

**ECONOMIC COMMISSION FOR EUROPE
COMMITTEE ON SUSTAINABLE ENERGY**

Steering Committee of the Energy Efficiency 21 Project
Ad Hoc Group of Experts on Energy Efficiency Investments for Climate Change Mitigation
October 20-22, 2010

**Interim Report of Monitoring and Evaluation Adviser on Financing Energy Efficiency
Investments for Climate Change Mitigation Project for the Third Year of Project
Operations (2010)**

INTRODUCTION

1. The Financing Energy Efficiency Investments for Climate Change Mitigation project is subject to reporting, monitoring and evaluation consistent with Article IX of the Memorandum of Understanding between the United Nations Fund for International Partnerships (UNFIP) and the United Nations Economic Commission for Europe (UNECE). Monitoring and evaluation should be carried out by each supporting institution as described in the Project Document (ECE-INT-04-318) signed by the Executive Secretary of UNECE and the Executive Director of UNFIP on 22 September 2006.
2. The progress of project operations is reported and reviewed by the Ad Hoc Group of Experts on Energy Efficiency Investments for Climate Change Mitigation and the Steering Committee of the Energy Efficiency 21 Project at their sessions.
3. This interim report for the Third Year of Project Operations (2010) has been prepared by Mr. Glen Skovholt, Monitoring and Evaluation Adviser for the United Nations Foundation (UNF) and UNFIP.
4. This report is submitted to the United Nations Foundation, the United Nations Fund for International Partnerships, the UNECE Sustainable Energy Division, the Ad Hoc Group of Experts on Energy Efficiency Investments for Climate Change Mitigation, and the Steering Committee of the Energy Efficiency 21 Project.

COMMENTS ON IMPLEMENTATION OF THE PROJECT

JUNE 2010 to OCTOBER 2010

A. REGIONAL WEBSITE AND INTERNET COMMUNICATIONS

1. Subsequent to the June 2010 steering committee meeting, the feei.info website has become fully operational.
2. Training sessions on use of the communications platform have been conducted for most of the participating countries.
3. A brief online training session was conducted for this Adviser in August 2010. The technology incorporated into the communications platform should make this a potentially useful tool.
4. The material that is available on the feei.info website is getting better, in general, but there a number of gaps where there is limited, dated information. This does not encourage significant usage of the system. Offsetting this, the number of “hits” continues to increase.
5. For this Adviser, the on-going question that needs to be answered to assess the results of the communications phase of the investment project is the extent to which this platform will be utilized to create and finance investment projects. All of the communication activities should have this as its primary objective.

In this regard it is disturbing that, in its monthly reports for June, July, August and September 2010, Conning reports “no engagement with Eneffect.”

B. ENERGY EFFICIENCY & RENEWABLE ENERGY POLICY REFORMS

1. The “Regional Analysis of Policy Reforms to Promote Energy Efficiency and Renewable Energy Investments” was completed in early 2010 and has been published.

2. Publication of the report should not be viewed as the “end result” but rather as a means to the end result, which should be the achievement of policy reforms in the participating countries so as to enhance the useage of the investment fund.

3. As of the writing of this report, it is unclear to what extent policy reforms have been achieved in any of the participating countries.

4. The “Seminar on policy reforms to promote energy efficiency and renewable energy investments,” scheduled for the 20-22 October 2010 Steering Committee meeting will be critical in assessing the extent to which meaningful policy reforms have been achieved. In this regard, the information to be presented needs to focus on actual results rather than on process, such as activities undertaken.

5. The June 2010 report of the Adviser stated that “One of the continuing challenges for achieving policy reforms in the 12 Project countries is for the recommendations to receive the attention of officials sufficiently senior in their countries who have the authority to bring about the needed reforms. The National Coordinators are good, committed people. But, generally, they do not have access to the officials that have the authority to get the recommendations implemented.”

C. INVESTMENT FUND AND PIPELINE OF INVESTMENT PROJECTS

1. According to Conning, a Lead Investor has been identified and a Memorandum of Understanding has been executed between the Investor and Conning. The Lead Investor should be present at the October 20-22, 2010 meetings.

2. As of 30 September, Conning reports 353 projects in the Project Pipeline. However, no work has been done to analyze each of the projects to determine if they are bankable. That work awaits the appointment of an investment manager. Assuming the lead investor is introduced at the October, 2010 meetings, it would be possible, and important, to provide NPI’s with a preliminary timetable for the assessment of these projects.

3. The issue of bundling small projects into a larger bankable project, remains a significant problem, one for which a solution has not been developed. This needs to be recognized by all and treated as a high priority issue.

This Adviser suggests that the PMU consider hosting, and leading a meeting of experts with knowledge of the issue at which a plan for addressing and resolving this issue is

agreed to. Responsibilities need to be assigned so that it is clear who have primary responsibilities for developing a solution.

When asked who is responsible for addressing the bundling issue, the Conning representative replied that “it is the responsibility of everyone to figure out a solution.” At the moment, that is probably a correct assessment of the situation. However, the Adviser’s experience suggests that when “everyone” is responsible, in fact no one is responsible.

4. In his 8 October 2010 report on his visits to nine participating countries, the investment fund designer made a crucial observation which requires attention. The fund designer said:

“In all participating countries one issue raised its head time and time again. This was the frustration at being able to provide information to a market standard format and to understand why this is required by commercial lenders in order to consider their proposals. . . .Dissatisfaction was expressed that although almost all project developers were keen to provide the information, many were unfamiliar with what was required or struggled to understand what information and in which format needed to be provided to potential commercial lenders.”

This adviser, in his June 2010 report, made the following observations, which relate to this issue:

a. “Several challenges remain beyond the establishment of a fund. One has to do with the small size of individual projects (mentioned earlier). Another is the on-going need to build the capacity in the project countries to develop and present detailed project proposals to the investment fund.

b. “In the Adviser’s opinion, there has been insufficient engagement of people with financial expertise at the national level. This expertise is needed in order to prepare and submit finished project proposals.”

c. “Training of experts in all three areas – project development, finance and business planning – is an essential and an urgently needed activity. Once the investment fund has been established, investors will expect to see finalized project proposals that are ready to be financed”

d. “One important area where the project is behind schedule has to do with training of experts in project development, finance and business planning. For instance 10 training/business development courses were scheduled to be conducted in 2009 but had to be delayed until 2010.”

At the June meeting it was stated that “capacity building will have more focus in 2010. It is unclear to what extent capacity building has been undertaken this year.

