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THIS ACTION IS FUNDED BY THE EUROPEAN UNION

ANNEX 1

of the Commission Implementing Decision amending Commission Implementing Decision C(2022)8416 of 16.11.2022 on the financing of the annual action plan in favour of the Kingdom of Lesotho for 2022

Action Document for Renewable Lesotho

ANNUAL PLAN

This document constitutes the annual work programme in the sense of Article 110(2) of the Financial Regulation, and action plans/measures in the sense of Article 23 of NDICI-Global Europe Regulation.

1 SYNOPSIS

1.1 Action Summary Table

1. Title CRIS/OPSYS business reference Basic Act	Renewable Lesotho CRIS number: NDICI AFRICA/2022/43702 OPSYS number: ACT-60795 / JAD.1005007 Financed under the Neighbourhood, Development and International Cooperation Instrument (<u>NDICI-Global Europe</u>)
2. Team Europe Initiative	Yes Green Deal Team Europe Initiative - Lesotho
3. Zone benefiting from the action	The action shall be carried out in the Kingdom of Lesotho
4. Programming document	Multi-Annual Indicative Programme 2021-2027
5. Link with relevant MIP(s) objectives / expected results	Specific objective 4 – To ensure energy security by reducing the imported electricity in Lesotho, and improve energy access to reliable and affordable clean energy and promote green growth Specific objective 5 – To increase access to energy for all socio-economic sectors Specific objective 6 – Improve Lesotho's energy sector leadership and institutional capacity
PRIORITY AREAS AND SECTOR INFORMATION	
6. Priority Area(s), sectors	Priority area 1 – Green and resilient economy, Energy
7. Sustainable Development Goals (SDGs)	Main SDG (1 only): 7 – Affordable and Clean Energy Other significant SDGs (up to 9) and where appropriate, targets: SDG 3 – Good Health and Well-Being SDG 4 – Quality Education SDG 5 – Gender Equality SGD 6 – Clean Water and Sanitation

	SDG 8 – Decent Work and Economic Growth SDG 9 – Industry, Innovation and Infrastructure SDG 10 – Reduced Inequalities SDG 11 – Sustainable Cities and Communities SDG 13 – Climate Action			
8 a) DAC code(s)	230 – Energy – 100% 231 – Energy Policy – 100% 232 – Energy generation, renewable sources – 100%			
8 b) Main Delivery Channel	Multilateral organisations – 40000 European Commission – Development Share of Budget – 42001			
9. Targets	<input type="checkbox"/> Migration <input checked="" type="checkbox"/> Climate <input checked="" type="checkbox"/> Social inclusion and Human Development <input checked="" type="checkbox"/> Gender <input checked="" type="checkbox"/> Biodiversity <input type="checkbox"/> Education <input type="checkbox"/> Human Rights, Democracy and Governance			
10. Markers (from DAC form)	General policy objective @	Not targeted	Significant objective	Principal objective
	Participation development/good governance	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Aid to environment @	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Gender equality and women's and girl's empowerment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Trade development	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Reproductive, maternal, new-born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Disaster Risk Reduction @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Inclusion of persons with Disabilities @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Nutrition @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Principal objective
	Biological diversity @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation @	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Climate change adaptation @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11. Internal markers and Tags:	Policy objectives	Not targeted	Significant objective	Principal objective
	Digitalisation @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	digital connectivity	YES <input checked="" type="checkbox"/>	NO <input type="checkbox"/>	
	digital governance	<input checked="" type="checkbox"/>	<input type="checkbox"/>	

	digital entrepreneurship	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	digital skills/literacy	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	digital services	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	Connectivity @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	digital connectivity	YES <input checked="" type="checkbox"/>	NO <input type="checkbox"/>	
	energy	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	transport	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	health	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	education and research			
	Migration @ (methodology for tagging under development)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Reduction of Inequalities @ (methodology for marker and tagging under development)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Covid-19	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
BUDGET INFORMATION				
12. Amounts concerned	Budget line(s) (article, item): BGUE-B2022-14.020122-C1-INTPA Total estimated cost: EUR 25 000 000 Total amount of EU budget contribution: EUR 25 000 000			
MANAGEMENT AND IMPLEMENTATION				
13. Type of financing¹	Indirect management with the entity(ies) to be selected in accordance with the criteria set out in sections 4.3.1 and 4.3.2 This contribution to the Regional Blending Platform shall be implemented in indirect management by the entities indicated in the annex to this Action Document, in accordance with the Regional Blending Platform's award procedure.			

1.2 Summary of the Action

The European Union's cooperation strategy with Lesotho, the Multi-Annual Indicative Programme (MIP) 2021-2027, focusses on two priority areas: (1) green and resilient economy and (2) good governance, peaceful and just society. Under the first priority area of the Multi-Annual Indicative Plan, the EU's cooperation aims to facilitate Lesotho's move towards a circular economy that becomes increasingly sustainable and self-sufficient with regard to energy generation and consumption and that provides affordable access for all to energy, water and sanitation. Under the second priority area, EU cooperation supports the process of national reforms undertaken by Lesotho and the improvement of service delivery to the citizenry, particularly social protection.

Renewable Lesotho will contribute to the first priority area by promoting energy security, access to reliable and affordable clean energy, and green growth. Its specific objectives are to increase renewable energy generation capacity and energy efficiency, promote a more equitable and gender-transformative access to clean energy, and improve Lesotho's energy sector leadership and institutional capacity.

¹ Art. 27 NDICI

The action foresees two components. The first component is dedicated to the energy sector market preparation and consists of technical assistance and capacity building activities dedicated to advancing the energy sector knowledge and capacities. These activities will support the public sector to establish an integrated renewable energy resource plan and policy frameworks, as well as developers and companies to develop their projects and obtain finance for renewable energy and energy efficiency initiatives.

The second component is dedicated to energy projects' implementation and support. The action will contribute to the establishment and operation of a National Energy Fund with dedicated technology lots and windows accompanied by a country window for facilitating access to commercial finance and other financing instruments (blending, guarantees, credit lines, etc.). Synergies with instruments such as EFSD+ will also be established. This component will bring together a mix of tools (project development support, matching grants, investment grants, results-based financing, as well as loans and guarantees) to support, among others, the development of the rooftop solar market, mini-grids, the commercialisation of improved cook-stoves, solar water heaters, energy efficient lamps, pay-as-you-go solar home systems (PAYGO SHS), as well as the introduction of renewable energy and energy efficiency solutions for public service, commercial and industrial facilities. **Large-scale renewable energy sector infrastructure (generation and transmission) will also be targeted.**

Renewable Lesotho is aligned with the Sustainable Development Goals (SDGs) and particularly SDG 7 (Affordable and Clean Energy) as well as the National Strategic Development Plan II (NSDP II). It also advances the objectives of the EU Gender Action Plan III^{2 3}. By promoting renewable energy, energy efficiency and access to energy services, it directly contributes to the **Global Gateway strategy** and Green Deal Team Europe Initiative. This action will **also contribute** to blending operations, promoted by the Team Europe Initiative, to finance large-scale renewable energy infrastructure and position local project pipelines with global and regional facilities and instruments including opportunities for EFSD+ guarantees. Renewable Lesotho will also contribute to the overall UN strategy to 'Leave no one behind', informing all actions under the MIP.

