



AIDE MEMOIRE

Scaling-up Renewable Energy Program in Lesotho

Scoping Mission

17th to 19th June 2015

Maseru

Lesotho

I. Introduction and Background

1. Under the leadership of the Government of Lesotho (GoL), a joint International Finance Corporation (IFC) and African Development Bank (AfDB) Mission Team¹ visited Lesotho, between June 17-19, 2015, for a scoping mission to support the GoL with the preparation of the Scaling-up Renewable Energy Program (SREP) Investment Plan (IP).

2. The objective of the Scoping Mission was to: (i) introduce the key features of the SREP program to the relevant ministries within the GoL, other development partners, and other key stakeholders who are expected to interact with the GoL in the development of the SREP IPF, (ii) hold preliminary consultations with key stakeholders about SREP implementation and consolidate necessary documentation, (iii) undertake an assessment of necessary technical assistance and resources required to develop the SREP IP based on the country readiness and available relevant studies and documents, (v) agree on next steps and develop a detailed timeline for the preparation of the IP.

3. The GoL team was led by the SREP National Focal Person, M. J. Seithleko Deputy Director at the Department of Energy.

4. This Aide Memoire records the scoping mission's findings and recommendations discussed at the wrap-up meeting chaired by Joyita Mukherjee, SREP coordinator, and SREP Focal Point, at the UN office in Maseru on the 19 June 2015. This Aide Memoire is subject to endorsement by the management of the IFC as the lead Multilateral Development Bank (MDB) for the SREP Lesotho. Finally, the scoping mission team expresses its strong appreciation for the support and cooperation accorded to it by the management and staff of the ministries, public agencies and all stakeholders with whom the Mission interacted.

II. Scoping Mission Activities

5. The mission team had discussions and consultations with different stakeholders. These included: (i) Ministry of Energy and Meteorology (MEM), (ii) Ministry of Development Planning (MDP), (iii) Lesotho Electricity and Water Authority (LEWA), (iv) Rural Electrification Unit (REU), (v) Bureau of Statistics (BOS), (vi) Appropriate Technology Services (ATS), (vi) Civil Societies and relevant private stakeholders for the SREP programming in the country. A detailed list of stakeholders consulted during the Scoping Mission is provided in Annex I.

¹The Multilateral Development Bank Mission Team comprised: (i) IFC: Dan Croft (Senior Investment Officer), Joyita Mukherjee (CIF Coordinator), Silvia Tanga (Consultant) and (ii) AfDB: Farai Kanonda (Chief Energy Investment Office) and Sam O'Brien (Consultant)

6. During the Scoping Mission, stakeholders discussed the main constraints hampering the development of Renewable Energy (RE) in Lesotho which ranged from institutional to economic and financial barriers. Potential investments in RE in the context of the SREP objectives were also discussed.

7. Joyita Mukherjee, CIF Coordinator for IFC, introduced the objectives, scope, and type of investments supported under the SREP program, as well as the activities involved in the country-led SREP process. Financing from SREP is guided by a number of principles. The SREP financing is expected to: (i) address the additional costs and risks associated with renewable energy technologies, which adversely affect the viability of investments in the renewable energy space, (ii) meet the specific requirements of removing financial and institutional barriers and to leverage additional public and private financing, (iii) “crowd-in” the private sector, (iv) finance investments and capacity building for both public and private sector entities, (v) increase the installed renewable energy capacity in a country’s energy supply in line with relevant national strategies and policies plans, and (vi) support proven renewable technologies.

8. The Scoping Mission informed that SREP financing could be provided to all renewable energy technologies including solar, geothermal, wind, hydropower (below 10MW per site), and bioenergy.

9. In addition, the Scoping Mission indicated that the SREP Sub-Committee has allocated an envelope of USD 30 million, which includes a USD 300,000 grant available for IP preparation, to Lesotho.

III. Mission Findings and Agreements

10. The main findings and agreements from the discussions that the Mission held with Government and relevant stakeholders, including representatives from development partners and the private sector are summarized hereunder.

11. National Task Team: MEM confirmed that a multi-agency National Task Force is being set up to prepare the IP which will be led by the SREP Focal Point, and will include at least one representative from MDP.

12. Preparation of the Investment Plan: The GoL is considering accessing resources under the available IP Preparation Grant (up to USD 300,000) to hire a consultant to help with the drafting of the IP—although a final decision will be made in coming weeks there are alternative arrangements for the government to get this support without having to dedicate part of their country allocation for IP preparation costs. The TOR for the consulting services will be developed together with the MDBs. The mission highlighted that the IP is to be owned by the Government as a whole and should represent the views of the various key national stakeholders for the development of renewable energy

in the country. Therefore, various partners, including Government representatives, private sector, banks, and Non-Governmental Organizations (NGOs) will be invited to contribute to the discussions for the final selections of the priority investments which will take place during the Joint Mission.

