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Sida Review

Mr. Leif Danielsson  
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# Mid-term Review of the Capacity Development Project of the Rural Energy Agency, Tanzania

Final Report



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December 2011**

**Assignment performed by:  
Mr. Leif Danielsson  
Dr. Peter Zhou**

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The views and interpretations expressed in this report are the authors' and do not necessarily reflect those of the Swedish International Development Cooperation Agency, Sida.

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# Abbreviations and Acronyms

\$ or USD	United States dollars
¢	United States cents
ACP	African, Caribbean and Pacific Group of States
CDM	Clean Development Mechanism
CD-REA	Capacity Development- Rural Energy Agency
CTI	Confederation of Tanzanian Industries
DG	Director General
DTS	Director Technical Services
EDF	European Development Fund
EIA	Environmental Impact Assessment
ERB	Engineering Registration Board
EU	European Union
EWURA	Energy and Water Utilities Regulatory Authority
GIS	Geographical Information System
GoT	Government of the United Republic of Tanzania
kW	Kilo watt
KPI	Key Performance Indicator
LFA	Logical Framework Approach
ICT	Information and Communication Technologies
IPP	Independent Power Producer
IRR	Internal Rate of Return
M&E	Monitoring and Evaluation
MEM	Ministry of Energy and Minerals
MTR	Mid Term Review
NBAA	National Board of Accountants and Auditors
NEMC	National Environment Management Council
NGO	Non Governmental Organisation
NSGRP	National Strategy for Growth and Reduction of Poverty
OM	Operational Manual
OS	Organisational Structure
PD	Project Developer
PMO-RALG	Prime Minister's Office- Regional Administration Local Government
POM	Project Operations Manual
PoO	Plan of Operation
PSPTB	Procurement and Supplies Professionals and Technicians Board
PPA	Power Purchase Agreement
PV	Photovoltaic
RAS	Regional Administration Secretaries
RE	Rural Energy
REA	Rural Energy Agency
REB	Rural Energy Board

REF	Rural Energy Fund
REN	Renewable Energy
SME	Small and Medium Enterprises
SPP	Small Power Projects
SPPA	Standardised Power Purchase Agreement
SSMP	Sustainable Solar Market Packages
TA	Trust Agent
TANESCO	Tanzania Electric Supply Company Limited
TEDAP	Tanzania Energy Development and Access Expansion Programme
TNA	Training Needs Assessment
ToR	Terms of Reference
TZS	Tanzania Shillings
V	Volt
WB	World Bank



# Executive Summary

## Background

The REA Capacity Development Project (CD-REA), financed by the Swedish International Development Cooperation Agency (Sida) is now in its 15<sup>th</sup> month of the Implementation Phase and this MTR has been undertaken to assess performance of the project to date and whether there will be a need to continue into the Consolidation Phase of the project.

## Findings

The implementation of the CD-REA Project is on track and, after 15 months of implementation, 11 work sessions out of the 12 agreed work sessions have been completed.

The approach adopted by the CD-REA Consultant to conduct capacity development of REA as well as the team of consultants deployed in the project is highly appreciated by the REA staff. There is a realisation that the training gains achieved so far should be followed by more practical approaches in the form of learning by doing and study visits. Study visits have been planned within the Implementation Phase but have not been undertaken to date.

The implementation phase outlined in the inception report adhered closely to the activities and the outputs in the Terms of Reference. The Plan of Operation developed in cooperation with the REA is in close alignment with the scope of the ToR and the output so far in the project appear to satisfy the expectations set out.

At this point it must be concluded that the project is contributing positively to the continued building of REA's capacity to deliver on its mandate. The Consolidation Phase will be necessary for REA to assimilate what has been accomplished in the Implementation Phase and should focus on practical application of all systems, model documents and study visits that expose REA staff to working practices in similar environments to Tanzania.

There are a number of outstanding activities of the CD-REA project that were not fully completed at the time of the MTR, among them various components of the Operational Manual that need be completed and adopted before the end of the Implementation Phase.

REA is recognised by key stakeholders as having a strong team of staff that is delivering on REA's functions. Some stakeholders and REB also recognise the improvements in communication and reporting that has been noted in the duration of the CD-REA project. Development partners that were contacted as part of this MTR also indicated that REA was well equipped to deliver its mandate. All those consulted see merit in further capacity building of REA to manage its many responsibilities.

There is evidence that REA is well respected in advancing rural energy projects, including both on-grid and off-grid electricity and other energy projects, although more effort is required to promote non-electricity energy projects.

There is a well functioning system of utilisation of REF for promoting preparation and installation of rural energy projects and the MTR team found that the use of the Trust Agent was working well both on financial management and the responsibility of monitoring project implementation. Funding is being provided largely through the government budget, development partners and the electricity levy. There is evidence of the GoT commitment to support REF/REA activities, as demonstrated by the continued effort to make its contribution in spite of financial constraints.

## Relevance

The CD-REA project is considered relevant inasmuch as it contributes to the necessary capacity development of the REA that is needed to support project development for delivery of modern energy

services to rural Tanzania. The project was initiated at a time when REA needed support to upscale its activities and to refine its internal processes and systems. The support is acknowledged as positive in that regard within REA and among its stakeholders.

### **Effectiveness**

The CD-REA project is on its way to achieve its objectives. At the time of the MTR the project is more than halfway through its implementation phase and most of its planned activities have been implemented and other outputs are under way to be delivered.

- The wide selection of documentary outputs is still to be finalised and processed into a fully-fledged Operation manual.
- Both the M&E framework and Database development have been started but are not yet complete.

The universal view is that the CD-REA project has made a positive contribution to the capacity development of REA staff but full effectiveness will be realised when all the training and systems, tools, manuals are used in practice.

Although a draft Communication strategy had been prepared, the process has been stalled due to requirement of a communication policy to guide strategy development. There are no dedicated outreach activities planned in the project at the moment. The network of partners has also not been dealt with, as envisaged at the start of the project, but this has not been found to be urgent as there are already several fora where the stakeholders that would form this network meet.

The identification of other financing sources for the REF and the systematisation appears to be lacking at this point but the traditional sources of funding that include government budget, development partners and the electricity levy continue to make financial contributions into the REF and projects continue to be supported. An Investment Prospectus has been prepared that is intended to attract other sources of financing but this needs to be finalised.

### **Efficiency**

If the CD-REA project can deliver the support required for project development and implementation that can be financially supported by both GoT and Sida the output will far exceed the inputs. On average about 15 REA management and officer staff have been trained through 11 work sessions. In addition, the systems, tools, manuals that have been produced are assisting REA to support project development and implementation. Already a significant budget of REF money is committed to support over 80 projects out of over 300 projects that have solicited support through REF. Comparing the REA's operational budget to the amount allocated to projects over the past years, the trend reflects that the capacity building efforts are paying off and that efficiency in REA is increasing.

### **Impact**

The impact of the intervention is hard to assess after only 18 months of interaction between the REA and the CD-REA consultant. It is also not easy to attribute the results on delivery of modern energy services only to REA or to this CD-REA project. The Baseline Survey recently supported by REA and undertaken by the National Bureau of Statistics (still in draft form) has however posted an increase in rural electrification access to 6.6% (4.6% grid electricity and 2% other sources) from 2.5% in 2007 Household Budget Survey. REA, being one of the most active players in supporting the majority of rural energy projects, has surely played a significant role and its performance can only be judged on its capacity to increase access to modern energy services in the rural areas. The benefits of the intervention will most likely be sustained inside the organisation as the tools, procedures and systems are being systematically implemented in the organisation. REA must safeguard that the tools, procedures and systems are properly institutionalised to minimize the risk of losing capacity due to staff turnover.

In order to attain sustainability it is important to ensure the capacity of REA for monitoring of continued operation and maintenance of installed energy projects. The approach proposed by REA to extend the Capacity Development to Project Developers will also contribute to sustainability of impacts built through the CD-REA project.

## **Recommendations**

### *Policy and Regulatory Framework*

1. The rural electrification rate is hampered by the high connection cost and the tariff adjustments when connecting off-grid generation to the Grid. The MTR recommends that the REA and the CD-REA consultant includes an activity in the Consolidation Phase for designing a subsidy mechanism that would allow for connection subsidies for households. This needs to be aligned with the World Bank subsidy study and the MEM policy formulation process as well as in cooperation with EWURA for a cost-reflective tariff setting for renewable generation coming on-line with the grid.

### *Institutional Capacity Building Support*

2. The MTR found that some of the model documents were still not in final form and recommend that all such documents be finalised and approved by REA, and REB where necessary, before the end of the Implementation Phase. To that end REA should employ a checklist to ensure that all the products, tools and manuals that are to be delivered in the Implementation Phase are accomplished on time. It is further recommended that the consultant discusses with REA to make use of the remaining reimbursable allocation to allow for the core team to make additional visits to REA to support the finalisation of the manuals, guidelines and procedures on site rather than sending drafts back and forth. This could probably be a more expedient way and may produce better quality output.
3. The involvement of the CD-REA consultants on supporting the governance of the REA is recommended to be followed up by developing suitable work sessions together with the REA and REB. Similarly, work sessions should be developed for management and leadership skills of REA management staff. The CD-REA consultant, together with REA and the other stakeholders, should also investigate whether a suitable work session can be developed for the key stakeholders that include MEM, EWURA, TANESCO etc e.g. on coordinated planning and reporting of activities.

### *Project Management and Monitoring*

4. An area that the MTR feels needs further attention is contract management and ensuring that projects completed continue to deliver the intended energy services. The MTR Team after the site visits realised that it is also important on the part of REA to have modalities of continued monitoring of completed projects and to ensure their continued delivery of modern energy services. The MTR Team therefore recommend that REA seek modalities for its M&E system to follow-up on supported projects to ensure that the projects continue to deliver energy services and meet anticipated targets. In moving to result-based M&E, REA may face challenges to collect sufficient and reliable information from PDs for indicators on outcomes and impacts of sponsored rural energy projects after its completion in order to be able to report on the efficiency of the REF. Resource requirements should then be anticipated and planned for.
5. The rural energy projects database at the REA consist of two independent databases today that are excel based. This situation with two databases with overlapping data is unfortunate but is expected to improve with the introduction of the GIS system. The level and quality of the database system could to be improved further by migrating to operate on an integrated system. The MTR recommends that this be included starting in the remaining Implementation Phase, and if not completed extended into the Consolidation Phase.

#### *Project development*

6. As demonstrated later herein, the non-TANESCO projects are few and there is clearly a need to enhance support for projects by other Project developers than TANESCO and also projects promoting other forms of energy than electricity. Given the wide mandate and objectives of REA the MTR team recommends that the CD-REA project make this a priority area in a possible Consolidation Phase.

#### *Networking of stakeholders and Outreach*

7. It is further recommended that REA make use of the funds set aside for Study Visits to initiate a networking with the other two REA's in the region, Experiences can be shared, lessons learnt through benchmarking and by visiting the other agencies in Zambia and Uganda. Specific areas can be pinpointed and short visits can be made with small delegations to enhance informal exchange of experience. More formal venues could also be arranged where issues may be explored by larger groupings.
8. The MTR recommends that the REA Communication Strategy should be reviewed in terms of its focus on the beneficiaries in the targeted areas. The MTR also noticed that there is a shortcoming in the use of the REA website and an associated website strategy. The MTR recommends that this be included in the communication strategy and that the CD-REA project assists REA in assessing its needs in relation to the current platform and develop internal capacity to keep the website updated. The website could be put to use as a one-stop-shop for investors, project developers and contractors seeking information for modern energy projects.

#### *CD-REA Consultant Reporting*

9. The MTR Team recommends that the consultant includes more of an outcome focus in its reporting of progress. The reports lack an analysis of the actual cost in relation to the Annual Plan of Operation and the budget included therein, hence it is therefore recommended that the consultant includes a more detailed budget follow-up in its subsequent reports. There is also a lack of follow-up of indicators that will enable monitoring of the implementation towards objectives both output and outcome-based. The revised LFA provides a framework for the follow-up but could be strengthened in providing additional indicators for a result based reporting framework.

#### *Consolidation Phase*

10. The MTR recommends that REA and REB engage to discuss and align the capacity building requirements for the REB & REA with the new strategic plan to be included in the Consolidation Phase. This is to take place if Sida has signalled its willingness to continue supporting the CD-REA in the next Phase.
11. The capacity development project has an important role in identifying the processes inside of REA and contributes to a shift from task orientation to process orientation. The MTR, after consultation with stakeholders and REA staff, recommends that the Consolidation Phase should focus on practical application of all systems, model documents and study visits that expose REA staff to working practices preferably in similar environments to Tanzania.
12. Consideration should also be given to engagement of more local consultants in the Consolidation Phase to build sustainability of capacity in the country and enable REA to engage support after the CD-REA project is phased out.
13. The capacity of the private sector is found to be weak in developing and proposing projects for modern energy development. To strengthen the private sector the MTR recommends that the CD-REA project should also focus on training of PDs to use the model documents and to prepare good quality project proposals/business plans that can qualify for support under REF or any other financing. Financing through the World Bank/Sida trust fund should be explored for this purpose.

# 1. INTRODUCTION

## 1.1 Background

The REA Capacity Development Project (CD-REA), financed by the Swedish International Development Cooperation Agency (Sida), was initially formulated to support the Rural Energy Agency (REA) soon after its establishment in 2007 and its staff to be recruited as part of the project. Therefore, the design and budget for the assignment reflected the fact that it was not anticipated that the REA would be fully operational when the consultancy assignment commenced. However, as the REA was fully staffed and had been in operation for more than two years, the Capacity Development Project needs were different than anticipated in the original TOR and budget.

The Capacity Development Consultants and the REA have within the given framework reviewed the assignment to suit the current needs of the REA. Overall, the assignment has been focused around working sessions with additional agreed activities.

The Capacity Development Project is divided in two phases, as follows:

1. Inception Phase, 3 months and Implementation Phase, 21 months
2. Optional Consolidation Phase, 24 months

The Contract for Capacity Development Consulting Services for the REA Capacity Development Project was signed in February 2010, comprising the Inception Phase and an Implementation Phase (Phase 1), with a contract option to provide services also during a Consolidation Phase (Phase 2). The budget allocated for the two phases were:

Inception/Implementation phase	8 998 471 SEK
The Optional Consolidation phase	2 495 820 SEK

The Inception Phase started on 29 March 2010 and lasted until early July 2010 which was also the start of the Implementation Phase. The first Plan of Operation covered the 9-month period after the Inception Phase until end of March 2011. The second Plan of Operation covers the period April 2011 until March 2012, when the Implementation phase of the assignment will end.

The Agreement between Tanzania and Sweden on the financing of the REA Capacity Building Project stipulates that a Mid-Term Review (MTR) will be performed. The outcome of this review will provide the basis for a possible release of the contract option to implement the Consolidation Phase (Phase 2). In order to ensure a seamless continuation of the capacity building services during the Consolidation Phase, should these be required, the MTR was to be performed prior to the conclusion of the Implementation phase. To that end, Sida commissioned this MTR for the purpose stipulated below.

## 1.2 Purpose

The main objective of the Mid Term Review (MTR) was to assess whether the set objectives of the project are being fulfilled and whether there is a need to make any adjustments in the way the project is being implemented going forward. In that regard, the MTR is intended to expose the achievements that are being made with regard to meeting CD-REA objectives, REA fulfilling its mandate and delivery of the expected results, systems/products supported through the project, and lessons and constraints that will inform continuation of the project for the rest of the Implementation Phase and possibly into the Consolidation Phase. The MTR is also to assess the validity of the activities and sessions that have been formulated and implemented through this project and results emanating from that. The projects being developed and supported by REA, impacts they make towards uptake of modern energy services, the financial resource base being built, and the cost at which all is being achieved also forms part of the MTR.

The MTR also presents findings under the criteria of Relevance, Efficiency and Effectiveness of the project and whether the capacity built is making any Impact and can be sustained beyond the scope of the project.

Based on this assessment and analysis, the MTR team has drawn relevant conclusions and recommendations.

### **1.3 Evaluation Criteria**

The MTR was based on the specific tasks defined in the Terms of Reference for the MTR attached in Annex 1. The scope of services of the MTR consultant was largely;

1. To assess whether the Capacity Building Consultant has adequately responded to the Terms of Reference (TOR);
2. To assess whether the project has delivered the expected benefit to the REA;
3. To assess to what extent the capacity of the REA has been built and whether the REA can derive additional benefits from the execution of the optional consolidation phase; and
4. To identify lessons learned, constraints and other issues of specific relevance, and propose suggestions on improvements for the implementation of the Capacity Development Programme.

These aspects were evaluated through reviews of the work streams developed for the CD-REA project and other relevant documents, gaining insights from REA and other key stakeholders.

The ToR specifically asked for suggestions from the MTR team on improvements for the implementation of the project and which the desk officers at the Embassy also stressed during the start-up meeting at the Embassy. This prompted the MTR team to use an unconventional structure of the report wherein recommendations are presented throughout the report to clearly attach it to the findings. In some cases, the observations and recommendations may extend outside the objectives of the assignment, but have been included due to its specific relevance to the capacity building of the REA.

The MTR assessed whether CD-REA consultant has responded to the ToRs as guided by the ToR, the agreed work streams and work sessions and how they have been received by REA. The expected benefit to REA was assessed through feedback from REA.

Capacity development, being incremental, may not necessarily be attributed to a single project such as CD-REA, but this aspect was also measured against the Training Needs Assessment (TNA) that was developed by REA and revised by the CD-REA consultant and further feedback provided by REA staff, the CD-REA consultant and other key stakeholders that interact with REA.

Recommendations of the MTR team regarding whether to continue with a Consolidation Phase were based on whether the CD-REA consultant, REA and other key stakeholders see the need for additional support, either because more work sessions are needed and/or new areas of support have been recognised as being needed. These aspects were evaluated to see if they warranted another 24 months of Sida support. The lessons and constraints were derived from the stakeholders' consultations and the results being achieved to date.

Assessment of lessons focussed on what worked, what does not work well and what needs to be amended, the causes for any failures to proceed at an appropriate pace or achieving intended results when required. This assessment also assessed whether any changes were necessary in the way the project is being conducted.

The assessment of the capacity building project of REA also followed the below criteria for evaluating development assistance;

- Relevance of the project - how the activities and outputs of the programme are consistent with the overall goal and the attainment of its objectives.
- Efficiency in terms of resource use versus outputs being achieved.

- Effectiveness - meeting of intended objectives.
- Impact/Results/Outcome achieved so far - impact on meeting the ultimate goal promoting improved access to modern energy in Tanzania mainland, what has happened as a result of the programme?
- Sustainability - whether REA can continue to operate after the project.
- Ownership - how the project is being embraced by the national stakeholders e.g. government.

## 1.4 Methodology

Indevelop has been engaged as a consultant to perform the MTR under Sida's Framework Agreement for Reviews Evaluations and Advisory Services on Results Frameworks. Independent consultants Leif Danielsson and Peter Zhou performed the evaluation as subcontractors to Indevelop. Indevelop had the overall professional and contractual responsibility for the MTR assignment.

The detailed methodology adopted for this MTR is outlined in the inception report which was submitted to and approved by Sida on October 3 2011. The methodology included a three-tier approach.

### ***Desk Review***

The desk review started with reviewing project documents provided by Sida and preparation of the Inception Report. The critical documents related to the CD-REA project were the REA Annual Reports, national energy policies and related Acts, and the project inception and progress reports. These reports underpinned the preparation of the Inception Report, guided selection of stakeholders to interview and contributed to the development of the final MTR report. A checklist of issues to consult on and assess was developed during the desk review.

Collection and analysis of additional documentation was undertaken during the field visit in Tanzania.