2 RATIONALE

2.1 Context

The Kingdom of Lesotho is a mountainous country in Southern Africa, with a unique geography as it is entirely surrounded by South Africa. Around 80% of Lesotho's land is more than 1 800 m above sea level with an average elevation of 2 161 metres. Lesotho is included in the list of least-developed countries (LDCs)⁴ with a per capita gross national income of **USD 1 028⁵ (current, 2021)**. It is a small and largely rural country of about 2.1 million people, of whom more than 99% are ethnic Basotho. About 60% of Basotho live in the districts of Berea, Leribe, Maseru, and Mafeteng, in the arable lowlands. The remaining population lives in six districts that include the Senqu River Valley and comparatively more mountainous lands. Most people live in rural areas, but the share of the urban population has increased substantially, from 14% in 1990 to 29% in 2020⁶. Population growth has slowed since the early 1990s, from 2% a year to slightly more than 1%⁷.

Lesotho has suffered from political instability and internal conflicts, ever since gaining independence from the United Kingdom in October 1966. This has negatively impacted on both its socio-economic development and its ability to profit from regional economic integration. Today, Lesotho remains the only least developed country in the Southern African Customs Union (SACU). It is confronted with a multitude of developmental challenges. Poverty is widespread and the level of inequality is one of the highest in the world. Social services delivery to citizens and economic activities are insufficient to lift the country out of poverty. There has been little progress despite the substantial inflow of international assistance over the decades since independence. Landlocked, food-

² https://international-partnerships.ec.europa.eu/system/files/2021-01/join-2020-17-final_en.pdf

³ The Gender Action Plan III is a Joint communication by the Commission and the High Representative of the Union for Foreign Affairs and Security Policy which was welcomed through EU Presidency Conclusions of 16 December 2020 endorsed by 24 Member States.

⁴ https://www.un.org/development/desa/dpad/wp-content/uploads/sites/45/publication/ldc_list.pdf

⁵ <https://data.worldbank.org/indicator/NY.ADJ.NNTY.PC.CD?locations=LS>

⁶ <https://data.worldbank.org/indicator/SP.URB.TOTL.IN.ZS?locations=LS>

⁷ <https://data.worldbank.org/indicator/SP.POP.GROW?locations=LS>

insecure, and energy-dependant, Lesotho remains also extremely vulnerable to external shocks. Ranked as 124th out of 182 countries, it shows decreasing climate readiness and increased vulnerability over the last ten years⁸. Along these long lasting trends, the Covid-19 pandemic has further deteriorated an already fragile economy, largely reliant on foreign remittances and the export of primary products.

Natural resources, including renewables, exist in abundance in Lesotho and if used in a sustainable and equitable manner have the potential to transform the country's economy into one that is green, circular and resilient. Lesotho is endowed with a great potential for renewable energy generation but it currently imports the majority of its electricity. Lesotho supplies a third of water to the economic powerhouses of Gauteng (the region of Johannesburg and Pretoria) and yet less than a third of its population has access to safely managed drinking water. Improved access to water and electricity is expected to unlock commercial opportunities and introduce trade possibilities between Lesotho, South Africa and the wider region, resulting in jobs and socio-economic development. At the same time, in order to overcome political instability and establish a conducive environment for this vision to be realised, Lesotho has embarked on national reforms in seven areas: constitutional, parliamentary, security sector, public sector, judiciary, economic and media reforms.

Against this backdrop, the MIP 2021-2027 for Lesotho focusses on two priority areas: (1) green and resilient economy – contributing to the Green Deal Team Europe Initiative for Lesotho and (2) good governance, peaceful and just society. Under the first priority area, EU cooperation aims to facilitate Lesotho's move towards a circular economy that becomes increasingly sustainable and self-sufficient with regard to energy generation and consumption and that provides affordable access for all to energy, water and sanitation. Under the second priority area, EU cooperation will support the process of national reforms undertaken by Lesotho, and efforts to improve service delivery to the citizenry, particularly social protection.

The MIP is fully aligned with Lesotho's second five-year NSDP II. The NSDP II consists of four key priority areas: (1) Enhancing Inclusive and Sustainable Economic Growth and Private Sector-led Job Creation, (2) Strengthening Human Capital, (3) Building Enabling Infrastructure, and (4) Strengthening National Governance and Accountability Systems. In terms of policy alignment, the policies set out in the Plan are consistent with the United Nation's 2030 Sustainable Development Goals (SDGs) and the African Union Agenda 2063. Furthermore, the MIP is aligned with EU external political priorities and puts focus on key challenges related to environment and climate change, such the European Green Deal and the Global Gateway⁹.

With regard to the energy sector, access to modern and sustainable energy is a prerequisite for economic growth and poverty alleviation. Lesotho has one of the lowest electricity access rates in the Southern African region, especially when compared to its closest neighbours - South Africa and Eswatini. In 2017, only 34% of the population had access to electricity via the national grid. As a result of an intensive electrification plan, the access rate has almost tripled over the ten years from 2007 to 2017, from 14% to 34%¹⁰. Access to grid-supplied electricity is much lower in rural areas of Lesotho – with a 20% access rate in rural areas as compared to 70% in urban areas. The country's electricity generation capacity is 72 Megawatts (MW) from the Muela hydropower plant managed by Lesotho Highland Development Authority, **and 30 MW from the Ha Ramarothole solar plant**, while the country's peak power demand is 160 MW. The deficit is covered with imports from South Africa and Mozambique.

Nonetheless, Lesotho's potential for generating clean, renewable energy is widely recognised. Solar, wind and hydropower are options to replace the unsustainable use of biomass and fossil fuels and reduce greenhouse gases emissions. An Electrification Master Plan has been developed with EU support and is now a reference document for the Ministry of Energy. State finance for infrastructure expansion is limited and private sector investments, foreign or domestic, remain slow and restrained. This is largely due to perceived and real political risks on the one hand, but also red tape and non-conducive regulations on the other. Infrastructure expansion for power generation

⁸ ND Global Adaptation Index, 2019

⁹ COM/2019/640 final and JOIN(2021)30 final

¹⁰ UNDP, UNCDF, 2020, Lesotho : Energy and the Poor, Unpacking the investment case for clean energy, <https://www.undp.org/sites/g/files/zskgke326/files/publications/UNDP-UNCDF-Lesotho-Energy-and-the-Poor.pdf>

(solar, wind or hydro) and distribution (mix of on-grid and off-grid solutions) through a conducive business environment will be the key for achieving universal access to energy, with positive environmental impact.

2.2 Problem Analysis

Short problem analysis:

Universal access to energy is far from being achieved in Lesotho. With only 34% of households connected to the grid and a current peak demand that outstrips supply by slightly more than 100%, there is considerable ground to cover and challenges to overcome if the country is to achieve universal access and enhance security of supply by reducing dependency on power imports from the region. While the power generation and distribution sector present considerable opportunity for increased renewable energy generation, the sector is relatively immature in terms of attracting Independent Power Producers (IPPs) with challenges around access to local and international finance, licencing and permitting processes, the absence of an integrated resource plan, inadequate skills and capacity at both governance and regulatory levels, amongst others.