13. The GoL has agreed to develop a first draft of the IP with the assistance of the Consultant ahead of the Joint Mission and in sufficient time to allow all interested stakeholders to review and provide their inputs.

14. Potential Areas of Engagement: The GoL and the Scoping Mission will work to align the SREP IP with all national strategies and policies² relevant to Lesotho without prejudice to the SREP investment criteria and to ongoing activities in the sector. The IP will demonstrate how the proposed activities will lead to the reduction of barriers for renewable energy development and market transformation. Potential areas of SREP intervention might include on-grid renewable energy technologies (hydro, wind and solar), off-grid renewable energy technology (small hydro, solar photovoltaic and hybrid generation systems), capacity building in both the public and private sector and a funding facility for private sector initiatives such as energy efficient cook stoves and solar home systems.

15. Renewable Resources: More than half of Lesotho's energy consumption is imported from South Africa and Mozambique with the balance supplied locally from hydro resources. Lesotho's indigenous energy resources are only from renewable sources, including wind, solar and hydro. The GoL is keen to develop its renewable energy resources in order to both increase access to electricity and to reduce its energy dependency on South Africa and Mozambique

16. Access to electricity in Lesotho is limited to large cities as the widespread and mountainous landscape of the country results in high grid extension costs. As a result, the GoL is interested in exploring renewable off-grid solutions.

17. To date, Lesotho does not have any private providers of electricity although the government has received proposals from various interested private sector developers. None of these proposals have so far been able to reach financial closing.

18. Public Sector Challenges: Energy sector policies are still in the process of being drafted. In June 2015 the GoL approved a National Energy Policy which provides a high level overview of the Lesotho's general energy policy. An Electricity Policy and a Renewable Energy Policy, which will support the Energy Policy, are in draft and are expected to be

²The main strategies and policies being the National Strategic Development Plan 2012/13 – 2016/17, Lesotho Energy Policy (2015) and, once approved, the Lesotho Electricity Policy and the Lesotho Renewable Energy Policy.

approved in the coming months. Additionally, LEWA is expected to publish RE-FIT rates along with the governments Electricity Policy.

19. The roles and responsibilities of the various key roles players in the energy sector are not clearly defined. Hence a bridging program by EU under EDF11 (2015-2020) to assist in addressing this issue before any flow of funds under EDF11 for the support of the energy sector,

20. Private Sector Challenges: The main challenge for the private sector in Lesotho is a lack of access to capital. There are few banks that are willing to lend to energy projects and, those few, charge extremely high rates by international standards.

21. Low quality products, particularly off-grid solar products, have damaged public opinion as people are not able to distinguish between high and low quality products. This has resulted in a decrease in demand for solar products. The certification program conducted by the National University of Lesotho during the implementation of the Lesotho Renewable Energy based Rural Electrification has since stopped as the project ended in 2013.

22. The wrap-up meeting held at UN Office between the SREP Coordinator, IFC, SREP Focal Point and an official from MEM agreed to aim for May 2016 for IP submission. Details for meeting the target are articulated in Annex 11.

IV. The Way Forward

23. Annex II includes a comprehensive table with all the actions required, and their respective timelines, up to endorsement of the SREP IP. This timeline, actions required, and roles and responsibilities of each of the parties was discussed with and agreed to between the Scoping Mission the SREP Focal Point and an official from MEM, as the road map for submission of the investment plan to the SREP Sub-Committee.

24. The Scoping Mission would like to thank all stakeholders that participated in the Scoping Mission for their valuable inputs and collaborative spirit.

Annex I – List of Stakeholders Met

NAME	POSITION	EMAIL
INTERNATIONAL FINANCE CORPORATION		
Dan Croft	Senior Investment Officer	dcroft@ifc.org
Joyita Mukherjee	CIF Coordinator	jmukherjee1@ifc.org
Silvia Tanga	Consultant	stanga@ifc.org
AFRICAN DEVELOPMENT BANK		
Farai Kanonda	Chief Energy Investment	e.kanonda@afdb.org
Sam O'Brien	Consultant	sam.obrien3@gmail.com
MINISTRY OF ENERGY AND METEOROLOGY		
Emmanuel Lesoma	Principal Secretary	emmanuel.lesoma@gmail.com
Thabang Phuroe	Director of Energy	tphuroe@yahoo.com
M. J. Seitlheko (Jerry)	Deputy Director	peo.re@energy.gov
Keketso Jobo	Energy Economic Planner	Keketsojobo@yahoo.com
Makhahliso Nokana	Senior Economic Planner	Mnokana@yahoo.com
Itumeleng Ramone	Renewable Energy Officer	
MINISTRY OF DEVELOPMENT AND PLANNING		
Thabo Phera	Senior Economic Planner	pherat@yahoo.com
LESOTHO ELECTRICITY AND WATER AUTHORITY		
Thuso Ntlama	Manager - Economic Regulation	tntlama@lewa.org.ls
RURAL ELECTRIFICATION UNIT		
Leloko Mokhutsoane	Project Manager	leloko48@gmail.com
DEPARTMENT OF THE ENVIRONMENT		
Lisebo Motjotji	Senior Environmental Officer	lisebomotjotji@yahoo.co.uk
MINISTRY OF WATER AFFAIRS		
Mokabo Raseleman	Hydrologist	raselemanetico@gmail.com
APPROPRIATE TECHNOLOGY SERVICES		
Lengeta Mabea	Senior Engineer	mabeald@yahoo.com
Kopano Tsenoli	Chief Engineer	letsenoli@gmail.com
BUREAU OF STATISTICS		
Tsepiso Thabane	Chief Statistician	tl.thabane@yahoo.com
PRIVATE SECTOR INSTITUTIONS		
Joe Mollo	Breeze Power (Executive Director)	Joe@breezepower.co.za
Michael Hones	Solar lights (Owner)	solarlights@web.de
Stephen Walker	African Clean Energy (General Manager)	walker@ace.co.ls
Mantopi Martina-Lebofa	TED (Director)	mantopi@yahoo.com
Limpho Kokome	Moscet (Technician)	

