Investment Planning Procedure

Output 3.1/Activity 3.1.4

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January 2023
Beirut, Lebanon

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1 ESMES Requirements | Project Description

The Energy Smart Mediterranean Schools Network project (ESMES), is part of the ENI CBC Med Programme and focuses on the optimization of energy consumption in public schools through innovative, monitoring-based renewable energy and energy efficiency (REEE) pilot actions.
ESMES is being implemented in five (5) Mediterranean countries and it involves six (6) organizations: The Institute for University Cooperation (ICU) being the Lead Beneficiary, the Lebanese Center for Energy Conservation (LCEC) being the Project Partner in Lebanon, the German Jordanian University in Jordan, the National Agency for Energy Management of Tunisia, the Ribera Consortium of Valencia in Spain, and the Alcamo Municipality in Italy.

ESMES will be implemented over a duration of four years starting September 2019 and is expected to contribute to environmental protection, climate change adaptation and mitigation, by adopting the below specific objectives:

a. Increase civil society awareness and improve energy habits through the cross-border engagement of students in a sustainable use of energy resources in Jordan, Tunisia, Lebanon, Italy and Spain.
b. Reduce the energy consumption in public school buildings in the five (5) mentioned countries, through the introduction of cost-effective REEE solutions tailored to buildings energy loads, type and use, and climatic zone.
c. Enhance capacities of national, regional and local institutions to plan and realize improved energy rehabilitations for higher energy sustainability of public buildings through cross-border cooperation.

One of ESMES outputs delivered in this report is an investment planning procedure for public institutions to shift from single-building rehabilitation to the distributed interventions approach, maximizing energy performance for the amount invested, targeting energy-consumption-intensive components in multiple buildings taking into account national regulations and peculiarities to ease integration of new procedures into existing ones.

2 What is Investment Planning?

Investment planning is a comprehensive plan that maps out all aspects of an investing strategy to meet long and short-term goals. It mainly starts with identifying goals and objectives then matching these goals and objectives with the available resources whether human, technical or financial. Investment planning principles generally involve strategic long-term planning, resource identification and budget allocation, and monitoring and evaluation. Investment planning includes steps of monitoring and evaluation as crucial ones to guarantee the sustainability of the plan.

Investment plans are typically designed to answer the following questions:

- how much to invest?
- when to invest?
- what to choose amongst the broad range of investments available?

The latter shall account for the available resources, the diversification of assets, and the risk tolerance.

Investment planning is a critical process for any individual or organization looking to maximize their financial returns. It involves making decisions on resources allocation in order to achieve the desired goals.

Ensuring that the investment planning process is effective shall involve seven criteria to be accounted for. As shown in figure 1, these include investment guidance, appraisal, independent review, selection, evaluation, operation and adjustment. Each of these functions plays an important role in helping investors make informed decisions and achieve their desired objectives.

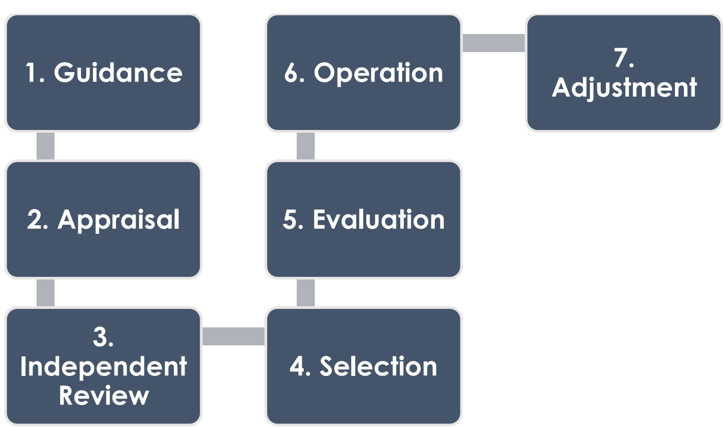

Figure 1: Features needed in an investment planning process

A solid investment plan shall be based on careful review of economic trends before deciding on the type and timing of investments. These shall consider the type of the investment itself, its cost, its financing scheme…. Diversifying the portfolio would assist in reducing errors and risks where the diversification may be based on geography, size, emergency, funds criteria, etc.

Figure 2: How to Create a Solid Investment Plan?