As indicated in the National Electrification Masterplan, the anticipated contribution of utility scale power generation and distribution to universal access is important but not exclusive. The role of off-grid energy access will be a critical companion to the electrification programme including important contributions from both mini-grids and more distributed household level solutions. However, while some inroads have been made in terms of recent mini-grids and SHS initiatives, the overall environment at present is not sufficiently conducive to ensuring off-grid service options contribute optimally. Persisting challenges include lack of access to finance, the lack of an overarching mini-grid or 'off-grid' authority, inadequate PAYGO infrastructure, critical gaps in off-grid market knowledge, no technical specifications adopted, lack of political will amongst others.

Although energy access is a universal need, social dynamics and power structures result in different uses of energy and create different needs for energy services. In Lesotho, women spend on average two and a half times as much time than men on unpaid care work every day¹¹. However, specific energy needs related to caregiving and domestic chores are often unmet. Asymmetrical gender roles lead to women lacking the knowledge and decision-making power to voice their energy needs. In addition, women's undocumented free domestic labour directly contributes to household's energy access, e.g. for collecting and obtaining fuel, limiting the time and efforts they can spend on community, economic and personal activities. Women's lower economic status and lack of financial resources also prevents them from accessing clean and reliable energy sources. The gender analysis has revealed that while the renewable energy sector employs around 32% of women, this rate decreases to 22% for large-scale renewable energy infrastructures (such as hydro and wind). Large-scale infrastructure could also have detrimental impacts on relocated communities (compensation mechanisms are often based on land ownership, which favours men) and have a potential of increasing human trafficking (forced labour, child labour and sexual exploitation) or the spread of sexually transmitted infections linked to the influx of temporary workers to a local community.

In order to meet the MIP objectives in Lesotho, a "modular" approach will be required, initially focusing on building the necessary enabling environment and then shifting the focus to supporting more tangible and gender-sensitive programmes.

Identification of main stakeholders and corresponding institutional and/or organisational issues (mandates, potential roles, and capacities) to be covered by the action:

- The **Ministry of Energy and Meteorology** (MEM) (duty bearer) is responsible for overall policymaking and financial planning in Lesotho's energy sector. The **Department of Energy** (DoE), part of MEM, is responsible for coordinating, monitoring, and evaluating programs and activities in the energy sector. The DoE has three division: conventional energy, RE, and planning. Each division is responsible for collecting data on sector activities and supporting coordination among stakeholders relevant to their focus area.

¹¹ Government of Lesotho, Gender and Development Policy 2018 – 2030. <https://genderlinks.org.za/wp-content/uploads/2020/03/Gender-and-Development-Policy-2018-2030.pdf>

- The **Lesotho Electricity Corporation (LEC)** (duty bearer) is Lesotho's monopoly electricity transmission, distribution, and bulk electricity supply company. LEC imports electricity from South Africa's state owned electricity company, ESKOM, and can import and export electricity via the Southern African Power Pool. While LEC does own, and operate a few Small Hydro Power Plans (SHPP) attached to its distribution network, the only significant domestic generation comes from the Muela hydropower plant (MHP) operated by the **Lesotho Highlands Development Authority (LHDA)**. LHDA is responsible for the implementation, operation, and maintenance of Lesotho's portion of the Lesotho Highlands Water Project (LHWP), a water (jointly with South Africa) and hydropower generation (Lesotho only) project.
- The **Lesotho Electricity and Water Authority (LEWA)** (duty bearer) is the regulator for the electricity sector, created in 2002. Its mandate was expanded in 2011 to regulate the water sector. LEWA is responsible for issuing licenses for electricity supply activities; setting tariffs for generation (including feed-in tariffs), transmission, distribution, and supply; regulating the quality of supply; and resolving disputes. LEWA also monitors the single buyer of renewable electricity (LEC) and manages the Universal Access Fund (UAF).
- The **Rural Electrification Unit (REU)** (duty bearer), established in 2004, is a project implementation unit under the DoE that coordinates and manages the implementation of off-grid and rural electrification projects outside the LEC service area. REU projects are funded through a UAF that is managed by LEWA.
- The **Bureau of Statistics (BoS)** (duty bearer) is a government department under the Ministry of Development Planning and is mandated "to set up a system for national official statistics on economic, social, demographic, including human resources, and environmental areas in relation to the development needs of Lesotho; and official statistics for purposes of economic and social planning, research, public information and international cooperation". In addition to undertaking a population census, normally every 10 years (the last one was however in 2006), it undertakes a number of surveys that include environmental issues related to energy consumption in households.
- Civil Society Organisation who will represent the rights-holders (people) in all their diversity.

3 DESCRIPTION OF THE ACTION

3.1 Objectives and Expected Outputs

The Overall Objective (Impact) of this action is to ensure energy security in Lesotho, improve access to reliable and affordable clean energy, and promote green growth.

The Specific Objectives (Outcomes) of this action are to:

1. Increase renewable energy generation production and energy efficiency;
2. Promote a more reliable, equitable and gender-transformative access to clean energy;
3. Improve Lesotho's energy sector leadership and institutional capacity.

The Outputs to be delivered by this action contributing to the corresponding Specific Objectives (Outcomes) are:

- 1.1 An integrated renewable energy resource plan is developed and implemented;
- 1.2 Project developers and companies are supported in obtaining finance for renewable energy and energy efficiency initiatives (companies lead by women will be encouraged);
- 1.3 Renewable energy solutions (large and small-scale, on- and off-grid), as well as energy efficiency solutions are developed;
- 2.1 A funding mechanism (*i.e. Energy Fund*) to support the energy transition is established and operational;
- 2.2 Improved, energy-efficient energy solutions for households (grid electricity, mini-grid electricity, improved cook-stoves, solar water heaters, energy efficient lamps, PAYGO SHS, etc.) in a gender responsive and socially inclusive manner;

- 2.3 Public service, commercial and industrial facilities are equipped with renewable energy and energy efficiency solutions;
- 3.1 Renewable energy policy frameworks are strengthened, gender sensitive, socially inclusive, and operational;
- 3.2 Enhanced capacities of professional cadres across the Lesotho energy sector;
- 3.3 Policy-relevant energy and climate change data and information (disaggregated by sex, disability and income status/region when applicable) produced, updated and shared timely and consistent for accountability.

