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|  | **QUARTERLY REPORT** | C:\Documents and Settings\eric.opoku\My Documents\My Pictures\UNDP\UNDP LOGO.jpg Empowered life Resilient nations |

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| **Project Title:** Development of Cornerstone Public Policies and Institutional Capacities to accelerate Sustainable Energy for All (SE4All) Progress. | |
| **Implementing Partner:** Ministry of Energy and Meteorology | |
| **Date**: 13 January 2019 | **Reporting Period**: January - December 2018 |

**I. Results Assessment**

| **Results (*extract outcomes and outputs from AWP for reporting period*)** | **Indicators (*extract indicators for Outputs being reported on as recorded in AWP*)** | **Target (s)**  **(*extract from AWP*)** | **Results Achieved (*per outcome/output for the reporting period. This should include a description of targets achieved in the quarter*)** | **Challenges (state difficulties encountered in implementing activities)** |
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| **Outcomes** **1 –** SE4All cornerstone policies and strategies facilitating (increased) investment in RET deployment, particularly in isolated mini-grids**.** | | | | |
| * **Output 1.1:** Developed and approved SE4All Country Action Agenda (CAA), following extensive stakeholder   consultations. | | | | |
| Country Action Agenda developed and approved | Existence of Country Action Agenda | Country Action Agenda(CAA) developed within 12 months of project initiation | SE4All Country Action Agenda(CAA) for Lesotho was developed and validated by stakeholders in October 2018. The CAA will be presented to Cabinet for approval, after which it will be publicized to attract investors.  CAA is a strategy-driven and holistic document acting as an umbrella for energy sector development at national level. |  |
| **Output 1.2:** Approved/adopted SE4All Investment Prospectus (IP), following extensive stakeholder consultations. | | | | |
| Investment Prospectus developed and approved | Existence of Investment Prospectus | Investment Prospectus(IP) developed within 12 months of project initiation | SE4All Investment Prospectus (IP) for Lesotho was developed and validated by stakeholders in October 2018. The IP will then be presented to Cabinet for approval, then publicized to attract investors.  IP provides an approach to operationalize the CAA by identifying and developing a set of implementable programmes and projects, including their investment requirements, that can be presented to potential private and public investors. |  |
| **Output 1.3:** Strategies and investment plans related to mini-grid applications and village energization schemes | | | | |
| Sub-strategies and regulatory framework developed and approved | Existence of sub-strategies and regulatory framework | Sub-strategies and regulatory framework developed within 12 months of project initiation | The consultancy on regulatory framework for mini-grids application and village energization, including the financial support options is on-going and it ends in March 2019. This is the most critical enabling instrument that will facilitate private sector investment in renewable energy mini-grids and energy centres. |  |
| **Outcome 2:** Improved capacity of energy stakeholders and government officials for decentralized clean energy planning and decision- making on the basis of quality energy data. | | | | |
| **Output 2.1:** National survey conducted on energy supply, consumption and demand, disaggregated by sector, district and application. | | | | |
| Energy data on households and sectors available | Completion of national energy survey. | To be completed within 9 months of project initiation and results validated by stakeholders by the end of Year 1. | Households Energy Consumption Survey (HECS) was completed in November 2017. The technical report was developed and validated by stakeholders. Draft Analytical Report was produced and remains to be validated by energy stakeholders. The survey provides baseline information for the project and will assist in planning, tracking of progress towards SDG 7 and SE4All objectives.    Sector Energy Consumption Survey (SECS) took place in November 2018. Data processing and report writing is scheduled for January to March 2019. |  |
| **Output 2.2:** Energy database and information system established for data collected under Output 2.1 above, with clear responsibilities agreed to as regards regular monitoring and annual publication of indicators (between DoE and BoS). | | | | |
| Energy database and information system developed and approved | Existence of energy database and information system | Energy database and information system available within 12 months of project initiation | The households’ energy database and information system was established and approved in early 2018. The database will be utilized both for planning purposes as well as for tracking progress against national and SE4All targets. |  |
| **Output 2.3:** Energy modelling software in place to analyse the data, model scenarios and produce information that will promote RE policies. | | | | |
| Energy modelling software utilized to analyze data, model scenarios | Energy modelling software being utilized. | Energy modelling software in place and approved within 12 months of project initiation | LEAP software was identified as the most suitable for Lesotho. Other modelling softwares are being utilized by the DOE and BOS staff, including Mead, Message, Simplex and Simplan, under the guidance of the IAEA. The softwares are instrumental for data processing and to produce information that will promote Lesotho Energy Policies. |  |
| **Outcome 3:** Successful establishment of a village-based energy service delivery model for replication nationally. | | | | |
| **Output 3.1:** Completed pre-feasibility studies for mini-grids in 20 village communities (see Table 3 below) spanning 5 of Lesotho’s 10 districts. | | | | |
| Preliminary assessment in 20 village communities | Pre-feasibility studies completed. | Completed within 12 months of project start. | Preliminary assessment of the 20 sites earmarked for mini-grids and energy centres was undertaken during quarter 4 of 2018 and the reports were validated by the stakeholders. The studies provide information on the renewable energy technologies potential, infrastructure, socio-economic factors including households’ willingness and ability to pay for energy services. The results in the reports will be utilized for the “call for proposals” information package in 2019. |  |
| **Output 3.5:** Financial Support Scheme established to support private sector investment in village-based energization through mini-grids/Energy Centres. | | | | |
| Financial Support Scheme (FSS) established and operational | Disbursement of funds from FSS for establishment of mini-grids and energy centres | Financial Support Scheme available and operational within 18 months of project initiation | The focus of Component 3 of the SE4All Project is the ‘Successful establishment of a village-based energy service delivery model for replication nationally’. Key to the success of this component is the Financial Support Scheme (FSS), targeted allocation of grant funding to qualifying project developers focusing on both mini-grids and energy centres. The appointment and signing of an Agreement with the FSS Managing Agent (MA), UNCDF, took place in December 2018 to January 2019.  The mandate of MA is to administer the FSS Fund in support of the development and promotion of mini-grid energy technologies and energy centres in Lesotho. Its objective is to ensure mini-grid/energy centre operations improve access to energy, enhance technical knowledge and develop best practice frameworks which collectively contribute to the improvement of living conditions of people in Lesotho. | Due to UNDP micro-capital grant policy it was not possible to engage the competitively selected Management Agent (local bank) instead UNCDF was recommended as the best agency to host FSS fund. |
| **Outcome 4:** Outreach programme and dissemination of project experience/best practices/lessons learned for replication nationally and throughout the region. | | | | |
| **Output 4.1:** National Plan to implement outreach/promotional activities targeting both domestic and international investors. | | | | |
| Output4.1.1Develop National Plan to implement outreach/promotional activities. | Availability of national plan | Completed within 24 months of project initiation. | Draft Communication Strategy and National Plan to implement Outreach programme was developed in 2018. The Strategy will be presented to the PSC for approval in 2019.  The project team is currently developing and procuring promotional materials for the project.  The Project team formally introduced to project to the Districts ’Councils in the five selected districts. |  |

