Module 6 - **Trainers Guide**

Renewable Energy Project Financial Management

ENGLISH - FIJI ISLANDS

Funded by:

KOICA
Korea International Cooperation Agency

In partnership with:

Pacific Islands Development Forum

ACKNOWLEDGEMENTS

This **"Renewable Energy Project Financial Management"** training module was developed by Vineet Chandra under contract to GGGI, with inputs by the local people, for the local people.

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Valuable feedback and inputs on this module have also been provided by the following groups of people during the piloting, finalization and customization phases:

Alifereti Tawake (FLMMA), Raikaki Tikoivavalagi (Centre of Appropriate Technology and Development), Sunia Biu (CATD), Buli Colati (Public Service Commission), Sofaia Tawake (Ministry of Education), Mereoni Bula (Ministry of Education), Ashreal Prasad (GGGI Fiji) and Rosi Banuve (GGGI Fiji) for providing review and feedback during the "Pilot training of trainer and feedback workshop" in 2020.

The people of Rukua Village, Beqa Island and pilot trainer, Alifereti Tawake for providing community and trainer feedback during the "Pilot training of remote communities" event in 2020.

Joji Wata (Department of Energy, Fiji), Ruci Verebasaga (Ministry of Housing and Community Development), Raikaki Tikoivavalagi (Centre of Appropriate Technology and Development), Sunia Biu (CATD), Afsrin Ali (PIDF), Marilyn Tagicakibau (PIDF), Arti Chand (PIDF), Spencer Robinson (PIDF), Ana Laqeretabua (Gender Consultant) and Krishnil Ram (RE Consultant - Energy Pro), for providing validations of the feedback during the "Regional Validations Workshop" in 2020.

Thomas Jensen (UNDP) for externally reviewing and providing feedback for this training module.

Also acknowledging support from the Ministry of Economy (Fiji), Korea International Cooperation Agency (KOICA) as well as all other stakeholders who have provided their inputs in any way.

Other information in this module is drawn from materials that are publicly available online, and any misrepresentation is truly regretted. Inclusion in this module does not constitute endorsement by GGGI or the authors. Information provided in the module has been adapted by the authors and any mistakes are the authors' own. Readers should always check for latest information with the relevant authorities as standards and requirements keep getting updated.

Cover photo source: https://www.maxpixel.net/Home-Coin-Investment-Money-Finance-Business-Bank-2724238.

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GLOSSARY

AC - Alternating Current, is a type of electricity produced by big generators for big devices like TV or washing machine.

Bookkeeping - Keeping a record of cash coming in and out, of a business.

Charge - To connect wires to a battery to make its voltage go up. It is normally connected to the solar panel to charge.

Charge Controller - Something that controls the charging of a battery and stops it from overcharging.

Current - It is what flows in the wires to give us power together with voltage.

DC - Direct Current, is a type of electricity produced by solar panels. The DC power can directly run lights and small devices.

Grant - Money given for a project, but does not have to be returned.

Inverter - Something that changes dc electricity to ac electricity.

Load - Anything that takes power from the battery or solar panel. It can be a light, fan or fridge. Anything that uses electricity is a load.

Loan - Money given for use but has to be returned later on, with interest.

Mounting - Something used to hold components in place – like we use something to hang pictures. Similar, to fixing the panels to the roof properly with mounting so it does not fly away.

NGO - Non-Government Organization – these are organizations that help communities.

Overcharge - If you keep charging the battery when it is full – just like a bucket gets too full of water and overflows – the battery will get damaged.

Power - It is the energy given by something over a certain time.

Project - Some important work we do for a fixed time, example building a house is a project.

PV Array - It means many solar panels connected together.

Solar Panel - Also called 'PV module' or PV panel. They are the shiny blue plates that convert suns energy to electricity.

Sponsor or Donor - An organization or person who donates money for a project.

Voltage - Voltage in wires combines with current to give us power.

The "Renewable Energy Projects Financial Management" training module is an introduction to the basics of renewable energy finance process.

Upon completion of the course, you will achieve the following learning outcomes:

- Identify Existing RE Projects or Potential for New RE Projects in the Community.
- Demonstrate Basic Level Understanding of Financial Management in Renewable Energy Projects.
- Identify Opportunities for Access to Funds for RE Community Projects.
- Demonstrate Basic Understanding on Revenue and Expenses of Renewable Energy Projects.
- Understand How to Engage with Relevant Government, Donors, and Development Partners for Assistance in Renewable Projects.

HOW TO USE THIS GUIDE?

The trainer guide is provided with the class notes and includes activities which need to be done after each section of the course. The guide acts as a recommendation only. After seeing the situation on the ground in each community, the experienced trainers may use their judgment to modify their delivery and assessment techniques to achieve better results.

The Trainer Guide provides detailed notes written in the form that can be directly delivered to the learners. However, the very detailed notes are intended to broaden the knowledge of the learner as well. You are not required to read each paragraph from the Trainer Guide, but you are expected to know the materials sufficiently to train others. Firstly, you must know what key concepts the learners need to learn. These are normally called learning outcomes. The learning outcomes are all listed at the start of the Trainer Guide, and you must ensure that at minimum, every learner achieves those 5 learning outcomes. You are required to take at least a week to go over the TG and go through the activities in the Learner Workbook. During the actual training you can refer to the Trainer Guide and explain it to the learners in your own words. If you are unsure of something always refer to the TG notes. Also note to take heed of the time recommended for each session and activity.

In case where learner literacy levels are low, trainers are advised to adapt to the situations and modify activities as appropriate. It is advisable to keep a continuous record of competencies of learners. All competencies are achieved when learners fulfil all learning outcomes.

HOW TO CONDUCT ACTIVITIES

- Activities are best done in groups or pairs. It is recommended that in each group there is at least one who is more literate or a more active learner who can help to translate and explain the training contents to learners who are slower to understand.
- You may divide the learners into groups of at least 2 and preferably 3-4 learners and ask them to carry out a rigorous discussion within the group. Some activities can be given to the groups for overnight preparation. The trainer needs to be aware of the dynamics of relationships in the community when dividing learners into groups. Sometimes women and youth are not free to share their views when the men from the communities are present. The trainer should ideally ask learners for their guidance when organising them into groups for discussions.
- Ideally the learners may present the results of their activities to the class and have a class discussion based on their findings.
- It is not necessary that all groups present in the same activity.
- However, it is important that all groups are given opportunity to present or verbally discuss their answers.
- At all times, encourage learners to be interactive and participative in class.
- Learners must be encouraged to be vocal and to contribute actively in class discussions.
- To better improve learning, the learners must be encouraged to strongly inquire about the topics through questions.
- The activities allow trainers to observe if the learners have achieved the learning outcomes. If possible, do keep record of the learner's achievement of learning outcomes so that you can help them learn better. A sample record table is given in this guide.
- Adapt existing activities and/or alternative suitable activities in case the desired literacy levels of learners are not met or the desired resources are not available.

TEACHING TOOLS

The following tools/items may be required to enhance learner learning:

- Laptop/ computer and projector to play videos or present notes to the whole class. This will depend on availability. In case this is not available, you are recommended to take large prints of the key concepts and display to the learners while teaching.
- Provide each learner with pen or pencil, and paper to allow them to participate.
- Whiteboard and markers or black board and chalk can be made available to allow both facilitator and learner to state a point.
- The Learner Progress Record sample given below can be used to observe learners, note their feedback, and assess if they have achieved the specific learning outcome. This recording is useful for both the learner and trainer so you can focus on those who are falling behind. Note there are no marks to be awarded and the record is only to improve learning. This is entirely optional.

TABLE 1: Learner Progress Record – optional for trainers to use

Learner Progress Record (Optional)	Date:
Learner Name:	
Learning Outcome	Achieved Outcome (Yes or No) and Comments
1. Identify existing RE projects or potential for new RE Projects in the Community.	
2. Demonstrate basic level understanding of financial management in renewable energy projects.	
3. Identify opportunities for access to funds for RE community projects.	
4. Demonstrate basic understanding on revenue and expenses of renewable energy project.	
5. Understand how to engage with relevant government, donors, and development partners for assistance in renewable project.	

LESSON PLAN AND RECOMMENDED TIMING

TABLE 2: Lesson Plan and recommended timing of each session

Chapter	Lesson Type	Recommended Time
1. Ice Breaker - Introductions	Theory and activity 1	30 minutes
2. What is Renewable Energy Finance	Theory	20 minutes
	Activity 2	15 minutes
	Activity 3	45 minutes
3. Funding Opportunities	Theory	30 minutes
4. Revenue and Expenses of Renewable Energy Projects	Theory	30 minutes
	Activity 4	120 minutes
5. Engaging Donors for Funds	Theory	30 minutes
	Activity 5	70 minutes

1

Ice Breaker Introduction

Trainers must understand that the learners are attending the module have taken time from their usual daily activities which sustains their livelihood. Most will also be very nervous and unclear regarding what the module is all about. Hence the trainer must ensure that the learners are comfortable and not too nervous. It is important to make them feel at ease so that they can focus on the module and absorb as much knowledge as possible.

Tell them that this is an informative module and there will be no tests or marks in this. You must inform them that this module is being run so that they can take the information to help themselves to transition to renewable energy. Even if they do not use it, they can always use the knowledge to help others. In any way this module will better equip them to help grow their communities. Tell them to be at ease and focus on enjoying the day and asking as many questions as they want. Also tell them to not worry too much about complicated things as you will guide them through this.

ACTIVITY 1

Introduce yourself briefly to the learners. Ask if they are all comfortable at the venue. One by one ask them their names and tell them to give some details about themselves – such as what they would normally be doing at that time and what they hope to gain from the module at the end of the day. In addition if time permits – ask them what they think about Renewable Energy Financial Management. There is no correct answer, and the goal of this activity is simply to get them relaxed and engaged into the session. You may crack few light jokes as laughter always lightens the mood and helps learners relax. Ask the learners about their prior experiences in RE Financial Management and how much they know about the topic. Also ask them what they wish to gain from this training session and record their answers on paper so that it helps the trainer in setting a direction to the course. This input will help the trainer direct the training to the learners needs.

2

What is Renewable Energy Finance?

2.1 Renewable Energy

Renewable energy is energy that is harnessed from renewable resources, which are naturally replenished on a human timescale, such as sunlight, wind, rain, tides, waves, and geothermal heat.