3.2 Indicative Activities

Activities relating to Output 1.1:

- Technical assistance for the development of an Integrated Resource Plan (IRP)
- Technical assistance for the preparation of a sustainable wind energy programme (resource assessment, prefeasibility studies, gender sectoral analysis, etc.)
- Technical and feasibility studies for transmission and distribution infrastructure

Activities relating to Output 1.2:

- Technical assistance to Independent Power Producers (IPPs)
- Provision of finance catalyst services and business support for project developers and women's empowerment strategy
- Capacity building for local finance institutions in financing renewable energy and energy efficiency activities
- Organisation of "match-making" activities and outreach to mobilise the private sector and women-led companies

Activities relating to Output 1.3:

- Financial support for project development (hydro, wind, solar, transmission) – *this activity can be scaled up by leveraging support from the EIB (through the Team Europe Initiative) and EFSD+*

Activities relating to Output 2.1:

- Technical assistance for the establishment and management of the National Energy Fund (business plan, financial model, sources of capital, transition to commercial)

Activities relating to Output 2.2:

- Financial support (grant, results-based financing, lending) for:
 - o Installation/operation of mini-grids
 - o PAYGO SHS project developers
 - o Promoting productive use in rural off-grid access initiatives
 - o Off-grid electrification of public service facilities
 - o Solar thermal market uptake/transformation
 - o Commercialization of improved/efficient cooking stoves (ICS)

Activities relating to Output 2.3:

- Financial support (grant, results-based financing, lending) for:
 - o Installation/operation of mini-grids
 - o Commercial and industrial renewable energy and energy efficiency installations
 - o Off-grid electrification of public service facilities
 - o Energy efficiency in the public sector
 - o **Mobilisation of funding to support large-scale renewable energy initiatives (generation and transmission)**

Activities under Outputs 2.1, 2.2 and 2.3 can be scaled up by leveraging support from the EIB (through the Team Europe Initiative), EFSD+ and potentially other donors (UN, World Bank, etc.)

Activities relating to Output 3.1:

- Technical assistance and capacity building for public stakeholders (MoE, LEWA, LEC, LHDA, etc.)
- Technical assistance and policy support for, *inter alia*, operationalising the mini-grid regulation framework, development of a framework for the development of renewables (e.g. net metering-billing/feed-in-tariffs and possible other solutions), implementation of solar thermal roadmap, technical

standards for off-grid and roof-top products/solutions, labels and standards for energy efficiency, gender sectoral analyses.

- Studies and market research

Activities relating to Output 3.2:

- Development of a mentorship programme, learning conditions on sustainable energy related courses/facilities, schemes for certification of qualifications and skills (women and persons with disabilities will be encouraged to participate)

Activities relating to Output 3.3:

- Develop an energy observatory to securely store and allow analysing energy-related data, for national/sectoral energy planning
- Develop a service facility which supports business development and serves as exit strategy for the mentorship programme.

The commitment of the EU's contribution to the Team Europe Initiative to which this action refers, will be complemented by other contributions from Team Europe members. It is subject to the formal confirmation of each respective member's meaningful contribution as early as possible. In the event that the TEIs and/or these contributions do not materialise, the EU action may continue outside a TEI framework.

3.3 Mainstreaming

Environmental Protection & Climate Change

Outcomes of the SEA screening (relevant for budget support and strategic-level interventions)

The Strategic Environmental Assessment (SEA) screening concluded that no further action was required.

Outcomes of the EIA (Environmental Impact Assessment) screening (relevant for projects and/or specific interventions within a project)

The EIA (Environment Impact Assessment) screening classified the action as Category C (no need for further assessment).

Outcome of the CRA (Climate Risk Assessment) screening (relevant for projects and/or specific interventions within a project)

The Climate Risk Assessment (CRA) screening concluded that this action is no or low risk (no need for further assessment).

The action is expected to deliver positive environmental and climate change benefits because it aims to increase the use of renewable energy in Lesotho's energy balance and improve energy efficiency, thus reducing carbon emissions, air pollution and dependence on imported fuels. The action is also expected to promote a more efficient use of biomass, currently a major source of thermal energy needs (cooking, heating) in the country, and reduce the environmental and health hazards associated with indoor air pollution.

Gender equality and empowerment of women and girls

As per OECD Gender DAC codes identified in section 1.1, this action is labelled as G1. This implies that gender equality and empowerment of women and girls is a significant objective of the action (GAP III, SDG 5). The design of the action was informed by the Country Gender Profile and a gender analysis carried out during the formulation outlining that women are generally more prone to energy poverty than men.

Among the activities foreseen by this action, access to clean energy services, especially improved cooking stoves and solar water can have a gender transformational impact. Asset-based financing models like PAYGO to support the uptake of energy solutions offer a way to circumvent typical challenges hindering women's access to finance (in Lesotho, men are twice more likely to access credit from commercial banks and micro-credit institutions than women¹²). The action will also target female-headed households and ensure that employment opportunities associated with the action focus on opportunities for women (productive use of energy) and that tertiary training opportunities encourage more women to participate in related subjects. Gender equality quotas in large-scale projects, gender sensitive compensation criteria and strategies to tackle trafficking must be taken into account to mitigate possible gender risks explained in the problem analysis sections.

¹²Bureau of Statistics (2018), Gender Report.

Human Rights

The design and implementation of this action is inspired by the Human Rights-based approach and the need to ensure that those living in the most vulnerable situations are represented and can participate and steer Lesotho's energy policy. The 2021 Multidimensional Child Poverty Report shows that poor nutrition and lack of access to electricity are significant causes of multidimensional poverty. Addressing energy poverty will help remove a significant socio-economic barrier that prevents many Basotho from enjoying their formal rights. Aware that market mechanisms, left to their own devices, do not necessarily serve the needs of low-income groups (lack of purchasing power, risks), the action will leverage all financing mechanisms in the EU cooperation toolbox to de-risk investments in the energy sector and direct activities, through results-based financing, to the most vulnerable. Important synergies have also been established with social protection support which will link the provision of cash transfers with access to energy services. In addition, sector coordination activities will continue to involve civil society actors such as the Lesotho National Federation of Organisations of Disabled (LNFOD) and Technologies for Economic Development (TED). The Action will respect the 5 HRBA principles: respect to all human rights, participation, accountability, transparency, and accountability. In addition, the action will implement the principles of no one left behind, do not harm and will encourage the private sector to respect the guiding principles on Business and Human Rights.

Disability

As per OECD Disability DAC codes identified in section 1.1, this action is labelled as D1. This implies that a more equitable access to energy services for persons with disabilities is a significant objective. The use biomass fuels to meet the basic needs of cooking and space heating is prevalent in Lesotho, especially in rural areas. These energy needs require increased mobility (collecting wood and biomass) which often represents a barrier for persons with disabilities. In addition, persons with disabilities tend to have higher energy needs due to longer time spent at home, which makes them also more vulnerable to indoor air pollution. According to the World Health Organization, indoor air pollution contributes to 4.2 million deaths annually and is associated with chronic diseases. By reducing indoor air pollution through cleaner and more efficient cook stoves, this action can contribute to reducing the prevalence of such health issues and improve the lives of persons with disabilities. Energy efficiency activities, especially related to solar water heating, can also help prevent chronic diseases. Research has demonstrated that using cold water for laundry and dish washing is the main cause for the extremely common incidence of rheumatoid arthritis suffering, particularly among women.

Democracy

The action aims to remove the socio-economic barriers that prevent a large section of the population in Lesotho from fully enjoying their formal rights. By ensuring that energy services reach the most marginalised people, this action will contribute to reinforcing people's trust in the institutions of democratic governance and prevent the rise of populist or authoritarian tendencies. In 2020, a survey among Basotho showed that 66% of respondents favoured the abolishment of elective democracy. Access to electricity is also an enabler for digitalisation, connectivity and access to information.

Conflict sensitivity, peace and resilience

More equitable access to energy services and improved livelihoods will help address inequalities in Lesotho, one of the most unequal countries in the world, and reduce the gap between urban and rural areas. This will contribute to mitigating the risks of social conflict and improve resilience.