A list of documents reviewed is included in the Annex 2.

### ***Visit to Dar es Salaam and REA***

The field visit started with a briefing meeting at REA in Dar es Salaam where key issues and expectations were discussed, confirmed and updated. Representatives from REA and Sida were present during the meeting.

Meetings were held with various staff of REA on the following issues:

- institutional support provided by the CD-REA consultant,
- the systems introduced by the project,
- skills developed for supervising and implementing rural energy projects,
- business plan products that have been produced,
- the effectiveness of the work sessions and the impact the CD-REA project has made so far within the various work streams, and
- what else may be required going forward and whether the consolidation phase will be required.

Within REA, the MTR Team also reviewed relevant data on finances and projects. A questionnaire was also distributed to all REA officers to give a chance to those who could not be met to provide their inputs to the MTR or to provide additional input.

Meetings were held with key stakeholders that included REB, MEM, EWURA, TANESCO on governance of REA, policy, legislation/regulation and electricity supply system. A list of stakeholders consulted is found in Annex 3.

The REB and Trust Agent were consulted on aspects of mobilisation of financial resources, management REF, investment prospectuses and disbursements of resources for rural modern energy project development.

Meetings were held with the Econ Poyry Team Leader and local coordinator for clarifications on the plan of operations and how the consultant has so far fared, any lessons and constraints faced during the last 14 months of the Implementation Phase. The MTR also assessed how the consultant monitors effectiveness of their work sessions and how the results appear at present.

Meetings were held with development partners such as the World Bank, European Union and the Norwegian Embassy, which are contributing to rural energy development. Sida was also interviewed on their perspective of support to and interactions with REA in the context of Swedish support to Tanzania in the energy sector.

The MTR Team visited two projects at the end of the first week of the field trip and the selection of the projects was made based on the advice of REA. REA also kindly provided logistic support for the two visits in form of making appointments with the relevant stakeholders and providing transport and accompanying personnel. The selected projects were a completed hybrid system south of Dar es Salaam at the Wama Nakayama Secondary School and grid extension projects outside Morogoro at Magole and Berega.

A debriefing was held with representatives from REA management, the Swedish Embassy, and the CD-REA consultant, where the MTR team presented major findings, conclusions and recommendations from the review.



## 2. THE CAPACITY DEVELOPMENT –REA PROJECT

### 2.1. Background and Context

The CD-REA project being financed by Sida is part of a portfolio of support by the Swedish Government to the Government of Tanzania to meet its energy sector objectives as stipulated in the Tanzania Development Vision 2025, 2005 National Strategy for Growth and Reduction of Poverty (NSGRP/MKUKUTA) and the National Energy Policy (2003).

Specifically the National Energy Policy sets national energy policy objectives to ensure availability of reliable and affordable energy supplies, and to promote their use in a rational and sustainable manner in order to support national development goals. The main thrust is based on private sector investment in exploitation of local energy sources. Through the Energy Policy the Government of Tanzania has committed itself to develop and implement the new strategy to address the modern energy needs of over 85% of Tanzania's population. For this reason, the Rural Energy Agency (REA) was established as an autonomous body under the Rural Energy Act, 2005 to promote and facilitate access to modern energy services in rural areas of Mainland Tanzania by providing grants, subsidies and capacity building to developers of rural energy projects and for related and consequential matters.

The roles and functions of REA as provided for under section 16 of Rural Energy Agency Act no. 8 of 2005 among others include:

- a. To act as the executive body and Secretariat to the Board and keep all records of the affairs and the meetings of the Board and ensure implementation of its decisions and directives.
- b. To propose criteria for selection of Trust Agent (TA) of the Fund in accordance with Section 23 of the Act and recommend such an agent to the Board following a competitive selection process.
- c. To prepare application procedures, guidelines, selection criteria, standards and terms and conditions for grants and submit to the Board for approval.
- d. To select projects for evaluation and contract suitably qualified persons to evaluate their social and economic impacts.
- e. To recommend to the Board projects for approval.
- f. To prepare proposals to the Board for additional means and sources of finance to be used for the benefit of rural energy service provision.
- g. To ensure timely collection of all funds specified in the Act and deposit in the account of the Fund.
- h. To promote itself and the Fund to appropriate local and national government authorities, and facilitate co-ordination of its activities with other rural development activities.
- i. To facilitate provision of capacity building activities as appropriate in the preparation, installation, operation and management of rural energy systems.
- j. To facilitate provision of technical assistance to qualified developers by the use of private entities related to technical design, management, financial analysis, project finance, and sound business practices.
- k. To facilitate preparation and appraisal of projects applying for grants.
- l. To facilitate the preparation of bid documents for projects to be competitively tendered to prospective developers.

REA started its operation in October 2007 and at the start of REA 14% of Tanzanians had access to electricity and rural electricity access was 2.5% with 90% of the national energy consumption being contributed from biomass. Coverage of the grid was concentrated in Dar es Salaam and other urban areas.

REA started its operations focussing on the organisational set up and facilitating rural energy projects and raising financial resources for that purpose.

REA is supporting development of rural energy projects to enable more people in rural areas to access modern energy services. REA Annual Report 2009/2010 indicates that the "ultimate aim of REA is to supply electricity to all the rural communities in the country". The draft Baseline Survey Report for energy Access and Use in Tanzania Mainland, (2011) conducted by the National Bureau of Statistics show that the level of electrification in the rural areas is still very low such that the percentage of households electrified is now estimated to be 6.6% through both the national grid (4.6%) and other sources of energy (2%).

In support of REA's mandate the Government, through MEM, will be formulating a Rural Energy Policy to provide policy guidelines for rural energy development. Tentatively, the Rural Energy Policy will include the following policy principles:

- Stimulate income-generating activities and rural productive uses
- Promote proximate access to modern energy services in critical social institutions
- Transparent, up-front capital subsidies (when required)
- A "pro poor" approach
- Facilitate private sector participation and entrepreneurship in the rural energy sector.
- Environmental protection
- Gender equality, awareness and advocacy
- Research and Development
- Rural Energy Awareness Raising
- Promotion of new and renewable energy technologies

## **2.2. Purpose**

The CD-REA project purpose is that REA will have knowledge, skills, competence, systems and tools required to efficiently and effectively carry out the obligations of the Agency, both in the short and long term. The specific objectives for the different phases of the CD-REA project are:<sup>1</sup>

1. Inception Phase: Strong governance, management, organisation and financial capabilities of REA.
2. Implementation Phase: Fully fledged operational capacity in terms of human and financial resources, skills and competences and operational tools and systems.
3. Optional Consolidation Phase: Awareness raising, information sharing, profiling and networking towards stakeholders.

The expected output of the project is as follows:

### **PHASE 1**

#### *Inception Phase (3 months)*

- Review and revise the LFA (Logical Framework Analysis), with populated baseline figures;
- A detailed Plan of Operation for the first 9 months and an indicative Plan of Operation for the remaining 12 months of the services (implementation phase);
- Reviewed subsidy award guidelines (final guidelines approved within six months);
- Training needs assessment and training plan;
- Cooperation procedures with EWURA; and
- Inception Report.

#### *Implementation Phase (1 year 9 months)*

- An appropriate REA Organisation structure in operation with required procedures and guidelines in place;

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<sup>1</sup> Section 2.2 refers to mainly the Project Document for Capacity Development of the Rural Energy Agency as of December 2007. Some of this may have been restated in the Terms of Reference but the main scope of work and output remains.

- REA staff trained in operational procedures and tasks;
- Manuals for business plans, project proposals and appraisal developed;
- Information, monitoring and evaluation system formulated and operational;
- Data base designed, installed and in operation;
- Communication and outreach strategy formulated;
- Partners and stakeholders network developed;
- Review projects under implementation;
- Review and update list of potential sources of funding and bid packages for project developers;
- Proposals for external funding solicited.

## **PHASE 2**

### *Optional Consolidation Phase (2 years)*

- Adequately trained REA staff that will be able to operate the agency independently, without regular external support;
- Wide outreach of REA activities in rural areas.

In order to achieve the objectives and planned output of the capacity development of REA, a number of activities were to be performed.

An extract from the CD-REA Project document presents the activities that were envisaged at the onset of the project:

During the Implementation Phase, focus will be on defining, formulating and establishing operational procedures for REA and REB operations. In parallel, equal importance will be given to developing networks with local government and other collaborating partners nationwide, including initiation of systematic communication with stakeholders. It is envisaged that an action learning approach shall be adopted, in order to ensure a demand-based design of REA support and to build capacity on real case scenarios.

Tentatively, the following areas of activities have been identified:

- I. Development, design and implementation of systems, procedures and routines required for efficient operation of the REA, including progress reporting to the REB and donors.
- II. Elaboration of procedures with EWURA for sequencing of licensing and subsidy awards.
- III. Development of a robust information, monitoring and evaluation system that ensures incorporation of lessons learned into guidelines and operations to improve chances for future success and improved impact.
- IV. Design of a database, including stocktaking of past RE projects, and formulation of routines for continuous updating.
- V. Development of the capacity and skills of the REA staff in the supervision of implementation of projects in accordance with Training Plan.
- VI. Review of a manual for project plans and appraisal guidelines covering different types of investments (hydro, PV, grid extension, etc.).
- VII. Development of a network of skilled partners and collaborators to increase the reach of REA, through capacity building of the Regional Administration Secretariats (RAS).
- VIII. Development and implementation of a communication strategy to provide a mechanism for two-way communication with stakeholders, including outreach activities.
- IX. Identification and mobilisation of financing for the REF and potential project developers, including CDM opportunities.
- X. Any other activities as identified during the Inception Phase or as agreed with the REA, within the framework of the support.

## PHASE 2 - Consolidation Phase (2 years)

After the completion of Phase 1, an evaluation of the capacity development of REA will be made. Based on the outcome of this evaluation, additional activities may be required, broadly defined as:

- i) Continuous capacity development and training of REA staff in the operational procedures and systems of the REA and the REF; identification, training and capacity development of local rural energy project developers, further development of networking with collaborating partners and stakeholders.
- ii) Any other activities as identified during the Implementation Phase, by the Evaluation, or as agreed with the REA, within the framework of the support.

### Input and required expertise

The capacity development of REA will require Technical Assistance comprising expertise with profound knowledge and experience of market-based energy sector development, as well as expertise in establishing institutional frameworks. First hand working experience with rural electrification and experience in similar bodies to the REA in other developing countries is needed. Specific expertise in developing appropriate subsidy schemes and in the preparation of tender documents for rural energy projects will also be necessary.

It is expected that the project will need a local project coordinator available on a full-time basis during the Implementation Phase, i.e. the first two years. Short-term expertise shall provide necessary input. The major part of the work (at least 90%) shall be performed in Tanzania.

## 2.3. Intervention

The CD-REA Project was organised into work streams that were largely based on the ToRs for the project.

The ToRs for the CD-REA project were as follows:

1. Assessment of the policy/Acts, and Regulatory framework and governance if it is conducive for the REA to achieve its mandate even after receiving the capacity building provided under the project
  - *To review and monitor the Government policy for rural energy*
  - *Review criteria for subsidy allocation and other strategic conditions for successful provision of modern energy services in rural areas*
  - *Interface and develop modalities of cooperation procedures between REA and EWURA (the regulator)*
  - *Elaborate procedures with EWURA for sequencing of licensing and subsidy awards*
2. Ensure sustainable capacity within the Rural Energy Agency to execute its obligations in the short and long-term perspective has been developed.
3. To assist in developing guidance and methods for the preparation of bid packages for rural energy services.
4. Assist in developing guidance and methods for the preparations of packages for rural energy services provision.
5. Assist REB in soliciting proposals for external funding of the REF.
6. To Review other strategic conditions for successful provision of modern energy services in rural areas.

The work streams were developed as a structured way to provide capacity development in REA and are as follows:

Work stream	Focus
Institutional and Operational support to REA	Design, develop and implement required administrative and operational systems, guidelines and procedures and providing advisory role Review and implement capacity development and training.
Systems	Develop information and M&E system Review existing database to contain past rural energy projects
Rural Energy Project capacity Building	Develop skills in REA to supervise and implement rural energy projects
Business Plan Development	Develop standardised project documents- business plan, proposals, appraisal guidelines for different renewable energy technologies- hydro, wind, solar PV, grid extensions
Communication and Outreach	Develop network of partners, stakeholders and collaborators. Develop and implement Communication strategy
REF Financing	Identify, mobilise financing for REF and project developers Investment prospectuses
Additional activities	To be agreed with REA at Inception and Implementation Phase.

## 2.4. Organisation and Stakeholders in the Energy sector

REA is at the centre of promoting modern energy service delivery in rural mainland Tanzania. It administers the Rural Energy Fund that receives money from the Government of Tanzania as the main subscriber, development partners, electricity supply levy and also interest. REA is governed by a Board of Directors (REB) that guides its operations and interprets the policy and provide policy advice to the Ministry of Energy and Minerals. The REB is the official custodian of the REF.

REA works closely with other stakeholders to ensure coherence in meeting its mandate. REA falls under the Ministry of Energy and Minerals (MEM) that is responsible for policy directives including those related to rural electrification. The Ministry also acts as link to development partners in terms of entering into multilateral and bilateral co-operations through the Ministry of Finance and Economic Affairs. Another sister organisation in the MEM, the Energy and Water Utilities Regulatory Authority (EWURA) is responsible for among others, licensing, tariff review, monitoring performance and standards with regards to quality, safety, health and environment. EWURA is also responsible for promoting effective competition and economic efficiency, protecting the interests of consumers and promoting the availability of regulated services to all consumers including low income, rural and disadvantaged consumers in the regulated sectors.

Tanzania Electricity Supply Company (TANESCO) is the national power utility responsible for generation, transmission and distribution of electricity. TANESCO provides specifications and standards to private contractors involved in rural electrification. TANESCO also supervises contracts implemented by private contractors to ensure that the standards are met. The Electricity Act has now opened up opportunities for other project developers to generate and distribute electricity under EWURA regulation. TANESCO is the major player in implementing REA's grid extension projects.

REA solicits for applications/proposals of grants and subsidies from various project developers that can be public, private, NGOs and communities. REA assesses the quality of proposals and recommends to REB for REF support. REA has engaged a Trust Agent as stipulated in the Rural Energy Act, 2005. The Trust Agent is appointed by REB and is responsible for disbursement of grant payments from the Fund and ensuring that any pre-conditions set by the Board for making a grant payment are met by the project developer including financial disbursement, verification and monitoring activities. The Trust Agent disburses payments according to the schedules established in the grant contracts.

Development partners that are active in the energy sector are interacting and involving REA where there is synergy in delivering modern energy services in rural Tanzania. REA's performance is also gauged in the context of this organisation and stakeholder framework.

### 3. KEY ISSUES AND FINDINGS

Key issues and findings have been organised into categories. Initially, the overall progress of the Implementation of CD-REA, then an overview of the REF support to project development, followed by an assessment of the CD-REA Consultant organisation, REA's capabilities and how the CD-REA Consultant has so far responded to the tasks under the work-streams defined for the project. The MTR also alludes to the other activities that were requested by REA in the context of the CD-REA project. This section concludes by evaluating the CD-REA Consultant's reporting and financial status of the project.

#### 3.1. Overall Progress in the Implementation of the CD-REA Project

##### 3.1.1 *Project Performance*

The implementation of the CD-REA Project is on track and after 15 months of implementation the 11 work sessions out of the 12 agreed work sessions had been completed. There is evidence that the CD-REA Consultant adequately addressed the need and designed an appropriate training program for the Implementation Phase. Although the CD-REA project was initiated after REA had started operating, the MTR team's view is that the project began at a point when REA had understood more clearly their capacity needs and hence REA has been able to guide the CD-REA project as to how best REA could be assisted in strengthening both its human and institutional capacity. This has had a positive contribution to the project to align the project components to the needs of REA.

The approach adopted by the CD-REA Consultant to conduct capacity development of REA as well as the team of consultants deployed in the project are considered to be of a high standard by REA staff that participated in the capacity development sessions. The presence of the local coordinator is also well recognised and is believed to have increased contact time and additional support in form of exchange of experiences. There is, however, a realisation that the training gains so far achieved should be followed by more practical approaches in form of learning by doing and study visits. These visits have been planned within the Implementation Phase but have not been undertaken to date.

The support provided by Sida through the CD-REA Project and other initiatives for the energy sector is well appreciated by REA, the REB and other key stakeholders including in the Ministry of Energy and Minerals, EWURA, TANESCO and among the development partners. There is a desire among REA Management, REB and key REA staff for the CD-REA to continue into consolidation phase. Although some activities for the consolidation Phase have been suggested to the MTR team, the MTR Team proposes that REA and REB map specific activities that can be undertaken in the Consolidation Phase. This can be done before the end of the Implementation Phase and also after knowing whether Sida will support the Consolidation Phase. The Consultant should also take stock of the gained skills and capacity from the implementation Phase to be able to advise on further support in the consolidation phase. There have been suggestions from the REA staff that some training sessions should be repeated either due to the complexity of the topic or because concerned staff were not able to attend. Some working sessions had lower participation (Figure 3.7) and especially the staff in the Monitoring & Evaluation section has requested a repeat of those working sessions. The working sessions are the main carrier of the capacity building process, hence the effectiveness of these sessions are paramount to the capacity building performance. No evidence was found that the CD-REA consultant monitored either the attendance or the perceived quality of specific sessions. **It is recommended that the CD Consultants develop some indicator and means of measurement to verify the effectiveness of the capacity building during the Implementation Phase.**

There are a number of outstanding activities of the CD-REA project that were not fully completed at the time of MTR, among them various components of the Operational Manual that should be completed and adopted before the end of the Implementation Phase. **The MTR Team recommends that REA undertake**

**a checklist to ensure that all the products, tools and manuals that are to be delivered in the Implementation Phase are accomplished on time.**

The reporting by the Consultant needs to be strengthened. The semi-annual and annual report includes the required assessments as outlined in the ToR, however the progress reported is primarily output based and very little outcome based. **It is recommended that the Consultant includes more of an outcome focus in its reporting of progress. The reports shall also include an analysis of the actual cost in relation to the Annual Plan of Operation and the budget included therein.** There is no follow-up of actual costs incurred during the reported period. In short, it is difficult to do any analysis of the consultant's efficiency in performing its services. To that effect **it is recommended that the Consultant include a more detailed budget follow-up in its subsequent reports.**

### **3.1.2 REA's capacity benefits**

REA is recognised by key stakeholders (Government, development partners, and other sister organizations) including the CD-REA Consultant to have a strong team of staff that delivers REA's functions. Capacity building, being incremental, means that the CD-REA projects are gradually contributing to the skills base. Some stakeholders and REB also recognise the improvements in communication and reporting that has been noticed in the period the CD-REA project has been running. However, additional capacity was indicated to be necessary in preparation of project proposals.

Development partners that were contacted as part of this MTR also indicated that REA was well equipped to deliver on its mandate. Development partners have professional engagement with REA staff on their special projects and are happy with the collaboration they are receiving from REA, although it is emphasised that further capacity building of REA is necessary.

REA has a strong well-motivated work force that is delivering within their functions and this is also recognised among REA's key stakeholders who engage with the staff of REA. The concern is that REA is increasingly taking up more responsibilities and that its staff may be overstretched in the near future. Already REA staff has significant commitments to report to various funding sources. Sida has decided not to demand special reporting apart from the usual REA reports. It may be good that other development partners are persuaded to harmonise their reporting with that of the REA. **In order to achieve this, the REA is advised to assess its own reporting as well as engage with the development partners so that similar reporting can be used for all donors.**

REA currently is responsible for REF supported initiatives and other special funded initiatives through the other development partners and the same key staff of REA tend to be involved. REA should ensure that capacity development also flows to junior staff so that flexibility is created and the senior staff does not become overstretched as more responsibilities are introduced within REA. REA, having been designed to be a lean organisation, would not be expected to grow to continue to absorb further responsibilities. Some new positions have been created as a recommendation of the CD-REA consultant and unfilled positions are being recruited. This revised organisation structure should be given some time to demonstrate its effectiveness; otherwise continued expansion may also result in compromising quality of service.