2.2 Financial Management

Financial management means planning, organizing, directing, and controlling the financial activities such as procurement and utilization of funds of the enterprise. It means applying general management principles to financial resources of the enterprise[1]. A Renewable energy project is no different and requires analysis to identify return on investment. There is no golden rule, method, or standard set financing of renewable energy projects. Each individual renewable energy project requires its own unique funds and conditions to be financially viable.

FIGURE 1: **Risks for RE Technologies[2]**

Typical RE risks of the different RE technologies	
RE type	**Key Risk Issues**
Geothermal	• Drilling expense and associated risk (e.g. blow out) • Exploration risk (e.g. unexpected temperature and flow rate) • Critical components failures such as pumps breakdowns • Long lead times (e.g. planning consents)
Solar PV	• Component breakdowns • Weather damage • Theft / vandalism
Small hydro-power	• Flooding • Seasonal / annual resource variability • Prolonged breakdowns due to offsite monitoring (long response time)
Windpower	• High upfront costs • Critical component failures • Wind resource variability • Offshore cable laying
Biomass power	• Fuel supply availability / variability • Resource price variability • Environmental liabilities associated with fuel handling and storage
Biogas power	• Resource risk • Planning opposition associated with odor problems
Tidal/wave power	• Survivability in harsh marine environments • Prototypical / technology risks, Various designs and concepts but with no clear winner at present • Small scale and long lead times
Source: UNEP - Financial Risk Management Instruments for Renewable Energy Projects, Summary Document, 2004	

Renewable energy projects require substantial amount of funds and usually varies on the type of renewable energy technology. These projects are capital intensive and having a longer time for return on investment, and usually pose an extended period of risk. Typical risks as shown in Figure 1. The financing option is limited in many developing countries for renewable energy technology, thus renewable energy financial management is important to secure funds.

2.3 Renewable Energy Project Framework

Traditional renewable energy projects have the following framework:

1. Identify Project:

- Energy requirement identified.
- Resources for renewable energy is identified (e.g., available water stream) which determines the renewable energy technology (e.g., For water steam, hydro energy system can be installed).
- Agreement of all stakeholders if not installed individually (e.g., Villagers).
- Identification of site(s).

2. Funding:

- Identify the beneficiaries and how much it will cost.
- Who will fund (e.g.: individual loan or government support).
- Sometimes a power purchase agreement (PPA) can be signed so that excess energy can be exported (sold) to grid.

3. Building:

- Identify who will build (e.g.: villagers or a contractor).
- Installation completed.
- Tested and commissioned.

4. Own and Operate:

- If an agency has financed the project, they may run and charge until they recover their cost. Upon recovery of cost, the ownership is transferred.
- If locally financed, villagers or individual household owners will own and operate.
- If power purchase agreement is signed, the additional energy is exported, and the money obtained is used to pay loans used to install the system.

1 Management Study Guide, "Financial Management, Meaning, Objectives and Functions, https://www.managementstudyguide.com/financial-management.htm

2 UNEP- "Financial Risk management Instruments for Renewable Energy Projects Scoping", Summary Document,2004, https://wedocs.unep.org/20.500.11822/9450

2.4 Identify Renewable Energy Projects

Renewable energy project is any activity that is unique and is carried out to produce energy from sources which are replenished. Existing renewable energy projects are any activity that is being carried out which will produce energy.

The potential for new renewable energy projects is dependent on many aspects as follows:

1. What is the energy source?

The energy sources could be solar, hydro, or wind for small community projects. It is dependent on where you are located and what you have access to.

FIGURE 2: Solar Energy[3]

FIGURE 3: Hydro Energy[4]

2. How much energy is required to be produced?

The total amount of energy required is calculated based on the fact that how much energy is required in a household and how many households need energy. For example: small solar projects could have individual solar systems per household, or it could be a centralized system connected to all households in a village.

3. Is the source sufficient to produce the required energy?

It is important to understand how much energy the source can produce. If it is a solar system, then there will be no issues and each household can have its own solar system but if it's a hydro system, then water stream has to be sufficient to produce enough energy for either a household or for a community.

4. What will be the system capacity?

Looking at the energy requirement in a house, system capacity can be found and likewise you can identify the total power requirement for household or for a community. Local department of energy will have details available to help calculate the total system capacity.

5. How much it will cost?

Once the power requirement is known and the type of system (e.g.: Solar or Hydro) identified, then quotations are obtained from local suppliers. Local department of energy will have list of preferred suppliers.

6. Who will fund it?

Once the value of project is identified, a fund needs to be identified. Funding can be from villagers, or they can apply for government grants or funds from donors. Again, local government and department of energy can provide some guidance on the available funds and grants.

7. What will be the payback period?

The payback period means; in how many years your investment will be repaid. For example, you want to install a solar system which costs $500 to install. Once you will install this system you will save $10 per month in fuel. So, in a year you will save $120. Hence the payback period will be:

$$\text{Payback Period (years)} = \frac{\text{Total installattion Cost}}{\text{Yearly Cash inflow}}$$

$$\textit{Payback} = \frac{\$500}{\$120} = 4.16 \textit{ years} \text{ (4 years, 1 month and 28 days)}$$

3 Source: Europe for Culture, 2018, http://anoeuropeu.patrimoniocultural.gov.pt/index.php/resultados-do-ano-europeu-do-patrimonio-cultural-2018/

4 Source: The Conversation, https://theconversation.com/rivers-rain-and-releases-what-happens-when-you-dam-a-waterway-3934

However, if you are getting loan to install than the total cost will no longer be $500. So, if you are getting a loan with an interest rate of 20% per year for a period of 5 years, then your extra yearly cost will be:

$$\text{Interest cost per year} = \frac{\text{Interest \%}}{100} \times \text{Loan amount}$$

Interest per year = $^{20}/_{100}$ x 500 = $100 *per year*

Therefore in 5 years' loan term you will pay an additional $500 (5 years x $100). Now overall cost of your project is $500 (loan amount) + $500 (interest) = $1000.

Shorter payback period is better. Every system has a lifetime, so you do not want to have a payback period close to a systems lifetime. For example, if a solar system has a lifetime of 10 years, so you don't want your payback period above 7 years, otherwise you will not be able to use your system free. This means that if the above payback period is 4 years, 1 month and 28 days, and the expected life of the system is 10 years (meaning after 10 years the system may not operate or does not have any warranty left), you will use free energy for 5 years, 10 months and 7 days.

8. What are other benefits:

The other benefits are that you will have clean energy, you will have access to energy every time, good quality light etc.

2.4.1 Budget Template

A budget is a financial plan (an estimate of income and expenditure) for a defined period. For Renewable Energy, a simple template can be used to record the important information as follows:

Description		Description	
What is the energy source		Expected cost of installation (labour)	
Identify power requirement (kW)		Expected cost of materials and components	
Individual or Village Project		Maintenance / replacement cost	
Grant, Loan or Cash		Duration of project	
If loan, what deposit is required		What is current energy cost	
How much saving will be from using this renewable energy		Payback Period	

2.4.2 Managing Funds_

In some cases, power purchase agreements provide a good source of income for renewable energy projects to utilise for future repairs. In this regard, prudent financial management is very important. Here are some tips for managing the cash flow in renewable energy projects:

- Ensure that all income generated, and all expenses made is recorded by a nominated treasurer. A committee must exist consisting of a leader and a treasurer to approve the use of funds and all income and expenses must be recorded.
- Keep all receipts and invoices as proof of expenses or income. This must be kept carefully to allow the committee or any stakeholder to see these whenever required.
- Ensure that the committee looking after that renewable energy project meets every month to be briefed on the financial status of the project. i.e., how much money has come in and how much used, and how to continue to operate and maintain the system.
- Each year the committee should present an audited report of finances to the stakeholders and even use this chance to elect new committee members to look after the project if there is interest from stakeholders to join the committee.

ACTIVITY 2

1. Now (in 7 above) your loan amount including interest becomes $1000. Using the annual saving of $120, calculate the payback period.

Answer:

$$Payback = \frac{\$1000}{\$120} = 8.33 years \text{ (8 years, 3 months and 29 days)}$$

ACTIVITY 3

1. Suppose your village discussed in a village meeting that they want to install a renewable energy system for the village. The power requirements are as follows:

    b. There are 10 households in the village.

    c. Each household requires 50 watts' power.

    d. Each household will have DC power only with light and for radio.

    The village has access to water stream. Your village head found a catalogue from the department of energy which has some information on renewable energy system and price. The information is as follows:

    a. A 600W pico-hydro (turbine and generator) system costs $700.

    b. Other cost to have the pico-hydro system (wiring, battery, controllers) operational will cost $1300.

    c. A 75W solar panel, battery and controller costs $180 including installation.

    Each household in your village has fuel cost of $5/week to provide light and $2/week for radio battery.

Since you have attended this course from your village, the village head wants you to advise him:

i. What is the total power required in the village?

Answer:

The total power requirement in the village =
10 household x 50 watts = 500 Watts.

ii. What will be the simple payback if village decides to install pico-hydro and villagers will contribute to buy the system.

Answer:

Total cost for pico-hydro system = $700 + 1300 = $2000.

Each house spending per week = $5 + $2 = $7.

Each house per year spending = $7 x 52 weeks = $364.

$$Simple\ Payback = Cost\ of\ Investement\ /\ Savings\ per\ year$$

$$Simple\ Payback = \$2000/\$364 = 5.49\ years\ (5\ years\ and\ 6\ months)$$

iii. What will be the simple payback if village decides to install solar system and villagers will get a loan from banks at an interest rate of 20% per annum for a repayment period of 5 years.

Answer:

Total cost for solar system = $180 x 10 = $1800.

Total cost with Loan @ 20% for 5 years:

First you find the interest amount that you will pay per year: $1800 x 20/100 = $360.

Then you calculate how much interest you will pay in 5 years: $360 x 5 = $1800.