Disaster Risk Reduction

Improved energy services, especially more efficient energy efficiency and thermal energy solutions have the potential of reducing biomass and wood consumption thus supporting soil erosion efforts. This improves resilience against disasters, as well as food production. In addition, off-grid energy solutions are associated with a more distributed generation, creating a profusion of electricity sources and a greater ability to localise and buffer disruptions. It is foreseen to include a Crisis Modifier in the contracts that will be drafted in support of the energy fund. The Crisis modifier will allow the implementing partner to respond quickly and expand horizontally and vertically in cases of both minor and major crisis. Such an expansion can be activated based on agreed emergency triggers.

Other considerations if relevant

Access to clean energy services have a significant impact on economic activities and education, especially for women and young girls in rural areas, by reducing the time spent on collecting wood for cooking and heating and reducing health hazards related to indoor air pollution. Access to electricity increases connectivity and allows children to study outside daytime hours. In addition, in a country with very low forest coverage and severely affected by soil erosion, the transition to cleaner energy and with more efficient wood and biomass use will also have a positive impact on land management as well as biodiversity.

3.4 Risks and Lessons Learnt

Category	Risks	Likelihood (High/ Medium/ Low)	Impact (High/ Medium/ Low)	Mitigating measures
External environment	Cooling of the global market due to Covid-19 and other global uncertainties which may result in private sector investment apprehension	Medium	High	Underpinning certainty through legal agreements, contractual accommodation of possible supply chain disruptions, effectively targeted subsidies/support to promote investor confidence. Effective communication with the market.
Planning, processes and systems	Necessary legislation is not approved (Energy Bill)	Medium	Medium	The EUD is supporting the Government of Lesotho (GoL) with the process of drafting and bringing the Bill to parliament. If the bill's approval is delayed, the EU programme could still put in place a funding mechanism which could later be integrated into a multi-donor fund.
Planning, processes and systems	Joint donor coordination (for instance, EU, UNDP and WB) is not adequate	Medium	Medium	The donors in question have been communicating and a number of the proposed actions in the Action Document are joint implementation/ collaboration opportunities.
To legality and regulatory aspects	Key political measures and required policy reforms are not implemented	Medium	High	Improve sector dialogue with the Government, including the private sector, Local Authorities, CSOs and donors.
To legality and regulatory aspects	Enabling environment barriers such as licencing, permitting, cost-reflective tariffs, lack	Medium	High	A number of the proposed actions under the MIP and Action Document are designed to address these issues as is the on-going Sector Reform programme in Lesotho.

	of technical standards			
To social impact and equality	Risk of not benefitting and reaching to the most vulnerable, poor households, women	High	High	Attention is paid that crosscutting aspects are integral part of the project design and ensure that women, persons with disabilities and those living in rural areas can actively participate in the action as well as benefit from the results (increased access to safe energy.). Increase access to energy services will also be prioritised by the social protection programmes supported by the EU.

Lessons Learnt:

Through the initiatives supported under the 11th European Development Fund, the following lessons are recorded as relevant for the current action:

- For the interventions proposed and anticipated outcomes to be achieved, greater energy sector co-ordination is required. The energy sector is modernising with new technologies and service agreements emerging which require commensurate enhancement of skills and capacities within the sector;
- While there is a market for small-scale renewable energy and energy efficiency solutions such as improved cook stoves, photovoltaic lanterns and solar home systems , the lack of credit mechanisms (such as PAYGO) frustrates the full realisation of the market;
- There is a lack of awareness about new products and services (mini-grids, solar home systems, improved cook stoves etc.) in the market which needs to be addressed through education and awareness campaigns;
- Most of energy policy frameworks in Sub-Saharan Africa (SSA) are gender sensitive and Lesotho is no exception. The country's energy policy framework minimally refers to women's energy needs or opportunities for women's engagement in the energy value chain. When a national energy policy framework does not consider the gender-specific energy needs of women and men related to households, income-generating and community services, it cannot contribute to lifting women out from their energy poverty.

• The ongoing programme *Support to Reform in the Energy Sector in Lesotho (Phase I) – FED/2016/038-076* has provided additional lessons learnt taken into account in the design of this action. First, the programme highlighted the importance of technical assistance embedded in the Ministry of Energy. However, difficulties in mobilising experts to Lesotho partly delayed its implementation. This action therefore includes this support in indirect management, relying on the capability of a selected entity with relevant experience in this sector to mobilise the required expertise. The programme foresaw a call for proposals to support pilot private sector initiatives in the energy sector via grants. This modality proved challenging for the selected beneficiaries and therefore this action expands the toolbox of support options to including results-based financing, more suitable to sector and objectives of the programme, as well as concessional loans.

3.5 The Intervention Logic

The underlying intervention logic for this action is that the development of an integrated resource plan, a streamlined regulatory framework for on-grid renewable energy generation and assistance to Independent Power Producers and project developers will contribute to renewable energy solutions – and energy efficiency – which are likely to alleviate Lesotho’s energy dependency while providing access to electricity. Lesotho currently imports over half of its electricity from South Africa and Mozambique. Given rising energy demands, this situation is unsustainable from an environmental point of view – imported electricity is mostly produced from fossil fuels (coal and gas) – but also from a public finance perspective, considering the burden it places on Lesotho’s balance of payments.

The action will follow a “modular approach” and support the establishment of the enabling environment for on-grid renewable energy generation, investment and distribution as well as pipeline development for large-scale projects in the hydro-, solar, and/or wind power sectors, with a view to leveraging project financing via blending mechanisms in subsequent years of implementation of the MIP. At the same time, it will focus on smaller-scale interventions (encouraging women participation) aimed at reducing energy dependence, which could be already launched at this stage. This will be achieved via the establishment of a funding mechanism, including a mix of instruments (grants, results-based financing, loans).

This envisaged funding mechanism could contribute to the establishment of a National Energy Fund – if the Energy Act is adopted – and, through its different windows, support the development of the rooftop solar market, mini-grids, the commercialisation of improved cook-stoves, solar water heaters, energy efficient lamps, PAYGO SHS, etc. as well as the introduction of renewable energy and energy efficiency solutions for public buildings, commercial and industrial facilities. If achieved, these outputs will contribute to a more equitable and gender-transformative access to energy services. Support to the Energy Fund is based on a mix of instruments (project development support, matching grants, investment grants, results-based financing, women empowerment, as well as loans and guarantees). If the Energy Act’s adoption is delayed, this action could nonetheless contribute to establishing a funding scheme which could at a later stage be aligned to a national and multi-donor energy fund.

Finally, the action assumes that these objectives cannot be achieved without supporting Lesotho’s energy sector leadership and institutional capacity. If policy frameworks are strengthened, more gender responsive, pro poor, the capacities of professional cadres across the Lesotho energy sector improved and policy-relevant energy and climate change data produced and disseminated, they will contribute to establishing a thriving ecosystem for the implementation of *Renewable Lesotho*.

3.6 Logical Framework Matrix

This indicative logframe constitutes the basis for the monitoring, reporting and evaluation of the intervention.