There is evidence that REA is well respected in advancing rural energy projects both grid and off-grid electricity and other energy projects, although more effort is required to promote non-electricity energy projects. There are also indications from stakeholder consultations that project developers are responding to utilisation of the tools and packages developed through the CD-REA project in the preparation of their rural energy projects.

REB is found to be proactive in driving the agency and should also be considered for CD from such a CD-REA project, but such support needs to be first streamlined and agreed with board members themselves.

**The involvement of the CD-REA consultants on the governance level should be considered, and there is need for stronger result-based reporting of the Agency.**

### **3.1.3 Rural Energy Fund Performance**

Funding is being provided largely through government budget, the levies on electricity and petroleum products, and contributions from development partners. There is also a levy on mobile phone airtime under discussion.

Apart from the above sources and the special funds coming on a project basis from other development partners, there is no evidence of other sources having been identified and approached in the context of the CD-REA project.

There is evidence that the government is commitment to fund the REA as the Government makes every effort to make its contribution in spite of financial constraints. At the time of the MTR the GoT had already paid its commitment for that quarter. However, past performance indicates that the government had problems fulfilling its pledges. For the fiscal years 2008/2009 to 2010/2011 the government pledges were at 118.4 billion TZS and actual disbursement at 66.3 billion TZS (56 %). 2009/2010 was the only year when actual disbursement equalled the government pledge.

Although the REF resources are not always at the required level, the REA has devised ways of supporting rural energy development through tranche payment to the Trust Agent while the resource supply is pending.

The amount allocated to projects over the first three fiscal years<sup>2</sup> of REA operation was 120.9 billion TZS and the disbursements to projects over the same time was 53.8 billion TSZ. This could indicate that the projects funded in 2009/2010 are either delayed or take a long time to implement since disbursements are being delayed (Table 3.1). During the same period the total inflow to the fund was 106.5 billion TZS and REA funding for operational expenses was 13.1 billion TZS, thus leaving 93.4 billion for project funding. By the end of FY 2010/2011 there appears to be a deficit in REF of 27.1 billion TZS in terms of allocations but a net balance of 39.6 billion TZS in terms of outflow.

YEAR	REF ALLOCATIONS TO PROJECTS	REF OUTFLOWS TO PROJECTS	% OUTFLOW TO ALLOCATION
2008/2009	1 013 044 196	1 030 784 196	102%
2009/2010	99 266 403 005	27 838 638 530	28%
2010/2011	20 573 080 068	24 962 921 541	121%
<b>TOTAL</b>	<b>120 852 527 268</b>	<b>53 832 344 267</b>	<b>45%</b>

**Table 3.1: REF project allocations versus outflows (source: REA Finance)**

There is a well-functioning system of utilisation of REF for promoting preparation and installation of rural energy projects and the MTR team found that the use of the Trust Agent was working well both on financial management and the responsibility of monitoring projects implementation. The MTR team reviewed the reporting done by the Trust Agent and were of the view that they fulfil what is expected from them. The reporting by the Trust Agent (TIB) is comprehensive and feeds into the M&E system of the REA. However, this does not relieve the REA of doing its own field inspections to ensure that the installations are implemented according to the technical specifications, project costs and that the socio-economic impacts are being considered. REA and the CD-REA consultants are in the process of formulating a M&E framework to ensure that results are properly monitored and impact on socio-economic development is evaluated and realised. Even with the holistic approach of the current draft framework, it is more focused on monitoring and evaluating the internal indicators of REA. It could be strengthened in monitoring and evaluating the effects of the projects intended for rural transformation

<sup>2</sup> Full operation of REA commenced in reality in FY 2008/2009



and after reviewing the M&E framework, the element of monitoring outcome and impact will need to be enhanced<sup>3</sup>.

Apart from supporting project preparation and installation, **the MTR Team after site visits realised that it is also important on the part of REA to have modalities of monitoring continued operation and maintenance of completed projects to ensure their continued delivery of modern energy services.** At the moment monitoring by both the Trust Agent and REA has been focussed on project implementation. This aspect may be addressed when REA's M&E system start doing impact assessment of implemented projects.

### 3.1.4 Stakeholder Networking

There is also good networking with other key stakeholders through a number of already existing fora to advance REA's mandate of delivering modern energy services in rural areas e.g. Rural Energy Working Group where MEM, EWURA, TANESCO, REA and others are represented. REA and TANESCO have monthly meetings as TANESCO is driving most of the grid connected projects supported through REF. REA also interacts with EWURA on SPP (small power projects) guidelines. REA, TANESCO and EWURA have a joint working group that meet regularly. There is, however, no formalised network formed under the CD-REA project as envisaged in the Inception Report. This is understood to be on the advice of REA not to create new networks when there are fora that are already in place and are working well. **The MTR recommends that the CD-REA consultant together with REA and the other stakeholders investigate whether a suitable work session is required to enhance coordinated planning and reporting of activities among the stakeholders.**

However, **the MTR team recommend that REA take the opportunity of using some of the funds allocated for the Study Trips to initiate a networking with the other Rural Energy Agencies in the region.** Both in Zambia and in Uganda the respective agencies have been in operation for some time and there would be an opportunity to exchange experience and lessons learned. There may also be operational guidelines that could be shared and used in the Tanzania context. In Uganda several manuals have been developed, e.g. a manual for establishing electricity cooperatives and a manual for "Productive uses of Electricity Campaigns". The networking could take place both formally and in-formally.

## 3.2 Projects Development Capacity

The number and diversity of projects being supported, and the status of REF support to these projects can also provide a reflection of REA's capacity to support and supervise/guide project development and implementation.

At the time of the MTR there were 81 REF supported projects and of these most are grid related projects undertaken through TANESCO (either directly or using contractors)<sup>4</sup>. From 2008/2009 to 2010/2011 the share of project allocations to TANESCO averaged 99.6% and the rest, 0.4%, to other Project Developers. The implication of this is that projects by other PD's are either very small or very few (table 3.2).

YEAR	TANESCO (TZS)	OTHER PDs (TZS)	TOTAL (TZS)	% of budget to TANESCO	% of Budget to OTHER PDs
2008/2009	984 159 196	28 885 000	1 013 044 196	97.1	2.9
2009/2010	99 042 575 346	223 827 659	99 266 403 005	99.8	0.2
2010/2011	20 333 813 605	239 266 463	20 573 080 068	98.8	1.2
<b>TOTAL</b>	<b>120 360 548 146</b>	<b>491 979 122</b>	<b>120 852 527 268</b>	<b>99.6</b>	<b>0.4</b>

Table 3.2: REF project allocations Tanesco versus other Project Developers (PDs) (Source: REA Finance)

<sup>3</sup> The M&E framework is further discussed in section 3.7 Systems for REA

<sup>4</sup> TANESCO projects implemented through contractors are referred to as turnkey projects.

When REA started supporting projects in 2008/2009, the share of REF that was disbursed to support projects out of the REF inflow was only 8% but rose to 57% in 2009/2010 and 55% in 2010/2011 showing a significant increase in the share of REF inflow that is being used for projects. In comparison, REA Operations budget was 28.5% of REF inflow but now averages 12% (Table 3.2). The share being used for REA operation could be used as an indicator showing the cost efficiency of REA as it would reflect both its ability to attract new funds into the REF as well as its capacity to process rural energy projects.

YEAR	OUTFLOW (TZS)		INFLOW (TZS)	% of REF inflow to REA Operations	% of REF inflow to Projects
	REA OPERATIONS	PROJECTS			
2008/2009	3 584 253 027	1 030 784 196	12 560 034 292	28.5	8
2009/2010	4 193 745 499	27 838 638 530	48 568 947 202	8.6	57
2010/2011	5 386 861 772	24 962 921 541	45 343 178 099	11.9	55
<b>TOTAL</b>	<b>13 164 860 298</b>	<b>53 832 344 267</b>	<b>106 472 159 594</b>	<b>12.4</b>	<b>51</b>

Table 3.3: REF Inflows and outflows. REA operation versus Projects (TZS) (Source: REA Finance)

Considering all the project applications for funding, the REA Project Management database shows that 321 projects with a total project value of 332.3 billion TZS have sought support from REA since 2008. Project developers requested subsidies of 324 billion TZS (97.5% of project costs) and the total allocated funding at the end of FY 2010/2011 stands at 120.8 billion TZS (table 3.2). The total amount requested shows that the demand on REA's support to the rural energy projects is overwhelming. The REA Project Management Database shows that 29.5 billion TZS (9.1% of requested) has been approved for REF funding, which is a deviation from the information received from REA finance (120.8 billion allocated and 53.8 billion disbursed), this points at inconsistencies in the database management.

Of the 321 projects that sought support from REA, 75.7 % of the projects were for grid connected electrification followed by solar (6.9%) and small hydro (6.2%). There were also a few projects for biogas, wind, charcoal, efficient stoves and other renewable sources. Apart from TANESCO electrification projects, RE funds were also used for compensation of properties affected by way leaves (Fig 3.1).

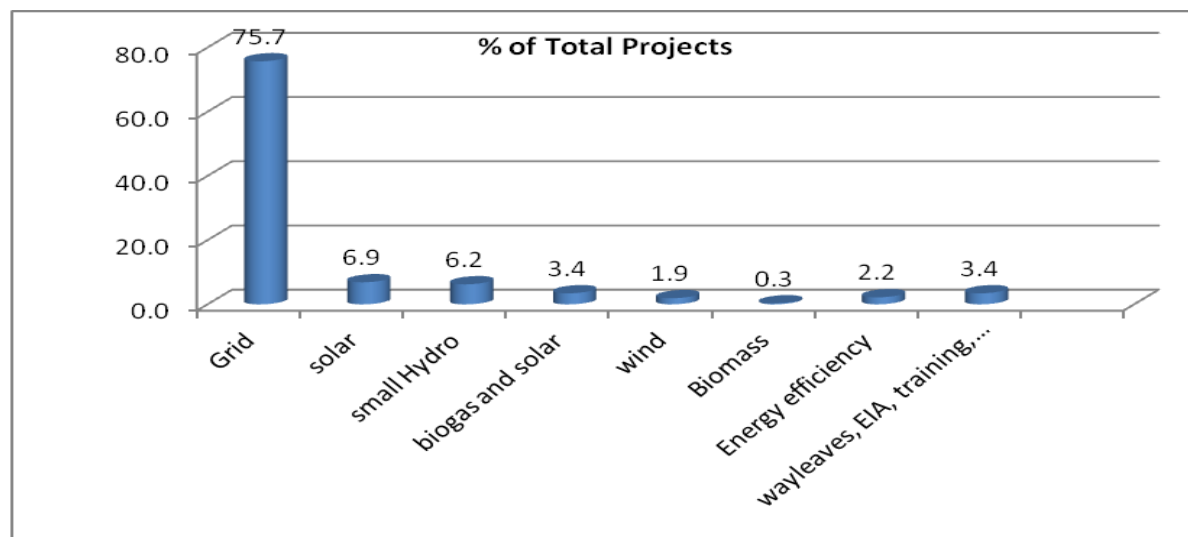
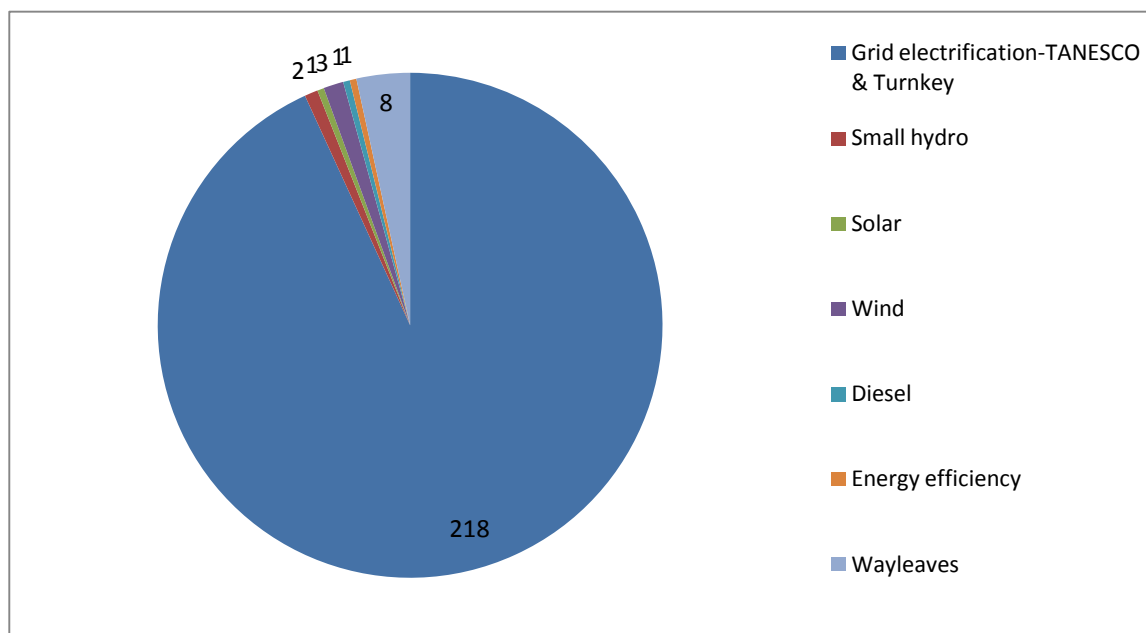


Fig 3.1 Share of project types seeking support from REA (source. REA Project Management database)

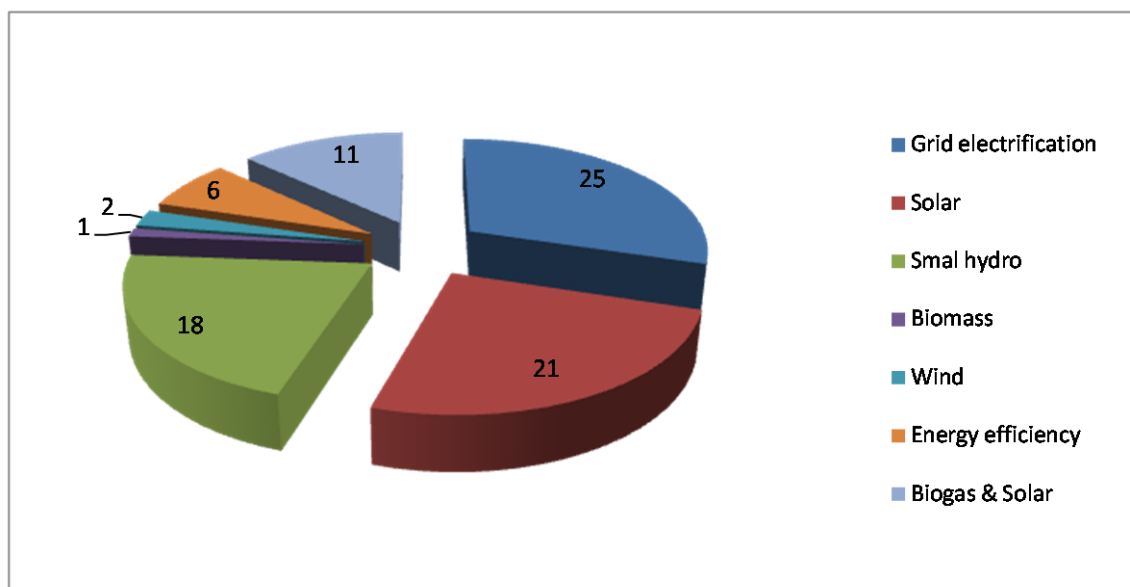
Of all projects that requested REA support, 234 projects (72.9%) were under TANESCO at project costs of 289 billion TZS and 87 (27.1%) projects were under other developers at project costs of 43.3 billion TZS. Of the total project cost TANESCO have requested 87 % and other developers have requested 13 %. At the time of the MTR, TANESCO had secured 98 % and all other PDs 2 % of the total approved subsidies confirming that most of the approved funding goes to support TANESCO projects. The majority of

TANESCO projects that sought REA support were for grid electrification including those for turnkey operations (Fig 3.2).



**Fig 3.2 No of different Tanesco project types seeking funding from REA (Total 234 projects)**

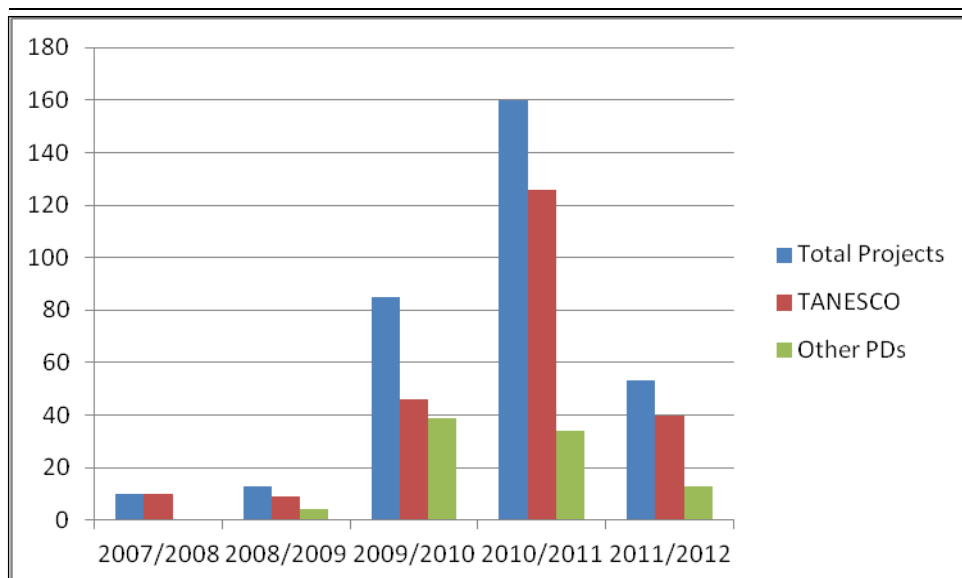
In the case of other developers, grid electrification projects, solar, and small hydro dominate the projects seeking support from REA. There are also a few integrated biogas/solar, energy efficiency, wind, and biomass projects that have sought financing from REA (Fig 3.3).



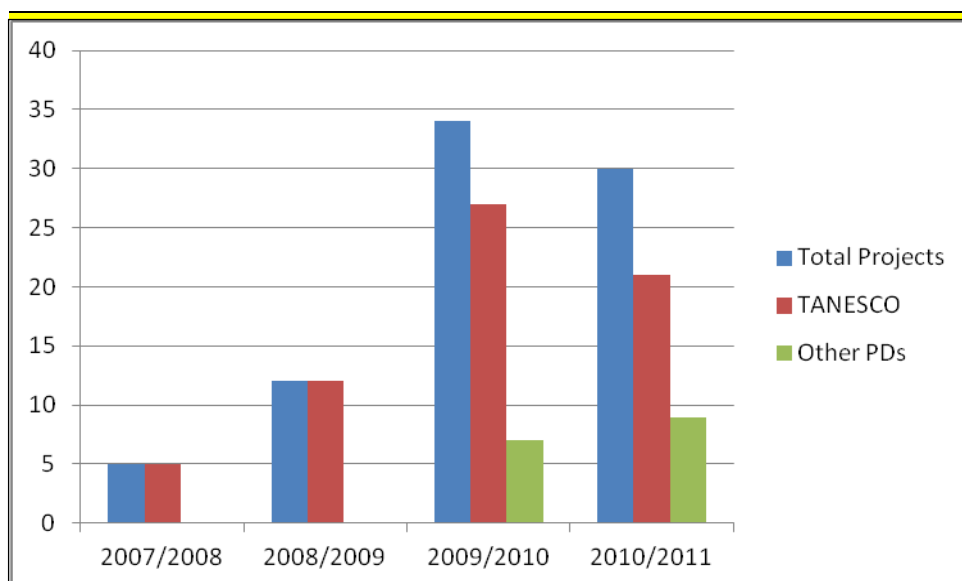
**Fig 3.3 No of different Project types seeking REA funding support by other Project Developers. (Total 87 projects)**

There is clearly a need to support projects by developers other than TANESCO and also projects in other forms of energy other than grid electricity, as so far these developers and the projects that have been submitted for REF funding are still very few.