NAME	POSITION	EMAIL
L.M. Khoboko	Powernet (Director)	
B. None	LECA (Vice Chairman)	bnone@ets.co.ls
Thesele Moshoeshoe	Forum of Electrical Practitioners Industry (National Secretary)	tnmoshoeshoe@yahoo.com
Samuel Mohatlane	Forum of Electrical Practitioners Industry (Member)	smohatlane@gmail.com
S. Tlali	National University of Lesotho (Dean)	
DEVELOPMENT PARTNERS		
Nthabiseng Majara	GEF (National Coordinator)	nthabiseng.majara@undp.org
Limomane Peshoane	UNDP (Sustainable Development Advisor)	Limomane.peshoane.undp.org
Sjaak de Boer	EU Delegation (Program Manager)	Jacobus.deboer@eeas.europa.eu

ANNEX II: PROPOSED TIMELINE

#	ACTIONS	DEADLINE	RESPONSIBLE
1	Submit Preparation Grant Proposal To SREP SubCommittee	Mid-July	SREP Focal Point with IFC/AfDB/WB
2	TORs for Consultant and Candidate	Mid-July	SREP Focal Point with IFC
3	Hire consultant	Mid-August	SREP Focal Point/
4	TORs for the Joint Mission sent to the SREP Sub Committee	Mid-September 2015	IFC/SREP Focal Point
5	Clearance of TOR for Joint Mission by CIF AU	Mid-October 2015	SREP Sub-Committee/CIF Admin Unit
6	Finalization of the first draft IP	Mid-October 2015	SREP Focal Point National Task Force and IFC
7	MDB Joint Mission and stakeholder consultations to review the results of the first draft IP and way forward	Mid-November 2015	MDBs/National Task Force, other Stakeholders
8	Finalization of the second draft of IP	Early December 2015	SREP Focal Point and National Task Force (MDBs can be involved as well)
9	MDB review of second draft of IP	December 2015- 2 nd week of Jan 2016	MDBs
10	Disclosure of IP for public consultations (online posting on website for 2 weeks)	Last week of January 2016	SREP Focal Point
11	Address comments received and complete IP	Mid-February 2016	SREP Focal Point and MDBs (IFC as lead)
12	SREP Expert quality review of the IP	Early March 2016	Independent Expert / MDBs / SREP Focal Point
10	Revision of the IP based on comments received	end-March 2016	SREP Focal Point (MDBs can be involved as well)
11	Submission of the IP to the SREP Sub-Committee	1st week Apr. 2016	SREP Focal Point
12	Endorsement by SREP Sub-Committee	1st week of May 2016 (Date to be confirmed)	CIF Admin Unit

Annex III – Scoping Mission Agenda

Time	Meeting	Participants	Venue
Wednesday 17 June 2015			
1400-1500	Internal meeting	IFC team, WB country manager	WB office
1500-1600	MDB coordination meeting	IFC, AfDB	WB office
Thursday 18 June 2015			
0945-1030	PS of Energy and Meteorology	IFC, AfDB, Director and Deputy Director	Ministry of Energy and Meteorology
1100-1300	Minister of Development Planning	IFC, AfDB and Minister	Ministry of Development Planning
1030-1230	Public sector stakeholders	IFC and public sector stakeholders	WB office
1230-1330	Lunch	IFC and public sector stakeholders	WB office
1330-1630	Private sector stakeholders and civil society organisations	IFC, private sector stakeholders and civil society organisations	WB office
Friday 19 June 2015			
0800-1000	Development partners	IFC, EU, GEF and UNDP	WB office
1030-1230	Wrap-up with SREP focal point and team	IFC and SREP focal point and team	WB office