On the basis of this logframe matrix, a more detailed logframe (or several) may be developed at contracting stage. In case baselines and targets are not available for the action, they should be informed for each indicator at signature of the contract(s) linked to this AD, or in the first progress report at the latest. New columns may be added to set intermediary targets (milestones) for the Output and Outcome indicators whenever it is relevant.

At inception, the first progress report should include the complete logframe (e.g. including baselines/targets).

Progress reports should provide an updated logframe with current values for each indicator.

The final report should enclose the logframe with baseline and final values for each indicator.

The indicative logical framework matrix may evolve during the lifetime of the action depending on the different implementation modalities of this action.

The activities, the expected Outputs and related indicators, targets and baselines included in the logframe matrix may be updated during the implementation of the action, no amendment being required to the Financing Decision.

Results	Results chain (a): Main expected results (maximum 10)	Indicators (a): (at least one indicator per expected result)	Baselines (values and years)	Targets (values and years)	Sources of data	Assumptions
Impact	To ensure energy security in Lesotho improve energy access to reliable and affordable clean energy and promote green growth.	1. Percentage of imported electricity (*) 2. Percentage of the population who has access to electricity (**) 3. Number of jobs created in Lesotho as a result of improved access to affordable and reliable energy (sex disaggregated) (*) 4. Reduced GHG emissions with EU support (in tCO ₂ e)(**)	1. 55% of electricity imported (2019) 2. 47% (2018) 3. 0 jobs added (2022) 4. 0	1. 0% imported by 2027 2. 100% by 2030 3. At least 1,000 jobs created for both urban and rural communities by 2027 4. tbd	1. LEC Annual Reports 2. SDG 7 Indicator, SE4All, World Bank 3. Minister of Labour annual reports, Bureau of Statistics 4. tbd	Not applicable
Outcome 1	SO1 - Increased renewable energy generation production and energy efficiency.	1.1. Renewable energy generation capacity installed (MW) with EU support (*) (**)	1.1. 0 MW added to the grid (2022)	1.1. At least 100 MW added to the grid connect with solar, wind & hydro by 2027	1.1. Lesotho Electricity and Water Authority (LEWA), Department of Energy (DoE), Lesotho Electricity Company (LEC) reports	Reforms in the energy sector are implemented and international finance can be leveraged
Outcome 2	SO2 - A more reliable, equitable and gender-transformative access to clean energy is promoted.	2.1. Percentage of Households (HH), industry-commerce and public institutions connected to the grid electricity (*) disaggregated by type of industry and commerce 2.2. Number of people with access to electricity with EU support through: (a) new access (**) disaggregated by sex.	2.1. 45% of industries, commercial entities and households having access to reliable and affordable clean energy (2022) 2.2. 0 (2022)	2.1. 75% of industries, commercial entities and households having access to reliable and affordable clean energy by 2027 2.2. 90 000 (2027)	2.1. LEWA, LEC, DoE and LMS Annual reports. BoS reports. 2.2. Final evaluation	The intervention succeeds in de-risking investments in the energy sector and overcome barriers, especially for marginalised groups

Outcome 3	SO3 - Improve Lesotho's energy sector leadership and institutional capacity	<p>3.1. Number of new policies, regulations, frameworks, and standards developed (*) % of those gender responsive</p> <p>3.2. Number of public sector and professional cadres trained (disaggregated by sex)</p>	<p>3.1. 0 (2022)</p> <p>3.2. 0 (2022)</p>	<p>3.1. 10 (2027)</p> <p>3.2. TBD minimum 30% are women (2027)</p>	<p>3.1. Government gazette, sector reports</p> <p>3.2. Project reports, surveys</p>	Continued reforms in the energy sector and coordination
Output 1.1	Integrated renewable energy resource plan developed and implemented.	1.1.1. Status of the integrated renewable energy resource plan	1.1.1. Not developed (2022)	1.1.1. In place (2027)	1.1.1. Department of Energy	Energy sector coordination and ownership
Output 1.2	Project developers and companies are supported in obtaining finance for renewable energy and energy efficiency initiatives.	<p>1.2.1. Number of projects/businesses coached and advised</p> <p>1.2.2. Number of projects taken up by financiers</p> <p>1.2.3. Number of domestic companies supported in first-time capital raise</p>	<p>1.2.1. 0 (2022)</p> <p>1.2.2. 0 (2022)</p> <p>1.2.3. 0 (2022)</p>	<p>1.2.1. 12 (2027)</p> <p>1.2.2. At least 4 (2027)</p> <p>1.2.3. At least 5 (2027)</p>	<p>1.2.1. Project reports, mid-term and final evaluation</p> <p>1.2.2. Project reports, mid-term and final evaluation</p> <p>1.2.3. Project reports, mid-term and final evaluation</p>	The project pipeline can be developed thanks to upstream technical assistance
Output 1.3	Renewable energy solutions (large and small-scale, on- and off-grid), including energy efficiency are developed.	<p>1.3.1. Number of projects taken up by financiers</p> <p>1.3.2. Investments mobilised</p> <p>1.3.3. Avoided emissions/year (tCO2)</p> <p>1.3.4. Invested capacity/energy savings (MW)</p>	<p>1.3.1. 0 (2022)</p> <p>1.3.2. 0 EUR million (2022)</p> <p>1.3.3. 0 (2022)</p> <p>1.3.4. 0 (2022)</p>	<p>1.3.1. At least 4 (2027)</p> <p>1.3.2. XX EUR million (2027)</p> <p>1.3.3. 24,000 (2027)</p> <p>1.3.4. 24 (2027)</p>	<p>1.3.1. Project reports, mid-term and final evaluation</p> <p>1.3.2. Project reports, mid-term and final evaluation</p> <p>1.3.3. Project reports, mid-term and final evaluation</p> <p>1.3.4. Project reports, mid-term and final evaluation</p>	Synergies are established with finance instruments, EFSD+

Output 2.1	A national funding mechanism (i.e. Energy Fund) to support the energy transition is established and operational.	2.1.1. Status of the NEF 2.1.2. Co-contributions to NEF	2.1.1. Not established (2022) 2.1.2. 0 (2022)	2.1.1. Established (2027) 2.1.2. TBD (2027)	2.1.1. Government gazette 2.1.2. Ministry/DoE reports	The Energy Act is adopted and Energy Fund is established.
Output 2.2	Improved energy solutions for households (grid electricity, mini-grid electricity, improved cook-stoves, solar water heaters, energy efficient lamps, PAYGO SHS, etc.) in a gender responsive and socially inclusive manner	2.2.1. Percentage of population with access to clean cooking and fuels for cooking (**) (broken down by men and women-led households, disability and location rural/urban) 2.2.2. Number of new biomass cook stoves, SWHs and lamps in use (*) 2.2.3. % of households affected by indoor air pollution in rural areas (*) 2.2.4. Students with access to EE lamps (*) disaggregated by sex 2.2.5. Number of additional households connected to mini-grid electricity 2.2.6. Number of additional solar water heaters installed 2.2.7. Number of additional customers registered to PAYGO SHS	2.2.1. 35% (2016) 2.2.2. 0 improved cook stoves; 0 SWHs and 0 EE lamps (2022) 2.2.3. 70 % 2.2.4. 0 new students with access to EE lamps 2.2.5. 0 2.2.6. 0 2.2.7. 0	2.2.1. 100% (2030) 2.2.2. TBD (2027) 2.2.3. Decrease by 20% (2027) 2.2.4. TBD (2027) 2.2.5. TBD (2027) 2.2.6. TBD (2027) 2.2.7. TBD (2027)	2.2.1. SDG 7 Indicator, SE4All, World Bank 2.2.2. DoE Reports, Programme Reports 2.2.3. Health facilities reports 2.2.4. Ministry of Education reports 2.2.5. Mid-term and final evaluations 2.2.6. Mid-term and final evaluations 2.2.7. Mid-term and final evaluations	The Energy Act is adopted and Energy Fund is established.
Output 2.3	Public service, commercial and industrial facilities equipped with renewable energy and energy efficiency solutions.	2.3.1. Number of public service, commercial and industrial facilities equipped with RE and EE systems with EU support	2.3.1. 0 (2022)	2.3.1. TBD (2027)	2.3.1. Mid-term and final evaluation	A positive collaboration is established with private sector and LNDC
Output 3.1	Renewable energy policy frameworks strengthened and operational.	3.1.1. Number of new policies, regulations, frameworks, and standards developed (*) % of those gender responsive	3.1.1. 0 (2022)	3.1.1. 10 (2027)	3.1.1. Government gazette, sector reports	Coordination within the energy sector and adherence to the