The REA project management database shows that REA had disbursed money to the Trust Agent for 79 projects<sup>5</sup>. In the Annual and Mid Term Review of the CD-REA Project of October 2011 report, 81 projects were being implemented with REF funding support. The figure given by the Trust Agent for project receiving support from REF was 87. This emphasises the need to reconcile data from the various sources and updating the Project Management database timely. There is significant increase in the number of projects requesting REA support since 2007 as depicted in Fig 3.4.



**Fig 3.4. No of Projects requesting support from REA 2007-2011.**



**Fig 3.5. No of Projects approved for REF support 2007-2011**

In the list for approved projects, the majority in all the years were for TANESCO. In 2007/08 and 2008/09 there were no projects approved for other PDs also noticing that in 2007 no projects were submitted by other PDs and only 4 were submitted for request of REA support in 2008. As from 2009 to date, both TANESCO and projects submitted by other PDs have started receiving significant support

<sup>5</sup>In this project management database, the amount disbursed to the Trust Agent was updated only to March 2011 and some of applications have no dates of submissions

(Fig 3.5) **but further emphasis on support is necessary for other PDs and also for non-electricity/power energy projects.**

Apart from REF, REA is also engaged in supporting projects that are financed through the WB, Sida Trust Fund, EU (10th EDF Rural Energy Programme in Tanzania) and Energy Facility II, and Russian Trust Fund for which arrangements are being concluded.

The information provided from both the REF accounting and the Project Management Database clearly show that the demand on REA for processing project requests is huge and also that its capacity to meet that demand is improving. Despite a setback in terms of approved projects and allocated funding in FY 2010/2011 there is reason to believe that the capacity of REA to process applications will continue to increase as funding in REF will permit.

It is recommended that the project databases are reconciled with the REF accounting and Trust Agent reports to ensure homogenous information.

### **3.3 Organisation and Management of the Consultant**

The three-month inception period was implemented by an inception team from the consultant consisting of Dr. Therese Hindman Persson (Team Leader) and Mrs. Esther Masunzu (Local Coordinator). Both were attached to REA full time during the inception period from April to June 2010.

The implementation period started July 1<sup>st</sup> and the Pöyry team included 14 international and 3 local consultants and a full-time local coordinator for the implementation phase. It appears as if the core team consisted of 3 consultants providing 45% of the input during the first planning period, the other 14 consultants had a limited scope of activities and met with REA only on one or two occasions. The key consultants, the Team Leader, the bio fuels and cooking fuels expert, and the rural energy-planning expert, are very experienced in their respective fields and with extensive experience from the rural energy field both in Tanzania and in the southern Africa context.

The implementation phase of the project was intended to support REA *“in developing and building technical and institutional capacity of REA to efficiently and effectively carry out her obligations, both in short and long term”*. The approach selected by the consultant was to formulate 7 work streams<sup>6</sup> to operationalise the support to REA in areas related to the project objectives. (The progress of the work streams is discussed later in this report under separate headings.) Each work stream has its own associated tasks attached to it. Half of the consultants were attached to only one work stream while the other 50% provided services to 2 or more work streams.

The services provided to REA were centred around 12 specific work sessions being part of the training and capacity development of the staff. These work sessions were planned with specific dates during the inception period and were also delivered according to plan. The visits by the consultants took place in connection with the sessions. Most of the sessions were linked to a specific output in one of the work streams. The upside of this planning was that REA could plan its activities according to this plan to ensure that as many of its staff could participate, the down-side of this approach was that in most cases this was the only time to develop the specific tools and guidelines, and after the departure of the consultants REA was pretty much left on its own to carry out further development work.

At the time of the MTR most of the documents produced as part of outputs of the CD-REA project were still in draft form and were waiting to be reviewed and updated by REA. The effectiveness of developing the tools and guidelines and other supporting procedures might have been improved if the number of consultants had been fewer, thus creating a better understanding of the situation at REA and being able to assist REA in the finalisation of the documents during repeated trips.

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<sup>6</sup> The different Work Streams have been presented and discussed in section 2.3 The Intervention.

It appears that the training in the work sessions and the frameworks being developed during the visits by the consultants needed more practical support and coaching to enable the REA staff to finalise the output in a more process oriented approach.

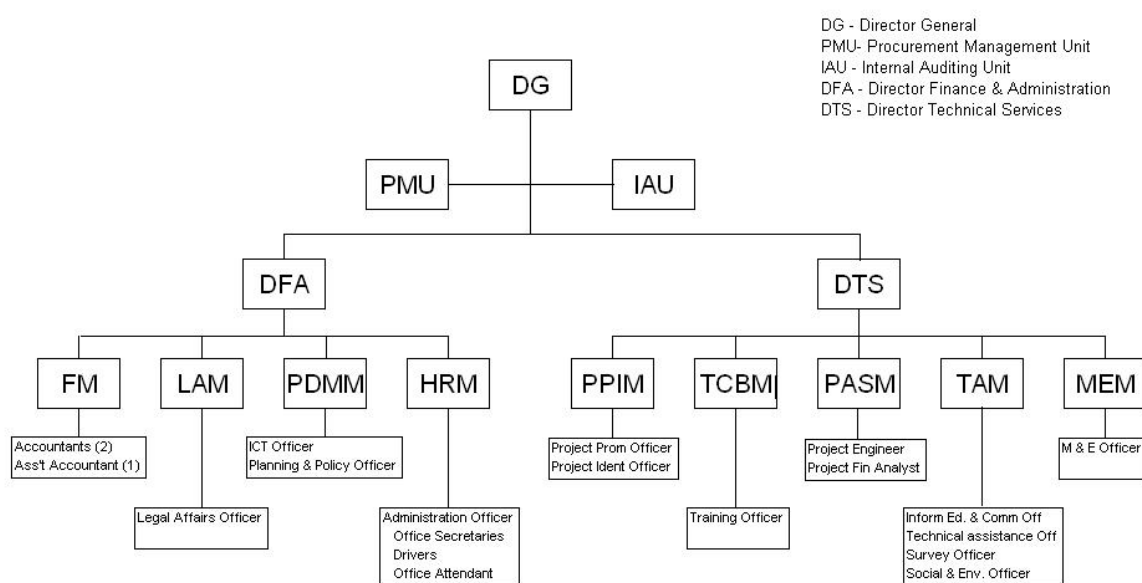
A centrepiece of the support to REA was having a local coordinator inside the organisation during the entire first phase (Inception and implementation phase). It is clear that this was much appreciated by the management and staff of REA and her contribution to the progress of the project is undeniable. However, the progress reports make no reference to the contribution of the local coordinator. It would have been better if the services provided by the coordinator had been reported on to link up with the overall progress of the project. This would have helped to assess the effectiveness of her role and to determine if this approach was cost effective.

### 3.4 REA Institutional and Organisational Capabilities

The REA capacity development assignment was initially designed to support the REA just after it had been established and before the REA had fully commenced its operation.

At the time the capacity building project commenced REA was already an almost fully staffed institution and the organisational structure had already been revised to accommodate its functions and mandate. As part of the training needs assessment performed during the inception period by the consultants some additional functions were suggested. REA has acted on some of the suggestions. Today, there are a total of 38 people employed in the Agency and REA is in the process of recruiting additional people to strengthen some functions e.g. procurement and for planning and policy.

The management of REA consists of one Director General and a Director for Technical Services and a Director for Finance and Administration. In technical services there are 5 managers and in Finance and Administration there are 4 managers. The organisational structure is shown in figure 4.6. The staff of REA is very competent and approximately 50% come from the energy sector. The current Director General was recruited from within the Ministry of Energy and Minerals and was at the time Assistant Commissioner for Energy Development. The Director of Finance & Administration as well as the Director for Technical Services also worked in the energy sector.



**Figure 3.6: Current organizational structure of REA**

There are weekly management meetings and once a month there is a general meeting with all the staff.

The Rural Energy Board (REB) governs REA with its 8 members representing the main stakeholders. The members are representing the Private sector, the Ministry of Finance, the Ministry of Energy and Mines, the Ministry responsible for Regional Administration and Local Government, the Tanzanian Bankers' Association, the Civic Society, Consumers, and the Development Partners<sup>7</sup>. The board meets regularly every quarter and a progress report is submitted by REA for deliberation at the board meetings. Two sub-committee meetings, one for Finance and Administration and one for Technical Services supersede the board meetings. This set-up provides for good governance as specific issues can be dealt with in detail before the board meeting and specific tasks can be delegated by the board to the sub-committees.

The first REB term ended in 2010 and the Minister appointed new board members. The new board has 9 members including the chairman, two members remained from the previous board being the representative for the Ministry of Energy and Minerals and the previous chairman representing the Ministry of Finance and Economic affairs. The new chairman is from the private sector.

The first strategic framework for REA was created in 2008, which provided the guidance of REA in its start-up phase. The strategy is well developed and was recently updated (May 2011). It has a Situation Analysis, Mission and Vision, elaborates on Core Values and includes 5 core objectives and a result framework. The result framework includes five specific objectives with indicators attached to them, all in all 15 different indicators.

A new Strategic Plan is under way and preparations have already started by means of a Board retreat. The new Strategic Plan will be for a period of 5 years and there will also be a Business plan attached to it. REB and REA will be provided assistance from the President's Office Public Service Management for the elaboration of the plans. In development of the new Strategic Plan it is advised that specific Key Performance Indicators are identified, no more than five that would accurately measure the progress of REA towards its objective. These indicators should be presented every quarter to the members of the board as well as to the staff. The outcome and result orientation need to be stronger inside REB as well as inside of REA.

The operational set-up of REA is becoming more streamlined as successive amendments to the organisational structure have taken place. There is a need for the REA to closely analyse its processes to identify the core processes and to further streamline its work for fulfilment of its objectives. It appears as if the organisation has been largely task and output- oriented. In order to become more outcome and impact oriented there is a need for further alignment inside the organisation and focus should be shifted towards realising the results and impact after completion of the project. **The capacity development project has an important role in identifying the processes inside of REA and contributing to a shift from task orientation to process orientation.**

### 3.5 Policy/Acts and Regulatory Framework and Governance

The MTR set out to review if the consultant had reviewed the necessary policy and regulatory guidelines and recommended any changes. The MTR also sought to understand if there were other policy issues that needed to be addressed in order for REA to meet its mandate of delivering modern energy services to rural Tanzania.

REA confirmed that the consultant reviewed existing documents that were in place and the REF guidelines and the subsidy award guidelines are now part of the Guidelines for Financing Rural Projects. The provided document was found to be comprehensive enough to guide REA with regard to REF management and awarding subsidies in support of project development.

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<sup>7</sup> The Rural Energy Act, 2005, sec 7

The governance system in place of REB has two subcommittees, one looking after Technical and the other Finance and Administration matters which provides the necessary attention to the two major areas of REA's KPIs. The Board acts as a Trustee of both the REF and REA and meets quarterly in accordance with the Rural Energy Act, 2005 but can also meet for strategic meetings. The first REB had to meet for several of those strategic meetings at the start of the REA and was active in the development of the REA policies, guidelines and manuals and the Strategic Plan. The subcommittees meet prior to the full board meetings. This was understood to work well.

The REB member<sup>8</sup> interviewed confirmed that the CD-REA support came at the right time in the support of REA staff development. There is also an opportunity for the REB to benefit from the CD-REA project. The idea has been deliberated by REA management and the consultant to develop a work session for the REB but that opportunity is still to be taken up. Although the Board members attended a 5 day training in Nairobi recently, the MTR Team would recommend organising appropriate work sessions for the board members as well. This would provide uniformity to approaching REA governance among the board members that come from different origins. The content of the work sessions should be agreed with the REA, the CD consultant and the board members themselves.

**The MTR proposes that dialogue takes place before the end of the Implementation Phase to streamline capacity building requirements for the REB and REA for possible inclusion into the optional consolidation phase.**

One aspect discussed with a member of REB relates to contract performance of employees. The advantage of contract performance is to be able to derive results and also remunerate employees in a competitive manner. However where contracts soon expire, that may create uncertainty and if staff leave then the capacity built may also be eroded. One solution is to migrate to a permanent staff system with competitive remuneration or lengthen contract periods where applicable.

Additional policy elements that were presented to the MTR team related to connection subsidies and tariff setting. The majority of rural households cannot afford the connection (US\$300-500) and this is recognised as slowing down the rate of new connections even after the grid is installed through the REF support. This requires a focussed rural energy policy to address, and this is expected to be addressed in the process of revising the National Energy Policy that is due to start soon. The Revised National Energy Policy is expected to address both the macro level subsidies as well as consumer level subsidies and this hopefully can also provide answers regarding the connection subsidy.

Currently subsidies for connection exist for public institutions but not for households, however, REA have included household subsidies for some grid extension projects while the contractors are at site and can connect service lines. The policy revision awaits a consultancy that is expected to be completed by June 2012. **The MTR after consultations and site visits conclude that a policy that will promote increases in connection rate after REF funded grid and off grid projection will assist in REA realising its mandate. REA is better placed to advise on the formulation of the rural energy component of the national energy policy.**

The tariff is an important factor to attract investments in both rural electrification and rural energy projects. Small Power Projects, being isolated mini-grids, currently will have a tariff that is higher than if a similar project was connected to the grid. The basis being that any supply to grid should be pegged against TANESCO avoided cost of generation. **The MTR team recommends that tariffs be based on cost of supplying and in the absence of fixed tariff can be negotiated with EWURA on a case by case basis.**

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<sup>8</sup> Former REB Chairperson, Mr Singi R. Madata



### 3.6 Capacity Development within REA

The project includes 7 work streams of which 2 directly relate to the building of capacity within the REA, i.e. *2.1 Institutional and Operational Support* and *2.3 Rural Energy Project Capacity Building*. There are of course elements of capacity building in the other work streams as well but they appear to focus more on building supporting systems.

During the inception phase a TNA was conducted to complement previous TNAs undertaken by REA in 2008/2009 and 2009/2010. Based on the TNA a capacity development program was prepared by the REA and the consultant.

In the inception report it was recommended that a REA Operational Manual be established, which also became a key deliverable. The operational manual was to include guidelines and systems of both institutional and financial nature. The REA Operational Manual was determined to be a priority and was included as a major activity in work stream 2.1 Institutional Issues. The REA Operational Manual by itself was not a revision of the Project Operating Manual (POM), developed during a previous consultancy supporting the establishment of REA, but a standalone product. However, in the development of some of the manuals constituting the REA Operating Manual the POM appeared to have been reviewed during the inception phase.

The MTR sought to assess how this component of the CD-REA project was approached and what results may have benefited REA in its capacity to deliver on its mandate.

The MTR was made aware that the CD-REA project support came when REA had started developing some of its own systems and procedures. The CD-REA Consultant together with REA set out to agree on the capacity building programme for REA, which was the start of a participatory approach that is identified to be one of the strengths of the programme to date.

The capacity building mainly entailed the consultant undertaking working sessions with REA staff on agreed topics. Twelve work sessions (12) were mapped and agreed together with REA and at time of MTR, 11 work sessions were completed including the one that was carried out during the MTR visit. The MTR team was informed that work sessions were followed up by on-the-job training which largely entailed further discussions and coaching of the core staff related to the presented topic adjacent to the visit when the work sessions were given. Examining the attendance sheets it can be concluded

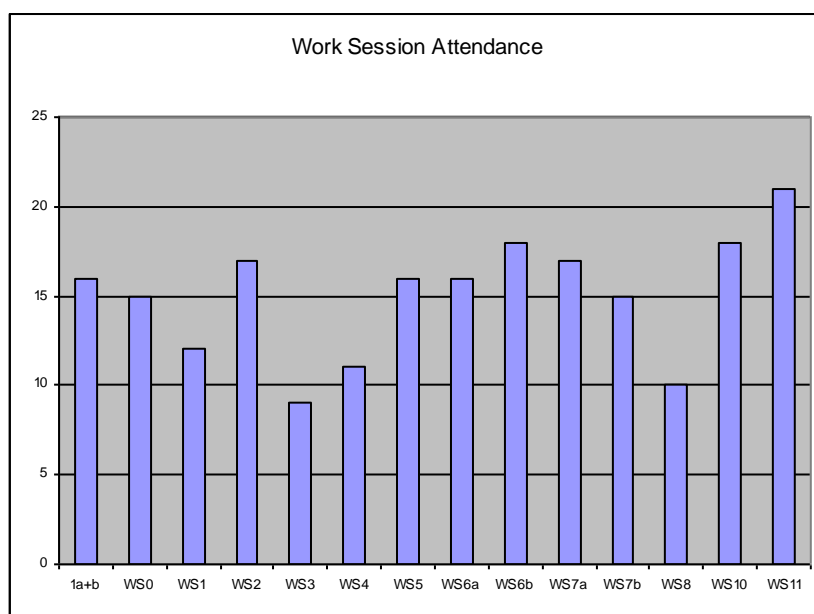


Figure 3.7: Works session attendance REA staff

that most of the sessions were very well attended, except for a few. The work sessions least attended related to WS3-Database structures and GIS, WS4-Rural Energy standardised documents, and WS8-Biomass and cooking fuels. **The CD-REA Consultant is advised to examine if the most relevant staff attended these workshops and if there is need to strengthen the capacity building in these areas.**

All the REA staff including the senior management indicated that the work sessions were extremely useful in exposing REA staff to energy sector concepts and operation and related institutional capacity frameworks. The indications are that REA staff are confident in executing their work and also attribute partly the support of the CD-REA project as having been helpful in that regard. The MTR team also noticed that REA has managed to retain most of the staff that started with the organisation, apart from the 2 senior officers that have left. This is an indication of stability and suggests a likelihood of sustainability of the benefits of the CD-REA project.

Some of the experiences from the CD-REA are being shared by other stakeholders connected to activities of REA, e.g. the Trust Agent, that share guidelines on monitoring of implementation of REF supported projects. The Trust Agent also provides feedback on the guidelines and the MTR team was informed that there are no major revisions required in the operations of the Trust Agent.

In discussions with the REA staff, it became apparent that the training approach adopted of using work sessions would be more effective if followed up by further practical exposure and learning by doing. Currently, the training is largely theoretical and oriented towards development of systems, tools, manuals and guidelines for use by REA and project developers. It is envisaged that hands-on/learning by doing could be a component in the consolidation phase. Further to that the consolidation phase could emphasise institutionalisation and internalisation of the training on those systems that have been established by the project. Exposure to working practices is another aspect that could be part of study visits segment of the CD-REA project.

The MTR distributed a Questionnaire among the REA staff to collect their perceptions of the capacity building processes and try to make some assessment of the outcome so far. The main conclusion that can be drawn from the responses are that more hands-on learning seems to be a prioritised area.

