

ACP-EU Energy Facility Pooling Mechanism Guidelines

1. Background

Access to affordable, reliable, sustainable and safe energy services is vitally connected to economic prosperity, social well-being, environmental sustainability and climate change issues. Improved access to modern energy services is essential for the achievement of the UN Millennium Development Goals. In this context, the ultimate goal of the Energy Facility is to improve access to energy services in rural and peri-urban areas of ACP countries in a perspective of combating climate change and achieving the MDGs and WSSD objectives on energy.

Private sector technology and investments in ACP rural and peri-urban areas are very important for ensuring the financial sustainability of the energy access investments as well as for the economic development of these areas. However, private sector involvement and loan financing have proved to be limited during the first Call for Proposals of the Energy Facility. Some of the difficulties identified for private involvement lie in the weak regulatory framework in terms of security and predictability, the scarcity and the cost of the tailored financing instruments. In this context, the Energy Facility through the Pooling mechanism aims to achieve a leverage effect on private finance/loans by involving private sector/financing institutions in energy service provision and by supporting public-private partnerships, innovative financing and management solutions.

The Pooling mechanism created within the 10th EDF Energy Facility has the objective to promote, through the provision of grants¹, medium-size investment projects for access to energy in ACP rural and peri-urban areas. For the purpose of the present Guidelines medium-sized investment projects (or packages of projects) shall be considered as projects, which total investment cost is in the approximate range of €10.000.000-50.000.000. However, this projects investment cost range is only indicative, and the Pooling mechanism might decide to finance projects below or above its limits.

The Pooling mechanism has been conceived as a flexible tool to enhance private sector participation, to maximise the impact of the Energy Facility grants through leverage of and blending with additional resources (e.g. private sector funding and loans) and to better coordinate and find complementarities at EU level of available resources and expertise in the energy sector, thus aligning with the Council Note 17124/08 from 11 December 2008 "Framework on loans and grants blending mechanisms in the context of external assistance". This new mechanism will be complementary to funding objectives of the Infrastructure Trust Fund (ITF) under the Africa-EU Infrastructure Partnership.

The present Guidelines shall apply to the functioning of the ACP-EU Pooling mechanism. They have been prepared in order to ensure that the choice of projects to receive grant financing from the Pooling mechanism is made in objective and transparent manner.

The Evaluation Committee of the Pooling mechanism will be responsible for the evaluation of the project proposals submitted by the Leading Financier (eligible applicant). The Evaluation Committee shall not however seek to duplicate the detailed analysis of the project in terms of economic, financial, technical, management, and institutional feasibility, which shall remain the

¹ Throughout the document the wording "grant (grant support, grant financing)" is used to refer to financial contribution from the Pooling mechanism. The wording "grant contract", on the other hand, is used to refer to a type of contractual document in the sense of the EU Financial Regulation.

primary responsibility of the Leading Financier. The Leading Financier is, therefore, expected to exercise a high level of responsibility regarding the proposal.

2. Objectives

The overarching objective of the Pooling mechanism is to provide for increased and sustainable access to financial resources for medium-size investment projects targeting the principal objective of the Energy Facility: the improvement of access to modern energy services in rural and peri-urban areas in ACP countries. Priority will be given to projects relying on renewable energy sources and energy efficiency measures while taking into account the specificity of local context, the optimisation of local resources and sustainability considerations.

The specific objectives sought with the creation of the Pooling mechanism are the following:

2.1 To propose a flexible financing tool for medium-size investment projects for access to energy in ACP rural and peri-urban areas. The Pooling mechanism will support projects, which scale and complexity go beyond the scope of the Call for Proposals (CfP), by providing a flexible instrument, complementary to the CfP, which will allow for a continuous process of open submission of projects by applicants, in-depth discussion and negotiation. This process is expected to lead to the approval of better prepared projects, thus allowing for their smoother implementation.

2.2 To encourage private sector investments in energy sector in rural and peri-urban areas in ACP states by bridging the funding gap between revenues and costs, thus strengthening the "bankability" of the projects and helping to mobilise longer term financing instruments. The Energy Facility, through the Pooling mechanism, can contribute especially to projects characterising with a low level of return and important socio-economic benefits and to the accompanying capacity building activities necessary for the successful project implementation.

2.3 To maximise the impact of the Energy Facility grants through blending its grants with loans and enhance the interest of the EU development financing institutions towards rural and peri-urban electrification projects in ACP countries, which under competitive market conditions do not attract a sufficient level of private sector and loan investment.

2.4 To create a platform for coordination at EU level of available resources and expertises in the energy sector, and more specifically for energy access in ACP countries. The Pooling mechanism is expected, on the one hand, to increase the complementarity of the financial resources of the EU multilateral and bilateral donors and finance institutions and thus increase their impact, and on the other, to strengthen the synergies and the exchange of experience and ideas at EU level.

