



“Development of Cornerstone Public Policies and Institutional Capacities to Accelerate Sustainable Energy for All (SE4All) Progress” Project

FINANCIAL SUPPORT SCHEME (FSS)

Frequently Asked Questions (FAQ)

BACKGROUND INFORMATION

The Government of Lesotho through the Ministry of Energy and Meteorology (MEM) and United Nations Development Programme (UNDP) call for Investment Proposals is part of the implementation of the ***“Development of Cornerstone Public Policies and Institutional Capacities to Accelerate Sustainable Energy for All (SE4All) Progress”*** Project in Lesotho. The project aims to catalyse investments in renewable energy-based mini-grids and Energy Centres, to reduce GHG emissions and contribute to the achievement of Lesotho’s Vision 2020 and SE4All goals.

The project designed a Financial Support Scheme (FSS) with the purpose to:

1. Jump-start the market for isolated PV/renewable energy mini-grids and Energy Centres by providing start-up capital and reducing the developers’ financial requirement.
2. Minimise any potential risk on the part of lenders in making loans for renewable energy-based mini-grids/Energy Centres to encourage more private finance for this type of projects by demonstrating acceptable levels of risk.

1) Is there standardization of the equipment or solutions as there are several systems. How do you address the operation and maintenance?

The scheme does not define which systems or supplier's equipment to use. There are pre-feasibility studies for each of the locations and this is what should guide interested developers on which solutions to propose. Any of the systems will require the developer to train the local people and technicians to use and repair the implemented systems. The costs of training will be included in the developers' costs.

2) Is there a standard set of products and services to be offered by the energy centers?

There is no standard set of products and services for the energy centers. The energy centers may deliver different combinations of products and services from the following indicative list: Battery charging (mobile phones, lanterns, radios, other battery driven devices), dissemination of efficient RE-based energy sources (PV-operated portable LED lights, solar mobile phone chargers, etc.); installation and maintenance; capacity building like training of local technicians; demonstration, Solar PV modules, batteries, regulators, inverters, internet services, efficient cook-stoves, mobile money transfers, LPGs, convenient store service.

The set of services delivered in reality is defined by three factors: local needs (informed by the pre-feasibility studies), developer's business model and expertise, and commercial and financial viability of the project.

3) What are the regulatory frameworks for Lesotho that apply to the mini-grids and energy centres?

The project has made recommendations to the government regarding the regulatory frameworks. However, we advise the project developers to clearly indicate in their application forms the binding key regulations for the successful investment for each of the locations. These will form part of the agreement between FSS and the project developer.

Project developers in addition should also consider the Lesotho Energy and Water Authority (LEWA) regulatory guidelines on isolated mini-grids published on their website.

4) Is there a ceiling on the contribution of the FSS to the feasibility studies and the business plan for the mini-grids?

For mini-grids, complementary funding from FSS is a maximum grant of \$60,000 to cover total project costs including feasibility studies and business plans. Note that the total contribution from FSS (inclusive of the feasibility study and the investment grants) will not be more than 50% of the total project costs.

5) What are the timelines for the feasibility studies and business plans?

The project developer has to submit as part of the proposal the implementation plan indicating the timelines for implementation of the project activities. Given the remaining time of the project is 2 and half years, project developers need to be mindful of the time for development of feasibility studies and business plans.

6) Can project developers include other additional project development costs e.g. legal fees, consultancy fees software costs, etc. as part of the project costs?

Yes, please include all costs in the total project cost breakdown. However, note that the maximum grant from FSS is \$60,000 for each mini-grid. UNCDF reserves the right to decide on the eligibility of additional project costs.

7) For Village Energy Centres, will there be a similar project allocation from FSS for the feasibility study/business plans and the investment grant?

No, for village energy centers the project developer must demonstrate the availability and sources of funding for the total project cost. If necessary, the FSS will provide additional services to the project developers including matchmaking, preparation of equity/loan agreements, negotiations with external funders etc.