The production of the REA Operational Manual is still work in progress as some of the components of the Operational Manual (OM) are either not adopted, not approved or in draft form (Annex 4). The lack of a complete OM however does not seem to be a major hindrance to REA with regard to progress within the CD-REA project. It was also not felt that this is limiting the performance of REA. However, the MTR Team recommends that the OM be completed ensuring the desired components are taken to full completion and consolidation. The other proposition is that the Technical and Finance and Administration components be organised in separate sections for ease of referencing<sup>9</sup>.

Several stakeholders among the DP's, government and even the CD-REA consultant described REA as a well-managed organisation with good staff that endeavours to deliver in the face of high expectations of multifaceted players and a challenging poor rural market.

There is a realisation that the private sector largely consists of SMEs with limited capacity to deliver on REA's mandate without further support. REA feels that future support on capacity building should also benefit REA's stakeholders, mainly those private sector project developers. This can be undertaken within the context of the CD-REA project by continuing to expose PDs to the use of the developed packages, procurement and contracting aspects of businesses. However, the funding for such an undertaking should be explored at the World Bank, where the Sida trust fund is available for such and similar capacity building interventions.

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<sup>9</sup> The CD consultant is recommended to take the lead to ensure that the REA Operational Manual will be established as a quality assurance tool and that it includes instructions for managing changes to it

An area that MTR felt needed further attention is **contract management and ensuring that projects completed continue to deliver the intended energy services**. Currently, this has been approached in various ways, e.g. involving local authorities to take responsibility for infrastructure and its maintenance after the contractor leaves the site and training some local technicians/caretakers. This is useful, but may not be adequate where the technology is sophisticated, e.g. wind turbines. This may require that contractors have a contract to maintain systems so that energy services continue to be delivered to the intended beneficiaries. Currently REA is not well set-up to follow-up and ensure that completed projects continue to operate as intended, but a modality for that is required so that REA's mandate of delivering modern energy services is achieved and sustained.

### 3.7 Systems for REA

The ToR for the consultant specifies that a robust information, monitoring and evaluation system (M&E) will be formulated, developed and operational by the end of the implementation phase. In conjunction with the M&E system, a database for rural energy projects shall be designed, installed and in operation. The capacity development *Plan of Operation* was elaborated in the Inception Report and includes these objectives in one work stream, Systems for REA.

At the time of the Mid-Term review, the consultant and the REA had developed a proposal for a "Results based Monitoring and Evaluation Framework". The process of developing this framework was initiated with a work session in October 2010 during which the basis for a M&E system was discussed and was later followed by another work session in March 2011 where the development work on the M&E system by REA was to be reviewed and refined.

The work on the M&E system was hampered by a number of unfortunate incidents. The first work session on the M&E was only attended by the M&E manager while the M&E officer had to make a field visit. The M&E officer was later on maternity leave. The development of the M&E system was left for the M&E manager who unfortunately left the REA in December 2010. This rendered REA without any staff to continue the development of the M&E manual. At the time of the second work session, the M&E officer had returned and the actual work could commence. It was apparent that the CD-REA consultant made a dedicated effort to support the M&E officer to establish a working M&E system. At the time of the MTR visit, a new M&E manager had just been recruited. The lasting effect of this is that the development of the M&E system was delayed and the M&E Framework was finally available for review in time for the Annual Review Meeting in October 2011. The CD Consultant should consider re-running the work sessions on M&E to ensure that the M&E staff has a shared outlook in the development of the new system.

It is apparent that even without the approval of the M&E Framework, the unit is producing reports on some of its indicators. The Trust Agent that does project monitoring also produces some of the data used for M&E.

The current M&E framework is mainly built upon the Key Performance Indicators found in the REA strategic plan and needs to be assessed in terms of its focus on project monitoring and evaluation in addition to monitoring of the REAs overall activities. The MTR is of the view that the two could be separated in the framework to give stronger attention to project development and implementation as well as Monitoring and Evaluation of projects' impact after completion. The framework does not elaborate on the linkage with the rural energy database and how it will be supporting the M&E process. The integration between the M&E processes and the database is considered a crucial factor by the MTR.

Harmonisation of data collection, entry and reporting will be a necessary step, including building capacity for those roles, when the M&E Framework is adopted for use. The M&E Unit may require additional capacity to obtain data for assessment of some of the outcome and impact indicators. Additional resources will, therefore, be required to support M&E beyond the Implementation Phase.

The development of the Rural Energy Projects Database commenced with reviewing the systems already in place at REA. The M&E function had already developed a system for maintaining data on the projects that were under implementation and this was being done in an Excel spreadsheet. There was a decision to complement this by developing another Excel spreadsheet to be used to maintain data for all potential rural energy projects. In effect, this has resulted in that there are two isolated systems for maintaining data on the projects. This may not be a long-term sustainable solution, since it entails duplication of work, as some of the data in these spreadsheets is identical, and there is a clear danger that this could affect the integrity of the data that is maintained.

The database is not one composite system, but combinations of two excel spreadsheets. There is also an MS Access database used for baseline survey data. There is a proposal to collapse the two spreadsheets into the GIS-system and the suitability of the GIS-system needs to be evaluated. At the time of the MTR visit, the Planning and Database Management had just installed a GIS system that is expected to improve the utilisation of the data from the two excel spreadsheets. The installation of the GIS system was also delayed, as its purchase did not depend on the CD-REA project. It is not clear whether the two Excel spreadsheets will remain a permanent arrangement or if the database will be migrated to another platform and the two datasets combined into a composite system, though the latter would be a better solution.

The MTR has been advised that despite the delays in producing the M&E system and the database, the CD-REA project will in a concerted effort conclude this activity before the end of the Implementation Phase.

### **3.8 Project Development Capacity and Business Plan Development**

The Project Development Capacity and the Business Plan Development are actually two separate work streams in the Plan of Operation for the project. However, the MTR feels that they are so closely associated that we elect to provide our assessment under one heading.

The core process and purpose of the REA is to promote and facilitate investment in modern energy services. In doing so, it is to provide both financial and technical support to project developers for implementation of rural energy projects. To enable the REA to accomplish this task there is a need for the development of capacity and skills in supervising and implementing rural energy projects. The project aims to develop this capacity by holding workshops, developing project management tools, project performance indicators and financial analysis guidelines.

In order to facilitate financial support, potential projects need to be assessed and appraised based upon their ability to contribute to the fulfilment of the rural energy expansion goals and sustainability. The development of a business plan for the project is an important tool for the developer to present the viability and sustainability of the project to the REA and the staff of REA needs to be able to have a consistent process to assess the proposed projects. The CD-REA project aims to develop a project appraisal guideline together with REA. This has been done by developing capacity and skill through workshops and by developing standardised pro-forma business plans, template documents and appraisal guidelines.

The MTR team found out that the CD-REA consultant has conducted 5 work sessions related to this objective and in connection with these work sessions assisted REA in the development of appropriate model documents and monitoring indicators. Several procedures were already in place at the REA before the CD-REA project, as well as a set of project management performance indicators, and the CD-REA consultant reviewed these in the inception phase. Outputs in these work streams have included project financial analysis tools, biomass and cooking fuel options and environmental management and safeguards.

The CD-REA Consultant has also developed a document setting the framework for financing projects “REA Guidelines for Financing of Rural Energy Projects”. This document is excellent in establishing the context and the framework for providing grants and subsidies. It also describes the process in great detail throughout the entire project cycle, describes activities and how the processes should be deployed. The version made available to the MTR team was in a draft form and the team suggests that this document should be finalised expediently, as it sets the basis for the other working documents. It is also suggested that the development of other guidelines and manuals should be compared with this document as the financing guideline cuts across all other processes in the REA.

Aside from model documents for business plan development, the purpose of the activities was to develop template project documents and appraisal guidelines. The interventions have resulted in several templates to assist project developers in putting together suitable business plans. Among the documents is a *Guide to a Business Plan*, a template for a *Project Concept Note*, and a template for pre-feasibility & feasibility studies. Training on the usage of the documents was also provided and the REA staff concludes that the support given by the consultant has resulted in improved capability of the staff to properly guide developers in submitting appropriate information, and helped REA set a standard of required information for properly assessing and appraising energy projects. **The MTR found that some of the model documents were still not in final form and recommends that all such documents be finalised and approved by REA and REB (where necessary) before end of the Implementation Phase.** The Consolidation Phase would then concentrate on assimilation of these packages by project developers and REA staff to further rural energy project development and implementation.

### 3.9 Resource Mobilisation

The availability of funds in the REF is a key prerequisite for any of the REAs activities; Not only will it be used for the financing of rural energy projects, but also for financing the operations of REA. The process of soliciting funds must therefore be considered a key process within REA and REB. As part of the ToR for the CD-REA project, the consultant will assist in the identification and mobilisation for the funding of the REF. The *Plan of Operation* identifies a work stream for REF financing where the initial thrust is to draft a rural energy projects’ investment plan (Investment Prospectus) and identify potential sources of funding and organise them in a systematic manner. Information packages including the investment prospectus were to be developed according to different target groups.

The MTR Team found that there is no specific work session allocated for this work stream, which would indicate that the thrust of the consultant in this area was limited to interactions in connection with other work sessions when the consultants were at the REA. The reporting by the consultant on this issue is minimal and is only referenced in the September 2011 Annual Report in one paragraph. In October 2011, the Consultant submitted a draft Investment Prospectus and a draft model for calculating the funding requirements per year until 2030 and on an aggregate level. The identification of financing sources for the REF and the systematisation appears to be lacking at this point and there appears to be no plan for its development under the remaining period. **Finalisation and publicising of the Investment prospectus is recommended as an instrument to attract new sources of financing for the REF. The CD-REA consultants are also recommended to update the Plan of Operation 2 (PoP2) with the plans to accomplish the “identification and systematisation of financing sources” under the remaining period.**

### 3.10 Partnerships in the Country and Communication and Outreach

According to the TOR for the CD-REA project, the consultant was to develop a network of partners, stakeholders and collaborators, as well as develop and implement an effective communication strategy for a two-way communication with stakeholders, including outreach activities. One key success factor in providing any kind of rural services is the continuous and effective communication with people in

targeted areas<sup>10</sup>. The outreach activities are designed to meet the needs of the rural people and to understand the concerns revolving around the provision of modern energy services.

There is also a need for internal communication strategies, policies and guidelines in terms of how information-flows should be handled.

The *Plan of Operation* for the project outlines a work flow for Communication & Outreach which includes, for the first planning period, assistance in developing a communication strategy and outreach plan, a partner and stakeholder network development and a 1-day workshop on the communication and outreach plan.

The MTR Team found out that there was no formal network that was formed as part of the CD-REA project, but that together with REA it was agreed that existing fora where key energy stakeholders meet would be sufficient.

The Communication strategy was in draft form and the feedback from REA is that a Communication Policy is required first to guide preparation of the strategy. Any progress related to this output is therefore not guaranteed until the issue of the Communication Policy is resolved. The MTR team has studied the draft Communication Strategy and finds it to be a comprehensive document setting a number of objectives and targets for the REA communication activities in many relevant areas and it also includes a section for assessing and evaluating the effectiveness of the communication approach, which is commendable. However, the MTR team finds that the strategy lacks activities that would stimulate local communities and people in the rural areas to drive the demand for new approaches to modern energy usage. The strategy seems to focus more on the needs of REA in the communication process and lacks focus on the beneficiaries and their current situation where more than 80% of the population is living in the rural areas<sup>11</sup> and are still dependent upon biomass as the main source for energy. In our discussion with the REA Communication Officer we have found that such activities to promote demand-driven development are performed by REA, but should probably have more focus in the strategy. **REA Communication Strategy should be reviewed in terms of its focus on the beneficiaries in the targeted areas. REA meanwhile could devise ways of undertaking outreach activities, including updating the website, which currently lacks up-to-date information, and the website could be put to use as a one-stop-shop for investors, project developers and contractors seeking information for modern energy projects.**

### 3.11 Additional Tasks

Additional support to the REA, not explicitly included in the ToR has been lumped into a separate work stream of activities for the Consultant. The Consultant has reported on the following extra activities performed or activities to be planned.

These additional tasks have not yet been implemented under the current capacity building project and are proposed activities to be performed should funding materialise under the current budget. These activities could otherwise be considered to be included in the prioritisation and planning for the optional consolidation phase. The "*Low-cost distribution network design component*" has, however, already been implemented under a separate financing source and implemented by a different consultant as explained below.

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<sup>10</sup> The targeted areas include all rural areas that are encompassed by the mandate of REA and that are targeted by the REA activities.

<sup>11</sup> REA Annual Report 2009/2010

### ***Board Seminar programme***

At the request of the Director General (DG) of the REA, the Consultants developed an orientation session's programme for the Rural Energy Board (REB). The session programme is pending REA approval for implementation (Dec 2010).

### ***Low-cost distribution network design component***

At the request of the DG and the Director of Technical Services (DTS) of the REA, the Consultant planned for the inclusion of a *low-cost distribution network design* capacity-building work stream to be financed using contingency funds. However, the proposed lead expert for this work stream notified the Consultant that he would not be available for the work due to issues of a personal nature. A replacement expert was identified, but at that time another process had been initiated under financing from Sida Trust Fund managed by the World Bank (Dec 2010).

### ***Further Training on the Financial Analysis Model***

A training package has been developed to further train REA's staff responsible for project appraisal, on using the "Excel Based Spreadsheets for Financial Analysis" submitted as part of the assignment. However, there is currently no funding available to proceed with implementing the training module (Dec 2010).

### ***Development of REA Communication Policy***

The CD-REA consultant recommended that REA should develop a Communication Policy to be used in conjunction with the existing Communication Strategy and Outreach Plan. The detailed scope of this policy can focus either on external or internal communication or – preferably – include both in a joint policy document (Sep 2011).

### ***Joint REA-developer working session on model documents***

The REA and the consultant have discussed the inclusion of a joint working session where REA and project developers can work together on the use and content of project-related model documents.

### ***Additional support on the GIS system and integration***

The GIS system procured by the REA had not yet been operationalised at the time of scheduled support activities. Therefore additional support, including one mission by Hanna Paradis (the GIS expert on the team) has been included in the revised work plan. The practical support on the GIS system was to be given in conjunction with the work sessions (WS3 & WS7) for the data base structure and GIS. In the absence of the GIS system only theoretical orientation could be covered. This support is not yet scheduled but is tentatively set for January – March 2012.

## **3.12 Reporting and Financial Follow-up**

The Consultant is required, according to the ToR, to submit semi-annual and annual reports to REA, which shall include an analysis of implemented activities, time frame and the actual cost in relation to the Annual Plan of Operation and the budget set forth therein. The reports shall include an assessment of any deviation from the plan and a description of corrective actions taken as well as an assessment of the results achieved and the progress made in relation to the objectives. In addition to the semi-annual and annual reports corresponding Annual Plans of Operation shall be prepared.

The first Plan of Operation was included in the Inception report presented after the first three months of commencing the services and covered the first nine months of consulting services, July 2010 – March 2011. The first semi-annual report was initially submitted covering the period July 2010 – December 2010. This report was later revised to include the period January 2011 – March 2011 to synchronise it with the Plan of Operation 1. The Plan of Operation 2 was submitted in April 2011 and shows the plan for the last 12 months of the implementation period. The second semi-annual report was later submitted end of September and covered the six months period April – September.

The Plan of Operation includes planned activities according to the outlined working sessions and work streams outlined in the inception report as well as specify planned deliverables. The Plan of Operation includes a tentative day allocation per team member and work stream. For follow-up purposes it would have been useful to have a tentative budget for the planned period including the level of fees and reimbursable.

The semi-annual and annual reports include the required assessments as outlined in the ToR, however the progress reported on is primarily output based and includes very little reference to outcomes. It is recommended that the consultant becomes more outcome oriented in its reporting of progress. The reports shall also include an analysis of the actual cost in relation to the Annual Plan of Operation and the budget included therein. Since the Plan of Operation is lacking a detailed budget on fees and reimbursable a follow-up is not possible. The semi-annual and annual report includes only a summary of accumulated fees and reimbursable since commencing services in March 2010. There is no follow-up of actual costs incurred during the reported period. In short, it is impossible to do any analysis of the consultant's effectiveness in performing its services. The first semi-annual report included a comparison between planned and actual consultant days; this table was unfortunately not included in the next report in September 2011. It is strongly recommended that the consultant includes a more detailed budget follow-up in its subsequent reports.

The consultant requested a reallocation between reimbursable and fees which was approved by REA. The reallocation is for 467 800 SEK and was included in the first semi-annual report. There is no clear explanation of how this amount was calculated or how many days it represents or to whom the days would be allocated. Table 4 in the semi-annual report tries to explain that more time has been used during the reporting period but fails to justify the reallocated amount.

	<b>Budget 2010</b>	<b>March 2011</b>	<b>Reallocation March 2011</b>	<b>Balance September 2011</b>	<b>Est. Remaining balance March 2012</b>
Fees	5 957 600	2 486 930	467 800	1 649 750	72 500
Reimbursable	1 940 871	1 293 148	-467 800	569 192	420 000
Contingency	500 000	485 428		485 800	485 800
Study Visits etc	500 000	500 000		500 000	500 000
Equipment, Software	100 000	100 000		100 000	100 000
<b>Total</b>	<b>8 998 471</b>	<b>4 865 506</b>		<b>3 304 742</b>	<b>1 578 300</b>

**Table 3.4: Financial summary and estimated balance at March 31, 2012**

In the Plan of Operation 2, covering the period April 2011 – March 2012, the planned activities from October 1 to March 31 includes 2 working sessions in work stream 2.1 Institutional Support to REA and one possible, unplanned working session, relating to GIS. No other specific activities are planned for the remaining 6 months in the Plan of Operation. According to the Annual Report by the end of September there are 143 consultant days remaining in the budget, and when accounting for the planned activities approximately 100 days would be remaining for unspecified activities. The Consultants' Team Leader estimates that the remaining resources will be used to support REA in completing the manuals, guidelines and forms before the end of the implementation phase with a projected balance of 72 500 SEK and 420 000 SEK in reimbursable. The balance of the budget at the end of the implementation phase would total approximately 1 500 000 SEK if the invoicing was up-to – date at the end of September and the Study Visits are not implemented during this period.



**It is recommended that the consultant discusses with REA to make use of the remaining reimbursable allocation to allow for the core team to make additional visits to REA to support the finalisation of the manuals, guidelines and procedures on site rather than sending drafts back and forth. This would probably be a more expedient way and would produce far better quality output.**

### **3.13 Site Visit**

The MTR Team visited two project sites recommended by REA during the start-up briefing meeting. The site visits took place on the 14th and 15th October 2011.

The first site that was visited was an off-grid hybrid system of solar (5kW) and wind power (10kW) installed at WAMA- Nakayama Girls' Secondary School in the Coastal Region. The school is dedicated to supporting orphans to get a good education and the First Lady of the Country champions the project. The second site visit was grid distribution network projects in the Morogoro Region- one site done by TANESCO in Magole and the other at Berega by a contractor under TANESCO supervision. All these projects received support from the REF.

The MTR Team was to assess performance of these projects being supported by the REA in terms of how they are delivering modern energy services to intended beneficiaries. The assessment can also provide information on REA's capacity on monitoring of operation and maintenance of rural energy systems, apart from supporting project preparation and installation. That capacity will be particularly important for the sustainability of installed projects and continued delivery of the energy services to intended beneficiaries.

#### ***Off Grid system***

A contractor, Ashton Energy, was commissioned to install the solar/wind hybrid system and indicated completion date is 22<sup>nd</sup> July 2010 and a local caretaker was trained to maintain the system. The system was meant to provide energy services for lighting and appliances and ICT equipment. The staff houses have a power limit of 500W which has not been a big concern when the system is fully operational.