Total loan amount to pay to bank in 5 years = $1800 interest + $1800 for loan = $3600.

$$Simple\ Payback = \$3600/\$364 = 9.89\ years\ (9\ years\ and\ 11\ months)$$

3

Funding Opportunities

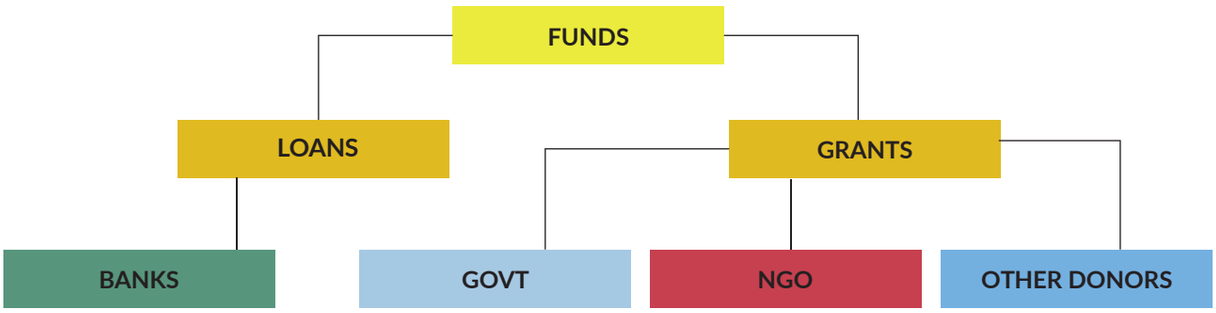
Sometimes we have very good ideas about improving the quality of life in our community. Most ideas require funds to be implemented. There are two ways to get funds for a project. You could raise private capital or get public access funding.

Private capital is when a person pays their money for a project, for example a home solar system or when a group of villagers put in money to pay for a project – example Pico hydro for community. Private investments are rare in the region however not entirely missing. The bulk of the project are funded through public access funds of governments and donors. Private investments still have a lot of risks in the region.

Under public access funding – these funds are available to the public upon successful application which go through a selection and/or application process. Public access funds are available as loans and as grants.

Loans are funds that must be repaid along with an interest amount added. Grants are funds which do not have to be repaid. The figure below shows some sources of loans and grants.

FIGURE 4: Loans and Grants[5]



Let us start looking at some of the sources of the funds and how we can contact them to use the funds in our community projects.

3.1 Loans

Loans are offered by most of the local and regional banks for small projects. However commercial banks require a guarantor or security to give out a loan. A security is anything valuable, the bank can take in case you fail to pay the loan. [5]

In some regional countries' governments have setup risk sharing schemes for banks to easily give loans for renewable energy projects. In Fiji for example, the Fiji Development Bank and ANZ bank with the help of the Global Environment Facility have setup mechanisms to easily provide loans for renewable energy projects.[6] The scheme has also provided loans to renewable energy businesses as well.

In the Solomon's there is the South Pacific Business Development (SPBD) Solar Lighting Loan. In Vanuatu, the National Green Fund provides loan/subsidy to clients for renewable energy projects. In Papua New Guinea, the National Government in collaboration with Bank of the South Pacific and the National Development Bank have recently in 2020 provided funds to these two national banks to give as loans engaged in small and mid-size enterprises (SME's)[7] that is inclusive of those willing to start a community renewable energy project. They can generate and sell power and that will help them to repay the loan over the set pay-back period.

In countries where banks are supported by such schemes, bank loans are a source of funds for renewable energy projects.

FIGURE 5: companies can get loans as well as individuals[8]

5 Source; GGGI, Fiji.

6 Information adopted from The World Bank, "Growing a Renewable Energy Industry while Expanding Electricity Access, May 2016, https://www.worldbank.org/en/news/feature/2016/05/24/fiji-growing-a-renewable-energy-industry-while-expanding-electricity-access.

7 Adopted from Business Advantage Fiji, October 2020, https://www.businessadvantagepng.com/package-delivered-government-gives-first-k100m-to-help-papua-new-guinea-smes/

8 CBS Power Solutions, May 2021, https://www.worldbank.org/

3.2 Grants

Some of the most common funding for community based renewable energy funds comes through grants. Grants can be from various sources. Let us look at some sources of grants.

3.2.1 Governments

Governments usually receive external grants, or they may even use their revenue to create grants to promote renewable energy projects. Governments normally open up schemes and advertise through TV and radio for people to apply, for e.g., in Vanuatu, there is the National Green Energy Fund (NGEF). However, that is not a grant as you must pay back in small amounts.

In general, getting a grant can be hard work. There is a lot of paperwork to be filled before you get a grant. The main aim of the paperwork is to find out how the grant will benefit the community and if the project is feasible. For Fiji, there is also a revolving fund that includes a Public Private Partnership (PPP) model framework whereby a trust fund is setup for donor funding known as the Fiji Rural Electrification Fund (FREF) and the PPP partners execute the whole project cycle from project initiation to project implementation. to project retention. FREF[9] is a public-private partnership with Sunergise (Fiji) Limited, the Fiji Locally Managed Marine Area Network (FLMMA) and the Fiji Electricity Authority (FEA). The Fund will bring affordable solar power and battery storage to communities with no electricity or that rely on pollution-emitting diesel generators.

3.3 Donor Agencies

NGO's and Donor agencies also provide grants for RE projects. Some of the active donor agencies that you can reach out to in the region are:

3.3.1 Korea International Cooperation Agency (KOICA)

KOICA provides funding in the region at different levels and for a wide range of fields ranging from energy to health to education. In terms of energy, the mission for KOICA is "Contributing to carbon dioxide (CO_2) reduction through sustainable energy and realizing inclusive growth".[10]

The major programs listed by KOICA are:

- Establishment of micro –grid systems.
- Distribution of solar home systems.
- Distribution of clean cook stoves.
- Promotion of renewable energy resources, mainly solar and hydro.
- Establishment of grid-connected power generation systems.
- Development of institutions for renewable energy promotion.
- Transmission and distribution of automation and efficiency improvement.
- Heating and thermal efficiency improvement.
- Capacity building and R&D infrastructure support.

However, you must contact their Pacific office based in Suva, Fiji to find out how they are funding projects in the region and to find out if your proposed project proposal is eligible for a grant.

FIGURE 6: KOICA funded Solar Panels at USP in Suva Fiji[11]

3.3.2 The Department of Foreign Affairs and Trade Australia (DFAT)

Its objective is to help developing countries reduce poverty and achieve sustainable development. It also provides policy advice and support to the Minister and Parliamentary Secretary on development issues and plans and coordinates poverty reduction activities in partnership with developing countries.[12]

9 Fiji Rural Electrification Fund (FREF), https://fiji-rural.business.site/

10 Adopted from Korea International Cooperation Agency, http://www.koica.go.kr/sites/koica_en/index.do

11 Source: Asia Pacific Report, "Solar panels the way to go for Pacific, says USP physics academic".

12 Australian Government Department of Foreign Affairs and Trade, https://www.dfat.gov.au/

3.3.3 Climate Change Fund (CCF) (Asian Development Bank (ADB))

The CCF was established in May 2008 to facilitate greater investment in developing member countries (DMCs) to effectively address the causes and consequences of climate change. The CCF is a key mechanism for pooling resources within ADB to address climate change through technical assistance (TA) and grant components of investment projects.[13]

3.3.4 Global Environment Facility (GEF)

In most cases, the GEF provides funding to support government projects and programs. Governments decide on the executing agency (e.g., civil society organizations, private sector companies, and research institutions). There are many issues to consider when seeking GEF funding. Who should I contact? Is my country/organization eligible for funding? Who will implement the project? What type of project should I consider? To help with these and other questions, please see their website or ask your local government official.[14]

3.3.5 NZ AID or Ministry of Foreign Affairs and Trade (MFAT) New Zealand

Just like DFAT Australia. MFAT New Zealand or previously known as NZ AID also sponsors community related projects in the South Pacific. Ministry of Foreign Affairs and Trade (MFAT) is the public service department of New Zealand charged with advising the government on foreign and trade policy and promoting New Zealand's interests in trade and international relations. FAT works in collaboration with over 30 other Government agencies to deliver development cooperation across the Pacific.[15]

3.3.6 European Union

Fund management companies, financial institutions, project developers or individuals that intend to develop a clean energy investment fund or expand an existing fund into clean energy can submit proposals to seek finance. Developers of clean energy projects can also submit proposals for investment funds. Proposals are expected to:

i. Present a financially sustainable business plan generating a fair return for investors and a realistic pipeline,
ii. Specify environmental and socio-economic impacts,
iii. Focus on small and medium sized clean energy projects (< 30MW) and companies,
iv. Require long-term patient investment capital,
v. Locally grounded, professional fund management team, preferable with a track record in the clean, energy sector, or at least the capacity to become qualified or to liaise with other parties for that purpose.[16]

3.3.7 Agence Française de Développement (AFD - France)

Applications are submitted by the local contracting authorities to the AFD offices that identify the project. A feasibility study, including a technical study, marketing survey, and financial projections, are carried out.[17]

3.3.8 International Climate Initiative (Germany)

The programme is run by the German Ministry of Environment and provides financial support to international projects in climate change mitigation, adaptation, REDD+ and biodiversity conservation. Financing will seek to ensure that its investments will catalyse other funding streams and encourage private sector participation.[18]

13 Asian Development Bank, "Climate Change Fund", https://www.adb.org/what-we-do/funds/climate-change-fund
14 Global Environment Facility (GEF), "Least Development Countries Funds-LDCF", https://www.thegef.org/topics/least-developed-countries-fund-ldcf
15 New Zealand Foreign Affairs &Trade https://www.mfat.govt.nz/en/
16 Global Energy Efficiency Renewable Energy Fund (GEEREF), https://geeref.com/about/what-geeref-is.html
17 Agence Francaise De Development, https://www.afd.fr/en
18 International Climate Initiative (IKI), https://www.international-climate-initiative.com/en/about-iki/iki-funding-instrument

3.3.9 Japan International Cooperation Agency (Japan)

The Japan International Cooperation Agency (JICA) is advancing its activities around the pillars of a field-oriented approach, human security, and enhanced effectiveness, efficiency, and speed. Established as an Incorporated Administrative Agency under the Act of the Incorporated Administrative Agency - Japan International Cooperation Agency (Act No. 136, 2002), JICA aims to contribute to the promotion of international cooperation as well as the sound development of Japanese and global economy by supporting the socioeconomic development, recovery, or economic stability of developing regions.[19]

On Dec. 18, the Japan International Cooperation Agency (JICA) signed a grant agreement with the Government of the Republic of Vanuatu in Port Vila, to provide grant aid of up to 1.83 billion vatu for the Project for the Disaster Reconstruction of Teouma Bridge.

