

Gaps Analysis for Energy Financing

Joseph Murabala/March 2013

Outline for Presentation

Section

1. Evaluation Criteria

2. Government Support

3. Capacity Gaps in Project Development Value Chain

4. Support to Financial Institutions and Project Developers in Clean Energy

5. Conclusions

Team Members

Patrick Thimba – Chair
Person

Joseph Murabula -
Secretary

Daphne Ayiekoh

Esther Muiruri

Hyacinth Murenzi

Godwin Msigwa

Niyongabo Alice Joseph

Obed Tugumisirize

Saidi Bukenya

Clement Durobe

Edward NDAYISABA

Caroline Haguma

Francois Bakomerana

Justine Nturanyenabo

Viator Mugiraneza
Ngirumatse

Nzarulinda J D' Amour

Evaluation Criteria - Technical Aspects

- Technology –selection justification, Past Performance
- Feasibility & viability – Market existence, needs assessment
- Resource requirements – Human, Financial
- Accessibility – ease of access

Evaluation Criteria – Commercial Aspects

Aspects

- Market linkage – guaranteed or speculative, purchasing power of target consumers
- Is there historical performance reference – business or production records
- Risk assessment – level and mitigation options
- Input Supply – availability , reliability, guarantees
- Product Pricing
- Financing structure – Debt or Equity
- Markets and competition
- Projections(Financial) – anticipated output performance, market & pricing forecasts

Evaluation Criteria – Environmental Aspects

- Ecological impact
- Pollution
- Impact on flora and fauna in the area
- Emission – GHGs or other gases
- Conservation of wetlands, flora and fauna, protected species
- EIA – standards, biological impact, physical
- Social impact

Standardization and awareness

- Standardisation Achievable through standardised checklists
- Awareness can be created through
- Building capacity of developers to understand information requirements – targeted training, coaching
- Forums workshops – interaction between project developers and financiers
- Spread reach through industry stakeholders – private sector federations, manufacturer associations, energy sector lobby groups, consumer associations
- Show casing success stories
- CTI PFAN collaboration with financiers in the network to publicise this through their networks – customer forums, websites, publications
- Media outlets – to reach general public
- Exhibitions and ICE materials
- “One stop centres” to provide information

