

FINAL EVALUATION

CVE/085

Supporting the partnership between the Centre for Renewable Energies and Industrial Maintenance (CERMI) and the Centre of competence-Technical Engineering of Luxembourg (CdC- GTB)

PROJECT SUMMARY DATA

Country	Cabo Verde
Long project title	Supporting the partnership between the Centre for Renewable Energies and Industrial Maintenance (CERMI) and the Centre of competence-Technical Engineering of Luxembourg (CdC-GTB)
Short project title	CdC-3C
LuxDev Code	CVE/085
Version of the Report	June 2022

RATING OF THE PROJECT BY THE EVALUATION MISSION

Global rating (Effectiveness)	2 On a scale of 1 (excellent results, significantly better than expected) to 6 (the project was unsuccessful, or the situation has deteriorated on balance)
Rating using other evaluation criteria	Relevance: 3 Efficiency: 3 Sustainability: 4 Coherence: 4

EXECUTIVE SUMMARY

Introduction and objectives

The purpose of the report is to present the main findings, conclusions and corresponding recommendations that emerged from the final evaluation of CVE/085 - Supporting the partnership between the Centre for Renewable Energies and Industrial Maintenance and the Centre of competence -Technical Engineering of Luxembourg, referred to as CdC-3C, on behalf of the Luxembourg Cooperation, as well as their counterparts. In this context, the report:

- analyses the results and the specific objectives reached at the time of the evaluation;
- analyses the results achieved in terms of capacity building;
- analyses the programme's management and monitoring;
- analyses the programme/project using the Development Aid Committee evaluation criteria, taking into account cross-cutting aspects;
- analyses the evaluation questions described in the terms of reference.
- establishes the lessons learned and provides recommendations for the continuation of the programme.

Specific objectives and results

This programme is being evaluated according to the criteria of a development intervention when, in fact, this is not a typical development intervention. It's a start-up, supported by a development partner, between national and Luxembourg institutions. The programme is not organised according to objectives and results but on the basis of phases and corresponding work packages:

- **phase 1: implementation of CdC-3C** (Centre for Renewable Energies and Industrial Maintenance and Centre of competence -Technical Engineering of Luxembourg) – **work package 1.1** - Project Management; **work package 1.2** - Incorporation of CdC-3C.
- **phase 2: operationalisation of the Centre of competence-Technical Engineering of Luxembourg following the CdC-3C activities** – **work package 2.1** - Training Engineering Services; **work package 2.2** - Engineering Services in energy efficiency and Renewable Energies; **work package 2.3** - Incubation, Innovation, Research and Development Services; **work package 2.4** - Metrology and Energy Efficiency Accreditation and Certification Services; **work package 3** - Launching CdC-3C services on the internal market; **work package 4** - Regionalisation of CdC-3C; **work package 5** - Transversal Activities.

In **phase 1** of the project, **all the activities** envisaged in **work package 1** were implemented and led to the **incorporation of CdC-3C (work package 1.2)**. In **phase 2**, **work packages 2.1, 2.2, 3, 4 and 5** were **fully implemented**. **work package 2.3** was **not fully implemented** (especially the incubator services). **Work package 2.4** was **partially implemented** - at the date of this evaluation, the process of creating the conditions for the transformation of the Centre for Renewable Energies and Industrial Maintenance into a Metrological Verification Organisation is practically complete, including the installation and equipping of a laboratory for this purpose and the certification of the Centre for Renewable Energies and Industrial Maintenance as an Maintenance into a Metrological Verification by the competent entities.

Bottomline, CdC-3C was incorporated, it's operational in the market and those were the expected outcomes of the programme.

Evaluation scores and comments

Score	Comments
Relevance: 2,65	The original financing decision was taken on the basis on unrealistic assumptions that were corrected in a second business plan. From an aid effectiveness perspective, the programme is contrary to the basic principle of using national existing systems.
Coherence: 3,72	Close alignment with relevant sector policies and alignment with Luxembourg Cooperation past interventions is heavily penalised by insufficient clarification and segregation of the business model of the CdC-3C in relation to that of Centre for Renewable Energies and Industrial Maintenance.
Effectiveness: 1,98	The programme is considered to have been globally effective, even though some of the competences used during the accreditation process were external competences (consultancies) and therefore not fully retained.
Efficiency: 3,03	The programme can be evaluated as moderately efficient. This is due to the relatively high training cost per attendant (1 635 EUR in 2019, 1 830 EUR in 2020 and 989 EUR in 2021) and the negative net results of CdC-3C within the period covered by the evaluation.
Sustainability: 4,00	There are relevant risks regarding its long-term financial sustainability. Special attention should be given to the exploration of new markets, in order to reduce its dependence on projects funded by the state or international organisations.