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| **II.** **Lessons Learnt and Opportunities: *(Please describe new understanding or insights gained from project activities that can contribute to improving future project design and implementation. Give specific examples)*** |
| The national energy survey was a huge eye opener for its participants and the project team regarding timeframe required for this activity. This activity requires more than one year to complete, and close to 3 million Maloti. The survey encompasses data collection, data cleaning and analysis, a survey report and database. We learned that data cleaning for just one season took more than two months, way beyond the anticipated timeframe. The duration for energy surveys should be carefully planned, and activities well resourced.  One other reason which could have contributed to some delays could be that BOS and DOE personnel were on the learning curve, and they went through training, between the survey activities, and this delayed the whole survey process.  The UNDP micro-capital grant policy – noting that UNDP cannot engage the private sector for on-granting purposes. UNCDF is well placed to perform the functions of the Management Agent for SE4All due to its expertise and experience in similar assignments in the region. |
| **III.** **Gender Mainstreaming (*how did project serve men and women, identify # of men/women served*)** |
| The Department of Energy nominated two Gender Focal Points (GFPs) among staff members to serve as contact and resource persons within the Department of Energy (DOE) on Gender related issues. GFPs are tasked with raising awareness on gender-related matters, and promote the application of the Gender Mainstreaming concept in the daily work in the staff of the DOE and the energy stakeholders at large.  The TORs for the GFPs were drafted and approved. |
| **IV. Capacity Development (Please explain *how project activities have contributed to improving institutional policies, systems, strategies and structures. Give specific example of actions undertaken and the results achieved)*** |
| Two strategy documents were developed for Lesotho through the SE4All Project technical and financial support.   * The SE4All Country Action Agenda (CAA) – which is a strategy-driven and holistic document acting as an umbrella for energy sector development at national level. * The SE4All Investment Prospectus (IP) provides an approach to operationalize the CAA by identifying and developing a set of implementable programmes and projects, including their investment requirements, that can be presented to potential private and public investors.   The CAA and IP will then be presented to Cabinet for approval, after which they will be publicized to attract investors. |
| **V. Innovative Initiatives: *(Please describe new/pioneering actions (internal or external) taken during the year that contributed to the project being effective. Effectiveness here can be taken to mean improving practice or processes that aided positive project achievements)*.** |
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| **VI.Project Risks and Assumptions Update:  *Please state any risks and assumptions likely to impact project implementation*** |
| See attached risk log – The first three are critical. |
| **VII.Financials: *(Please provide a summary of budgeted vs. actual expenditure for the quarter and briefly explain reasons for variance if any)*** |
| **See table 1, 2 and 3 below.** |