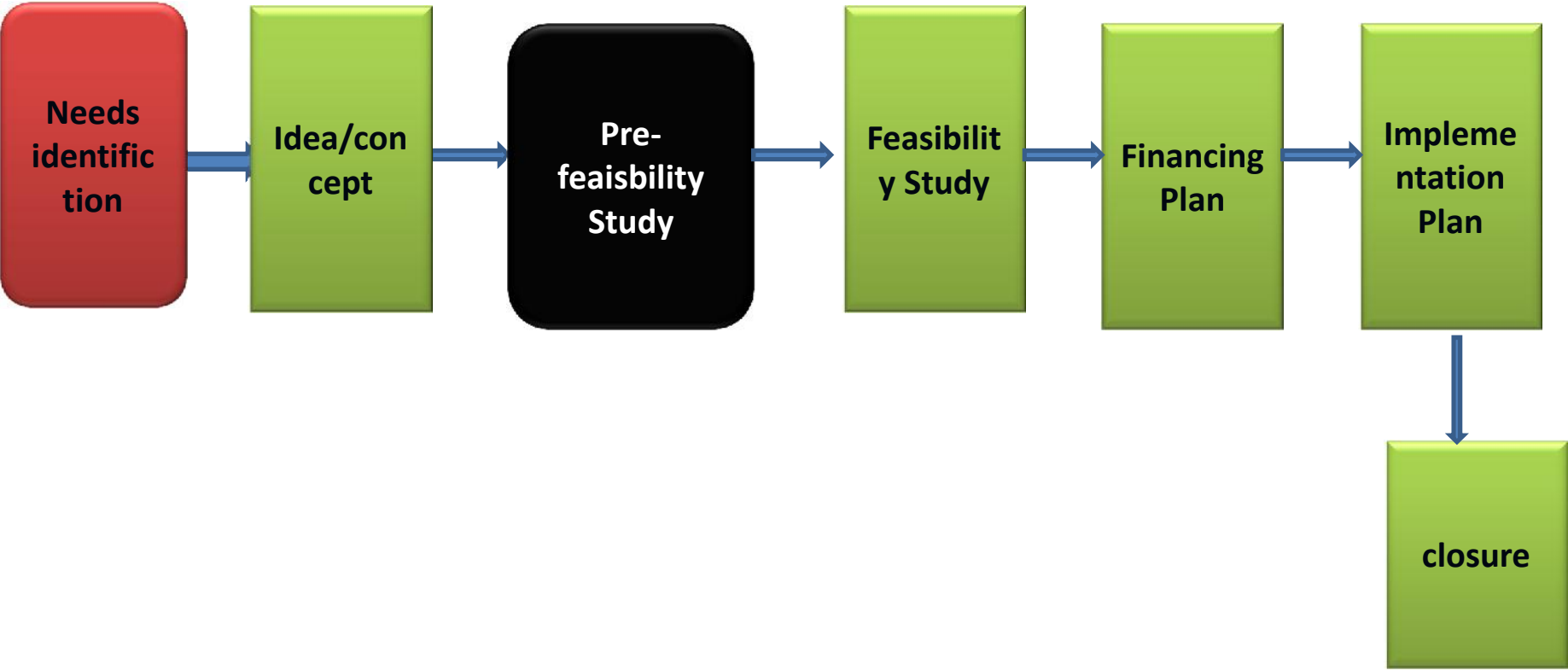
Support from Governments

- Facilitation of business registration and then linkages with relevant government agencies/departments
- Creating one stop shops for entire value chain – business registration, licensing, tax registration etc
- Support with feed in tariffs
- Price subsidy for projects supplying marginalized segments of the country
concessionary finance
- Legal and regulatory framework to secure projects – property rights, promotion of fair competition practices, timely payments for supplies
- Continuous dialogue with private sector players – to avail information, provide support to project developers and obtain feed back
- Government guarantees to facilitate access to finance

Public policy to facilitate capital/ investment flows into the region

- Tax incentives – e.g zero rating inputs in renewable energy projects such as solar panels, investment deductions
- Creation of energy funds – e.g small scale or rural energy funds
- Pilot projects – biogas plants (JKUAT), Biomass plants (Makerere)
- Subsidies – for rural electrification projects, mini hydro
- EIA to be paid for by Governments – Cost can be recovered from licence fees. Where developer pays – these may be staggered over the life of the project so that they don't become a barrier
- Foreign exchange liberalisation – to make it easy to repatriate profits/capital

The Value Chain



Capacity Gaps in Project Development Valuation Chain

- Knowledge gaps – among project developers, financiers
- Data Gaps – availability, accessibility, reliability
- Technology evaluations capacity gaps
- Technology compatibility
- Financing gaps – for feasibility, consultancies, implementation
-

Possible Support to Mitigate Gaps

- Coaching project developers
- Financing – esp. grants
- Sensitisation to minimise knowledge gaps
- Partnership with research organisations to make data/info available, commercialise new innovations/technologies
- Business incubation
- Progressive growth of projects – start small – then continuously upgrade

Support to Investors/Financial Institutions to take Credit Risk

CTI PFAN

- Support to due diligence process by investors
- Include risk management entities e.g insurance companies, credit guarantee schemes in the network
- Lobbying governments to provide guarantees

Governments

- Provision of infrastructure
- Guarantees

Conclusions

- Project developers should invest time and resources to understand their projects and embrace the concept of gradual growth .
- Secure legal and physical existence of your enterprise. Partner with other players
- Continuously talk to other players and stakeholders to build capacity and address emerging needs