

How to Support Early-Stage Project Development



Lessons Learned from Existing (Early Phase) Project Support Models

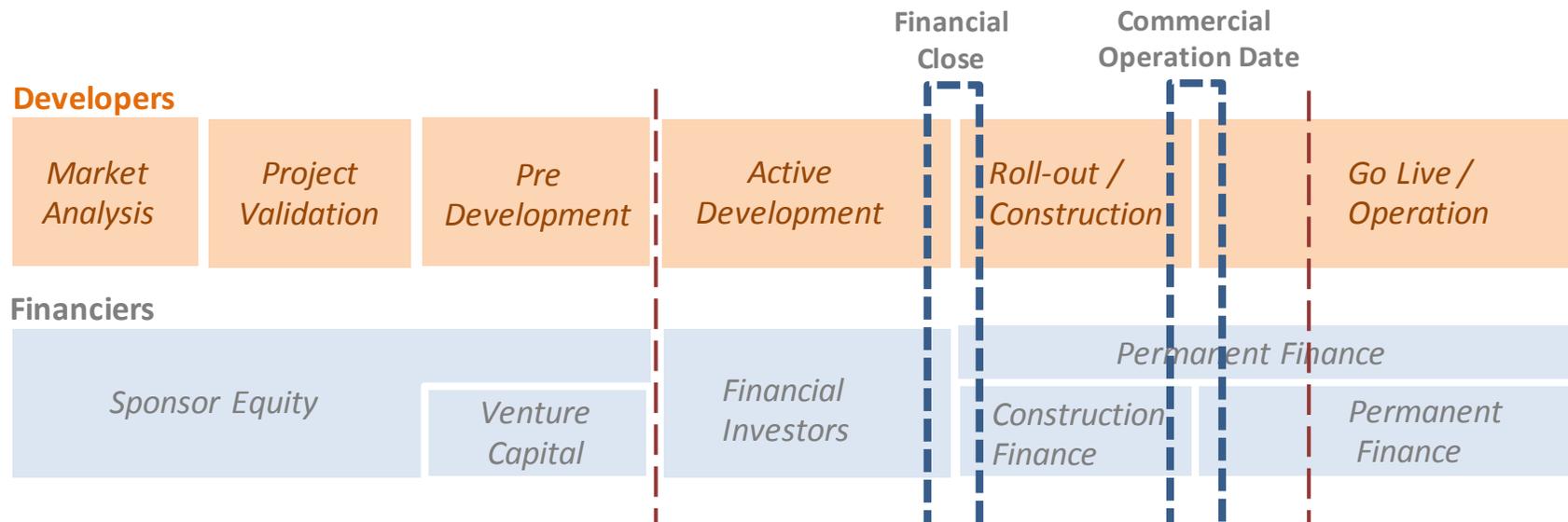
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Overview

- A few more words on early stage
- Typology of project support models
- Some lessons learned
- Food for thought

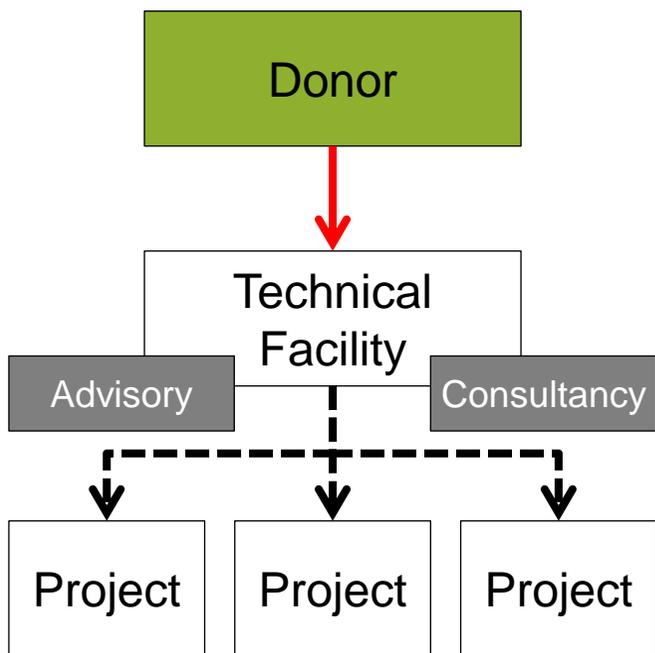
A few more words on early stage...

1. There are plenty of projects 'floating' around in the early stage;
2. Many projects find themselves in the early stage of the early stage;
3. So far, the early stage has been receiving least support and attention;
4. Internal management time is the most important cost factor;
5. Early stage takes long.