3. Financial allocation provided by the contracting authority

The overall indicative amount made available under the Pooling mechanism is €40.000.000 for the period 2009-2013. In compliance with the 10th EDF, the deadline for conclusion of contracts under the Pooling mechanism shall be 31st December 2013. Eligible applicants are therefore required to submit an application to the Pooling mechanism at the latest by 31st December 2012 to ensure sufficient time for contractualisation should their proposal be approved. The implementation period of the actions to be financed by the Pooling mechanism shall be limited to 30th November 2017 in compliance with the implementation period of the ACP-EU Energy Facility.²

The Contracting Authority reserves the right not to award all available funds. The Mid-Term Review of the Energy Facility will provide some first analysis and results regarding the

² 96 months as of the adoption date of the Commission decision on the Annual Action Programme 2009 in favour of Intra-ACP Cooperation to be financed from the 10th EDF (Commission Decision C(2009)9268)

implementation of the Energy Facility in general and the Pooling mechanism in particular. This exercise could lead to the re-orientation of the scope of the programme and the re-allocation of resources.

The Contracting Authority shall be the European Commission represented by EuropeAid Development and Cooperation DG's Director in charge of Sub-Saharan Africa, Caribbean and Pacific Directorate.

4. Funding priorities and scope of operations

4.1 Investment projects

The Pooling mechanism shall provide grant support to medium-size investment projects targeting the principal objective of the Energy Facility: increased access to modern, affordable and sustainable energy services in ACP peri-urban areas, growth centres (areas with relatively high population density and/or potential development of economic activities), and rural areas. Priority will be given to projects relying on renewable energy solutions and energy efficiency measures. This means that project proposals should ensure that renewable energy resources have been properly assessed and optimised. Nevertheless, the use of fossil fuels, when justified by sustainability reasons (e.g. hybrid systems), and connection to existing grids (e.g. to make a renewable investment economically more viable), shall not be excluded. The Pooling mechanism shall, therefore, remain open to all technical options, e.g. renewable or hybrid solutions, mini grid, off grid, grid extension when justified by a clear added value (e.g. in terms of increased local access rates) and sustainability considerations. In any case, the Pooling mechanism will not support actions intended to expand and improve electricity services in major urban areas, nor grid extensions proposed with a general scope (i.e. without a local impact).

The Pooling mechanism can also support projects which include rehabilitation and improvement to existing services, provided that they bring real and measurable additional benefits to the local population. Programs that include biomass and/or energy efficiency components can also be proposed for financing under the Pooling mechanism. Technical and management innovative solutions which can allow for resolving the challenges of electricity provision shall be supported as well.

Financing from the Pooling mechanism could be provided also to innovative schemes such as Output Based Aid. Packaging of small projects will also be considered as it may create economies of scale in management and financing.

Private sector can be a key actor for energy investments and public-private partnerships are needed. Therefore, actions, where the private sector owns and operates energy facilities (as sole operators or jointly with local authorities and communities) and actions involving public-private partnerships or other forms of private sector participation from the international to the local levels may be supported by the Pooling mechanism, as long as the award of the grant is justified by public project benefits in terms of impact on development, poverty reduction and production of public goods.

4.2 Studies and Capacity Building Activities

When necessary, grant support from the Pooling mechanism will be given also to capacity building activities, accompanying the implementation of the projects as well as to finance advanced project preparatory studies for the eligible projects. However, such technical assistance activities will only be considered as accompanying measures ensuring the feasibility, the implementation and the sustainability of an eligible project and not as stand-alone TA activities.

The Pooling mechanism shall finance two main types of technical assistance activities:

- **4.2.1 Advanced project preparatory studies** for potentially eligible projects relating to e.g. financial and economic analysis, risk sharing, technical design, environmental impact assessment, legal agreements and institutional set-up, tendering procedures, etc. for projects where energy demand, technical feasibility and costs have already been assessed.
- **4.2.2 Capacity building activities** when directly linked to a specific eligible investment project, e.g. institutional development and capacity reinforcement activities to support the improvement of framework conditions and to address the governance and regulatory concerns. Capacity building may cover all aspects related to the provision of energy services, namely investment, operation and maintenance. Technical assistance can be provided also for project supervision activities.

4.3 Types of operations

The Pooling mechanism shall provide grant support to the following operations, with the bulk of its resources being used to finance the first two types of operations and only a limited amount of the resources allocated to the third one:

4.3.1 Grants for direct investment: will be provided to eligible projects in order to finance part of the projects initial investment cost. A financial cash flow analysis will be carried out in order to estimate the share of the capital cost to which the requested grant from the Pooling mechanism would contribute, so that no over-financing occurs. Grants will be provided also for project components which have substantial demonstrable social or environmental benefits or to project components which can mitigate negative environmental or social impacts.