JICA also runs the "Introduction of Hybrid Power Generation System in PICs 2017 – 2022" in the Pacific. On June 16, 2017, JICA signed a Record of Discussions with the Government of the Republic of Fiji in Suva for this particular project, which is a technical cooperation project.[20]

3.3.10 USAID

USAID leads international development and humanitarian efforts to save lives, reduce poverty, strengthen democratic governance, and help people progress beyond assistance. USAID works to help lift lives, build communities, and advance democracy. USAID's work advances U.S. national security and economic prosperity; demonstrates American generosity; and promotes a path to recipient self-reliance and resilience.[21]

3.3.11 IUCN

The International Union for Conservation of Nature (IUCN; officially International Union for Conservation of Nature and Natural Resources) is an international organization working in the field of nature conservation and sustainable use of natural resources. It is involved in data gathering and analysis, research, field projects, advocacy, and education. IUCN's mission is to "influence, encourage and assist societies throughout the world to conserve nature and to ensure that any use of natural resources is equitable and ecologically sustainable".[22]

There are many other donors which we do not have time to discuss, or which may come into the country later on. The best way to go is to contact the local government representative and meet with government officials, non-government organizations and even universities to get more information about grants and donors.

19 Japan International Cooperation Agency (JICA), https://www.jica.go.jp/english/countries/oceania/index.html

20 Japan International Cooperation Agency (JICA).

21 USAID From the American People, https://www.usaid.gov/pacific-islands

22 International Union for Conservation of Nature, https://www.iucn.org/regions/oceania

4

Revenue and Expenses of Renewable Energy Projects

4.1 Renewable Energy Projects

While previous chapters give you contacts and leads on sourcing funds for a project, any potential donor or investor will need some estimates of costing in a project. In renewable energy projects the cost is broken up or factored into two main parts – Revenue and Expenses.

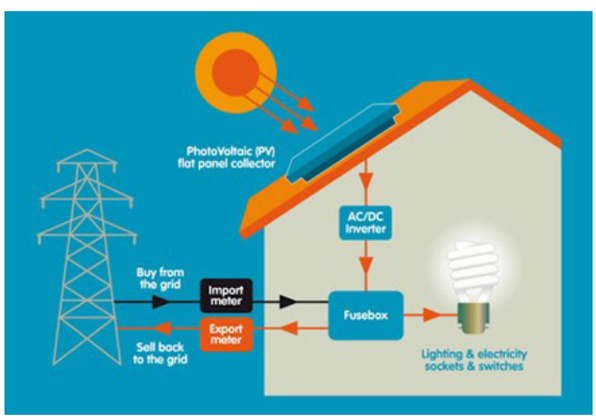
4.2 Revenue in renewable energy

The revenue is the money the project generates or saves. For example, installing solar means that the energy comes for free. Where you would have paid a bill for the electricity or paid for ongoing fuel costs for a generator, now it is free every month due to the use of solar power. In this case the cash saved, is the revenue of the project. For example, if you save $50 a month on buying diesel fuel for generators or paying for grid electricity, then that is the income or revenue you have generated.

The revenue can also come in the form of offsetting diesel fuel costs in case you used to rely on diesel generators before. Additionally, in community projects, to pay for maintenance you may need to charge a small fee or bill for the use of energy, and this is also the revenue of the project.

In case your RE project becomes grid connected, in some instances you can sell to the grid and get paid for the units of energy you sell. This business model has been implemented in some commercial and manufacturing facilities in Fiji though it is not yet widely used in our region.

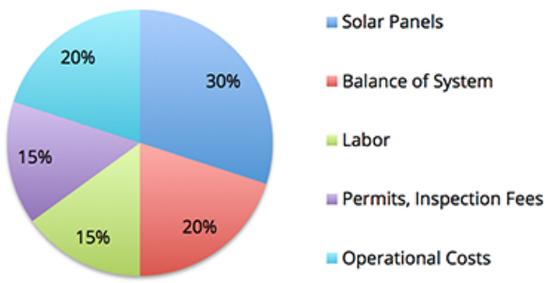
FIGURE 7: Grid connected solar can allow you to sell to the grid[23]



4.3 Types of Costs

There are many expenses to consider in renewable energy projects. A detailed breakdown of these expenses is outlined in Figure 8 below. However, generally these expenses can be divided into three (3) main categories; capital expenses (CAPEX), operational expense (OPEX), and Maintenance costs. Expenses are involved in the full cycle of the project until its end of life which may vary depending on the renewable technology.

FIGURE 8: Costs involved in solar PV systems[24]



The largest expense is the capital expense for construction and installation of the project. Let us look at some expenses in RE projects:

- Capital Expense for installation: This expense involves the initial sizing, design and purchasing of equipment along with labour and transport costs. This is a very large cost in most projects, and this is the expense which is normally covered by grants. Generally, the dramatic global reduction in capital expense of renewables particularly solar technologies over the past decade[25] has made RE projects implementation more attractive nowadays.

23 Adopted from RJ SOLAR, "What is Solar PV and how does it work?", http://www.rjsolar.co.uk/

24 VU PHONG, "How much does a Solar Power System Cost?", https://vuphongsolar.com/how-much-does-a-solar-power-system-cost/

25 Source: Statista.com, "Benchmark capital expenditure for utility-scale solar photovoltaics worldwide from 2010 to 2020" http://www.statista.com/statistics/971982/solar-pv-capex-worldwide-utility-scale/

FIGURE 9: Capital costs in hydro projects are high as they involve Dam constructions[26]

Operating Costs or Expenses: This involves all expenses to efficiently run the renewable energy project after installation phase has completed. This is normally 10% to 20% of the overall cost of the project. This is not always funded by grants and this cost needs to be met by the community in most times. For example, a diesel generator installed for a school would have purchased fuel as its operating cost. In addition, the labour required to maintain the project during its operation will also need to be expensed.

- Maintenance costs: This is most common in renewable energy projects and has a larger share than operating costs. It is usually incurred periodically hence require relevant project planning to ensure it is expensed when needed. For example, even after a solar PV system has been installed, the battery may need to be replaced in three (3) years. A technician may be hired to carry out maintenance and checks on the system. Each component of a solar PV system has different maintenance requirements, and some may need to be replaced a lot earlier than others.

Hence, we can see that the overall expenses in a project are made up of these 3 expense categories. We can simply say that all expenses can be added.

FIGURE 10: Total Expense calculation[27]

The main idea for the sustainability of the project is that in the long run – the revenue should be either greater than expenses or equal to it. Grants to fund operating costs are not very common so the project must have some revenue to save up for maintenance.

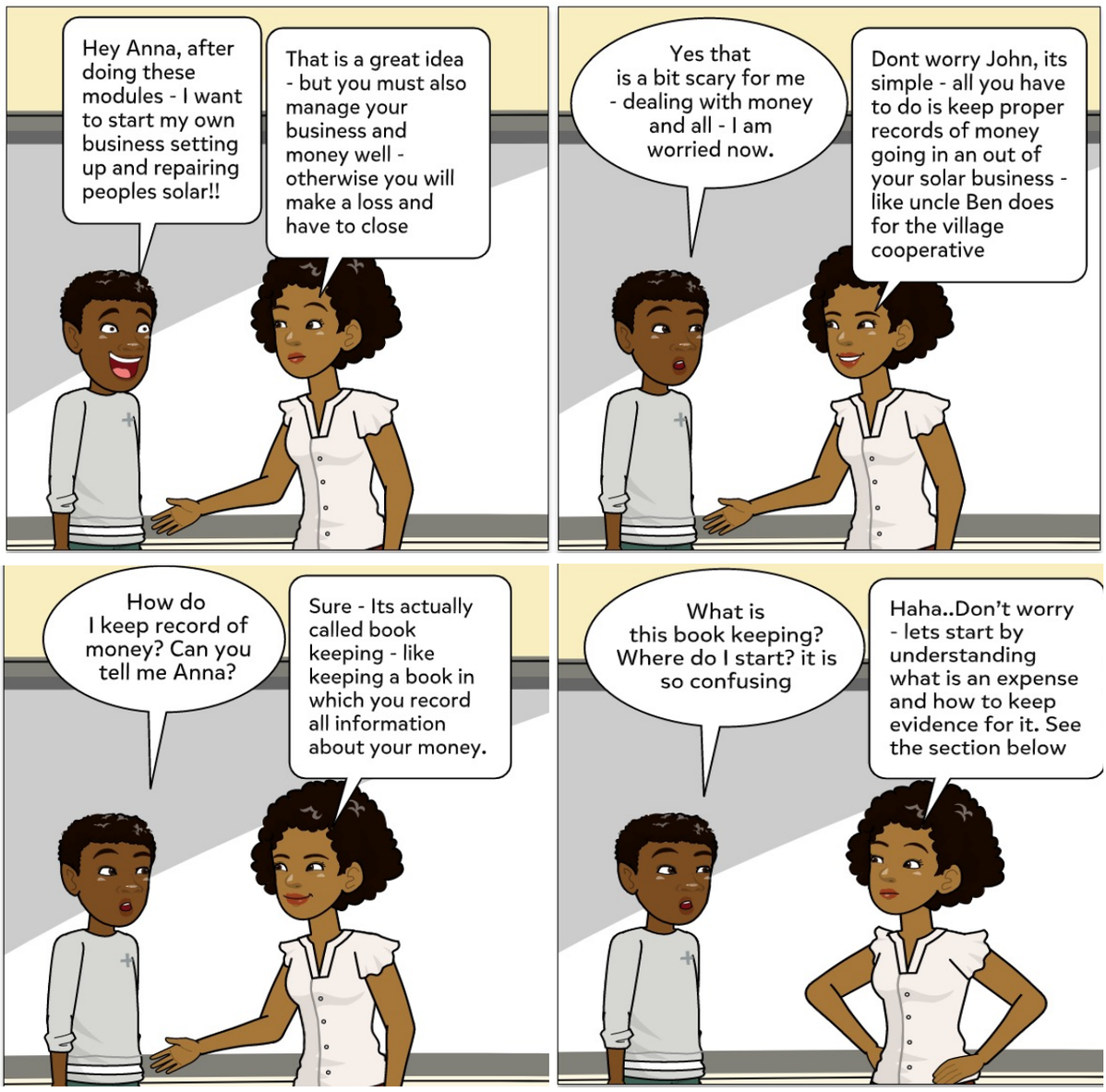
FIGURE 11: revenue must be equal to or greater than expenses[28]

26 Panasian Power, http://panasianpower.com/
27 GGGI, Fiji.
28 GGGI, Fiji.

4.4 Basic Bookkeeping

Bookkeeping is essential in many businesses as well as projects. You may have cooperatives in your area in which you may also be members. How do you think they keep a record of cash coming in and going out of a cooperative? – Yes, they also use bookkeeping or a system of having records for future reference. It is safe to say that when dealing with money including activities that relate to money – everything needs to be recorded.