**FINANCIAL REPORT**

**Table 1. Annual Expenditure Report –2018**

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| **OUTCOME** | **Approved Budget** | **Expenditure** | **Budget Balance** | **% Delivery** |
| Outcome 1  Policies and Strategies | 237,920.00 | 193,556.00 | 44,354.00 | 81%  114%  21%  38%  143% |
| Outcome 2  Database & Capacity Building | 45,308.00 | 51,499.00 | (6,191.00) |
| Outcome3  Village Energisation | 488,382.00 | 100,754.00 | 387,628.00 |
| Outcome 4  Outreach Programme | 123,300.00 | 46,637.00 | 76,662.00 |
| Outcome 5  Programme Management | 45,000.00 | 64,217.00 | (19,217) |
| **TOTAL** | **939,910.00** | **456,663.00** | **483,247.00** | **49%** |

**Table 2. Expenditure to Date (Five Year Outlook)**

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| **Donor** | **Total funds committed (USD)** | **Expenditure by period** | | | | | | **Cumulative Expenditure**  (USD) | **Balance**  (USD) | **% Delivery** |
| **2016** | **2017** | **2018** | **2019** | **2020** | **2021** |
| GEF/UNDP | 3,900,000 | 75,763.00 | 505,435.98 | 456,663.00 | 0.00 | 0.00 | 0.00 | 1,037,861.98 | 2,862,138.02 | 26% |

**Table 3. Co-Financing Partners & Budgets**

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| **Co-Financing Partner** | **Co-Financing Budget** | **Expenditure to date(September 2018)** |
| Private Sector (Cash – Bethel) | $2,000,000 | **$33,041.2** |
| Private Sector (In-kind LSES) | $500,000 | - |
| Government (Cash) | $8,467,837 | **$114,382** |
| European Union | $7,900,000 | **$4,743,006** |
| **Total co-financing** | **18,867,837** |  |

**RISK MANAGEMENT**

This section can be used to update or use the risk logs developed during the project development stage and provide any mitigation measures being undertaken by the project.