3 Key Stages of Investment Planning

A successful investment plan is a four-stage process as shown in figure 3.

Figure 3: Key stages of investment planning

The first stage is planning, which is necessary because the main goal is to build an investment portfolio that supports national development. Planning is started by investment guidance through existing national or sector strategies that are specific, consistent with national objectives, and widely accepted.

Once the objective of this investment planning is identified, stakeholders and entities involved shall be mapped. A stakeholder's matrix is them developed along with the links among these stakeholders and the coordination scheme between them. Coordination between them is essential to achieving an integrated place-based approach and achieving economies of scale across boundaries.

By working together, stakeholders can identify priorities, create a pipeline of projects, and eventually screen projects. Effective staffing and training can also be agreed upon. By involving the stakeholders in the planning process, the quality and support for investment

The second stage being "Financing and Budgeting", It connects strategic plans to multi-year budgets and funds operation and maintenance. It is a crucial step in the selection of projects to ensure adequate resources. Utilizing both conventional and innovative financing methods for public investment is an additional factor to consider. This will enable the private sector to mobilize funding without compromising the long-term financial sustainability of public investment projects.

In a well-developed implementation plan, cost-effective contracting and procurement are essential. It shall consider open, competitive, and procurement procedures with corresponding internal control systems, creating and utilizing specialized monitoring indicator systems with practical performance-enhancing objectives. Conducting rigorous ex-post evaluation on a regular basis and utilizing data from monitoring and evaluation improves decision-making shall as well be considered.

Assuring that the facility is prepared for use and that the assets are registered and kept up-to-date is important to ensure accountability for public resources and to advance these outcomes. Finally, the distribution of guidelines to all governmental levels is important in the dissemination of the plan.

The fourth and last stage is "Monitoring and evaluation". The latter is intended to support all phases of the investment cycle. It allows public assets monitoring and risk management throughout the investment cycle. This stage ensures the standard and availability of technical and managerial expertise required for planning and implementing public investment. Then, through official institutional arrangements, KPIs are reviewed and evaluated, concluding with their dissemination and incorporation into the designs of future projects.

Enabling Factors for the effective planning and execution of all the steps mentioned above would include modernized IT systems, up to date legal and institutional framework, and adequate recruitment.

Figure 4 below summarizes the steps and sub-steps to be considered in an investment plan process.

Figure 4: Key steps in investment planning process

4 Challenges of Investment Planning

Challenges in investment planning varies from the availability of institutional and regulatory framework to the availability of adequate resources whether human or financial.

In fact, the selection of the entity that will be in charge, the policies and guidelines to be followed to control the process, and the projects that will be accepted can be identified as challenges faced during the investment planning procedure.

Additional difficulties could arise at any point during the investment process plan such as the lack of guidance regarding portfolio management, project evaluation and data collection based on international practices. The lack of existing data causes difficulty in analyzing trends, identifying needs, and priorities, which installs a barrier that is not easy to overcome.

Project proposals are not always based on solid criteria such as priorities/urgency/sector needs/feasibility/timeline or the fact that individuals select the projects rather than complementary package are also challenges that could be faced during the first phase of investment planning.

Weak long-term planning and focusing on short term priorities instead and weak and uneven capacity across the institutions, will surely affect the project implementation and monitoring phases.

The excess of administrative procedures and bureaucracy in some cases could be considered a set back to the advancement of the project planning. This goes along with the lack of capabilities to administer different stages due to the absence of a systematic analysis and monitoring of the project's implementation progress and the deficiency of project output related indicators.

From the financial aspect, operation and maintenance budgets and expenses are sometimes mis-represented or not represented at all which creates another challenge to be faced during the investment planning procedure.

Fragmentation and overlap of public investment management functions makes it difficult to ensure that the investment pipeline is the most optimal for the country, since the provision of expertise and review of feasibility studies is different between domestically funded and foreign-funded investment projects.

5 Effective management of public investments

Considering the four-stage process explained in section 3 and the challenges that might be faced during an investment planning process. This section identifies the effective management of public investments in each of the four stages.

The goal of the planning stage is to design and investment portfolio that encourages national development. This can be done by a tailored planning which is results-oriented, realistic, forward-looking, and coherent with national objectives. It shall include a coordination scheme across sectors to achieve an integrated place-based approach and achieve economies of scale across boundaries and involve stakeholders in planning to enhance the quality and support for investment choices while preventing risks. The planning shall consider as well a rigorous ex-ante appraisal.

