poor*, special excerpt of World Energy Outlook, IEA, 2011

V
The Commission carried out the monitoring of the projects using different tools and modalities which were available, including the establishment of a permanent monitoring structure.

In general, the Commission has ensured close follow-up during the most critical implementation phases and facilitated solutions and corrective measures as far as possible and in line with the prevailing rules and procedures. In some specific cases, monitoring in the field could have been strengthened.

VI
75 % of the projects examined by the Court have already delivered the expected results or even more than expected. Certain projects have not yet delivered the majority of their expected results, mainly due to problems linked to the capacity of the beneficiaries or unfavourable circumstances which challenged the initial design of the projects and rendered any risk mitigation measures foreseen ineffective.

The Commission observes that a certain degree of capacity problems cannot be excluded, particularly when, on the one hand, the targeted projects are innovative and ambitious and, on the other hand, the beneficiaries are poor. In such a context, perfect projects as such cannot be expected.

VII
The Commission welcomes the recommendations of the Court. It has already taken some measures to strengthen monitoring and to increase the sustainability of projects. In this respect, the Commission would like to stress the importance of the following steps that have already been taken in line with the Court's recommendations:

— the improvements introduced to the later call for proposals under EF aimed at securing projects feasibility;

— the reinforcement of the permanent EF monitoring function;

— the innovations introduced with the new energy cooperation programme, namely the Electrification Financing Initiative — ElectriFI, which was elaborated together with the industry and development financiers and aims at increasing the feasibility, the sustainability and the leverage of the EU's support for access to sustainable energy for the poor.

Introduction

04
Since 2011 the overall guidance in the EU energy policy in the development context has been provided by the directions included in the 'Agenda for change', which pinpoints energy as a key driver for inclusive and sustainable growth.

05
The creation of the EF allowed the Commission to substantially address for the first time the issue of energy access in its development cooperation, in the context of the huge needs in development countries ($48 billion a year according to the International Energy Agency).

Observations

The Commission examined thoroughly the merits and weaknesses of each and every project proposal submitted under EF and prioritised support to the very best amongst those proposals, having exceeded by far the overall quality standards set in each call's guidelines.

Despite the fact that there are always certain risks and weaknesses, the support for innovative and ambitious projects, selected in line with the respective rules and procedures, needs to be considered by the Commission for the purposes of meeting the overall objectives of each call for proposals.

The Commission selected projects for funding based on the clear evaluation criteria set in the call guidelines, including relevance, operational and financial capacity of the applicant and partners, feasibility, sustainability, cost-effectiveness and considering whether appropriate measures had been proposed to mitigate any risks or weaknesses inherent to complex development projects.

16
Concerning the five projects mentioned by the Court, the comments and scores of each assessor are taken into consideration by the evaluation committee which, unlike individual assessors, is in the unique position of having the full picture of all the proposals submitted under a call and of the respective merits of each and every proposal against the criteria set in the call guidelines. The Commission has put in place the required procedures, checks and balances to ensure that each evaluation committee applies rigorously the rules governing the call evaluation in a way that can guarantee the integrity and the coherence of the overall evaluation process, despite any shortcomings that might occur due to individual expert assessment.

16 (a)
The assessors assessed the proposal as reflected in their respective scores and comments for each evaluation criterion set in the call guidelines. Despite certain weaknesses found, the assessors also identified key strengths such as: stimulation of business activities, good knowledge of the country, very good involvement of private sector, potential for financial sustainability and good involvement of the community. The scores given by both assessors demonstrate that any concerns were not considered to be enough grounds for rejection.

Based on its examination, the evaluation committee awarded a final score that took into consideration both the strengths and the weaknesses of the respective proposal as explained also in the reply of the Commission to 16 above.

Reply of the Commission

16 (b)
As explained above, the evaluation committee, unlike individual assessors, is in the unique position of having the full picture of all the proposals submitted under a call, as well as the respective merits of each and every proposal against the criteria set in the call guidelines.

For the four projects mentioned by the Court, the responsible evaluation committee concluded the third and final assessments considering that due mitigation measures for the identified risks and weaknesses were existing and acceptable.

17
The projects mentioned by the Court did not meet the objectives set, mainly due to unfavourable external factors which could not be controlled (inter alia market conditions, technological evolution, natural conditions, etc.).

18
In this respect the Commission stresses the importance of the improvements introduced to the later call for proposals under EF II, for which there was a requirement to submit a feasibility study together with the proposal.

The Commission carried out the monitoring of the projects using different tools and modalities which were available, including the establishment of a permanent monitoring structure. In some specific cases, monitoring in the field could have been strengthened.

The quality of the implementing partners' reports was uneven as the quality depended on the varying reporting abilities of the beneficiaries.

22 (a)
Upon identification of any reporting quality problems, the Commission took due steps to address them, including providing the beneficiaries with templates for interim and final narrative reports, as well as for financial reports. The ability to provide quality reports varies indeed from one beneficiary to another and consequently, for EF II, improved models for narrative and financial reports have been annexed to the grant contract.