Let us do a simple role play – or you could just read out the conversation between Anna and John below.



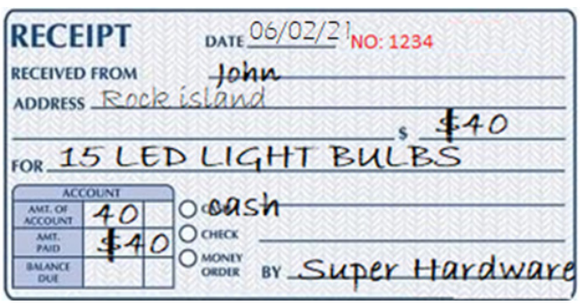
4.4.1 Expenses

Whenever you purchase anything (related to the business or project) including other expenses such as pay for boat hire (transportation) or wages (labor) – any time money goes out of someone's wallet for the business or project, we call it an expense. It is important to keep a record of expenses to monitor your business. Also keep the evidence of expenses for verifying later on the purpose of expense if needed.

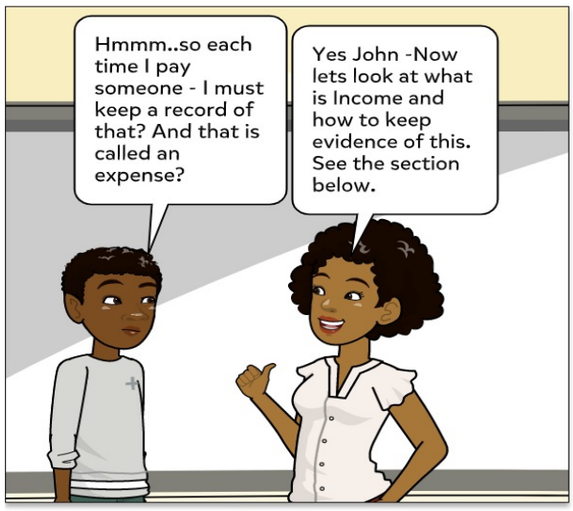
4.4.2 Evidence of expense

Evidence of expenses creates a culture of transparency and accountability in running the business or project. For example, if you buy 15 LED light bulbs from the town store called Super Hardware for $40 – you will pay the store owner and bring the bulbs to the village. But what about the evidence to prove that you have bought the bulb from Super Hardware? For this reason, you must ALWAYS ASK FOR A RECIEPT. A Receipt is a piece of document that proves that a money has been exchanged for something between two people for your business.

FIGURE 12: Sample receipt you may get when you buy something[29]



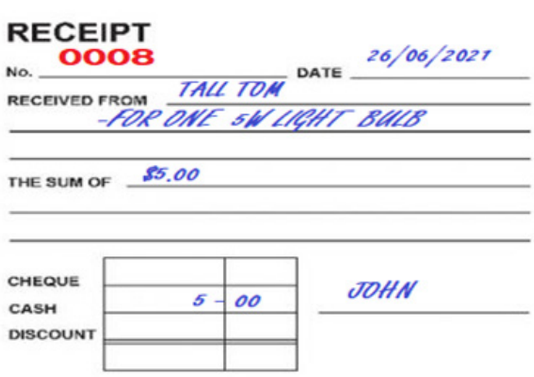
Cash receipt or simply, a receipt is very useful to keep a record of things in your business. Also, if any of the items do not work properly – you can always use the receipt to show you bought the item from the store and return to them so they can fix it. That is if you have a guarantee (as known as warrantee) on the item. Most receipts normally have a receipt number written on them – they will have a copy of the receipt with the same number in case you have to query later on. Example the above receipt number is "1234".



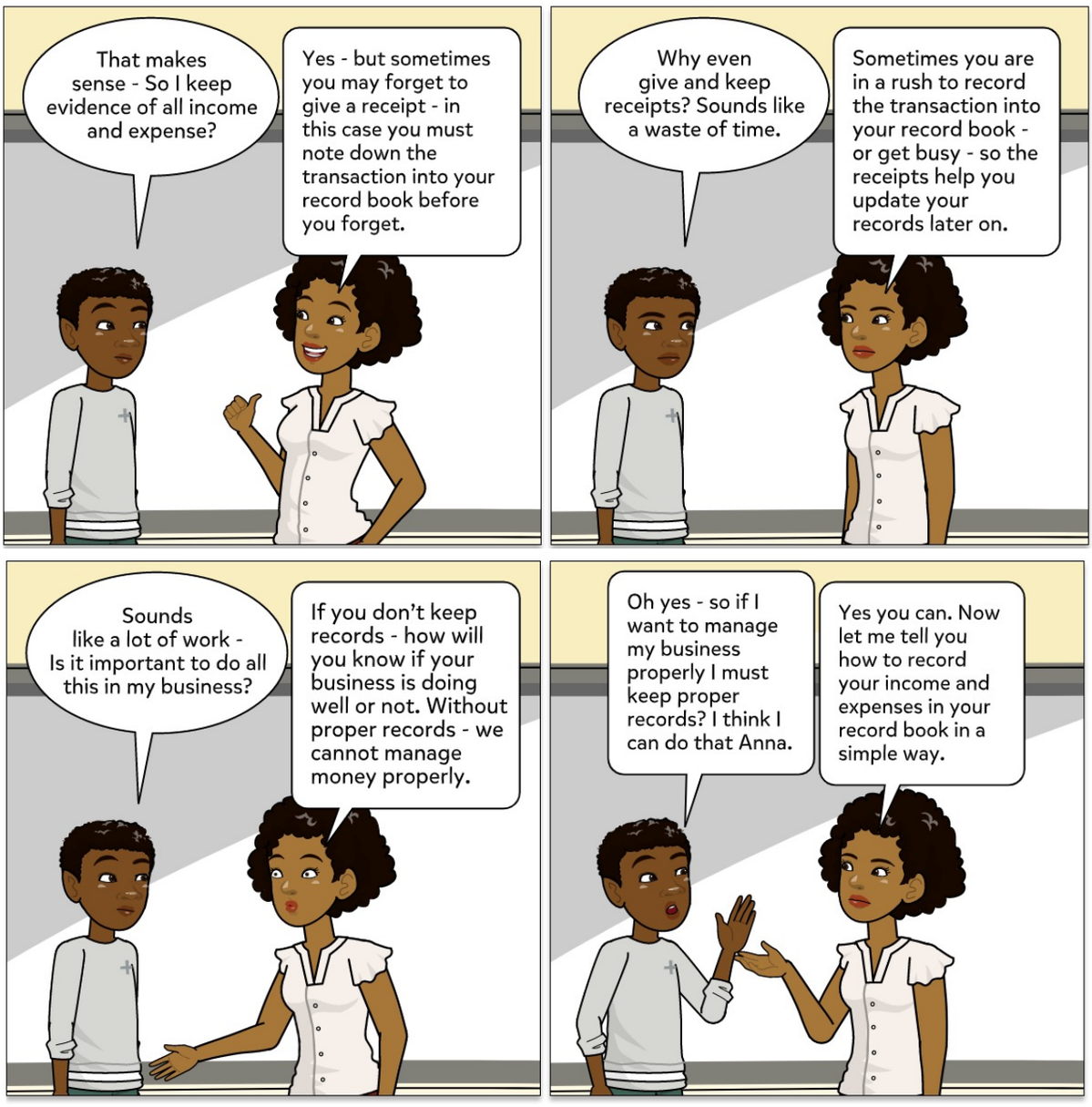
4.4.3 Income

When someone gives you money and money come into the business that is called income. Just like you got a receipt – you must also keep a receipt book to give receipts to others when they pay you in a dealing for the business. For example, if you sell any item to another person or do any work for someone in exchange of money – give them a receipt. In this case the receipt ensures you both can have a record of what was done. Normally receipt books come with carbon paper which makes a copy of the receipt – give the original to your customer and keep the copy of the receipt. Example if you sell one 5W light bulb to Tall Tom – you will write out a receipt in your receipt book and give the original copy to Tom and keep the copy of the receipt. Later you will use your receipt copy to update your record book. Most receipt books have receipts with the receipt number written on them in red. This number is useful to keep in your records when something is needed to be verified regarding that dealing or transaction.

FIGURE 13: Sample receipt you can issue from a receipt book[30]



29 GGGI, Fiji.
30 GGGI, Fiji.


That makes sense - So I keep evidence of all income and expense?
Yes - but sometimes you may forget to give a receipt - in this case you must note down the transaction into your record book before you forget.
Why even give and keep receipts? Sounds like a waste of time.
Sometimes you are in a rush to record the transaction into your record book - or get busy - so the receipts help you update your records later on.
Sounds like a lot of work - Is it important to do all this in my business?
If you don't keep records - how will you know if your business is doing well or not. Without proper records - we cannot manage money properly.
Oh yes - so if I want to manage my business properly I must keep proper records? I think I can do that Anna.
Yes you can. Now let me tell you how to record your income and expenses in your record book in a simple way.

4.4.4 Single Entry Bookkeeping

You should know that there are many ways of bookkeeping. But the simplest one is called single entry bookkeeping. In single entry, we simply subtract the expenses from the income. You can draw out the tables in a book or you can buy a simple ledger book for bookkeeping. The table would look something like that in Figure 14 below.

FIGURE 14: Sample single entry bookkeeping table[31]

DATE	DESCRIPTION	RECIEPT NUMBER	INCOME $	EXPENSE $	ACCOUNT BALANCE

Each column is labelled with what must be placed into it. It is so simple - Suppose John's father gave him $100 to start his business in selling solar lighting and products and doing installation for people – is this money coming in as income or going out of the business as expense for John? Yes, exactly its income. Let us fill out the record book.