4.3.2 Interest rate subsidies: through the provision of a lump-sum amount to enable lenders to i) make long-term loan finance available at reduced interest rates, ii) finance credit lines for lending to the local private sector with adequate maturity and at reduced interest rates, including the provision of guarantee schemes for financial intermediaries, which further on-lend to the local private sector or iii) provide adequate financing for packages of several projects in cooperation with Rural Electrification Agencies (Funds).

4.3.3 Technical assistance: to finance advanced project preparatory studies for eligible projects (relating to e.g. financing, risk sharing, and legal agreements, for projects where energy demand, technical feasibility and costs have already been assessed) and capacity building activities when directly linked to a specific eligible investment project (e.g. institutional development and capacity reinforcement activities to support the improvement of framework conditions and to address the governance and regulatory concerns). Technical assistance can be provided also for project supervision activities.

4.4 Level of co-financing

For investment projects, the expected level of co-financing from the Pooling mechanism shall be limited to 10-15% of the total project cost on average (with a maximum of 25%), the minimum and maximum contribution of the Pooling mechanism being set at €1.000.000 to €5.000.000 respectively (including related capacity building activities). A maximum of €1.000.000 could be provided as grant for advanced project preparation expected to lead to a financeable project. The table below provides a summary of the financing to be provided under the Pooling mechanism:

Table 1

Action Type	EC Grant		
	Minimum	Maximum	%
1. Investment projects for access to energy services (including related capacity building activities): to be supported with the operations specified in sections 4.3.1, 4.3.2 and 4.3.3 (in the case of capacity building activities) of the present Guidelines	€ 1.000.000	€ 5.000.000	maximum of 25%
2. Advanced preparatory studies: to be supported with the operations specified in section 4.3.3 of the present Guidelines		€ 1.000.000	

Eligible applicants may apply for grant support for the project's initial investment costs or for the purpose of applying reduced interest rate subsidies as well as for capacity building activities when linked to an eligible investment project. Applicants can also apply for technical assistance to finance advanced project preparatory studies. In all cases, the maximum amount of the grant support from the Pooling mechanism shall remain within the limits shown in Table 1 (e.g. the total support from the Pooling mechanism for a given project together with capacity building activities cannot exceed €5.000.000; €1.000.000 could be provided for advanced preparatory studies).

5. Eligible applicants and applicable rules

For the purpose of the present Guidelines it is important to differentiate between applicants eligible to directly submit project proposals to the Pooling mechanism and project promoters that will actually implement and manage these projects to the benefit of the local population (e.g. the final beneficiaries of the Pooling mechanism grants). The present guidelines define precisely only the eligibility of the applicants submitting project proposals to the Pooling mechanism as they will be the contracting party, should their proposals be retained.

Eligible applicants to the Pooling mechanism shall be the European Investment Bank (EIB) and the EU Member States national public-sector bodies or bodies governed by private law with a public-service mission in the field of development cooperation: agencies or ministries in charge of development aid, and the European Development Finance Institutions³.

The eligibility of the project promoters, on the other hand, is defined to the extent that they should be actors of the ACP public and/or ACP and EU private sector. Project promoters are expected to contact the eligible applicants to the Pooling mechanism with their project proposals, to actively participate in the further development and elaboration of their project proposals, to consequently manage and implement the projects to the benefit of the population of the ACP Countries having ratified the revised Cotonou Agreement⁴.

³ The eligible applicants among the European Development Finance Institutions shall include the following entities: Austria Wirtschaftsservice Gesellschaft m.b.H. (AWS), Belgian Investment Company for Developing Countries (BIO), CDC Group (CDC), Compañía Española de Financiación del Desarrollo (COFIDES), Deutsche Investitions-und Entwicklungsgesellschaft m.b.H. (DEG), Finnish Fund for Industrial Cooperation Ltd. (FINNFUND), Netherlands Development Finance Company (FMO), Danish International Investment Funds (IFU, IØ, IFV), Oesterreichische Entwicklungsbank (OeEB), Société de Promotion et de Participation pour la Coopération Economique (PROPARCO), Belgian Corporation for International Investment (SBI-BMI), Società Italiana per le Imprese all'Estero (SIMEST), Sociedade Para o Financiamento do Desenvolvimento (SOFID), and Swedfund International AB (SWEDFUND).

⁴ i.e. all African, Pacific and Caribbean countries except Sudan, Equatorial Guinea and South Africa.