22 (b)
See Commission reply to paragraph 22(a).

22 (c)
See Commission reply to paragraph 22(a).

23
The Commission has duly extended the contract with the consulting firm to provide adequate monitoring services for the ongoing EF projects as well as for the projects selected under the last two EF II calls for rural electrification and fragility.

24
A standardised review by a single entity has been useful for harmonising and improving to some extent the reporting of the implementing partners, and the contract with the consulting firm can provide resources to check on the spot the information provided through their reports. The Commission has therefore taken the necessary steps and extended the contract with the consulting firm in a way that provides for monitoring services through in-country missions to projects, as needed.

However, the power, vis-à-vis the EF grant beneficiaries, to enforce due recommendations remains with the EU delegations, as per the provisions of the respective grant agreements, and cannot be outsourced to the consulting firm.

25
For some projects, the mid-term review was not carried out since not enough activities were implemented.

The Commission made use of all available instruments to support the implementation of the projects and took appropriate measures within the limits set by the contract rules.

Indeed, radical modifications of the project activities are not possible in accordance with the contract rules, which stipulate, inter alia, that any 'amendment may not have the purpose or the effect of making changes to this contract that would call into question the grant award decision or be contrary to the equal treatment of applicants'.

26
The respective recommendations for increasing the quality of the project reporting were taken into consideration when designing the subsequent EF II calls.

27
The Commission (as well as the monitoring experts within their contract scope) have requested additional information or clarifications on several occasions, and in cases where this was not received payments were suspended as per contract rules.

As regards the possibility of terminating a contract, this is a drastic action which may result in the loss of important investments/efforts already made and is only considered when all other possible alternatives fail, keeping in mind the ultimate interest of the final beneficiaries and the principle of sound financial management.

28
The regular site visits whenever possible are a key way to monitor and follow up a project. Delegations have at their disposal a variety of means of monitoring projects, including remote control based on reports, teleconferences, desk work, exchanges with beneficiaries, etc. The periodicity of the site visits depends inter alia on the workload, location of the project and accessibility, security issues, resources available, etc. Obviously the choice of the most appropriate way to monitor/follow up a project on each occasion and how/whether the officials of a certain EU delegation will carry out regular visits to an EF project or not, can only be decided by the head of delegation in charge, who has the complete picture of all the tasks to be carried out by the delegation and of the priority to be accorded to each task, taking into consideration the human resources situation and the various constraints.

29
ROM is only one of the tools available for monitoring a project and the Commission has used it adequately on top of all other monitoring tools, including the permanent EF monitoring function, which was available under the service contract with the consulting firm.

29 (a)
Although the project mentioned by the Court was subject to ROM only in 2013, the EU Delegation in Tanzania was always aware of the project situation as a result of regular exchanges and correspondence and was taking action to correct the situation. For example, in addition to the contractually due interim reports, the project produced 6-monthly internal monitoring reports by the implementing partners as per the practice introduced by the delegation from 2012 to enhance the monitoring. The delegation maintained regular contact with the project and provided support to facilitate solutions.

29 (b)
The project was not proposed for inclusion in the ROM lists for 2010 and 2011 because of lack of adequate progress at that time. In 2012, although initially there was a proposal to put the project on the ROM list, it was decided not to keep it on the list because there still had not been enough activities in the field, and also a mid-term review was already programmed for early 2012, after the extension of the implementation period by 24 months.

30
As explained in 27 above, the possibility of terminating a contract is considered when all other possible alternatives have failed. The services in charge of monitoring the implementation of the two projects mentioned by the Court, had not yet established that this had been the case and that those projects could no longer be implemented in any other possible way.

30 (a)
The delegation in charge of the project, having considered the possible remedial actions, decided that reducing the geographical scope of the project would not have been the best option.

31
The delegation in Mozambique was always aware of the project difficulties. Innovative projects in areas that are relatively new to the local context often face a difficult start-up. Nevertheless, over time it became increasingly clear that the programme objectives would not be met and, when this happened, the delegation made many attempts to find appropriate solutions. Numerous proposals for addressing the project's problems were discussed, but none of the proposed solutions were deemed realistic, and the project had to be closed. The delegation carried out a field visit (both in operations and finance and contracts) in April 2015, after which the closure was agreed.

75 % of the projects examined by the Court have already delivered the expected results or even more than expected.

36
Four projects examined by the Court failed to deliver the majority of their expected results due to capacity problems of the beneficiaries and unfavourable circumstances which challenged the initial design of the projects and rendered the mitigation measures ineffective.

The Commission observes that a certain degree of capacity problems cannot be excluded, particularly when, on the one hand, the targeted projects are innovative and ambitious and, on the other hand, the beneficiaries are poor. In such a context, perfect projects as such cannot be expected.

36 (c)
The evaluation of the project followed the applicable procedure under which the participation of the private sector was considered a strength for the sustainability of the projects.