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| **Type of Risk** | **Description of Risk** | **Mitigating Measures** |
| **Financial:** If host of Financial Support Scheme (FSS) is not identified or recruited, this may hamper the implementation of mini-grids and Energy Centres, the core business of this project | **Financial:** The FSS host has been identified, but agreement has not been signed between UNDP and UNCDF, therefore the risk still stands. | UNDP will have a meeting with the Minister of Energy and Meteorology – This will be the final meeting with Government before the agreement is signed. |
| **Operational:** The lack of office space for the project team in the MEM may affect the smooth operation of the project | The lack of office space for the project team in the MEM affects the smooth operation of the project | Refurbishment of the Old Agric. Bank building will create space for the project, as DOE will occupy one floor**.** |
| T**echnical:** With two very similar programmes (UNDP/GEF and EU energy shops) implemented at the same time and possibly in the same districts, there could be overlaps with regards to selected sites and operators. There could possibly be competition between the two programmes, which may impact negatively on the customers and the market. | A possible competition between the two programmes (EU & UNDP/GEF) which may impact negatively on the customers and the market. | Engagement between the two organisations and DOE is on-going. |
| **Policy:** Framework to encourage the private sector to invest in renewable energy-based rural energy services. | There exists the possibility that the Government may not act soon enough on a policy framework that will encourage the private sector to invest in renewable energy-based rural energy services; if this were to happen, project implementation will get hampered. | The Government is strongly motivated to provide access to modernised energy services to the large rural population that utilises traditional forms of energy, to improve their quality of life and for income-generating activities, and is driven by its plans to meet both the objectives of the Lesotho Vision 2020 and the S4All Initiative. Moreover, project interventions under Component 1 will assist in mitigating this risk. |
| **Institutional:** Dependence on SAPP imports could increase or become more attractive relative to development of the country’s indigenous RETs | Southern African Power Pool, mainly based on coal generation, will remain in border areas, to the detriment of renewable energy based decentralised options. | This does not pose a risk deep inside the country, as stringing long electricity lines does not make economic sense due to the small loads and difficult terrain.  This risk will be mitigated by the fact that, as per existing projections (ref. Sothern African Power Pool: Planning and Prospects for Renewable Energy, IRENA 2013) which indicate that “the share of renewable technologies in electricity production in the South African Power Pool region could increase from the current level of 10% to as high as 46% in 2030”. |
| **Financial:** SE4All funding resources may not materialize, thus making the CAA and IP of little use. | SE4All funding resources may not materialize, thus making the CAA and IP of little use. If this were to happen, it will provide a set-back in the development of RETs in the country. | However, indications from the country action process developed by the SE4All Secretariat are that those countries that expeditiously complete their CAA and IP documents will be prioritized as regards access to dedicated SE4All funds when and if they materialize. Project interventions under Component 4 will assist in mitigating this risk by targeting both domestic and international investors |
| **Poor investment climate.** | The fact that Lesotho ranks in the 128th place in “Ease of doing Business”, as per the WB/IFC “Doing Business 2015” publication and 115th in enforcing contracts might act as a deterrent for investors in RETs. | The project will put in place a Financial Support Scheme that will be directed at minimising the financial risks that lenders and investors may face in doing business targeting RETs for the rural areas. |
| **Technology:** Renewable energy equipment of poor quality introduced in the country. | Poor quality of equipment and shoddy installation have been shown to have plagued some SHS in Lesotho. | The Government will put in place, through the Department of Standards and Quality Assurance (DSQA), strict controls on the standards of renewable energy equipment that can be imported and installed in the country. In addition, the Government will ensure that all installations and maintenance should be undertaken only by licensed and certified technicians as per established electricity codes. |
| **Environmental/Climate Change** | There are multiple environmental risks, as outlined in Lesotho’s Second National Communication to UNFCCC (e.g. reduced rainfall that can affect water flows, land and watershed degradation due to erosion and population pressures) that can affect energy planning and infrastructure investments. | These are being and will continue to be addressed through capacity development of Government staff on the key aspects to address national challenges associated with weather, climate and climate change. |