FIGURE 15: Sample entry of an income into business records[32]

DATE	DESCRIPTION	RECIEPT NUMBER	INCOME $	EXPENSE $	ACCOUNT BALANCE
15/05/21	Cash from Dad for Business start		100		100

The first entry was for income of $100 which John's father has given to help him start his solar business. This is actually called 'capital'. The first entry then becomes the account balance. Now let us put in the expense John makes when he buys the 15 light bulbs for $40 from Super Hardware. Always remember in single entry we add income and subtract expenses from the account balance. In some books expense is also written with a negative sign. Refer to Figure 16 below to understand how this is done.

FIGURE 16: Sample entry of expense and finding new balance[33]

DATE	DESCRIPTION	RECIEPT NUMBER	INCOME $	EXPENSE $	ACCOUNT BALANCE $
15/05/21	Cash from Dad for Business start		100		100
20/06/21	Bought 10 bulbs from Super Hardware	1234		40	60

Subtract expense from account balance

Substract expense from account balance

Hence, we subtracted the expense of $40 from the account balance of $100. This makes the new account balance to be $60 and we write it in the same line under account balance. Next let's think of when John sold one light bulb to *Tall Tom*. Look at the receipt above which John gave to Tall Tom where Tall Tom paid $5 for one light bulb. Figure 17 gives a clear description of this transaction.

31 Source; GGGI, Fiji.
32 Source; GGGI, Fiji.
33 Source; GGGI, Fiji.

FIGURE 17: Sample entry of another income and update of records[34]

DATE	DESCRIPTION	RECIEPT NUMBER	INCOME $	EXPENSE $	ACCOUNT BALANCE $
15/05/21	Cash from Dad for Business start		100		100
20/06/21	Bought 10 bulbs from Super Hardware	1234		40	60
26/06/21	Sold one 5W bulb to Tall Tom	8	5		65

Add income to account balance on above line

Add income to account balance on above line

You see we added the $5 to the account balance of $60 and the new balance becomes $65. Let us see Figure 18 where John has compiled his transactions for a month with different expenses and incomes.

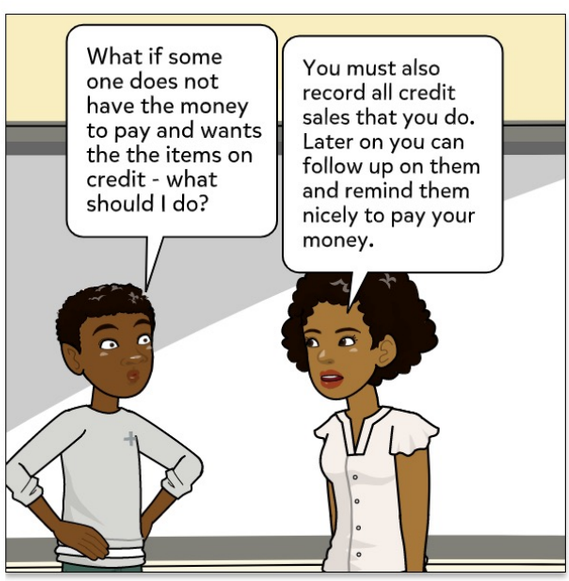
FIGURE 18: Sample of how closing balance at end of month can be found[35]

DATE	DESCRIPTION	RECIEPT NUMBER	INCOME $	EXPENSE $	ACCOUNT BALANCE $
15/05/21	Cash from Dad for Business start		100		100
20/06/21	Bought 10 bulbs from Super Hardware	1234		40	60
26/06/21	Sold one 5W bulb to Tall Tom	8	5		65
29/06/21	Sold six 5W bulbs to village cooperative	9	30		95
29/06/21	Paid Pita to deliver the bulbs to store			5	90
30/06/21	Balance at end of June		135	45	90

At the end of the month, we normally have a look at the record book just to see how we are doing. We add all the expenses and write it on the line where we state the ending balance of the month. For example, For John we can see that until the date he has made $135 in income and spent $45 in expenses. When we subtract expenses from income, we can see the profit John has made over the month. Hence, $135 minus $45 is $90 profit which he has as his balance.

In some cases, we do not treat the starting capital as income. Therefore, if we just take the transactions for June for Johns business and remove the $100 income – he has $45 expenses and $35 income. So just for that month his has generated a loss of $10. It is useful to take profit/loss for each month separately so John can know how his business performed in each month.

Proper record keeping allows us to know how the business is doing. Suppose you want to buy some things – you must know if you have enough money in the business. Without proper record keeping we cannot know how the business is doing as we will get confused with all the income and expenses.

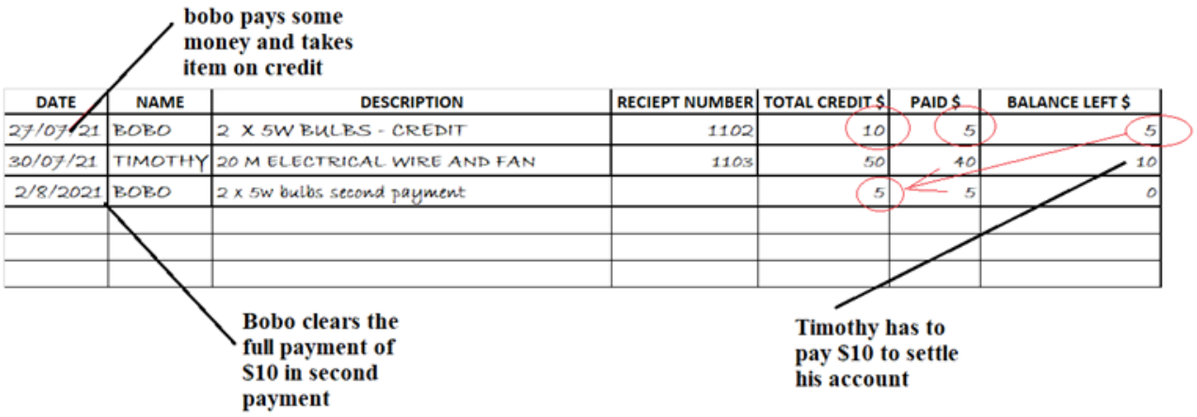


34 Source; GGGI, Fiji.
35 Source; GGGI, Fiji.

4.4.5 Selling on Credit

Sometimes when people do not have the money to pay and promise to pay later for the goods or services – we say they have taken things on credit. It is important to keep a good record of people who have taken items on credit. A simple credit record can be of the following type in Figure 19. Imagine two people in John's village – Timothy and Bobo buy some items but cannot pay the full amount upfront. So, John allows them to take the item on credit with an upfront deposit and to pay the balance later. This must be recorded into the credit sales book or creditors record. See the example below in Figure 19 it illustrates three (3) credit transactions whereby Bobo pays $5 in his first credit payment when given the item worth $10 and clears his credit balance of another $5 in his second credit payment on 2nd August 2021. While Timothy has only made a first credit payment of $40 when given the item worth $50 and has yet to pay the balance of $10.

FIGURE 19: Sample record table for keeping credit sale records[36]



DATE	NAME	DESCRIPTION	RECIEPT NUMBER	TOTAL CREDIT $	PAID $	BALANCE LEFT $
27/07/21	BOBO	2 X 5W BULBS - CREDIT	1102	10	5	5
30/07/21	TIMOTHY	20 M ELECTRICAL WIRE AND FAN	1103	50	40	10
2/8/2021	BOBO	2 x 5w bulbs second payment		5	5	0

ACTIVITY 4

Consider the following case study and try to do a simple bookkeeping or cash record keeping table. You may seek the help of your trainer. You can always go back to the notes on bookkeeping to help you do this activity. This is a very useful activity for any small business or project.

"A small community project was being planned at a village near Savusavu. Villagers decided to set up a community solar power system cooperative. The cost of the panels would come to around $300 each. Each panel could generate around 300W. The village system needed to generate around 3000W power. They also needed battery backup of around 10 x 100Ah batteries. Each battery costs around $450 each. Wires and other balance of system cost around $2000 along with simple lights for 10 houses. The local technicians said they could setup the system in 7 days. So 3 technicians need to be hired for $50 a day each for 7 days. The original system installation would be paid for by a government grant of $10,000. The solar system would need the battery to be replaced in 7 years' time and to cater for this and other maintenance, the village have decided to charge the 10 households $2 a month as a surcharge to raise funds for replacing components. Every 6 months a technician is needed to inspect the system at cost of $220.

Imagine you are the accounts person for the community solar cooperative. Try to make a simple bookkeeping record based on the above information for the first six months of the project. Use the bookkeeping record to decide if the households need to increase their contribution to the cooperative or not? Is the $2 a month payment enough for the long run and upkeep of the solar system?

36 Source; GGGI, Fiji.

Date	Description	Receipt No	Income (VT)	Expense (VT)	Account Balance (VT)

Answer:

First the learners must itemize each cost, so they capture it easily. Allow them to work in groups and to cross check their calculations with other groups. They can write down a rough draft first before they fill the records table in their workbook.

Date	Description	Receipt No	Income $	Expense $	Account Balance $
7/8/21	Government Grant received in bank	425639	10000	0	10000
15/8/21	Paid 10 X 300w solar panels from KV Solar	7856	0	3000	7000
15/8/21	Paid 10 X 100AH Battery from KV Solar	7857	0	4500	2500
16/8/21	Purchase of lights, wires, connectors from A1	236	0	2000	500
18/8/21	Paid to technician Mr. Simon for works on installing	1012		350	150
21/8/21	Monthly contribution for members of cooperative - July		$20		170
22/8/21	Monthly contribution for members of cooperative - August		$20		190
21/9/21	Monthly contribution for members of cooperative - Sept		$20		210
23/10/21	Monthly contribution for members of cooperative - October		$20		230
21/11/21	Monthly contribution for members of cooperative - Nov		$20		250
21/12/21	Monthly contribution for members of cooperative - Dec		$20		270
15/01/22	Technician payment for inspecting the solar system	1023		220	50
15/01/22	Closing balance at six months		**10,120**	**10,070**	**50**

From the bookkeeping activity, learners can see that only $50 is left after 6 months. Even though they will raise $120 again in 6 months' time from contributions, they will only have $170 by next six months which is not enough to pay the technician to come and do maintenance on the solar system. So, they should increase the contribution or try to find some other way to increase income to be able to maintain their community solar system. They also need to raise and keep money for the change of $4500 worth of batteries in 7 years' time. The community will be better placed if they plan this ahead.