Conclusions and recomendations

41
The Commission welcomes the Court's report. The creation of the EF allowed the Commission to substantially address for the first time the issue of energy access in its development cooperation, in the context of the huge needs (48 billion USD/year) in developing countries[2]. The Commission has used the EF effectively and, as the Court's report shows, most of the projects examined have been successful and have good sustainability prospects. This is a remarkable achievement given the difficult context in which development cooperation is to be implemented. Only one quarter of the projects examined have not delivered the expected results. This was due to some extent to unfavourable circumstances that challenged the initial design of projects and rendered the risk mitigation foreseen ineffective. The Commission is also aware that there is scope for some improvements, especially as regards its monitoring of projects in the field. The Commission has already taken some measures and will bring further improvements as recommended by the Court.

42
The Commission applied the rules and procedures governing the call for proposals consistently and rigorously and allocated support to well-prioritised projects.

The evaluation committee was aware of the risks and weaknesses of each and every proposal. Risks and weaknesses of proposals were actually expected under EF that aimed, inter alia, at promoting innovation whilst faced with the challenges of providing sustainable and affordable energy services to the poor.

2 International Energy Agency report *Energy for all: financing access for the poor*, special excerpt of World Energy Outlook, IEA, 2011.

The risks or weaknesses identified in the proposals evaluated were duly considered by the competent evaluation committee in view also of the relevant mitigation measures proposed by the applicants concerned, prior to the award of the final scores that set the ranking of each proposal in a coherent and objective way against the criteria, the objectives and the priorities set in the call guidelines.

Recommendation 1
The Commission accepts this recommendation and has taken appropriate measures.

(i) In accordance with the PRAG 2014 templates, the assessment of the design of the action plays a vital role in the evaluation of proposals. Out of 50 possible points for the concept note, 10 points are related to the design of the action. Significant design deficits will, therefore, in most cases lead to the exclusion of the proposal already at the concept note stage.

(ii) The capacity of applicants to implement the action is evaluated at the full application stage. Recently, the assessment of the operational capacity has been extended to co-applicants and affiliated entities. Given the importance of this aspect the Commission has introduced a minimum threshold in PRAG 2014 which foresees that applicants must achieve at least 12 out of 20 possible points for capacity to be considered for an award of a grant.

43
The Commission carried out the monitoring of the projects using different tools and modalities that were available, including the establishment of a permanent monitoring structure.

In general, the Commission has ensured close follow-up during the most critical implementation phases and facilitated solutions and corrective measures as far as possible and in line with the prevailing rules and procedures. In some specific cases, monitoring in the field could have been strengthened.

Reply of the Commission

43 (a)
The Commission addressed the reporting shortcomings on a contract-by-contract basis and also introduced improved templates for interim and final narrative reports, as well as for financial reports.

43 (b)
The Commission has ensured close follow-up with site visits as well as through a variety of means of monitoring projects, including remote control based on reports, teleconferences, desk studies, etc. The periodicity of the site visits depends on the workload, location of the project and accessibility, security issues and resources available. The decision to carry out a regular visit to an EF project or not can only be taken by the head of delegation in charge, who has the complete picture of all the tasks to be carried out by the delegation and of the priority to be accorded to each task, taking into consideration the human resources situation and the various constraints.

Regarding ROM, it is only one of the tools available to monitor a project and for those projects not subject to ROM visits, other monitoring means have been put in place.

43 (c)
The Commission has always tried to support the successful implementation of the projects and to identify solutions (together with the grant contract beneficiaries) to overcome any problems. The termination of the grant contract has been considered in this respect to be the last option in order not to compromise the investments/efforts and eventual benefits to the EF final beneficiaries.

Recommendation 2 — Common Commission reply to points (i) to (v)
Common Commission reply to points (i) to (v). The Commission accepts the recommendation. There is room for improvement in terms of strengthening the monitoring of projects. This has already been consistently addressed by the Commission and additional measures will be considered to allow delegations to strengthen the monitoring of projects, also considering their financial and human resource constraints.

44
Only one quarter of the projects examined have not delivered the expected results, mainly due to problems linked to the capacity of the beneficiaries or unfavourable circumstances which challenged the initial design of the projects and rendered any risk mitigation measures foreseen ineffective.

Recommendation 3
The Commission accepts this recommendation.

An assessment of any continued technical assistance needs would be useful to identify possible support requirements after the EF funding elapses. Under the current EF programme, it will not be possible to increase the original grant allocation. Nevertheless, the Commission will examine how this might be addressed in order to consolidate the value of the investment made. Moreover, the Commission will examine how to apply the recommendation under new and innovative programmes such as the Electrification Financing Initiative — ElectriFI.

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In 2004, nearly two billion people did not have access to adequate, affordable and sustainable energy services, which are key in order to make firm progress towards development objectives. Created in June 2005, the ACP–EU Energy Facility aims to promote access to modern energy services for the poor in rural and peri-urban areas, with a strong focus on sub-Saharan Africa and renewable energy. In this report, we conclude that the Commission was mostly successful but could have done better in using the ACP–EU Energy Facility to increase access to renewable energy for the poor in East Africa. We make a number of recommendations for selecting projects more rigorously, strengthening their monitoring and increasing their sustainability prospects.

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