Lessons learned from this programme

- the **CVE/085 programme was relevant**, considering the specific objectives and priorities of Cabo Verde in the areas of energy transition, mitigation and adaptation to climate change and improving the competitiveness of the industrial sector, defined in the Strategic Plan for Sustainable Development and the government programme of the VIII legislature;
- nonetheless, **this can't be defined as a cooperation and development programme**. It's a structured dialogue between Luxembourgish and Cabo Verdean stakeholders that led to an investment through which a company emerged. So, assessing it as a development and cooperation intervention is, in itself, a questionable exercise, justifiable because it was framed by Indicative Cooperation Programme;
- moreover, the nature of the programme **is not aligned with the expected result of Indicative Cooperation Programme** axis 3 which was "the human resources of Centre for Renewable Energies and Industrial Maintenance are capacitated through a higher education programme connected to research and development of technical projects in renewable energies". In fact, CdC-3C is a de facto privatisation of part of the services previously provided by Centre for Renewable Energies and Industrial Maintenance. The trade-off being quite clear: Luxembourg's partner transfers know-how and Centre for Renewable Energies and Industrial Maintenance hands over part of the national market with a view to future access to the regional market. This can indeed become a mutually advantageous partnership modality, with evident gains in terms of know-how transfers and potential joint exploitation of broader markets;
- but the nature of the cooperation with the private sector defined in section 4.4 of the Indicative Cooperation Programme pointed, on the other hand, to studies aimed at **promoting private investment and not a specific investment** as the one that led to 3C;
- the **programme is contrary to the basic principle of using national existing systems**, and can in fact harm Centre for Renewable Energies and Industrial Maintenance interests (if 3C is not successful in accessing regional markets, it ends up losing part of its national market without any sort of additional source of revenue);
- there is a real possibility that the CdC-3C will compete with existing or future private companies in the field. Since the CdC-3C is heavily subsidized with national and international public resources (either at the time of its creation, or in its operational phase, through public institutions or programmes that contract directly its services), competition with private companies, in this framework, collides with the government's objectives concerning the attraction of private investment, promotion of the private sector, and improvement of the business environment - both in the Strategic Plan for Sustainable Development and in the government programmes;
- the **transaction cost of the programme has been quite high** because two different business plans had to be prepared. Moreover, the financing decision was taken based on an unrealistic business plan;

- the assessment of the coherence of this programme component is affected by an insufficient clarification and segregation of the business model of the CdC-3C in relation to that of Centre for Renewable Energies and Industrial Maintenance, with overlapping areas of operation and marketing-mix, both in terms of strategic management instruments (statutes and business plans) and in terms of management practices (activity reports). This overlap may result in conflicts of interest between CdC-3C and one of its shareholders (Centre for Renewable Energies and Industrial Maintenance), as well as inefficiencies in approaching markets and business opportunities;
- the analysis of the economic and financial performance of CdC-3C in its first three years of activity points to **relevant risks to its sustainability** in the medium and long term. Such risks stem mainly from five factors
 - the limited size of the domestic market,
 - the limited competitiveness of the company at the regional level,
 - the insufficient clarity of the business models of CdC-3C and Centre for Renewable Energies and Industrial Maintenance and the consequent existence of areas of some overlap,
 - the relatively high unit costs of training (given the average level of income in the target markets), and
 - the heavy dependence of CdC-3C on projects funded by international donors;
- the CVE/085 programme is evaluated as **moderately efficient**. In the first three years, CdC-3C delivered training courses to 678 attendants, at a global operating cost of 1 256 EUR per attendant (1 635 EUR in 2019, 1 830 EUR in 2020 and 989 EUR in 2021). Only for comparative reference, total operating costs per attendant in Centre for Renewable Energies and Industrial Maintenance is estimated to be around 940 EUR in 2019.

Recommendations

- in the future, structured dialogues between Luxembourg and Cabo Verdean partners should be presented as such and not as a development and cooperation intervention. Structured dialogue between Luxembourg and Cabo Verdean partners is certainly an interesting track to further developed this long-lasting partnership between both countries. The European Union, for instance, increasingly invests in this track with several countries with whom it maintains strategic partnerships (in this link the example of the European Union Sector Dialogues). Still, this programme was funded under an Indicative Cooperation Programme with specific development objectives that were not served by the investment made on 3C;
- the **process of selecting partners for such structured dialogues should be more transparent and provide equal opportunities** for institutions in both countries. Otherwise, this sort of initiatives can represent a reputational risk for both partners. The involvement of non-state actors in sector dialogue initiatives that led to investments that are supported by Luxembourg Treasury should be totally transparent and equal opportunities to access them should be guaranteed, thus respecting the principles of aid effectiveness;
- future interventions of this nature should **carefully measure** the potential to harm the interests of beneficiaries and include a detailed risk management strategy;
- Luxembourg Cooperation should **closely monitor the development of 3C** to make sure that its creation doesn't harm the interests of its primary partner in the sector, Centre for Renewable Energies and Industrial Maintenance;
- **internal quality control mechanisms** by the Luxembourg Cooperation **should be strengthened** to allow in-depth scrutiny of feasibility studies;
- assess the possibility of **introducing two improvements to the CdC-3C governance model** to ensure better long-term coherence and governance robustness:
 - formalise, in the Statutes or in a shareholders' agreement, the agreements between the parties related to positions in the corporate bodies of the company, to provide greater stability to these agreements, and
 - re-analyse the decision that the Chair of the Board of Directors be occupied by Centre for Renewable Energies and Industrial Maintenance, suggesting that the position be filled by a third person, independent of the two shareholders, to reduce potential risks of conflicts of interest ;

- **reduce CdC-3C's dependence on public resources** that may give it operational and/or financial advantages in competing with existing or future private competitors, so as to minimize the risk of causing market distortions:
 - develop an **effective plan and schedule for the operationalization of metrological verification services** by Centre for Renewable Energies and Industrial Maintenance, mapping out the relevant stakeholders to be engaged and engagement strategies, detailing the activities to be undertaken, responsibilities for carrying them out, resources required, and key dates,
 - design and implement more **robust, focused, proactive and aggressive commercial and marketing strategies** to exploit opportunities in the national and regional markets for specialised training services. It is recommended to develop periodic commercial plans (quarterly, half-yearly or yearly), associated with concrete objectives. For external markets, like the Economic Community of West African States and the Portuguese Speaking African Countries for instance, it suggested to develop the plans together with Centre of competence -Technical Engineering of Luxembourg, to take advantage of their experience.