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SESSION 4

PROJECT PREPARATION SKILLS

This session will review how to build a robust project pipeline that will be attractive to investors, focusing on project preparation capacities, financing models that include blended finance and co-investment, and public and private financing sources in domestic and international markets. Key questions will be asked including – What are the critical project preparation, implementation and monitoring skills needed and what is the role of project preparation, implementation and monitoring facilities?

To meet the energy demand in the Asia and the Pacific region, assuming business-as-usual, will require a cumulative investment of approximately \$11.7 trillion in the energy sector (2010-2035). By 2030, it is estimated that 5 terawatts (TW) of net new power capacity will be added worldwide, requiring a \$7.7 trillion investment, of which 2.7 TW or \$3.6 trillion in investment is likely to be in Asia and the Pacific region.

To achieve the global goals on energy in Asia-Pacific LDCs, it will be essential to act fast in

creating enabling environments for private sector investment and to promote investment-ready project pipelines. This will require support across all parts of the value chain, including well-functioning financial institutions, strong and transparent policy and regulatory instruments, business advice and mentoring, and capital to launch and scale up a business. This will help build credibility with investors to effectively scale-up businesses and leverage public resources. Also governments and utilities can focus on improving the governance and management of their operations to increase profitability and to enhance its creditworthiness.



One of the main constraints for investment in LDCs in the energy sector, include limited capacities in project preparation and scoping, implementation and monitoring. Given the considerable amount of financial and human resources needed for these activities at the front end of the project cycle, it is not surprising that investment is lagging in the region. For example, a full range of considerations are needed to develop sustainable business models, that take into account customers' preferences and available products, business ownership structure, distribution channels, service infrastructure, community buy-in, and affordability. Particularly for small and medium sized businesses with local entrepreneurs—who typically need a lot of support in transforming their business idea into a bankable project that is attractive to investors—the project preparation costs can be prohibitive. This in addition to the typically small transaction size, more undeveloped track record of the entrepreneur, and the higher perceived risk, make investment in small and medium sized enterprises in the LDCs particularly challenging. On the other hand, larger companies (local or international) are typically better able to package and present their business proposals and thus are more likely to meet investors' criteria to secure investment more easily. In any event, preparatory work as well as access to capital at different points in the evolution of the business are needed to expand the number of bankable projects, small and large, in the LDCs.

LDC energy investment plans should take into account the entire project cycle, including project preparation, investment, and implementation. Access to capital, along with operational support, maintenance and service infrastructure, and staff training the national energy investment plans and the private sector business plans will be much more likely to lead to success. In addition, these so-called “end-to- end business models”, which aim at increasing the viability of energy investments, lowering the associated risks and making the initiatives more “bankable”, have to be structured in such a way that sufficient revenue can be collected to cover operational and maintenance costs.



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KEY QUESTIONS TO ADDRESS INCLUDE:

-  What are the critical project preparation, implementation and monitoring skills needed and how these can be best acquired?
-  How can the preparation of sound and financially sustainable energy projects be strengthened with technical assistance? What type of technical assistance has proven most effective?
-  What project preparation facilities and funds are available for LDCs in the Asia Pacific region? What is the most critical part of the project lifecycle where project preparation, implementation and monitoring facilities can assist?
-  What are the criteria used by MDB, regional development banks and other financiers before taking a decision to invest in a sustainable energy project?