						Electrification Masterplan
Output 3.2	Enhanced capacities of professional cadres across the Lesotho energy sector.	<p>3.2.1. Status of the energy sector capacity building programme (*)</p> <p>3.2.2. Number of sector dialogues organised by the Department of Energy with CSOs, academic (with specific gender mainstreaming) and private sector to promote Lesotho's energy policy (*)</p> <p>3.2.3. Status of the support programme to Basotho gender balanced academia sector to service policy and implementation requirements of Lesotho (*)</p>	<p>3.2.1. Not developed (2022)</p> <p>3.2.2. 0 sector-wide dialogue and activities organised by the Department of Energy (2022)</p> <p>3.2.3. Not in place (2022)</p>	<p>3.2.1. Developed and implemented (2027)</p> <p>3.2.2. 24 (2027)</p> <p>3.2.3. In place (2027)</p>	<p>3.2.1. Programme reports</p> <p>3.2.2. Dialogue reports</p> <p>3.2.3. Lesotho Academia reports, regional and international academic institutions and journal records</p>	Continued engagement of academic, vocational training and private sector.
Output 3.3	Policy-relevant energy and climate change data and information produced (disaggregated by sex, rural/urban//location, disability when applicable), updated and shared timely and consistent for accountability.	<p>3.3.1. Status of databases system (disaggregated by sex) (*)</p> <p>3.3.2. Number of reports, maps, diagrams, observatories shared, including via online platform (*)</p>	<p>3.3.1. Not in place (2022)</p> <p>3.3.2. 0 Reports, Maps, Diagrams, observatories (2022)</p>	<p>3.3.1. In place (2027)</p> <p>3.3.2. Annual Reports (include maps, diagrams and observatories) and are shared (2027).</p>	<p>3.3.1. Databases</p> <p>3.3.2. Reports from Energy/Energy Commission/Bureau of Statistics and on- line platform</p>	Coordination between energy sector stakeholders

4 IMPLEMENTATION ARRANGEMENTS

4.1 Financing Agreement

In order to implement this action, it is envisaged to conclude a financing agreement with the partner country.

4.2 Indicative Implementation Period

The indicative operational implementation period of this action, during which the activities described in section 3 will be carried out and the corresponding contracts and agreements implemented, is 144 months from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's responsible authorising officer by amending this Financing Decision and the relevant contracts and agreements.

4.3 Implementation Modalities

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures adopted pursuant to Article 215 TFEU¹³.

4.3.1 Indirect Management with a pillar assessed entity

A part of this action may be implemented in indirect management with an entity, which will be selected by the Commission's services using the following criteria: (i) appetite/alignment with the options that have been identified for implementation, (ii) level of co-financing that may be mobilised as part of overall added value both own funding and leveraging additional sources, (iii) overall technical and institutional capacities with some flexibility to be considered as part of the negotiation process, (iv) experience and presence (or willingness to establish presence) in Lesotho, (v) experience in long-term planning, market regulation and on-grid integration and capacitating and strengthening public-sector regulatory bodies.

The implementation by this entity entails a contribution to Outputs 1.1, 1.2, 2.1, 3.1, 3.2 and 3.3 of the action.

4.3.2 Indirect Management with a pillar assessed entity

A part of this action may be implemented in indirect management with an entity, which will be selected by the Commission's services using the following criteria: (i) appetite/alignment with the options that have been identified for implementation, (ii) level of co-financing that may be mobilised as part of overall added value both own funding and leveraging additional sources, (iii) overall technical and institutional capacities with some flexibility to be considered as part of the negotiation process, (iv) experience and presence (or willingness to establish presence) in Lesotho, (v) capacity to support operationally a fund and implement multiple financial instruments that are adequate to the kinds of actions planned, (vi) experience in the technology/window lots proposed under the fund, (vii) capacity to support transition to blended finance structure and instruments.

The implementation by this entity entails a contribution to Outputs 1.3, 2.1, 2.2 and 2.3 of the action.

4.3.3 Contribution to Africa Investment Platform

This contribution may be implemented under indirect management with the entities, called Lead Finance Institutions, identified in the appendix to this Action Document.

¹³ www.sanctionsmap.eu. Note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy, the OJ prevails.

The action will contribute to Outputs 1.3, 2.1, 2.2 and 2.3 by establishing a country window under an ElectriFI type of instrument for renewable energy, energy access and energy efficiency investment; **and by mobilizing grant resources for blending operations contributing to large-scale renewable energy projects (generation and transmission)**. The action may prepare the ground for further investment through the regional blending platform, such as for investment in public infrastructure and demonstration projects for EE with high potential for replication. This contribution may be implemented under indirect management with the entities, called Lead Finance Institutions, identified in the appendix 2 to this action document. The operations suitable for blending will be determined on the basis of the technical assistance activities supported through the action.

4.3.4 Changes from indirect to direct management mode (and vice versa) due to exceptional circumstances (one alternative second option)

Should the indirect management modality described in section 4.3.1 prove to not be possible for reasons outside of the Commission's control, then the Action would be implemented under direct management as follows:

Direct Management (Procurement)

Procurement of technical assistance will contribute to Outputs 1.1, 1.2, 2.1, 3.1, 3.2 and 3.3.

4.4 Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply, subject to the following provisions.

The Commission's authorising officer responsible may extend the geographical eligibility on the basis of urgency or of unavailability of services in the markets of the countries or territories concerned, or in other duly substantiated cases where application of the eligibility rules would make the realisation of this action impossible or exceedingly difficult (Article 28(10) NDICI-Global Europe Regulation).