The applicants eligible to submit directly proposals for grant support to the Pooling mechanism shall be subject to the specific rules applicable to delegated cooperation and co-financing or grant contracts as laid down in the 10th EDF Financial Regulation and the Practical Guide to contract procedures for EC external actions⁵. These rules determine that specific contractual agreements and management procedures shall apply to the eligible applicants depending on their status and the type of proposal submitted.

- **5.1 EIB**

- **Joint management** will be applied for the implementation of the grant support to projects agreed with the European Investment Bank under the Pooling mechanism in accordance with Article 29 of the 10th EDF Financial Regulation. The contractual model used will be a **contribution agreement**, meaning inter alia that the management and procedural rules applied shall be the ones of EIB. The EIB is currently subject to an external review in relation to Article 53d of Financial Regulation. In anticipation of the results of this review the authorising officer deems that, based on the long-standing and problem free cooperation with this Organisation, joint management mode can be proposed and Standard Convention for International Organisation can be signed in accordance with the provisions laid down in Article 29 of the 10th EDF Financial Regulation. The contribution agreement shall provide the requirements relating to the description and the budget of the action and determine the rules applicable to responsibility, reporting, origin and nationality, eligibility, ownership/use of results and equipment, contracting, procedures, payments, control, other financial aspects, etc.

- **5.2 EU Member States national public-sector bodies or bodies governed by private law with a public-service mission in the field of development cooperation: official development cooperation agencies or ministries in charge of development aid, and the European Development Finance Institutions, which have been positively assessed under the "six pillars" assessment required under Article 26 of the 10th EDF Financial Regulation.**

- **Indirect centralised management** in accordance with Articles 25 (3) (b) of the 10th EDF Financial Regulation will be applied to finance actions within the Pooling mechanism with these entities when the proposal put forward by the entity will entail entrusting tasks of public authority and in particular budget implementation tasks . The contractual model used with these entities shall be **delegation agreements** and their management and procedural rules shall be applied. Such agreements shall provide the requirements relating to the description and the budget of the action and determine the rules applicable to responsibility, reporting, origin and nationality, eligibility, ownership/use of results and equipment, contracting, procedures, payments, control, other financial aspects, etc.
- **Direct centralised management** will be applied to finance actions/proposals that will entail typical grant activities. In this case a **grant contract** will be used with these entities in line with the regulations and procedural rules in force applicable to such cases and notably: the restrictions applicable to re-granting as laid down in Article 184a of the Implementing Rules applicable by reference to EDF (as well as section 6.2.11 of Practical Guide to contract procedures for EC external actions) and the restrictions applicable to grant contracts awarded without Calls for Proposals ("direct award") as specified in Article 168(1) of the Implementing Rules applicable by reference to EDF (as well as section 6.3.2.of the Practical Guide to contract

⁵ http://ec.europa.eu/europeaid/work/procedures/implementation/index_en.htm

procedures for EC external actions). The possible award of such a grant contract will therefore have to be justified in line with the provisions of the above mentioned Article 168(1) of the Implementing Rules. In such cases the management and procedural rules governing the grant contract will be the ones of the Practical Guide to contract procedures for EC external actions, including inter alia the possibility for some entities to use their own or other procedures in cases governed by art 8.1 and 8.2 of Annex IV to the grant contracts "Procurement by grant Beneficiaries in the context of European Union external actions. In view of the above referred rules and procedures applicable to grant contracts, the use of grant contracts within the Pooling mechanism shall be limited.

- **5.3 EU Member States national public-sector bodies or bodies governed by private law with a public-service mission in the field of development cooperation: official development cooperation agencies or ministries in charge of development aid, and the European Development Finance Institutions, which have not yet been positively assessed under the "six pillars" assessment required under Article 26 of the 10th EDF Financial Regulation.**
 - **Direct centralised management** will be applied to finance actions/proposals and a grant contract will be used with these entities in line with the regulations and procedural rules in force applicable to such cases and notably: the restrictions applicable to re-granting as laid down in Article 184a of the Implementing Rules applicable by reference to EDF (as well as section 6.2.11 of Practical Guide to contract procedures for EC external actions) and the restrictions applicable to grant contracts awarded without Calls for Proposals ("direct award") as specified in Article 168(1) of the Implementing Rules applicable by reference to EDF (as well as section 6.3.2. of the Practical Guide to contract procedures for EC external actions). The possible award of such a grant contract will therefore have to be justified in line with the provisions of the above mentioned Article 168(1) of the Implementing Rules. In such cases the management and procedural rules governing the grant contract will be the ones of the Practical Guide to contract procedures for EC external actions, including inter alia the possibility for some entities to use their own or other procedures in cases governed by art. 8.1 and 8.2 of Annex IV to the grant contracts "Procurement by grant Beneficiaries in the context of European Union external actions. In view of the above referred rules and procedures applicable to grant contracts, the use of grant contracts within the Pooling mechanism shall be limited.