Case Study: A simple Financial Comparison of Solar Mini-Grid Systems

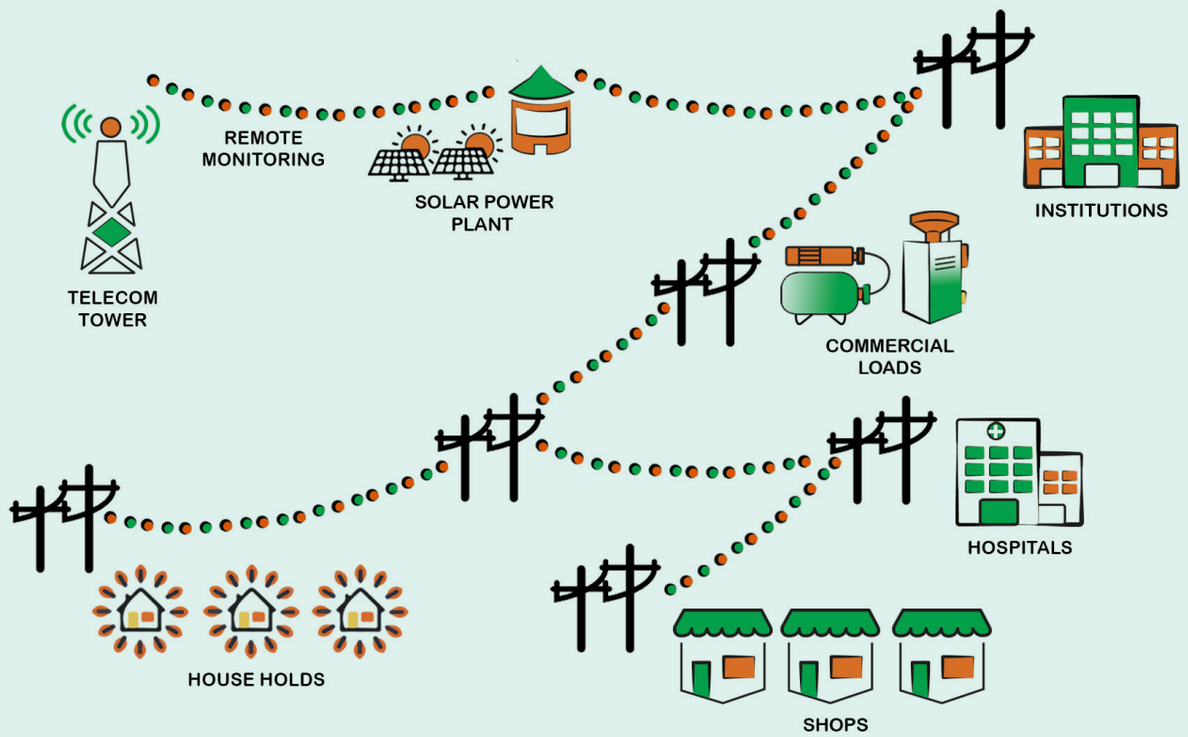
Below is a case study of an actual financial comparison of solar mini-grid systems in Fiji which includes clear explanations on some of the key factors to consider while ensuring the financial viability of a solar mini-grid system in a community.

Providing power to remote and rural locations by extending the utility grid (power lines) is often very expensive due to large distances, difficult terrain (mountains, rivers etc) or even may not be possible if the community is separated by the ocean. So how can we provide clean utility type power at a larger scale to these remote locations? The answer is to use mini-grid systems.

While we have discussed some actual solar mini-grid systems in the solar modules, in this module, we will try to see a very simplified financial side. We will try to understand the financial challenges of putting up such a system, what it takes financially to keep it running and most importantly, what part the community can and should play in order to ensure that the system works for a long time.

A solar mini-grid system is a larger AC type system that is installed to power an entire community, rather than just a single house.

FIGURE 20: Solar Mini-grid system[37]



37 Source: https://www.taraurja.com/mini-grid-model/, Accessed on 4/11/2020

The quality of the power system is same as those provided from grid/power line in urban towns and cities, hence you can power all types of AC appliances on this, though there may be restrictions in place to prevent people from trying to power very large equipment that can overload or damage the power system. The system can include some form of tariff metering system that counts the amount of energy each household uses, and hence each household is required to pay for the energy they use.

The money collected from the metering system serves a very important function, as it usually goes back to the authority who installed the mini-grid system or the nominated power committee, which can be used to recover the systems cost of installation, do system maintenance, parts replacement, or pay for other expenses associated with running the power system.

Let us do a compare and contrast exercise between two systems. We will call these as "System A" and "System B". We will try to look at the simplified financial aspects, basic technical information as well as the challenges faced during installation, operation, and maintenance periods. We will then discuss what the community can do to reduce or even resolve the challenges for the benefit of the whole community. After all, the power system benefits the whole community indeed.

Parameters	System A	System B	Comments
		Technical Information	
Solar System size	5 kW	50 kW	This is total power of the Solar panels installed. (Note: 1 kW = 1000 watts).
Battery Capacity	45 kWh	200 kWh	This is the total size of solar batteries installed.
Backup Diesel Generator	10 kW	60 kW	This provides backup power to recharge batteries during prolonged poor weather, when the solar PV is unable to fully charge the batteries.
Number of households connected	50 households	50 households	This is the total number of households who are supplied power from the system.
		Financial Information	
Project Cost	$250,000 FJD	$2.0 million FJD	This is total cost of installing the system.
Source of fund	Grant	Grant	Grant means funding was provided by government or some other organization. And that the community did not have to pay for the system.
Cost of using electricity	$2.00 FJD / unit	$0.50 FJD / unit	This is the per unit cost of electricity that each household has to pay. The more units you use, the more you pay. (Note: 1 unit = 1 kWh).
Total Revenue	$9,600 FJD / year	$12,000 FJD/year	This is the total money collected each year from all households for using electricity. (Note: this amount is not fixed and depends on how much electricity the community uses).
Total Expenses	$2,400 FJD / year	$3,000 FJD / year	This is the cost of buying and transporting diesel and cost of operating and maintaining the system (including salary for people who maintain it, monitor it, collect revenue, internet charges and transportation cost in case of any site visits etc).
Total Profit	$7,200 FJD / year	$9,000 FJD / year	This is Total Revenue – Total Expenses.

Discussion Time

The trainer can group the learners and facilitate discussion based on the table below. To get things started, you can start by providing some examples using the points provided in "What can the community do?", but do not cover all points at once, as this will be a one-way discussion. Enable the groups to give a though process and help them come up with more realistic and valid points, including those listed below. There are no correct answers since each community is unique and can come up with their own unique solutions.

Discussion/Challenge	What can the community do?
1. The **Project Costs** are very high **(A: $250,000 FJD and B: $2.0 Million FJD)**. It is very difficult for communities to raise this large amount of money on their own. Even taking a loan will be very difficult and there is a huge risk of paying back.	• Recognize that Grants provide a huge relief to get such a system installed for free for the community, otherwise this system would not have been possible to install at all. • If you have such a system already, consider yourself very lucky and do your best to take care of it. Remember, there are many communities who do not have this privilege yet and must rely on other smaller and more expensive means of light and electricity. • If your community does not have electricity, try to work together with your community leaders and local government to put forward requests and proposals. Be patient, as these things take time to initiate. Most importantly, work together as one community. Your unity is your biggest strength. • Be open and reasonable to new ideas and requests and keep good communications with others who may be trying to do good for the community. For example, in order to install a solar system in the community, land space will be required. If the community works together in unity to provide this piece of land, then the project can be possible. There have been many cases of communities losing out because of internal conflicts, which has caused them to lose out on good opportunities. • **What else can you think of that will help your community increase its chances of getting such power systems installed or help make an existing system last longer?**
2. **System A** is much smaller (5kW) than **System B** (50kW). But both are serving the **same number of households each** (50 households each). This means that households in System A can only use very limited and small appliances (to avoid overloading the small system). Whereas households in System B can use larger appliances without overloading the system.	• The community must realise from the beginning that a solar mini-grid system has limited amount of energy for all to use. Hence, we must all **manage our expectations** and use electricity sparingly and wisely. • A system is sized up based on many different and complex things. Ideally, it should be sized to cater for all household's appliance energy needs, but this is very difficult to estimate since the community has never had electricity before. We must do a survey of each households need and then estimate the energy usage. If we underestimate, then this will result in a smaller and less costly system. Finding funds for small systems will be easier but every household will have very limited energy to use, although the community will have electricity access. On the other hand, if we overestimate, then we will come up with a larger and much more costly system, whereby securing funding will be more difficult or perhaps impossible, resulting in no system at all. • As you can see, this is a balancing act. You cannot go too small, and you also can not go too large. Regardless of what system is installed, we all must do our part to reduce the energy we use. The less energy you use, the less it will cost you and the longer the system will run. On the contrary, an overloaded system will fail much faster than an underloaded one. • **What else can the community think of to ensure you can do energy savings, save money, and help the solar system last longer?**