On the site visit, the manager of the school indicated that the system had been down more often than it was working. The major problem is largely with the wind turbine. In July 2010 the propeller came off and was replaced after a few months. Another time the 10kVA inverter was replaced by a 5kVA but now the 10kVA is said to have been returned. The problem at the time of the MTR visit was related to internal wiring in the wind turbine that needed attention.

Apart from the wind turbine problems, both the solar and wind systems feed into a battery storage system that is also giving problems. The MTR team was informed that some batteries were replaced in September 2011 during the school launch, but only worked for one day. At the time of the visit, the school could benefit from solar generation during the day, but has to allow some charging between 4-6pm in order to get 2 hours of lighting in the evening. Even this arrangement is not enough, as the school still has to run a diesel generator to meet its lighting requirement for the girls to study beyond those 2 hours.



**Picture 1: Hybrid system at the Waka Nakayama Secondary School.**

At the moment, ICT cannot be taught in the school as system problems have been recurrent since January, 2011 and the latest wind system problem started 25th September 2011. At the time of the visit the fault had not been fixed and it was not clear to the school manager who was responsible between the contractor that installed it and REA. It was indicated that the system had not been commissioned/transferred, but the reports in REA's project portfolio indicate that the wind component of the project was signed off as completed in July 2010 and REA disbursement to TIB was 100%, valued at TZS 45 500 000.00 (about US\$30,000). According to the school manager, the contractor is not forthcoming in fixing faults and the level of maintenance required for the wind turbine may require higher expertise than provided by the caretaker. The school is also expecting a response from REA on the issue and it was, however, not clear to the school manager what support REA could provide to have the fault fixed.

The MTR is of the view that if renewable energy (REN) systems of this kind cannot be properly maintained, REN projects will continue to be discredited by potential users and the funds invested will not come to any productive use. It is, therefore, important that REA ensures that in its system of support and facilitation, the projects that are installed will be maintained so that they continue to deliver the intended services. For some technologies such as wind power, a caretaker would not be qualified enough to look after such a system and better arrangements with either the contractor or a qualified service provider are necessary to ensure continued service delivery. There should also be a technical backup to confirm quality of the equipment and workmanship as part of monitoring project implementation, in order to ensure that REA investment continues to deliver on expected results.

### ***Grid Connected projects***

The grid connected project by TANESCO at Magole (60km from Morogoro on Dodoma road) involved tapping off from a 33kV line by installing a transformer to 400V (3 phase) and a distribution network within the village at a cost of TZS 77.28 million. The project was completed in July 2011 and 69 customers were expected to connect but now there are 30 applications and only 4 connections. The consumers, which are largely households, will require TZS 455 000 to connect but TANESCO indicated that amount is still prohibitive for rural consumers.



**Picture 2: Grid connected distribution at Berega Hospital**

The Berega project is being constructed by Symbion Power of the USA as a turnkey project. The project will install 8 transformers and a distribution line to electrify Berega Hospital and to connect 100x 3-phase and 200 single-phase customers. At the time of the MTR visit the 33kV line was completed but installation of transformers had not started. The project is expected to be completed by February 2012 at a cost of TZS11.66 billion.

TANESCO, in a contractor arrangement, oversees the progress of the project and ensures that the scope of works is completed, including financial matters (money spent and bill of quantities). TANESCO also provides a site-engineer who visits intermittently and a Linesman that is always with the contractor to ensure that TANESCO standards are adhered to and the quality of materials and equipment installed is of an acceptable standard. The contractor is paid upon TANESCO's certification that the project is completed according to specifications. Also REA often makes its verification prior to

releasing funds to the contractor. The advantage of using contractors has been that delays due to procurement of materials and equipment are reduced. There are many local contractors (about 155 registered with TANESCO) that have technical capacity to undertake these turnkey projects, but are limited by capital to procure materials. In this regard support in the form of guarantees or Letters of Credit would help them to compete for turnkey projects. The capacity needed for these local contractors is financial strength to compete for projects on international tenders and this could be considered under REA support. REA may also support TANESCO in capacity building on changes in technology and review of its standards.

Compensation for way leaves (??) was indicated as a sensitive issue that TANESCO has to deal with but is a joint effort with government valuers that undertake the valuation of assets to be compensated. TANESCO sensitises communities through local government authorities and the general experience is that communities grant permission for projects to go ahead even before they get compensation, as they very much want the electricity in their areas. Long delays in compensation may become a concern and the time depends on how soon the Chief Government Valuer approves the valuation reports and how long the distribution lines are. A few cases of people compensated and then complaining of being under compensated were mentioned by TANESCO.

On the policy side, the site visits were a confirmation of the need for a subsidy for connections, as the investment made by REA may not deliver energy services if the potential customers cannot connect. In the revision of the national Energy Policy, REA could advise on the appropriate grid connection policy for rural consumers.



**Picture 3: Grid connected distribution at Magole**

## 4. CONCLUSIONS

### Relevance

The extent to which a development intervention conforms to the needs and priorities of the target groups and the policies of recipient countries and donors.

The Capacity Development intervention aims to support REA to increase access to modern energy services in rural areas so as to facilitate and stimulate income-generating activities and to improve public social service provision. This is achieved by enhancing the capacity of the REA staff and required systems and tools to effectively carry out the obligations of the Agency, both in the short and long term. Building that capacity is crucial for REA to deliver on its mandate, hence the relevance of the CD-REA project

REA, REB and all stakeholders met by the team during the MTR visit have confirmed the relevance of the CD-REA project in strengthening the capacity of REA and building on what had already been started. The CD-REA revised capacity building work streams were designed with active participation of REA, which make it relevant to what areas of their capacity REA wanted to strengthen. The capacity building support so far has been largely theoretical, with some on-the-job support. Future support is, however, needed to put training into practical use. The idea to capacitate Project Developers is also well directed, as support is needed for projects to be prepared and implemented.

### Effectiveness

The extent to which a development intervention has achieved its objectives.

The effectiveness has been assessed based on the objectives set in the CD-REA TOR and the redefined work streams. The Capacity Development intervention is on its way to achieve its objectives. At the time of the MTR the project is more than halfway through its implementation phase and some of its planned activities have been implemented and others' outputs are under way to be delivered.

- *Institutional and Operational Support*

The wide selection of documentary outputs is still to be finalised and processed into a fully-fledged Operation Manual. It is evident that it will take additional support to process the systems, procedures, manuals, and model documents making them into effective tools for REA staff.

The output has yet to reach a final stage before it is being adopted by the REA and implemented and institutionalised in REA. Until this is done the effectiveness of the intervention cannot be properly measured and the instruments provided be tested and improved.

- *Systems for REA*

Both the M&E framework and Database development have been started but are not yet complete. Further support will be required to finalise the systems and to enhance institutionalisation of the M&E system and developing a consolidated data systems that will centrally serve REA.

- *Skills for REA for Supervising and implementation of projects*

The agreed work sessions have been undertaken but skills can only be inferred from the views of REA staff and management, the REB and other energy stakeholders. The universal view is that the CD-REA project has made a positive contribution to the capacity development of REA staff.

Due to the potential volatility of the staff retention, the capacity building of the people inside the organisation must translate into capacity development of the institution in order to create the institutional memory required to ensure that the systems are firmly ingrained and will be applied despite possible staff turnover.

On effectiveness of capacity development in REA, all stakeholders have unanimously attested that the REA is steadily gaining experience and professionalism and those close enough to identify the activities inside the REA attribute this to the cooperation and capacity development programme.

However, it should also be noted that the intervention has created demands on the organisation to be able to process the output (all the products, systems, tools, manuals and work session follow-ups) and create substantial outcomes (skills for supervision and implementing projects development and implementation). This calls for a more intense interaction and support in an on-the job training setting to firmly establish institutional impact.

- *Business Plan Development.*

Most of the elements of this objective have been fulfilled but some of them are either in draft form or final state and others not adopted. There are indications though that the business plan and proposal templates are now accessible to PDs and internal appraisal is assisted combined with methodologies of other Development partners such as the WB.

- *Communication and Outreach*

More work needs to be performed here as no final output has been achieved in this work stream. The Development of the Communication strategy has been stalled due to requirement of a communication policy to guide strategy development. There are no dedicated planned outreach activities at the moment.

The network of partners has also not been dealt with in the project but there are several meeting fora where the stakeholders that would form this network meet.

- *REF Financing*

The traditional sources of REF financing are making inflows into REF. The REF is complemented by special project funds that also deliver on the same mandate.

The Investment Prospectus has been submitted by the consultant to REA in a draft form to be reviewed together with an excel model to estimate the funds needed to achieve the targets.

The identification of other financing sources for the REF and the systematisation appears to be lacking at this point, and there appears to be no evidence in the Plan of Operation that new sources of financing were identified.

## **Efficiency**

The extent to which the costs of a development intervention can be justified by its results.
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The results of the intervention are still to be attained and assessed, however judging from the output so far and the favourable conditions to implement them the intervention is likely to create results that would justify the investment. If the CD-REA project can deliver on the support for projects that can be supported by both GoT and Sida the output will far exceed the inputs. At this point an assessment on its efficiency can be related to:

- Promotional efficiency of REA is judged by the 320 applications that have been received in the last 3 years that cannot be fully supported.
- The high demand on REA to ensure development of high quality of projects that can meet the REF requirements and also to reach implementation. To date 25% have received REF support.
- REA/REB has been efficient in managing REF funds that have so far been allocated from the various sources for project development and implementation.
- From 2009/2010 to date REA's Operation budget is 12% of inflow budget compared to 56% for projects, which reflects a high output as compared to REA input costs.
- REA is also well established with modern facilities to efficiently deliver on its mandate.

## **Impact**

The positive and negative changes produced by a development intervention, directly or indirectly, intended or unintended
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The impact of the intervention is hard to assess after only 18 months of interaction between the REA and the CD-REA consultant. It is also not easy to attribute the results in delivery of services only to REA and furthermore to this CD-REA project.

The Baseline survey recently supported by REA and undertaken by the National Bureau of Statistics (still in draft form) has now posted an increase in rural electrification access<sup>12</sup> to 6.6% (4.6% electricity and 2% other sources) from 2.5% in 2003. REA being one of the most active players in supporting the majority of rural energy projects must have played a significant role and its performance can only be judged on its capacity to make things happen.

### **Sustainability**

Sustainability is concerned with measuring whether the benefits of an activity are likely to continue after donor funding has been withdrawn.

The benefits of the intervention will most likely be sustained inside the organisation as the tools, procedures and systems are being systematically implemented in the organisation. The implementation will also enable the organisation to assess the effectiveness of the tools and it is important that there will be a process inside the REA to measure the effectiveness of the tool, learn from using them in the daily operations and continuously be innovative and improve them. This will not only increase the usability but also enhance the ownership and contribute to the institutionalisation of these products, systems, tools and procedures.

Being a young organisation, high staff turnover is a clear danger until the time a clear organisational culture has firmly implanted itself and the teams are clearly established. The contract basis on which the staff are employed may in the long term prove counter-productive if the capacitated staff may have to leave at end of their contracts. This would endanger the possibility of sustainability of the results of the intervention. However, with an effective leadership style in the management in the REA, the integrity of the implemented system can be retained. Of importance to impact is ensuring the capacity of REA for monitoring continued operation and maintenance of installed energy projects.

The approach to extend the Capacity Development to Project Developers will also create sustainability among stakeholders.

### **Response to ToR by Consultant**

The Mid-Term review team has been asked to assess whether the Consultant has adequately responded to the Terms of Reference issues for the intervention. It should be kept in mind that the Terms of Reference were formulated with the intention of implementing the project closely at the time when REA was established. The inception period became important to closely review and align the objectives of the intervention to the situation, which REA had attained during its first two years of operation. Despite that the CD-REA project was initiated much later than intended, the revisions of the ToR were not very substantial.

The ToR has anticipated that the consultant would assist the management of the REA to fully staff the agency and to support in development of the basic systems. At the time of the commencement of the intervention the REA was almost fully staffed and the running of the REA had already established some necessary and important management systems.

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<sup>12</sup> The main definitions, which are used for energy access, relate to whether people live in the vicinity of a source of electricity or whether they are actually using electricity. The latter definition is theoretically preferable and is the definition chosen by SADC so that information on access across its member states will be comparable.

The current figure that is widely quoted in Tanzania is that national access to electricity is 14 per cent of the population. The method used to provide this measure has not been set out clearly. *Consultant Report for 2010/11 Joint Energy Sector Review*

The ToR spelled out six main tasks to be fulfilled as part of the inception period which were all carried out by the consultant with the exception of one, which was slightly changed in its scope, and the specified output also followed the ToR closely with the slight revision of adding a review of the REF guidelines.

The implementation phase outlined in the inception report adhered closely to the activities and the outputs in the Terms of Reference. The main difference was that the anticipated input by the consultant to firmly establish the organisation with staffing and operational procedures was not necessary as the organisation and their staffs was already in place. Other than that the Plan of Operation developed in cooperation with the REA is in close alignment with the scope of the ToR and the output so far in the project appears to satisfy the expectations set out. This is, of course, dependent upon that the remarks made earlier about the need to complete outstanding outputs and assimilate the outputs in the organisation.

### **Expected benefit to the REA**

At this point it must be concluded that the project is contributing positively to the continued building of REA's capacity to deliver on its mandate. However, more activities are to be done and some outputs are outstanding after which more of the outcomes will be realised and create an impact on the daily operation of the organisation. The Consolidation Phase will, however, be necessary for REA to assimilate what has been accomplished in the Implementation Phase.

### **Extent the capacity of the REA has been built and whether the REA can derive additional benefits from the execution of the optional consolidation phase**

The extent to which REA's capacity has been built can only be compared with the TNA that was developed at start of the CD-REA project and also revised by the CD-REA consultant.

Judging from the work sessions presented, most of the needs would be covered. The area of developing capacity in leadership and management received little attention at start of the project so this may need further attention for continued development of those driving the organisation.

The Technical staff dealing with projects is equipped to undertake project appraisals and some of the tools are now in place. The Internal Award Committee that recommends projects to the DG and REB for approval is delivering on its function. More utilisation of the tools established will add more value and support to preparation of other energy projects will be required.

The non-technical staff has been exposed to energy concepts and that was expressed by some of the staff members consulted. This request to be trained on energy had originally come from some of the staff that expressed the need for this capacity to be imparted through the CD-REA project.

### **Lessons learned & Constraints**

The key lesson learnt is that the approach taken by the Consultant and REA has delivered well in building confidence between the parties. The work streams have been designed to ensure a participatory engagement between the REA staff and the consultant both during the work sessions as well as the development of systems and guidelines.

REA staff have made dedicated arrangements to prepare for coming consultants on CD-REA project and key people attended the work sessions. Out of the 11 sessions done, at least one of the REA management Directors attended the work sessions. This demonstrates the importance attached to the CD provided under this Sida support

The attachment of a Local Coordinator is understood to have paid off in informing the CD on national priorities and feeling in on staff requests. She is hailed as having built a continued and practical understanding on energy issues and projects. This has been instrumental in keeping progress moving in the project in-between the visits by the consultants.



It was, however, realised that REA staff are busy with their daily duties and may not always be available for follow-up discussions e.g. with the Local Coordinator. This, however, has not been mentioned as a serious concern.

There is the realisation that most of the contact time between Consultant and REA staff has been classroom time and it's high time **to enhance learning by doing and learning by seeing best practices.**



## 5. Recommendations

### Policy and Regulatory Framework

1. The rural electrification rate is hampered by the high connection cost and the tariff adjustments when connecting off-grid generation to the Grid. The MTR recommends that the REA and the CD-REA consultant include an activity in the Consolidation Phase for designing a subsidy mechanism that would allow for connection subsidies for households. This needs to be aligned with the World Bank subsidy study and the MEM policy formulation process as well as in cooperation with EWURA for a cost-reflective tariff setting for renewable generation coming on-line with the grid.

### Institutional Capacity Building Support

2. The MTR found that some of the model documents were still not in final form and recommends that all such documents be finalised and approved by REA, and REB where necessary, before the end of the Implementation Phase. To that end, REA should employ a checklist to ensure that all the products, tools and manuals that are to be delivered in the Implementation Phase are accomplished on time.
3. It is recommended that the consultant discusses with REA to make use of the remaining reimbursable allocation to allow for the core team to make additional visits to REA to support the finalisation of the manuals, guidelines and procedures on site rather than sending drafts back and forth. This could probably be a more expedient way and may produce better quality output.
4. The involvement of the CD-REA consultants on supporting the governance of the REA is recommended to be followed up by developing suitable work sessions together with the REA and REB. Similarly work sessions should be developed for management and leadership skills of REA management staff.

### Project Management and Monitoring

5. An area that the MTR feels needs further attention is contract management and ensuring that projects completed continue to deliver the intended energy services. The MTR Team realised after the site visits that it is also important on the part of REA to have modalities of continued monitoring of completed projects and to ensure their continued delivery of modern energy services. The MTR, therefore, recommends that REA seek modalities for its M&E system to follow-up on supported projects to ensure that the projects continue to deliver energy services and meet anticipated targets. In moving to result-based M&E, REA may face challenges to collect sufficient and reliable information from PDs for indicators on outcomes and impacts of sponsored rural energy projects after its completion in order to be able to report on the efficiency of the REF. Resource requirements should then be anticipated and planned for.
6. The rural energy projects database at the REA consists of two independent databases today that are excel based. This situation with two databases with overlapping data is unfortunate and but is expected to improve with the introduction of the GIS system. The level and quality of the database system could to be improved further by migrating to operate on an integrated system. The MTR recommends that this be included starting in the remaining Implementation Phase, and if not completed extended into the Consolidation Phase.

### Project development

7. As demonstrated above the non-TANESCO projects are few and there is clearly a need to enhance support for projects by other Project developers than TANESCO and also projects promoting other forms of energy than electricity. Given the wide mandate and objectives of REA the MTR team recommends that the CD-REA project make this a priority area in a possible Consolidation Phase.

## **Networking of stakeholders and Outreach**

8. The MTR is recommending that the CD-REA consultant together with REA and the other stakeholders investigate whether a suitable work session can be developed for the key stakeholders that include MEM, EWURA, TANESCO etc e.g. on coordinated planning and reporting of activities.
9. It is further recommended that REA make use of the funds set aside for Study Visits to initiate a network with the other two REA's in the region, Experiences can be shared, lessons learnt through benchmarking and by visiting the other agencies in Zambia and Uganda. Specific areas can be pinpointed and short visits can be made with small delegations to enhance informal exchange of experience. More formal venues could also be arranged where issues may be explored by larger groupings.
10. The MTR recommends that the REA Communication Strategy should be reviewed in terms of its focus on the beneficiaries in the targeted areas. The MTR also noticed that there is a shortcoming in the use of the REA website and an associated website strategy. The MTR recommends that this be included in the communication strategy and that the CD-REA project assists REA in assessing its needs in relation to the current platform and develop internal capacity to keep the website updated. The website could be put to use as a one-stop-shop for investors, project developers and contractors seeking information for modern energy projects.

## **CD-REA Consultant Reporting**

11. The MTR Team recommends that the consultant includes more of an outcome focus in its reporting of progress. The reports lack an analysis of the actual cost in relation to the Annual Plan of Operation and the budget included therein, hence it is therefore recommended that the consultant include a more detailed budget follow-up in its subsequent reports. There is also a lack of follow-up of indicators that will enable monitoring of the implementation towards objectives both output and outcome-based. The revised LFA provides a framework for the follow-up but could be strengthened in providing additional indicators for a result based reporting framework. Of importance is that the consultant makes its own assessment of the effectiveness of the work sessions, as this is the main approach used in the capacity development of REA staff.