For the purpose of these Guidelines, when submitting a project proposal to the Pooling mechanism, eligible applicants shall be referred to hereafter as the Leading Financier.

ACP Development banks, other International Finance Institutions and commercial banks represent a third category of actors. These are not eligible to directly submit projects to the Pooling mechanism but can nevertheless co-finance projects with eligible applicants as co-donors and co-financiers.

6. Actions eligibility and selection criteria

For the purpose of the present Guidelines the term actions shall apply both to investment projects and technical assistance activities. In view of their specificities, their eligibility and selection criteria are presented separately from one another.

In cases where an application to the Pooling mechanism concerns several investment projects via operations under sections 4.3.2. (ii) and 4.3.2 (iii), the Leading Financier shall be expected to prove

compliance with the present Guidelines on the basis of the project information already available for the individual projects and/or the criteria that will be used in their subsequent selection.

6.1 Investment projects eligibility and selection criteria

- **6.1.1 Geographic and sector eligibility**

In order to be eligible for grant support under the Pooling mechanism, project proposals should fall under the Objectives and the Funding priorities and scope of operations of the Pooling mechanism as specified accordingly in section 2 and 4 of the present Guidelines. In addition, they should take place in one or more of the ACP countries and be to the benefit of the populations of the ACP Countries having ratified the revised Cotonou Agreement.

- **6.1.2 Development impact**

Project proposals submitted to the Pooling mechanism should promote sustainable socio-economic development and contribute to poverty reduction. More specifically, they should demonstrate the ability to achieve a high social and environmental impact (e.g. in terms of improved access rates, affordability, quality improvements, reduction of energy pollution related diseases, protection of ecosystems, etc), as well as a positive economic impact (e.g. improved local development capacities, improved opportunities for employment, etc).

- **6.1.3 Local ownership and coherence with national and sector strategies**

Project proposals submitted to the Pooling mechanism should be based on sustainable energy sources, have a local scope and promote the local "ownership" of the results of the actions.

Projects supported by the Pooling mechanism should promote coordination between national and local levels (NGO, local communities involvement), ensure coherence with national public policies and energy strategies and promote donor coordination. In this context, they should demonstrate relevance to national and sector planning documents and strategies, complementarity of investments at national and local level, the endorsement of local authorities and coordination with Member States programmes.

- **6.1.4 Leverage and additionality criteria , grant justification**

Projects supported by the Pooling mechanism should have the potential to achieve a high leverage effect on other sources of funding, preferably private sector funding, commercial loans and concessional finance. Therefore, the option of involving the private sector (PPP) and co-financing with commercial banks shall be analyzed.

When submitting a project proposal, Leading Financiers will ensure that a significant part of the project's financing comes from their own resources, and they are consequently expected to exercise a high level of responsibility regarding the proposal. In addition, projects supported by the Pooling mechanism should demonstrate a funding gap, justifying that a grant support is required, in addition to the financing that can be obtained from other sources, to fulfil the Energy Facility objectives and to achieve financial viability. The financial analysis of the project will be used as a basis to justify which components of the project need financing on a grant basis. Depending on the project, the Leading Financier might be required to demonstrate that the project concerned will not lead to market distortion.

- **6.1.5 Complementarity of operations**

Project proposals should benefit from a thorough preparation and improved coordination by the multilateral and bilateral donors and finance institutions within the EU. In this relation, eligible applicants to the Pooling mechanism should try to coordinate and present funding proposals together. Favourable consideration shall be given to projects that promote or demonstrate co-financing of projects by more than one eligible applicants. The Pooling mechanism will also encourage coordination and complementarity of operations between the eligible applicants and ACP Development banks as well as other International Finance Institutions.

- **6.1.6 Project feasibility and sustainability**

The Leading Financier shall confirm and demonstrate feasibility and sustainability of the project from institutional and management, financial and economic, technological, social and environmental perspective. In this relation, a decision by the Leading Financier to submit a project proposal to the Pooling mechanism shall be based on a complete feasibility study and any other relevant project documentation. Should the Leading Financier estimate that some of the components of the feasibility study and the other relevant project documentation could be improved in order to enhance the quality of preparation of the underlying project, it shall be allowed as specified under sections 4.2 and 4.3.3 of the present Guidelines to use the Technical assistance component of the Pooling mechanism (refer also to section 6.2 of the present Guidelines for the eligibility rules applicable to the technical assistance component of the Pooling mechanism).