The financing and budget stage shall lead to ensuring adequate resources by linking strategic plans to multi-annual budgets and by considering all types of financing schemes available for the public sector traditional, innovative or though donors and funding agencies. Mobilizing private sector financing, without compromising long-term financial sustainability of public investment projects shall be considered.

As for the implementation, ensuring accountability for public resources and promoting results and learning shall include the commitment to transparent, competitive, procurement processes with corresponding internal control systems, the design and use monitoring indicator systems with realistic, performance promoting targets, the regular and rigorous ex-post evaluation and the use of monitoring and evaluation information to enhance decision making.

Regarding the last stage, monitoring and managing risks throughout the investment cycle as well as ensuring the quality and availability of technical and managerial expertise necessary for planning and executing public investment shall be considered.

6 Applying the Investment Planning on the ESMES Project

Self-assessment of technical expertise and staff capabilities is an important first step when formulating an investment plan within ESMES. Understanding the plan's impact is made easier by providing a summary of the current situation and how the plan applies to the energy sector. The best recommendations can be made by keeping in mind the barriers, limitations, gaps, and potential challenges to be faced.

The following set of questions shall be considered during each stage of developing an investment plan as a guide in order to process each stage effectively and move on to the next one with confidence.

6.1 Guiding Questions in the planning

- Do mechanisms exist to ensure that investment plans reflect national development goals?
- Is there correspondence between territorial assessment, needs, and planned projects?
- Is there a clear and authoritative statement of public investment priorities at national level?
- Do authorities assess the potential contribution of investments to economic growth?
- Are data available and used to support the assessment and planning process?

6.2 Guiding Questions in coordination and stakeholders' involvement

- Are there any conflicts among sectoral investments?
- Do formal or informal mechanisms exist to co-ordinate across sectors (and relevant departments/agencies)
- Do mechanisms exist to identify and involve stakeholders throughout the investment cycle?
- Which categories of stakeholders are most/least engaged?

6.3 Guiding Questions for the appraisal step

- What percent of investment is subject to pre-assessment?
- Any published guidance that details appraisal methods and standards

- Tap appropriate expertise, either in-house or elsewhere, to ensure proper technical appraisal of complex/sophisticated investments
- Are the results of ex-ante appraisals used to prioritize investments?

6.4 Guiding Questions for the multi-annual budget

- Are investments funded with a multi-year budget?
- Are the costs of operation and maintenance assessed on a long-term basis?
- Is there a medium-term planning and budgeting framework? Is this framework integrated with the annual budget?
- Are yearly forecasts for public investment reviewed and updated regularly?

6.5 Guiding Questions for the innovation in financing mechanisms

- What are the main challenges faced?
- How are public investments usually financed?
- Are there any existing innovative financing mechanisms?
- Are there any national funds?
- What is the percentage of engagement of the private sector?

6.6 Guiding Questions for procurement process

- Any public-private-partnerships (PPPs)? In which sectors?
- What are the challenges facing these existing PPP?
- Does a dedicated PPP unit already exist?
- Is there any e-procurement?
- Are there regular trainings or formal guidance to staff?
- Any dedicated procurement unit?

6.7 Guiding Questions for the monitoring and evaluation stage

- Are there any KPIs?
- Are the monitoring systems facilitating credible and regular reporting?
- Any ex-post evaluation affecting revision of targets and decisions?
- Any dissemination strategy?

6.8 Guiding Questions for the topic of risk management

- Are processes in place to identify, assess, and respond to risks?
- Does risk assessment have a bearing on project selection or management arrangements?

6.9 Guiding Questions On the topic of technical expertise

- Are there any trainings on public investments?
- Are there any university programs?
- Are there any specific TORs before recruitment?

7 ESMES Tasks| Outputs

The investment planning could result in a number of outputs in a variety of areas, including the classification of portfolios (RE/EE, infrastructure/service, turnkey/PPP, etc.), legal and regulatory framework, sector strategies, organizational structure, innovative financing schemes, and procurement options.

By providing information on the current enabling factors in each country with regard to policies, financing, procurement, etc., the objective is to then comment on the four stages of the investment planning and generate suggestions as a result.

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