## **Consolidation Phase**

12. The MTR recommends that REA and REB engage to discuss and align the capacity building requirements for the REB & REA with the new strategic plan to be included in the Consolidation Phase. This is to take place if Sida has signalled its willingness to continue supporting the CD-REA in the next Phase.
13. The capacity development project has an important role in identifying the processes inside of REA and contributes to a shift from task orientation to process orientation. The MTR, after consultation with stakeholders and REA staff, recommends that the Consolidation Phase should focus on practical application of all systems, model documents and study visits that expose REA staff to working practices preferably in similar environments to Tanzania.
14. Consideration should also be given to engagement of more local consultants in the Consolidation Phase to build sustainability of capacity in the country and enable REA to engage support after the CD-REA project is phased out.
15. The capacity of the private sector is found to be weak in developing and proposing projects for modern energy development. To strengthen the private sector the MTR recommends that the CD-REA project should also focus on training of PDs to use the model documents and to prepare good quality project proposals/business plans that can qualify for support under REF or any other financing. Financing through the World Bank/Sida trust fund should be explored for this purpose.

# Annex 1 – Terms of Reference

## CONSULTANCY ASSIGNMENT FOR A MID-TERM REVIEW OF THE CAPACITY DEVELOPMENT PROJECT OF THE RURAL ENERGY AGENCY, TANZANIA

### 1. INTRODUCTION

The REA Capacity Development Project, financed by the Swedish International Development Cooperation Agency (Sida), was initially formulated to support the Rural Energy Agency (REA) soon after its establishment and its staff recruited. Therefore, the design and budget for the assignment reflected the fact that it was not anticipated that the REA would be fully operational when the consultancy assignment commenced. However, as currently the REA is fully staffed and has been in operation for more than three years, the Capacity Development Project needs are different than anticipated in the original TOR and budget.

The Capacity Development Consultants and the REA have within the given framework reviewed the assignment to suit the current needs of the REA. Overall, the assignment has been focused around working sessions with additional agreed activities.

The Capacity Development Project is divided in two phases, as follows:

1. Inception Phase, 3 months and Implementation Phase, 21 months
2. Optional Consolidation Phase, 24 months

The Contract for Capacity Development Consulting Services for the REA Capacity Development Project was signed in February 2010, comprising the Inception Phase and an Implementation Phase (Phase 1), with a contract option to provide services also during the Consolidation Phase (Phase 2).

The Inception Phase started on 29 March 2010 and lasted until early July 2010. The Implementation Phase that started in July 2010. The first Plan of Operation period ended in March 2011 and covered the 9-month period after the Inception Phase. The second Plan of Operation covers the period April 2011 until March 2012, when the first phase of the assignment will end.

The Agreement between Tanzania and Sweden on the financing of the REA Capacity Building Project stipulates that a Mid-Term Review (MTR) shall be performed. The outcome of this review shall provide the basis for a possible release of the contract option to implement the Consolidation Phase (Phase 2). In order to ensure a seamless continuation of the capacity building services during the Consolidation Phase, should these be required, the MTR will be performed prior to the conclusion of the first phase.

### 2. BACKGROUND

**2.1** The Rural Energy Agency was established as an autonomous agency to administer the Rural Energy Fund (REF) under the Rural Energy Act, 2005, and to promote and facilitate investment in modern energy services by working with key partners and collaborators from the private sector, NGOs, CBOs and Government Agencies. The Agency, in partnership with project developers, identifies modern energy projects, provides training/capacity building in project identification and preparation, technical assistance, managerial and financial assistance in order to enhance sustainability of energy projects. In collaboration with key service sector institutions and ministries responsible for rural services (e.g. health, education, rural development, water, etc.), the Agency promotes modern energy supply for productive use aiming at reducing poverty and raising the livelihood of communities in the rural areas. The vision and mission of the REA are as follows.

#### **Vision**

To be a model of excellence in effective contribution to the national economic growth and thereby improve the standard of living in a sustainable manner.

**Mission:**

To promote and facilitate improved access to sustainable modern energy services in the rural areas of Mainland Tanzania for social and economic development.

- 2.2** There are three broad functional areas where the REA is active: (i) Policy and strategy related functions; (ii) Project related functions; and (iii) Administrative and Finance functions. Each of these are summarised below:

**2.2.1 Policy and Strategy related functions.**

REA has a role of developing strategies to implement Government rural energy policy, including:

- Policy advice: Advise the Minister responsible for Energy on policy matters related to rural energy provision;
- REF procedures and guidelines: Develop procedural guidelines, selection criteria and terms and conditions, and subsidy criteria based on the policy mandate provided by the Rural Energy Act, for the application of REF funds;
- Facilitate the co-ordination of the rural energy programme activities with other rural development activities;
- Training and capacity building: An additional strategic function of REA would include training and capacity building. This is necessary to upgrade skills inside the organisation, as well as disseminating information and skills to key stakeholders.

**2.2.2 Project related functions.**

REA project-related functions include:

- Project identification and planning: This includes awareness raising, promotion of project concepts, and early-stage identification of potential projects. It would include the preparation of socio-economic baseline data, market surveys, load forecasts and indicative planning.
- Project facilitation: Activities include working with stakeholders to conceptualise projects; facilitating contact between communities and developers, and with project financiers; and assisting district and other rural Government officers to conceptualise and engage in rural energy project development.
- Technical assistance to project developers: This includes provision of support for project preparation activities, such as surveys, pre-feasibility and feasibility studies and general business development services.
- Project supervision: Once a project is ready for implementation, the REA would undertake some supervision activities, ensuring that milestones and targets are being met, and recommend intervention and possible solutions should problems arise.
- Project appraisal: This includes the appraisal of applications made to REA and preparation of recommendations on whether support should be provided, and the level of such supports.
- Monitoring and evaluation: During project implementation, REA would continue to monitor performance and evaluate the success of the project. The evaluation function would extend to examining the strengths and weaknesses of different strategic approaches.

**2.2.3 Finance and Administrative functions.**

REA undertakes a set of financial and administrative functions, including:

- Reporting: Preparation of annual reports for submission to the Ministry responsible for energy and other stakeholders;
- Trust Agent selection: Select the Trust Agent for the REF, based on a competitive selection process;
- Procurement: Competitive procurement of services as per Public Procurement Act 2004;
- Board secretariat: Keep all records of affairs and meetings of the Board and follow up to ensure the proper implementation of Board decisions and directives;
- Annual budget & work plan: Prepare an annual budget and work plan for activities of REA;

- Rural Energy Database: Establish and maintain a database of information on rural energy service and technologies; or liaise with the Ministry responsible for energy for data validation to ensure that such a database is established and maintained;
- Auditing: Ensure that the accounts of REA and REF are audited;
- Staff and office management: Ensure office routines are established and functional.

REA has an organisational structure closely aligned to its core functions. It has:

- An Administrative Division, dealing with administration and finance; and
- A Technical Division, dealing with the core functions of REA.

In addition, the Board appoints a Trust Agent to manage payments from REF.

### **3. OBJECTIVES**

**3.1** The objective of the Mid Term Review (MTR) consultancy assignment is to carry out an Annual Review (AR) of the Capacity Building Project of the REA.

#### **Specific objectives:**

To review the implementation of the Capacity Building Project in order to ascertain whether the assignment has achieved the intended goals, which included but was not limited to:

- (i) Ensure sustainable capacity within the Rural Energy Agency to execute its obligations in the short and long-term perspective have been developed;
- (ii) Assist REB in soliciting proposals for external funding of the REF;
- (iii) Assist in developing guidance and methods for the preparations of packages for rural energy services provision;
- (iv) Review criteria for subsidy allocation and other strategic conditions for successful provision of modern energy services in rural areas;
- (v) Interface and develop modalities of cooperation procedures between REA and EWURA (the regulator);
- (vi) Elaborate procedures with EWURA for sequencing of licensing and subsidy awards.

### **4. Scope of SERVICES**

The scope of services of the MTR consultant shall comprise, but not limited to the following tasks,

- (i) To assess whether the Capacity Building Consultant has adequately responded to the ToR;
- (ii) To assess whether the project has delivered the expected benefit to the REA;
- (iii) To assess to what extent the capacity of the REA has been built and whether the REA can derive additional benefits from the execution of the optional consolidation phase.
- (iv) To identify lessons learned, constraints and other issues of specific relevance, and propose suggestions on improvements for the implementation of the Capacity Development Programme

#### **4.1 Sources of information**

- (i) REA relevant documents and reports related to the Capacity Building Project;
- (ii) Interview/Consultation with REA key staff;
- (iii) Consultation with the Capacity Building Consultant (M/S Econ Povyry);
- (iv) Interviews with key staff from TANESCO, EWURA, The Trust Agent and a selection of project developers
- (v) Interviews with other relevant cooperating partners, e.g. the World Bank (JICA?).

### **5. OUTPUT/DELIVERABLES**

The MTR Consultant will be required to confirm whether the assignment has achieved the intended objectives in particular development and availability of full documentation of:

- i) Project management tools (model documents, Financial Analysis Spread sheet, e.t.c);

- ii) Relevant Manuals (Human Resources Manual, Financing and accounting Manual e.t.c);
- iii) Development and operationalization of the project database
- iv) Communication Strategy and Outreach Plan;
- v) Financial Prospectus;
- vi) Financing Guidelines;
- vii) Information, monitoring and evaluation system formulated and operational;
- viii) Partners/Developers and Stakeholders network;
- ix) Rural energy projects investment plan;
- x) A list of potential sources of funding for REF External funding solicited.

## **6. QUALIFICATIONS AND EXPERIENCE OF THE REQUIRED MTR CONSULTANT**

### **6.1 Qualification Requirements**

The Review team should consist of 2 consultants with the following (combined) experience:

- Relevant academic degree and a minimum of ten year's professional international experience.
- Well acquainted with Sida's energy support and support to rural electrification, and preferably also that of other donors (bilateral and multilateral)
- Hands-on knowledge and experience of rural electricity supply in a development context, preferably Africa.
- Experience of assessing organisations, including systems and procedures for financial control, procurement, monitoring and reporting.
- Proven ability to assess complex processes and diverse sources of information to produce a concise report with clear and well-founded recommendations.

The MTR Consultant shall have the ability to cooperate in a flexible and process-oriented fashion, and be able to communicate effectively in English language. A high proficiency in written English is required.

## **7. TIMING AND REPORTING**

### **7.1 Timing**

The assignment will be carried one month before the Semi-Annual Review Meeting between REA and Sida, planned to be held in October 2011. Efforts shall be made to coordinate the submission of the Draft Final MTR Report in time for this review meeting.

### **7.2 Reports**

A Draft Final Report shall be submitted by the Consultant at the end of the assignment. The Draft Final Report shall, in addition to a detailed account of what has been accomplished, elaborate on lessons learned, conclusions and recommendations, as well as statements of actual costs incurred, specified fees, reimbursable costs. Comments to the Draft Final Report will be provided within three weeks. A Final Report, taking comments provided into account, shall be submitted no later than two weeks after comments have been provided. Payment to the Consultant will be made only subject to an approved Final Report.

## **8. PROVISION OF INFORMATION**

REA shall assist the MTR Consultant in obtaining required information related to the assignment

Annexes:

- Capacity Building for REA Project Document
- Rural Energy Act, 2005
- REA Organisation Chart/Structure

## Annex 2 - List of Documents Reviewed

- The Electricity Act 2008
- The National Energy Policy, 2003
- The Rural Energy Act, 2005
- Rural Energy Agency Annual Report 2008/2009
- Rural Energy Agency Annual Report 2009/2010
- Rural Energy Agency Annual Report 2010/2011
- Terms of Reference Consultancy Assignment for Developing the Capacity of the Rural Energy Agency (REA)
- Project Doc Capacity Development Project REA Dec 2007.doc
- PÖYRY – Technical Proposal Capacity development at REA
- PÖYRY – Financial Proposal Capacity Development at REA
- PÖYRY – REA Inception Report, July 2010
- PÖYRY - Plan of Operation 1 Jul 2010 Mar 2011, June 2010
- PÖYRY - REA Capacity Development Semi Annual Report Dec 2010, March 2011
- PÖYRY - Plan of Operation 2 April 2011-Mar 2012, April 2011
- PÖYRY - Planning tool 'REA CapDev Inception Report v3.0
- PÖYRY- Annual report January – September 2011
- PÖYRY - Capacity Development Review of REF Guidelines; July 2010
- PÖYRY - REA Capacity Development Review of Subsidy Award Guidelines July 2010
- PÖYRY - Training Needs Assessment July 2010
- Embassy Response to the Proposal for undertaking the requested assignment under the Indevelop Framework Agreement for Sida Reviews, Evaluations and Advisory Services on Results frameworks REF No. UF2008/15084 dated 15<sup>th</sup> September, 2011
- Systems-based audit of Rural Energy Agency and Rural Energy Fond, Tanzania. July 2010
- Sida Trust Fund / World Bank support to rural / renewable energy/access scale-up and the electricity regulatory system. Progress report for 2010
- Sida Trust Fund/World Bank Support to rural / renewable energy/access scale-up and the electricity regulatory system. Tanzania, October 18, 2009
- Consultant Report for 2010/11 Joint Energy Sector Review: Revised Draft. 19 September 2011
- REB/REA: Revised strategic plan for 2009/2010 – 2011/2012, May 2011-10-31
- REA: Annual and mid term review of capacity development project and Sida support to REF – Financing Support to Rural Energy Fund. October 2011
- REA: Annual and mid term review of REA Capacity Development project, October 2011.
- REA: Work plan and budget for 2010/2011 financial year
- REA: Work plan and budget for 2011/2012 financial year
- REA: Implementation Progress Report of the LRTC Projects, August 2011
- REA: Baseline survey report for energy access, October 2011
- Tanzania Investment Bank: Quarterly report on the management of rural energy funds for the period 1st April – 30th June 2011
- Monitoring of the Capacity Development of the REA and Support to the REF in Tanzania. Report from Monitoring Mission No 1; 11-15 April 2011, Ann Kämpe Sida Monitoring Consultant

REA Manuals, Guidelines and Templates produced or updated:

- REA: Guidelines for financing rural energy projects, March 2011
- REA: Business Plan Template
- REA: Pre-feasibility Report Template for Rural Energy projects, draft 2010-11-25
- REA: Concept Note Template for Rural Energy Projects, draft 2010-11-26
- REA: Project Assessment/Appraisal Form
- REA: Performance Grant Application Form
- REA: Financial and Accounting Manual, June 2008
- REA: Human Resources Manual, Draft July 2011
- REA: Proposed result based monitoring and evaluation framework, Draft
- REA: Guidelines for financing rural energy projects, Draft March 2011
- REA: Financing Prospectus, May 2011 Draft
- REA: Draft ICT policy for the rural energy agency, June 2011
- Pöyry: Draft REA Communication Strategy, February 2011



## Annex 3 - Stakeholders consulted for the MTR

Name	Position	Organization
Mr. Prosper Victus	Assistant Commissioner for Energy	Ministry of Energy and Minerals
Samuel Mgweni	Energy Engineer	Ministry of Energy and Minerals
Ferdinand Mpanduji	Principal Engineer Electrification	TanESCO
Eng. Anastas P. Mbawala	Director of Electricity	EWURA
Eng. Norbert A. Kahyoza	Commercial Manager – Electricity	EWURA
Mr. Peter E. M. Noni	Managing Director	Tanzania Investment Bank
Mr. Julius Mukoji	Head of Risk and Compliance	Tanzania Investment Bank
Ms. Prisca V. Chang'a	Head Managed Funds	Tanzania Investment Bank
Mr Bernard P	Head Finance and Treasury	Tanzania Investment Bank
Mr Jaffa M		Tanzania Investment Bank
Mr. Ali M. Mindra	School Manager	Wama Nakayama Secondary School
Ms. Sarah Assey	Principal Engineer	TanESCO, Morogoro
Mr. Laurence Kombe	Engineer	TanESCO, Morogoro
Mr. Singi R. Madata	Board member, former Chairman	REB
Mr. Robert Schlotterer	Sr Financial analyst	The World Bank
Ms. Dana Rysankova <sup>13</sup>	Programme Officer	The World Bank
Mr. Gianluca Azzoni	First Counsellor	European Union
Mr. Baptiste Bobillier	Programme Officer	European Union
Mr. Alexander A. Mwalyoyo	Programme Officer – Energy	Norwegian Embassy
Mr. Samer al Fayad	First Secretary/Programme Officer - Infrastructure	Swedish Embassy
Mr. Stephen Mwakifwamba	Programme Officer - Energy	Swedish Embassy
Ms. Ann Kämpe	Monitoring Consultant	Ann Kämpe Projektkonsult
Dr. Lutengana U.A. Mwakahesya	Director General	Rural Energy Agency
Mr. George M.J. Nchwali	Director Finance & Administration	Rural Energy Agency
Ms. Theresia N. Nsanzugwanku	Procurement Officer	Rural Energy Agency
Mr. Mussa Muze	Legal Affairs Manager	Rural Energy Agency
Mr. Prosper P. Msellem	Planning and Database Management Manager	Rural Energy Agency
Mr. Selemani Byarugaba	Finance Manager	Rural Energy Agency
Mr. Frank Mugogo	Planning & Database Management Officer	Rural Energy Agency
Ms. Justina P.L. Uisso-	Projects Appraisal and Supervision Manager	Rural Energy Agency
Ms. Grace Mathew	Training & Capacity Building Manager	Rural Energy Agency
Mr. Arfaksad Ezekiel Ndilaha	Energy Officer	Rural Energy Agency
Ms. Jaina Msuya	Public Relations Officer	Rural Energy Agency
Ms. Fridah Lissu	Secretary	Rural Energy Agency
Ms. Vestina Rwelengera	Monitoring & Evaluation Officer	Rural Energy Agency
Ms. Elineema N.K. Mkumbo	Ag. Project Identification & Promotion Manager	Rural Energy Agency
Mr. Mattias Nordström	CD Team Leader	Pöyry Management Consulting
Ms. Esther Musinzu	CD Local Coordinator	Pöyry Management Consulting

<sup>13</sup> Dana Rysankova is in charge of TEDAP was interviewed from Washington through conference call

# Annex 4 - Comments on the draft evaluation report by the implementing consultant

## COMMENTS TO THE DRAFT MID-TERM REVIEW REPORT FROM PÖYRY

This is divided into two parts – the first is our understanding of the main recommendations going forward into the consolidation phase, and the second our comments to specific issues raised in the MTR.

### Summary of the MTR recommendations for the Consolidation Phase

Rationale for the consolidation phase

- The MTR concludes that the Consolidation phase would be "necessary for REA to assimilate what has been accomplished in the Implementation Phase and should focus on practical application of all systems, model documents and study tours that expose REA staff to working practises in similar environments as Tanzania".
- All stakeholders consulted during the MTR see a need for further capacity building of REA.
- Development partners indicated that more capacity building is needed.
- More attention towards developing capacity in leadership and management skills is needed of those driving the organisation.
- More utilisation of tools established will add more value and support to preparation of other energy projects.