The Leading Financier shall also prove that the project proposal respects the above referred eligibility criteria related to project compliance with the objectives and the funding priorities of the Pooling mechanism (geographic and sector eligibility: section 6.1.1), as well as the criteria related to development impact (section 6.1.2), local ownership, coherence with national and sector strategies (section 6.1.3), leverage, additionality (section 6.1.4) and complementarity of operations (section 6.1.5). The Leading Financier shall demonstrate a funding gap, justifying the application for a grant support from the Pooling mechanism.

The following aspects are expected to be covered in the context of the preparation of the project proposals:

- ***6.1.6.1 Institutional framework of the project and capacity of the project implementing entity***

The Leading Financier shall present the institutional set up of the entity to be entrusted with project implementation and the contractual arrangements between the parties involved in project implementation. It shall demonstrate in its project proposal to the Evaluation Committee that the legal, institutional and administrative framework is in place – or foreseen to be timely in place - allowing the proper and timely project implementation. It shall demonstrate that the project implementing entity has the adequate management, financial and operational capacity to ensure the project implementation.

- ***6.1.6.2 Technical feasibility and alternative option analysis***

The Leading Financier has to demonstrate in its project proposal that during the identification and formulation phase of the project, reasonable steps were taken to identify alternative design options. The purpose of this alternative option analysis is to compare alternative solutions to ensure that the most appropriate solution from technical, financial, economic and environmental perspective is retained. Therefore, the approved project design should have benefited from a comparison with alternatives in important aspects such as financial and economic analysis, environmental impact,

types of outputs and services, production technology (including its maintenance availability), scale, location, starting date, etc.

The complexity and extensiveness of the alternative option analysis should depend on the scale and complexity of the given project. In any case, as a minimum the option retained should be compared to the situation where no project is implemented (e.g. "business as usual" scenario).

6.1.6.3 Financial and Economic analysis of the project

The financial and economic analysis of the project should be available as part of the project documentation (e.g. feasibility study) and/or based on analysis made by the Leading Financier. The objective of the financial analysis of the project shall be twofold. First, the Leading Financier shall demonstrate the financial viability of the entity that will be directly responsible to operate and maintain the services and facilities to be developed under the project. When demonstrating the financial sustainability of the project, the Leading Financier should take into consideration and examine the affordability of the tariff levels for the population concerned. Second, the financial analysis shall provide a basis to estimate the share of the capital cost to which the requested grant from Pooling mechanism would contribute, so that no over financing occurs. Thus, it will be used as a basis to justify which components of the project need to be financed on a grant basis.

If applicable, the economic and financial assessment should provide the evidence for approving an interest rate subsidy, either for bridging the gap between economic and financial viability of a project or for respecting internationally – agreed concessional loan frameworks (e.g. IMF/WB concessional lending rules).

The economic analysis of the project should estimate the extent to which the project would contribute to the welfare of the society as a whole. The analysis should consider the economic values of benefits and costs derived from the financial values with appropriate adjustment to eliminate transfers (e.g. taxes) and to reflect economic opportunity costs. The economic assessment should also allow to estimate whether an investment grant from the Pooling mechanism is justified in the sense that its cost to the society as whole is compensated by the value of the public benefits that the project generates. If the project is expected to generate benefits that cannot be measured in monetary terms, a qualitative economic analysis should be prepared. Possible negative social and environmental externalities should also be considered in the economic analysis.

The project proposal shall state the expected financial rate of return (with and without a-grant from the Pooling mechanism) and the expected economic rate of return. In addition, project proposals should show that the project represents a cost-effective way of attaining its objectives.

6.1.6.4 Risks identified and proposed mitigation measures

Project proposals should briefly describe the risks that may affect the successful implementation of the project (e.g. availability of funding, delayed start of works, etc) and propose measures to address the risks identified. For this purpose, depending on the size and the scale of the project a risk and sensitivity analysis could be necessary to perform.

6.1.6.5 Environmental Impact

The Leading Financier shall have to confirm to the Evaluation Committee of the Pooling mechanism that the required Environmental Impact Assessment of the proposed project has been undertaken and any necessary approvals by the competent authorities have been granted (refer to section 7.2 of the present Guidelines). If no such approval has been granted at the time of the

submission of a project proposal to the Pooling mechanism, an indication should be given when the consent will be requested in the context of the implementation. If a competent authority decides that an EIA for a specific project is not needed, their reasoning for coming to this conclusion should be indicated. If applicable, the EIA study/analysis would define the need for mitigation measures.

The Environmental Impact Assessments should comply with the national and local legislations and related regulations in the country(ies) of the project and be in accordance with the guidance provided in the Environmental Integration Handbook for EC Development Cooperation⁶ or with equivalent Leading Financier documents or Member States' guidelines, when such documents or guidelines exist.