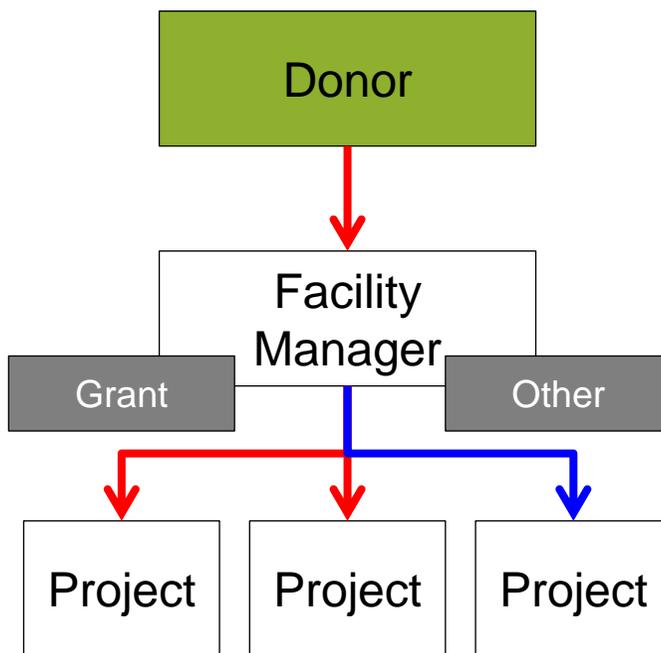


Typology of Support Models

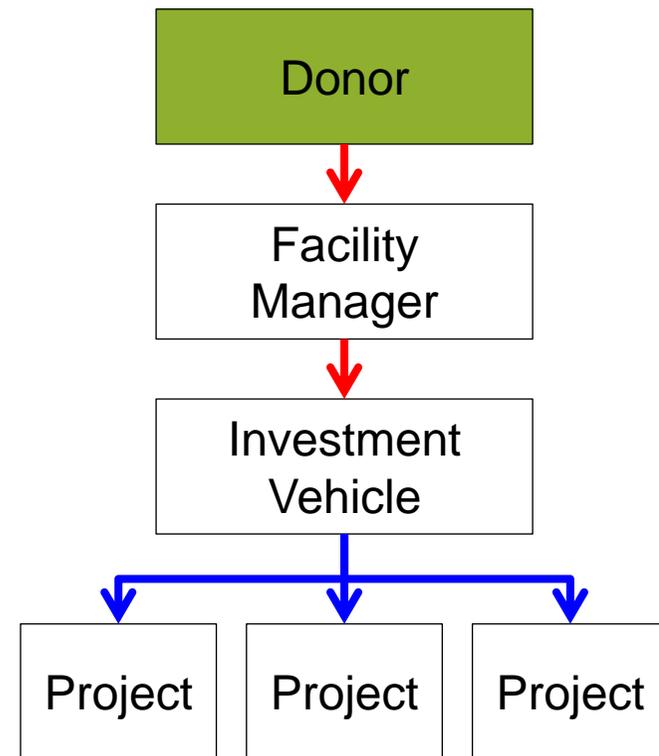
Technical Assistance Model



Financing Model



Development Model



 Financial support with selection based on investment decision

 Financial support with selection based on public procurement or open competition

 Technical support with selection based on public procurement, open competition or decision of technical facility management team

Effectiveness

1. Trade-off between commercial targets and sustainable development targets
2. Shortcomings of Financing Model using grant competitions:
 1. Low level of due diligence;
 2. Little follow up technical support during implementation;
 3. Challenges of selecting early stage project.
3. Technical Assistance Model (Consultancy) is less relevant during early stages because of the frequent changes in project scope and dynamic nature of the project formulation process

Efficiency and Leverage Effect

	<i>Total Spending</i>	<i>Administrative costs</i>	<i>Administrative costs as percentage of total spending</i>	<i>Administrative cost per project that has reached financial close or operational break even</i>	<i>Leverage effect</i>
Financing Model 1	243.1m	66m	27.1%	16.5m	5.95
Financing Model 2	10.25m	2.5m	24.4%		unknown
Investment Model 1	9.1m	2.63m	28.9%	2.63m	16
Investment Model 2	110.64m	31.55m	28.54%	3.94 m	18
Technical Assistance Model	5m			102,040	121

Flexibility and Long Term Approach

The Investment Model seems to be best equipped to respond to changing circumstances and build in a long term engagement.

The Technical Support Model (Consultancy) tends to be rather rigid once a Terms of Reference has been approved. The engagement is often short-term.

Technical Support Model (Advisory) has more flexibility in terms of the scope of the engagement with a project however support tends to be limited in time.

Financing Model is showing mixed results.

Cost Recovery

In theory, each support model can build in a cost recovery system, however it is most common under the Investment Model and rarely used under the Technical Support Model.

Full cost recovery is only sometimes possible and can only be achieved over many years.

Repayment conditions need to be clear from the beginning (i.e. timing of repayment, seniority, etc.).

Setting unrealistic cost recovery targets will undermine credibility (e.g. E+Co, AECF REACT (??))

Risk Sharing and skin in the game

There is hardly any risk sharing taking place and the project developer is often the only actor with “skin in the game”.

Few project support mechanisms provide direct financial support for *internal management costs*.

Knowledge sharing and building expertise

The Investment Model and Technical Assistance Model (Advisory) provide the best opportunities for knowledge sharing and building expertise.

Financing Model approaches sometimes use knowledge exchange platforms but these are rarely effective and in most cases every project has to build its own experience from zero.

Concluding remarks and food for thought...

How can we more properly distribute “skin in the game”? How can we make the “skin in the game” of the project developer more manageable?

How to deal with the trade off between sustainable development targets and commercial/financial targets?

What alternatives exist for “award competitions” to select support projects?