The role of REA in preparing for the consolidation phase

- REA and REB need to map specific activities to be included in the consolidation phase

Issues mentioned by the MTR to be covered in the consolidation phase:

1. A **subsidy mechanism** that would allow for connection subsidies for households. In cooperation with EWURA for a cost-reflective tariff setting for renewable generation coming on-line with the grid. Support to REA on how to integrate the **grid connection of rural consumer issue** in toe the National Energy policy.
2. Strengthen the **M&E capacity**, not only monitoring of implementation but also strengthen monitoring of the actual operation and maintenance of completed projects. The element of monitoring outcomes and impact will need to be enhanced as the current framework is more inward looking. M&E unit will require more support to obtain data for assessment of some of the outcome and impact indicators.
3. Working session for **board** and REA on management and leadership skills of management staff.
4. 4.1.4 Stakeholder networking: This was to be established during the implementation phase, however REA have indicated that a number of fora for this already exists. The MTR recommends that the CD Consultant together with REA and the other stakeholders investigate whether a suitable **working session** can be developed for the key stakeholders (MEM, EWUA, TANESCO etc) for example on coordinated planning and reporting of activities.
5. **Contract management** need strengthening to ensure that completed projects continues to deliver energy services.
6. Merge the **two databases** into one together with GIS..."The MTR understood that REA might want to move towards to a better database system at a later stage. This could be considered as part of the Consolidation Phase to create a one-stop-shop system that facilitates planning, M&E and management decisions."
7. Support to REA in moving **away from TANESCO projects** to other project developers as well as non-electricity projects

8. Link the Communication Strategy with a more **formalised Website strategy** in order to develop the website into a one-stop-shop for investors.
9. Move **from task oriented to process orientation**, focus on practical application of all systems, model documents and study tours. The training gains so far should be followed by **more practical approaches**, hands on/learning by doing. Institutionalisation and internalisation of the training on those systems that have been established by the project.
10. **More local consultants** (However see comments below)
11. Involvement of the CD Consultant on the **governance level** and there is a need for stronger result based reporting of the Agency.
12. Section 4.6 The consultant is advised to review if **some working sessions should be repeated** due to low attendance.
13. Section 4.7 Due to big rotation of M&E staff, a **re-run of the M&E working session** could be useful.
14. **Integrate the model documents** for the better use by project developers and REA staff to enhance rural energy project development and implementation.

#### Pöyry comment

Pöyry sees no issues with the above recommendations as this is mostly in line with what has already been discussed.

The development of the detailed proposal for the consolidation phase will take the above into consideration. Some of these issues have already been discussed with the REA (see minutes from REA Management and Pöyry meeting 18<sup>th</sup> November 2011). Pöyry is now awaiting official invitation by the REA to submit a detailed proposal for the consolidation phase. It is anticipated that this communication will also include articulated preferences for activities to be included.

#### **Specific comments to the MTR by Pöyry**

- Section 1.1 mentions that the MTR will form basis for a possible release of the contract option to implement the consolidation phase. However, the report does not identify the process from the recommendation in the MTR to the final consolidation project. The REA has on a number of occasions expressed a wish list for items to be included in the consolidation phase, to which the Consultant responded with a tentative proposal in the Annual Report of September 2011. However, during a meeting on November 18<sup>th</sup>, the REA expressed that several of the proposed items should be removed from the proposal and REA emphasised the need for more capacity building of project developers and acquisitions of new software programs. It is the view of the Consultants that the MTR should include an action plan on how the recommendations within the MTR are integrated into the proposal development for the consolidation phase and how the Consultant should act upon requested from REA, Sida and the MTR consultants respectively.
- The MTR stresses the need for more local consultants for the consolidation phase. The original TOR did not mention this and the Consultants have hence staffed the team for the consolidation phase in line with the originally TOR. If substantively more focus is to be put on local consultants, the team put together for the assignment and which was awarded the contract, is no longer valid.
- Section 2.2 outlines the specific objectives of the inception phase, the implementation phase and the consolidation phase ("phase 2"). These are not exactly the same as stated in the TOR, and specifically, the TOR for the consolidation phase state that the purpose of this phase is to:
  - Assist in streamlining administrative and operational guidelines, procedures and systems [...]
  - Continued capacity building and training of REA staff
  - Provision of advisory services in relation to general operation and development of REA [...]
- Under the same section it is said that the expected outputs from the consolidation phase is "adequately trained REA staff that will be able to operate the agency independently, without regular external support" and "wide outreach of REA activities in rural areas". The first has a clear link to the identified scope of

service of the consolidation phase while the second output is not clearly linked. None of these outputs are mentioned explicitly in the TOR for the assignment.

- Section 4.1.1: The study tour has not been conducted as of yet due to lack of feedback from REA. The Consultant have discussed proposals and solicited input from the REA on preferences as it is the view of the consultant that the study tour must be demand driven in order to be successful. However, not until the end of October did the consultant get a request to organise a study tour. However, still, no details were provided by REA on the purpose of the study tour from their point of view. The Consultant is currently preparing a proposal for a study tour for the review of REA. However, initial indication is that REA wishes to travel to countries outside of the region, as opposed to the recommendation for regional visits in the MTR
- Section 4.1.1.: Some working session had low participation. The MTR recommends that the CD consultant develop an indicator and means of measurement to verify effectiveness of the intervention. The Consultant feels that it is in the interest of REA to assure that the relevant staff attend the full sessions and make use of the opportunity given. Furthermore, many of the working sessions were of a highly technical nature and not necessary relevant for all staff except for orientation purposes.
- Section 4.2 mentions that project developers have requested TSh 324 billion from REA but only TSh 29.5 billion was approved. It would be interesting to read the reason for the low approval rate. Is it a lack of available funding or is it due to capacity constraints within REA to process applications?
- Also, in section 4.2, the graphs illustrating the project pipeline includes “electrification” as one category. We assume this is equal to “grid extension”?
- Section 4.3, paragraph 4 mention that “REA was left on its own to carry out further development work.” This is not reflecting the situation as a) the local coordinator has been present throughout the assignment and b) the frequent missions have included much more than the working sessions in terms of following up of ongoing processes as well as planning for future activities.
- Section 4.3, paragraph 5 mention that the process might have been more effective if the Consultant team would have been smaller. The reason for the number of staff included is that the Consultant wanted to provide REA with senior experts within each area, not a small group of generalists. This also does not fit with the general observation that REA feels that it has been given high-quality support and advice.
- Section 4.5 mentions that a working session for the REB “but that opportunity is still to be taken up”. The CD and REA, during the inception phase, jointly developed a series of sessions “board seminars” that could be implemented, but due to the lack of advance notification of when the Board would convene this has not been implemented. It is still an option for the consolidation phase.
- Section 4.7 “The MTR understood that REA might want to move towards to a better database system at a later stage. This could be considered as part of the Consolidation Phase to create a one-stop-shop system that facilitates planning, M&E and management decisions.” The original CD consultant recommendation was that databases should be kept in Excel for the moment until they are sufficiently populated and used to give sufficient basis for migration to another system. The REA preferred this migration to be done during the implementation phase, and the CD consultant has provided a proposal for how this is to be done, and what the preconditions for this are.
- Section 4.7: M&E framework and Database still not complete due to reasons mentioned in progress reports. The fact that separate databases exist is mainly due to the fact that these are used for different purposes and by different people/units. It should be noted that M&E, project database and GIS are three separate systems that could be linked but are not the same. It would not be advisable to e.g. force the contract and payment monitoring function into a GIS application (even if it was possible to do so).
- Section 4.8: Documents are still in draft format due to lack of feedback from REA. An action plan is in place and feedback has been received on a majority of the documents. This means that most documents are now at a stage when they are in the process of being finalised based on REA feedback.

- Section 4.10 & 4.12.4: The process of the Communication Strategy is said to be stalled due to lack of a Communication Policy. However, during the last meeting between the CD Consultant and REA, the DG expressed that REA cannot develop their own Communication Policy as this is rather a job for the Ministry of Communication. Hence, the CD Consultant has now removed this item from their tentative proposal for the consolidation phase.
- Section 5.2, item 3: The MTR suggest that the remaining reimbursables are used for more trips by the CD consultant to sit in face to face meetings to finalise the documents. One such trip has already taken place covering all documents but the HR manual and the ME documents. The reason why these were not covered were (i) the REA HR unit had not yet read the HR Manual and (ii) the meeting with the M&E staff was cancelled due to a last minute meeting called by the DG. The HR unit and Pöyry agreed on a plan forward. The M&E unit promised to provide feedback by written communication. Additional travel is also tentatively scheduled for the purposes of e.g. presentation of final operational manual, finalisation of consolidation phase as well as additional GIS and database work.
- The MTR states: “To strengthen the private sector MTR recommends that the CD-REA project should also focus on training of PDs to use the model documents and to prepare good quality project proposals/business plans that can qualify for support under REF or any other financing. Financing through the World Bank/Sida trust fund should be explored for this purpose.” First, the use of Sida trust fund is outside of the scope and mandate of the CD-REA project, as this would be a separate assignment, with separate TOR etc. This should be made explicit and clarified in the MTR. Second, the training of PDs on use of model documents is something that has been discussed during the assignment, but from the perspective that the CD consultant would develop training material and participate/facilitate one or two such events with the ultimate objective that REA take this up as an integral part of their service offering to developers

I hope that the above comments are helpful for the finalisation of the MTR, and please do not hesitate to contact me at any time.

## Annex 5 - Status of documents for the REA Operational Manual

Item/Topic	Implemented and in use	Adopted	Final version	Draft Version	Previous REA version	Not started	Notes
Governance Structure	X						Part of the REA Operational Manual
Operational and functional structure	X						Part of the REA Operational Manual
Human Resources Manual					X		October 2007/Reviewed
Recruitment Manual				X			Incorporated in HR Manual
ICT Policy					X		Draft December 2009
Communication Strategy & Outreach				X			One document
Code of Conduct/Ethics					X		REA uses/adopted Government Code of Ethics
Financial and Accounting manual					X		Review in progress
Procurement Guidelines					X		REA adopted/uses PPA
REF Guidelines, TEDAP OG	X						To be reviewed/under review
TEDAP CREDIT LINE OG	X						
REF Guidelines, EU guidelines	X						
Funding Arrangements							
Grant application procedures for Grid Extension Projects /TANESCO)			X				Included in Financing guidelines
Financial Analysis of projects (Excel)				X			

Item/Topic	Implemented and in use	Adopted	Final version	Draft Version	Previous REA version	Not started	Notes
Financial Analysis guidelines						X	
EWURA guidelines							
Pro forma business plan							
Pre-feasibility template document			X				To be adopted
Project appraisal guidelines							
Model Document for a Project Concept Note			X				To be adopted
Model Document for a Pre-feasibility/Feasibility studies			X				To be adopted
Guide to a Business Plan			X				To be adopted
Grant Application form	X						
Project appraisal/evaluation process			x				To be adopted
Project Assessment sheet	X						
Investment prospectuses				X			
List of potential funding sources				X			
REA M&E Policy				X			
REA Project Evaluation checklist				X			

## Annex 6 - Responses given by REA staff to MTR Questionnaire

Directorate	DFA	M&E	FINANCE AND ADMINISTRATION	Technical Services	Technical Services	Director General	Technical Services	Technical Services
Year joined REA	2007	2011	October 2007	April, 2008	April, 2008	April, 2010	January 2011	2009
<b>Which training have you received under the CD-REA project?</b>	Project Appraisal Project Supervision Project Data Base Managerial issues Ethics Environmental Matters	Haven't received any training because I have just joined REA in October, 2011. But should any training be availed to me I would very much appreciate to undergo a project management monitoring and evaluation of Energy Programs and study tour to one of the countries in Africa with best practices in rural electrification	In-house capacity development trainings.	Institutional and organization support, Systems ,Rural Energy Project Capacity Building; Business Plan Development; REF Financing ; Communication & Outreach	Leadership, Project management & market/energy demand related issues, Environmental safeguards, code of ethics, communication outreach, M & E, Finance, database, Development and review of various model documents	Project Environment	None	Rural energy standardized documents, Database structure and GIS, Monitoring and Evaluation
<b>Which work sessions did you attend?</b>	all sessions conducted	Environmental Management Session conducted at REA Board Room in October, 2011	Familiarity with Rural Electrification Demand and Markets Rural Energy Resources Technologies and Project Development Options Rural Energy Project Management Monitoring and Evaluation (M&E) with a focus on Results Based M&E Biomass and cooking fuels Rural Energy Project Database Rural Energy Standardized Documents Communication Strategy and Outreach Plan Rural energy project Financing Project Implementation Code of Ethics & Conduct and General Governance Environmental Safeguards and Management Systems;	Sessions 2010 Sept. 1 & 2, October, 1&2. Session 2011 Jan. 1 &2, Feb. 1&2,October 1	All working sessions except one of May, 2011	October,2011; Apri,2011 and others	Environmental Safe guards; Code of Conduct, Clean Cooking; Rural Energy standardized Documents (Pre-feasibility Report, Business Plan, Grant application, Appraisal Documents); Project Financing 1&2; Developing Communication and Outreach plan; Project Implementation	Familiarity with rural electrification demand and markets, Rural energy resources, technologies and project development options, Rural energy project management, Monitoring and Evaluation, Rural energy standardized documents,



Directorate	DFA	M&E	FINANCE AND ADMINISTRATION	Technical Services	Technical Services	Director General	Technical Services	Technical Services
Year joined REA	2007	2011	October 2007	April, 2008	April, 2008	April, 2010	January 2011	2009
Which Work Sessions are you still to attend as part of the CD_REA project?		I haven't checked with the schedule	Code of Ethics & Conduct in Procurement Process;		Procumbent ethics		Procurement ethics	Database structures and GIS
Which work sessions did you find most useful and why?	Project Data base and Environmental matters	Environmental Management Session conducted at REA Board Room in October, 2011, but this is the only session I have attended so it is not easy to make comparison	All sessions were equally useful and interesting because were earlier identified as areas of interest.	Preparation of model documents for project appraisal and evaluation check list. Financing and accounting guidelines	Project management & market/energy demand related issues, Development and review of various model documents <b>because</b> it is the core function of REA and I am responsible for one of the core functions of REA (Capacity Building of Prospective/Energy Project Developers)	useful	Clean Cooking; Project Financing; Business plan; Project implementation; Appraisal	All – they were all touching the day to day activities of the Agency
Which products (e.g. manuals, prospectuses, procedures, guidelines) do you find most useful for your work	Monitoring and Evaluation Policy	1. Human Resources Manual 2. Guidelines for application of grants	Guide to Business Plan, Performance Grant Application, Grant Application Form,	Rural energy projects investment, templates/manuals from concept up to project assessment/evaluation sheet	Business Plan Template, Grant application forms, Concept note template	Guidelines and procedures	Project appraisal guidelines; Project financing guidelines; guide to business plan;	Guidelines for project appraisal, feasibility study template, business plan template,
Which aspects of your skills have been enhanced by the CD-REA project	Managerial Skills	Still compromising	In all areas which were covered in the modules above.	Project appraisal procedures	Leadership, environment issues, communication outreach, M & E issues and project management,	Project Management	Calculating risks, Preparing proposals, assessing projects	Project appraisals, and feasibility study report preparation
Do you require any additional information from the CD-REA project to improve further your skills	yes	I would like to be availed with the REA Training Program	Project feasibility appraisal techniques;	Hands on training/practical use of templates in order to lean their prons and cons.	I believe yes, I need to enhance my skills in the areas of best practices/approaches and techniques in building capacity of Prospective/Energy Project developers	No	Yes;	Yes, on Monitoring & Evaluation and Project Appraisal
On a scale of 1(poor) to 5 (excellent) how would you rate the performance of the model adopted in delivering the training modules	4 - Good	3 - OK	4	4	I will rate the performance of REA CD Consultant to a tune of 2	2	Four	3

Directorate	DFA	M&E	FINANCE AND ADMINISTRATION	Technical Services	Technical Services	Director General	Technical Services	Technical Services
Year joined REA	2007	2011	October 2007	April, 2008	April, 2008	April, 2010	January 2011	2009
On a scale of 1(poor) to 5 (excellent) how would you rate the selection of team members of the CD-REA consultant in delivering the training modules	3 - OK	3 - OK	4	4	I will rate the selection of the of REA CD Team Members to a tune of 2	3	Five	4
Any specific work/training sessions you felt could have been done better		It's too early to comment on this	Development of Energy Projects Database.	Database /GIS part of the CD	Leadership/Management	Nil	Clean Cooking	Rural Energy Standardized documents
Which training sessions would you want to be reemphasized in this project?		Study tours to countries with best practices in rural electrification	Development of energy projects management database.	Financial viability of proposals	WACC Session, GIS and Database, Leadership & management	Nil	Project Financing; Clean cooking fuels particularly on merging Supply and Demand	Rural Energy Standardized documents
What other training activities/sessions do you think would be useful for you in your work?	use of Data Base	1. Project management monitoring and evaluation of Energy Programs and study tour to one of the countries in Africa with best practices in rural electrification. 2. Project Planning and Management	-	On job training i.e. carrying out projects appraisal visit with CD consultants	Management and leadership skills	Performance Audit	Preparation of Energy sustainable 2Strategy	Preparation of business plans, database structure and GIS
What other training activities do you think would be useful for REA/stakeholders in general?	Project Management	Capacity building in terms of energy usage	-	Training on the use of model documents prepared under CD project	Project management, issues related to monitoring and sustainability of their projects	International Public Sector Accounting Standards	Effective Project management and financial discipline	General training on renewable energy sources and technologies

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Year joined REA	2007	2011	October 2007	April, 2008	April, 2008	April, 2010	January 2011	2009
Was the CD-REA project a good instrument and means to support REA meet its mandate of providing rural modern energy in Tanzania? If so how much do you think it contributed to that goal.	yes; it is difficult to rate it by percentage but to a large extent I can say the project has facilitated REA staff to provide quality service to rural people	Haven't seen	Yes, it has been a good instrument. Considerably good.	The project has prepared model documents to be used by REA and its stakeholders from project proposal to award of grants. These documents would easy both stakeholders and REA team since there is transparency on how REA evaluates proposals.	It is one of the good instrument and means that support REA meet its mandate. In my opinion I perceive the contribution made by this project can be around 50%	YES 30%	Yes; It contributed much (more than 80% to me) on focussing to the areas that effectively contribute to goal	Yes it was! By appraising rural energy projects using knowledge and skills obtained from the working sessions
Have you already participated in similar Capacity Building project with other donors? If so how would you rate CD-REA with those other projects?	no	Yes. But is too early to make comments	Yes	Our contributions were provided during working session taking into consideration challenges faced in discharging our duties	In a way yes as I can feel the change in my way of contributing to the achievement of the Agency's goals.	YES	Yes;	Yes,
Have you been able to establish your contribution to this goal as a result of the CD-REA project?	yes	yes	No	We had other model documents under WB project but these were too specific but REA CD project has prepared general model templates.	No	YES	No	No
What activities would you recommend for the Consolidation Phase?	practical part what we have so far learnt	Not yet	Consolidation of various databases into one robust database that will serve as on stop shop for energy projects information.	More focus should be on physical application of all model documents and training REA stakeholders (Project developers)	CD of Developers/Stakeholders, GIS and Database, Leadership & management WACC Session,	Motivation during the session	Activities related to building capacity of developers collaborating with REA	Project appraisals, monitoring & evaluation of projects and feasibility study report preparation

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Any other relevant information				During consolidation phase we should expect limited number of consultants from Sweden. Would expect local consultants to dominate since they are the ones who know the local situation.	-		No at the mean time	None



## MID-TERM REVIEW OF THE CAPACITY DEVELOPMENT PROJECT OF THE RURAL ENERGY AGENCY, TANZANIA

The Rural Energy Agency (REA) and the Rural Energy Fund (REF) was established in 2007 to promote and facilitate improved access to sustainable modern services in the rural areas of mainland Tanzania. Sida contributed 11,5 MSEK towards technical assistance for building technical and institutional capacity of REA. The technical assistance was launched with a first implementation phase of 24 months in March 2010 and with an optional consolidation phase of another 24 months to be released based upon the outcome of a Mid-Term Review undertaken during the first phase. The assessment of the MTR was positive in regards to the development of REA and the cooperation with its consultant. It was determined that the optional phase would benefit REA to put in place the practices and procedures developed during the consultancy, and to strengthen further the capacity building of REA and its stakeholders.

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