6.1.6.6 Procurement strategy and implementation plan

The Leading Financier shall have to prove that a Procurement Plan has been elaborated or shall be elaborated for any project proposal it submits to the Pooling mechanism. The procurement rules applicable to a given project financed by the Pooling mechanism will depend on whether the rules applicable to the Leading Financier fall under section 5.1, section 5.2 or section 5.3 of the present Guidelines.

If the rules applicable to the Leading Financier fall under sections 5.1 and 5.2 of the present Guidelines, its own procurement rules shall apply. If the rules applicable to the Leading Financier fall under section 5.3 of the present Guidelines, the procurement rules of the Practical Guide to contract procedures for EC external actions shall apply.

Summary of the projects eligibility and selection criteria:

Eligibility Criteria	
Geographic and sector eligibility	Yes/No
Selection Criteria	
Development impact	Required
Local ownership and coherence with national and sector strategies	Required
Leverage and additionality, justification of a grant	Required
Project feasibility and sustainability	Required
Complementarity of operations	Advantageous

6.2 Eligible technical assistance activities

As specified under section 4 of the present Guidelines, for the purpose of receiving support under the Pooling mechanism, technical assistance activities should always be considered as accompanying measures ensuring the feasibility, the implementation and the sustainability of an eligible project and not as stand-alone TA activities. This means inter alia that in order to be eligible

⁶ http://ec.europa.eu/europeaid/multimedia/publications/documents/thematic/europeaid-environmental-handbook_en.pdf

for grant support under the Pooling mechanism, technical assistance activities should accompany investment projects that comply with the investment projects eligibility rules and selection criteria as laid down in section 6.1 of the present Guidelines.

7. Application procedure for grant financing from the Pooling mechanism

Applications to the Pooling mechanism can only be submitted by the eligible applicants as defined in section 5 of the present Guidelines following a call for expression of interest in the form of an official invitation to submit project proposals to the Pooling mechanism. There shall be no formal deadline for submitting proposals to the Pooling mechanism, provided such submission remains within the time line specified in section 3 of the present Guidelines. However, as the Pooling mechanism shall assess the proposals as soon as they are received and finance them accordingly should they be approved, eligible applicants are invited to submit their project proposals to the Pooling mechanism as early as possible.

It is expected that should a mature project, complying with the eligibility and selection criteria as defined with the present Guidelines, be submitted to the Pooling mechanism, the time from its submission to its approval by the Evaluation Committee would be approximately 8 weeks.

EuropeAid Development and Cooperation DG's unit in charge of the Energy Facility shall ensure the Secretariat of the Pooling mechanism (refer to section 8). Therefore, it shall be responsible for the initial receipt of the project proposals, for their subsequent transmission to the Informal Advisory Group of Experts in Energy (IAGE) and the Evaluation Committee, as well as for ensuring the smooth running of the evaluation process.

Before submitting its project proposal to the Evaluation Committee of the Pooling mechanism, the Leading Financier has to share it for discussions within the existing Informal Advisory Group on Energy (IAGE). For the purpose of the Pooling mechanism the IAGE shall be composed of technical experts from Member States' agencies and development financing institutions, representatives of relevant EC Directorate Generals, and the ACP Secretariat. The IAGE will be the forum where general exchange of information and project coordination among EU donors on the Pooling mechanism takes place. It shall meet according to the needs and in any case at least four times a year.

The Leading Financier should present its project proposal to the IAGE in the form of a concept paper for discussion. There shall be no specific format for this concept paper. However, it should provide sufficient information on the main technical and financial aspects of the proposal. If at a given point in time, the number of project proposals to be handled by the Secretariat of the Pooling mechanism does not justify the organisation of a presencial IAGE meeting, provisions could be made to hold a telephone/video conference with the IAGE members or to have an e-mail exchange, during which the IAGE members will be able to exchange on a given project proposal. Should the latter prove to be necessary for efficiency considerations the Secretariat of the Pooling shall be responsible for making the necessary arrangements.

The IAGE members shall discuss on the project proposal submitted and can propose modifications to it with the aim to improve its quality. Such opinions, observations and remarks shall be transmitted to the Evaluation Committee when the Leading Financier submits its project proposal to it. However, the ultimate responsibility of a given project proposal shall remain within its Leading Financier. The Leading Financier is, therefore, not obliged to include the IAGE modifications in its project proposal to the Evaluation Committee of the Pooling mechanism.