4.5 Indicative Budget

Indicative Budget components	EU contribution (amount in EUR)
Implementation modalities – cf. section 4.3	
Outputs 1.1, 1.2, 2.1, 3.1, 3.2, 3.3 – Public and private sector support composed of	
Indirect management with a pillar assessed entity – cf. section 4.3.1	6 000 000
Outputs 1.3, 2.1, 2.2 and 2.3 – Energy Fund composed of	
Indirect management with a pillar assessed entity – cf. section 4.3.2	3 700 000
Outputs 1.3, 2.1, 2.2 and 2.3 – Country window for facilitating access to commercial finance, renewable energy infrastructure projects composed of	
Contribution to Africa Investment Platform – cf. section 4.3.3	15 000 000
Evaluation – cf. section 5.2	300 000
Audit – cf. section 5.3	

Totals	25 000 000
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4.6 Organisational Set-up and Responsibilities

The EU Delegation and the implementing partners will agree upon the appropriate formats for the steering committees of the programme component under the respective components. The implementing partners will be responsible of the day-to-day management of the agreements and the implementation of activities.

The EU Delegation will ensure that any form of steering committee encompasses a wide variety of stakeholders to ensure the representation of vulnerable people, including right holders such as vulnerable and marginalised groups.

Subject to the adoption of the Energy Act and the establishment of the Energy Fund, the EU could support its secretariat and take part in the governance structure. The management arrangements will be agreed to ensure that donor support is coordinated even if distinctly managed.

As part of its prerogative of budget implementation and to safeguard the financial interests of the Union, the Commission may participate in the above governance structures set up for governing the implementation of the action.

5 PERFORMANCE MEASUREMENT

5.1 Monitoring and Reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process, and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (Outputs and direct Outcomes) as measured by corresponding indicators, using as reference the logframe matrix (for project modality) and the partner's strategy, policy or reform action plan list (for budget support). Indicators shall be disaggregated at least by sex. All monitoring and reporting shall assess how the action is taking into account the rights-based approach and gender equality.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

Roles and responsibilities for data collection, analysis and monitoring:

The entities selected to implement the different programme's components will be responsible for the collection and dissemination of data on the programme's logical framework. It is worth noting that Output 3.3. of the action focusses on the improvement of energy sector data and statistics which will inform the development of baseline, targets and their revision.

During the inception phases of the contracts resulting from this action, the EU Delegation and selected implementing partners will carry out the necessary studies and surveys to establish refined baselines and targets.

5.2 Evaluation

Having regard to the importance of the action, a mid-term and final evaluation will be carried out for this action or its components via independent consultants contracted by the Commission.

It will be carried out for problem solving and learning purposes, in particular with respect to the innovative aspect of the action.

The Commission shall inform the implementing partner at least 30 days in advance of the dates envisaged for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports may be shared with the partners and other key stakeholders following the best practice of evaluation dissemination. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, apply the necessary adjustments.

Evaluation services may be contracted under a framework contract.

5.3 Audit and Verifications

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audit or verification assignments for one or several contracts or agreements.

6 STRATEGIC COMMUNICATION AND PUBLIC DIPLOMACY

The 2021-2027 programming cycle will adopt a new approach to pooling, programming and deploying strategic communication and public diplomacy resources.

It will remain a contractual obligation for all entities implementing EU-funded external actions to inform the relevant audiences of the Union's support for their work by displaying the EU emblem and a short funding statement as appropriate on all communication materials related to the actions concerned. This obligation will continue to apply equally, regardless of whether the actions concerned are implemented by the Commission, partner countries, service providers, grant beneficiaries or entrusted or delegated entities such as UN agencies, international financial institutions and agencies of EU member states.

However, action documents for specific sector programmes are in principle no longer required to include a provision for communication and visibility actions promoting the programmes concerned. These resources will instead be consolidated in Cooperation Facilities established by support measure action documents, allowing Delegations to plan and execute multiannual strategic communication and public diplomacy actions with sufficient critical mass to be effective on a national scale.

Appendix 1 REPORTING IN OPSYS

An Intervention¹⁴ (also generally called project/programme) is the operational entity associated to a coherent set of activities and results structured in a logical framework aiming at delivering development change or progress. Interventions are the most effective (hence optimal) entities for the operational follow-up by the Commission of its external development operations. As such, Interventions constitute the base unit for managing operational implementations, assessing performance, monitoring, evaluation, internal and external communication, reporting and aggregation.

Primary Interventions are those contracts or groups of contracts bearing reportable results and respecting the following business rule: ‘a given contract can only contribute to one primary intervention and not more than one’. An individual contract that does not produce direct reportable results and cannot be logically grouped with other result reportable contracts is considered a ‘support entities’. The addition of all primary interventions and support entities is equivalent to the full development portfolio of the Institution.

The present Action identifies as:

Contract level		
<input checked="" type="checkbox"/>	Single Contract 1	Outputs 1.1, 1.2, 2.1, 3.1, 3.2, 3.3 – Public and private sector support
<input checked="" type="checkbox"/>	Single Contract 2	Outputs 1.3, 2.1, 2.2 and 2.3 – Energy Fund
<input checked="" type="checkbox"/>	Single Contract 3	Outputs 1.3, 2.1, 2.2 and 2.3 – Country window for facilitating access to commercial finance
<input checked="" type="checkbox"/>	Single Contract 4	Outputs 2.3 – Blending

¹⁴ [Ares\(2021\)4450449](#) - For the purpose of consistency between terms in OPSYS, DG INTPA, DG NEAR and FPI have harmonised 5 key terms, including ‘action’ and ‘Intervention’ where an ‘action’ is the content (or part of the content) of a Commission Financing Decision and ‘Intervention’ is a coherent set of activities and results which constitutes an effective level for the operational follow-up by the EC of its operations on the ground. See more on the [concept of intervention](#).

Appendix 2 - List of eligible Lead Finance Institutions

Acronym of Legal Entity	Legal Entity (sub-entities covered (if any) via hyperlink)
ADB	Asian Development Bank
AfDB	African Development Bank
AU-IBAR	African Union
CABEI	Central American Bank for Economic Integration
CIFOR	Centre for International Forestry Research
EBRD	European Bank for reconstruction and development
EIB	European Investment Bank
EDFI	European Development Finance Institutions
EIF	European Investment Fund
GEF	Global Environment Facility
IADB	Inter-American Development Bank
IFAD	International Fund for Agricultural Development
NEFCO	Nordic Environment Finance Corporation
OIE	World Organisation for Animal Health
SPC	The Pacific Community
SPREP	South Pacific Regional Environment Programme
UNCDF	United Nations Capital Development Fund
WBG	World Bank Group (IBRD, IDA, IFC, MIGA, ICSID)
WFP	World Food Programme

Acronym	National Agency, Country
AECID	Agencia española de cooperación internacional al desarrollo, Spain
AFD	Agence française de développement, France
BIO	Belgian Investment Company for Developing Countries

CDP	Cassa depositi e prestiti S.p.A., Italy
COFIDES	Compañía española de financiación del desarrollo, Spain
DEG	Deutsche Investitions- und Entwicklungsgesellschaft mbH, Germany
FMO	Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden, Netherlands
KfW	Kreditanstalt für Wiederaufbau, Germany
PROPARCO	Groupe Agence Française de Développement, France
RVO	Rijksdienst voor Ondernemend Nederland (Netherlands Enterprise Agency), Netherlands
SIMEST	Società Italiana per le Imprese all'Estero, Italy
SOFID	Sociedade para o Financiamento do Desenvolvimento
USAID	United States Agency for International Development, USA