3. The **cost of using electricity** in **System A** is much higher **($2.00FJD/unit)** compared to cost of **System B ($0.50 FJD/unit)**. Why is there a difference and why can't it be same for all communities?	• In an ideal world, the cost of electricity (also known as tariff) could be same for all. But in reality, the cost of electricity is based on the business model used, which looks at a lot of complex factors such as the cost of installing the system, cost of services at the location, transportation, means of funding (grant, loan, etc). This all means that every system is unique and requires its own way of functioning. • As an example, if a project is grant funded, then the initial cost of installing the system is not required to be paid back, which means that **cost of electricity** can be lower. On the other hand, if the initial system is installed by taking a loan, (let's say $2 million FJD loan from the bank), then the loan will need to be paid back by collecting money from the electricity sold. This will usually mean that the **cost of electricity** will be higher, to allow for faster loan repayment in a specific period. • The community is usually consulted well before a project starts and the cost of electricity is already discussed with everyone to determine if this will be affordable or not. As a community, you should seek clarifications on this to ensure there are no other hidden costs, how much electricity you will get for a specific amount of money and how long will it likely last based on the appliances you are using. Once again, you must set your expectations based on correct information, rather than getting surprised later. As always, conserving energy, using energy efficient appliances, and limiting your energy usage is the best approach to ensure value for your money is spent on buying electricity. • **What else can the community do to help raise more funds for the project to ensure self-reliance into the future?**
4. Both Systems are making a **profit,** which means they are making more money than what is required to run the system. Why should we make profit? Why shouldn't we reduce the **cost of electricity** to only make enough money to cover system running expenses and don't make profit?	• It is extremely important that the system is able to make and save enough money not only to cover the running expenses, but also collect extra money to take care of other larger costs that can occur during the lifetime of the solar PV system. Inverters can breakdown and need costly repairs, a natural disaster can cause damage to solar panels that will need replacing. Even if no breakdowns or damage occurs, the system equipment will get older and fail eventually. • For example, let us say that **System A's** batteries fail in 5 years' time and new batteries cost $50,000 FJD to replace. **System A** is making a profit of $7,200 FJD/year, which means in 5 years, it has saved $7,200x5 = $36,000FJD. This is not enough to replace the batteries and you need extra $14,000 FJD. **Where will this extra money come from?** If you cannot find this money quickly, then the whole solar system will shut down upon the end of life of the batteries and nobody will have electricity in the community. Similarly, an inverter may cost $15,000 FJD to replace, Solar panels may cost $300 FJD each to replace, etc. The government and external donors may not have money readily available to help. As such, it is extremely important for any project to be self-sufficient and save enough money to be able to buy replacement parts and do repairs themselves, in order to ensure that the systems keeps running properly and continues to supply electricity to the whole community. Hence, every project must have savings through profit on their own. • Remember, while smaller systems produce less energy, their components are smaller and less expensive to repair or replace, compared to larger systems. • **What else can you think of that will help the community to be self-reliant and manage a solar system in a sustainable way, without needing external help when things break down?**

5. What are other challenges faced by other real-life projects that we can learn from and what can communities do to help find solutions?	• Communities get involved in internal conflicts, such as land issues, blaming the system owner or power committee for charging too much, mismanagement of fund collected, dishonest practices etc, all of which leads to the whole community's loss. As discussed already, it is very important to understand all sides of the story, keep good communication with everyone involved and ensure everyone is honest. • The power committee who takes care of such systems in the community are often misunderstood and blamed for issues that they are not responsible for. It is recommended that the power committee keeps proper financial records related to the system and have good communication with the community, such as regular community meetings to share and discuss the financials of the system in operation and other matters. • Households try to temper with the pre-pay meters or try to bypass it to try and steal electricity without paying for it. This leads to loss of revenue for the whole community and creates a huge risk due to lack of funds. This has even caused total shutdown of many systems, as everyone stops paying for electricity due to few dishonest practices. It is very important for every community to be aware that the only source of revenue for the solar system is through electricity sales, which is a critical need to run and maintain the system or conduct repairs and replacements. • There is limited technical knowledge and capacity in the community to sufficiently operate and maintain the systems, which causes a lot of issues and can even lead to reduction in system life. In some situations, sometimes the only trained technician in the community leaves and no one else is left to take care of the system. It is also expensive to hire or bring technical people from outside the community to assist. The best thing the community can do is to take ownership of their systems and try to seek assistance to train and upskill multiple local members of the community in learning how to correctly operate and maintain the system. Most projects usually involve a capacity building and training component for locals. The community can get together to not only nominate men, but also have more youths and women to be part of the training. It is often seen that men and youths sometimes leave the community to earn a better living for their families elsewhere such as urban centres and only the women are left behind. Involving everyone in trainings ensures that the current and future generations take ownership of the system and are able to continue taking care of such systems for its entire lifetime. • **Do you know of other projects which had challenges? Can you suggest possible solutions for these challenges?**

5

Engaging Donors for Funds

Chapter 3 already discussed the various sources of funds that you can access, however there are many more that may be available in your country. You can get more information on this from your local government representative or Department of Energy. These government bodies, NGO's, donors etc., often expect a very formal interaction with you in order to secure the funds. Communication plays a crucial role here. There are two main modes of communication to engage with your possible donor agency.

5.1 Verbal Communication

Verbal communication involves talking to government agencies or donors seeking funds. The communication must be formal to semi-formal for the donor to take you seriously. You must also have done your research about your project with necessary documents readily available so you can be sure to explain the project clearly. This will give the donor confidence that you know about what you are doing and talking about with them.

5.2 Written Communication

Written communication is the most common way to communicate with potential donors especially those that are far away. The most useful way is to email or write a letter to them. With written communication, you still must be very formal and specific about the project. When you write to donors – ask them what kind of projects they fund, would they fund projects in your area, ask for the criteria they use to select proposed installation projects. Typically, thereafter you would need to write to them seeking the procedure for a formal application for grants or loans. In most cases donor or funding agencies look for two types of written documents before they provide grants. A project proposal or a project concept note. Most donors may have their own type of project proposal and concept note format or template that communities may need to refer to.

5.3 Writing Proposals

Normally donors and agencies have their own proposal format and templates that need to be filled when seeking assistance in Renewable Energy Projects. Let us look at a very simple proposal template here just so that we can practice. Do note that this is not to be used for actual applications – you must always use the proposal template given by the donor or agency.

Below is a sample project proposal filled out for you to read

Name of Project: Give the name of the project here – e.g.: Solar Power for Viwa Village **Project Leader:** Name of person or organization or village leading the project. – e.g.: village headman **Total amount requested:** total amount of money you need for the project – e.g.: $13,000 USD **Total timeframe of project:** how long will the project take – e.g.: 8 months
Summary: Give a brief summary of the project. Use about 300 words and tell what problem you are trying to solve. Tell what you want to do and how will it benefit your community.
Problem Statement: Discuss the problem you are trying to solve in detail.
Project Goal: Talk about the general goal of your project e.g.: To provide light to my community at night so children can study.
Project Objectives: Talk about the detailed things you want to do. These things should be measurable e.g.: Install 2000 W solar pv system – here you have clearly stated the size of the panel in your objective.
Project Outcomes and benefits: Talk about what the end outcome of the project will be and who will benefit from this.
Plan of Work: Discuss here what work will be done and when will it be done – normally we make a table for this.
Organization Details: Discuss about your cooperative or village or team to management and operate the project. Write about all the capabilities you have in your team.
Budget Breakdown: You will need to know all the expenses that will happen in the project. You may have to go around and ask the price of some things. List down all the expenses and try to approximate how much each expense will cost you.

and understand before you try to make your own proposal.

Name of Project: Solar Power for Rock Island
Project Leader: John Keri
Total amount requested: $15,600
Total timeframe of project: 12 months

Summary: Rock Island does not have full time electricity at the moment. This means children get less time to study at night and people cannot listen to radio or tv news in the daytime. So, our cooperative called Rock Island Cooperative has decided to install a solar power system to have power all the time on Rock Island. We also want to stop harming the environment with all the smoke and noise from the generator. We want to setup solar for all the 30 homes on Rock Island along with lights and TV. The Cooperative has collected $4925 for this project and is requesting another $15,600 to complete the project.

Problem Statement: Currently there is intermittent electricity on Rock Island. The government generator comes on for only 3 hours daily at 6pm and stops at 9pm. It makes a lot of noise and creates a lot of smoke. The students cannot complete their homework on time. People cannot listen to radio or TV news in daytime. Also, kerosene lamps are getting very dangerous to keep on at night. The fuel and maintenance of the old generator is also getting expensive as this cost increases annually. Sometime the fuel does not arrive from the mainland on time.

Project Goal: To provide an environmentally friendly source of electricity to the people of Rock Island.

Project Objectives:

1. Purchase 30 solar power systems of 50W each along with 3 lights.
2. Install the 50W solar power systems on all 30 houses with help of a technician.
3. Train local people to maintain the solar power systems.

Project Outcomes and benefits: The outcome will be that all houses on Rock Island will have electricity from solar which they can use all night safely. The children will benefit as they can safely and clearly read their books at night. The people can listen to important news and charge their phones so they can be in contact with the mainland.

Plan of Work:

Tasks to do	Months											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Determine how much power is needed in one home	■											
Size the solar power system		■										
Make a list of components needed for the project			■									
Ask local companies for quoations				■	■							
Cooperative discusses and finalizes company to buy from					■							
Pay the company and ask them to visit the village						■						
Company technicans arrive and put dc lights in all houses							■	■	■			
Technicians mount the solar panel and othe things on houses										■	■	
Commissioning of solar power systems and ceremony												■

(This form of table is commonly used – you state the tasks or activities and shade the month in which the task will be done – you can also use weeks or days instead of months)

Organization Details: Rock Island Cooperative looks after the generator on the island so that all the houses can have light at night. All the household heads are cooperative members. Mr. John Keri is the head of the cooperative. Recently 10 people from the cooperative have been trained on Solar in the Community.

Item	Cost per item $	Quantity	Total cost $
50W Solar PV Panel	150/item	30	4500
Charge controller 20A	90/item	30	2700
Battery 30Ah	300 each	30	9000
DC light bulb kit of 3	20 each	30	600
double core 10A wire	1.89 / meter	500	945
Boat hire cost	200 / trip	4	800
Technician cost	80/day	20	1600
Food and catering cost	300/day	1	300
Travelling cost	20/trip	4	80
Total cost			$20,525

ACTIVITY 5

Think about a possible renewable energy project that can take place in your community and creates benefits for your community. It could be anything from solar to hydro installation or energy saving trainings. Now think of how you could fund such a project. From the list of donors discussed in this training, pick any one and draft out a proposal for that project. This can be done in teams. Even if you do not write down the proposal – write down the bullet points that need to be addressed under each section of the proposal. Present this orally and discuss about this in front of all trainees.

- **Answer:** The answers will vary but they should try to satisfy all the points listed in section 5.3 above. While they may not have all the information, they can assume most of the details such as cost, etc.

The learners should be encouraged to fill into the template given in their workbook. The sample proposal above can be a guide for this activity.

Name of Project: **Project Leader:** **Total amount requested:** **Total timeframe of project:**
Summary:
Problem Statement:
Project Goal:
Project Objectives:
Project Outcomes and Benefits:
Plan of Work:
Organization Details:
Budget Breakdown:

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