As mentioned above, the Leading Financier shall be fully responsible for the preparation of its project proposal, for the coordination with other interested co-financiers, and for submitting its proposal to the Evaluation Committee. The proposal shall comply with the present Guidelines, and preparation shall include proper consultations with partner country and relevant project stakeholders. The Leading Financier may seek further guidance from the IAGE if it so wishes during the preparation phase.

The Evaluation Committee will be responsible for the evaluation of the project proposals submitted by a Leading Financier for compliance with the present Guidelines. It will be chaired by a representative of the Finance and Contracts Unit of EuropeAid Development and Cooperation DG's Directorate for Sub-Saharan Africa, Caribbean, Pacific and composed of technical experts as well as finance and contracts experts from EuropeAid Development and Cooperation DG, other relevant DGs (Energy, Climate, etc), and a representative of the ACP Secretariat. It may, if found relevant and at its discretion, seek advice from external experts. EU Delegations will be consulted in the assessment process. The Evaluation Committee may propose to accept or reject a proposal, or refer it back for additional preparation, subject to comments given. The Evaluation Committee will use IAGE meetings to inform about its activities. The Evaluation Committee shall meet according to the needs.

The Leading Financier may seek a final or provisional approval from the Evaluation Committee of the Pooling mechanism, which should be indicated in its application. Provisional approval shall be granted subject to the finalisation of the approval procedures of the corresponding financial institutions. Nevertheless, the provisional approval shall not substitute the final approval of the Evaluation Committee.

In order to apply for grant financing under the Pooling mechanism the Leading Financier is required to submit to the Evaluation Committee of the Pooling mechanism the following documents:

- **7.1 Cover sheet for grant request from the Pooling mechanism⁷ and a Supporting Document**, which should provide sufficient evidence that the action for which grant support is sought from the Pooling mechanism is in compliance with the present Guidelines and more specifically with their objectives (section 2), funding priorities and scope of operations (section 4), rules applicable to eligible applicants (section 5), the actions eligibility rules and selection criteria (section 6). The application should clearly state the amount of the grant requested from the Pooling mechanism and present an adequate justification about it (refer to sections 6.1.4 and 6.1.6.3 Financial and economic analysis).

When applying for grant financing under the Pooling mechanism for operations listed under sections 4.3.2. (ii) and 4.3.2 (iii) of the present Guidelines, where due to the nature of the operations the individual projects to be financed might not be known at the time of the grant request to the Pooling mechanism, the Leading Financier shall be expected to prove compliance with the present Guidelines on the basis of the project information already available and/or the criteria that will be used in the subsequent project selection.

- **7.2 Feasibility study of the project as well as any other studies and documents prepared as a part of the project documentation** that the Evaluation Committee may require during the evaluation process to complete its understanding of the project and to evaluate it in compliance with the present Guidelines and/or which the Leading Financier deems to be necessary to improve the understanding of the project of the Evaluation

⁷ The template provided in Annex I to the Guidelines is to be used when applying for grant support for all operations other than TA. The template provided in Annex II is to be used in the case of TA operations.

Committee and to prove compliance with the present Guidelines. Whenever applicable these shall include relevant authorizations by the responsible local authorities in the country where the project shall be implemented (e.g. administrative, EIA, etc).

Following an evaluation on the basis of the above referred documents for compliance with the present Guidelines, the Evaluation Committee shall decide which project proposals are to be recommended to the authorising officer for approval and rejection. When deciding upon a contract award, the authorising officer will also take into consideration the balance between the entities co-financed by the Pooling mechanism, the geographical distribution of the actions, and the types of operations co-financed (as specified in section 4.3 of the Guidelines only a limited amount of the resources of the Pooling mechanism should be allocated to operations under 4.3.3). The authorising officer responsible for the contract award and the corresponding funding decision shall be EuropeAid Development and Cooperation DG's Director in charge of Sub-Saharan Africa, Caribbean and Pacific Directorate.

8. Reporting and dissemination

EuropeAid Development and Cooperation DG's unit in charge of the Energy Facility shall ensure the Secretariat of the Pooling mechanism. It will produce an annual report on the activities of the Pooling mechanism, which will be presented to the IAGE and to other donors and partners.

9. Final provisions

All questions relating to the present Guidelines can be addressed to EuropeAid Development and Cooperation DG's unit in charge of Energy Facility at the following addresses:

E-mail: europaaid-energy-facility@ec.europa.eu

Fax: (+32-2) 299.86.22

It is foreseen that the Pooling mechanism will start operations with the official invitation to eligible applicants to submit project proposals to the Pooling mechanism. The Contracting Authority reserves the right to modify the present Guidelines at a later stage after informing the parties concerned accordingly.

List of Annexes:

Annex I: Cover Sheet Grant Request for Operations other than TA

Annex II: Cover Sheet Grant Request for TA Operations