8) Is it allowed to use a hybrid system (e.g., 90% clean energy and 10% diesel) as a backup?

Use of diesel, paraffin and other non-clean or renewal energy solutions is **NOT ALLOWED**. Note that the project is funded by the Green Energy Fund (GEF) and is designed to provide access to clean renewable energy solutions. However, LPG will be accepted as a backup to the 90% renewal energy solution. Please note that the pre-feasibility studies do not indicate capacity generation below 90% for any of the target sites for mini-grids.

We advise the developers to consult with the pre-feasibility studies and, if appropriate, submit different options: (1) without a backup, (2) with a battery storage backup; (3) with a hybrid system backup based on the use of the allowed solutions (wind and LPG).

9) What constitutes the 20% equity requirement for the project developer's contribution for Renewable Energy Mini-Grids?

The project developer is required to provide, either from their own resources or in combination with other shareholders, contribution (in kind or in cash) equal to at least 20% of the total cost of the project. The equity contribution is mandatory and may come in a variety of forms (e.g. land, plant & equipment, not only cash). If the equity contribution is produced in kind in the form of physical assets and/or in the form of products resulting from certain activities, the applicant must prove the relevance of these assets for the project and produce evidence of ownership of such assets.

An indicative list of physical assets and other products include:

Physical assets	Other products
<ul style="list-style-type: none">• Land• Buildings• Machinery and equipment• Vehicles (incl. motorcycles)	<ul style="list-style-type: none">• Feasibility studies• Training and skilling of personnel• Management systems complete with required software and equipment (databases, accounting, planning, etc.)• Patents• Trademarks

UNCDF reserves the right to decide on the eligibility of past investments to be counted as part of the developer's equity contribution.

10) How do you define the success of the Energy Centre to be eligible for an annual subsidy?

Energy Centre will be eligible for a subsidy subject to demonstrating proof that they facilitate access to modernised energy services to the communities they serve. The success is defined by the Centre's performance against the agreed indicators for service delivery, e.g., range and number of RE products sold/serviced, number of efficient cooking devices sold, mobile money/digital services delivered in relation to provision of clean energy, etc. These indicators will be discussed and agreed between FSS and the investor based on the characteristics and design of the Energy Centre.

11) How frequently will the FSS call for proposals be published?

As per the design, there is only one (1) call for proposals which has been published, with a deadline on **14th June 2019**. Subject to the results of this call and if so decided, there may be subsequent calls for proposals to ensure a full coverage of all the sites identified in this call.

12) Is it possible to receive clarification on the call for proposals or guidance on how to complete the application process?

Yes, the FSS team has already conducted a pre-submission workshop on 20th May 2019 and will continue to provide technical assistance to project developers as they complete their submissions. For additional queries about the application process please send your questions to: ls.procurement@undp.org with the subject **"INQUIRY"**.

12) Which locations are eligible for Renewable Energy Mini-grids and Village Energy Centres?

Below are the eligible locations for the Renewable Energy Mini-grids and Village Energy Centres:

#	District	Renewable Energy Mini-grids	Village Energy Centres
1	Mohale's Hoek	• Ketane (Ha Nohana)	• Phamong (Central)
		• Ribaneng	• Koebunyane
2	Mokhotlong	• Matsoaing	• Mateanong
		• Tlhanyaku	• Malingoaneng
3	Qacha's Nek	• Sehlabathebe (Mpharane)	• Matebeng (Ha Lelignoana)
		• Lebakeng	• Melikane (Thuoeleeng)
4	Quthing	• Tosing (Dalewe)	• Majara
		• Sebapala (Ha Sempe/Lefikeng)	• Qhoali
5	Thaba-Tseka	• Sehonghong	• Linakaneng
		• Mashai (Moreneng, St. Theresa)	• Ha Mokoto (Litsoetseng)

13) Can individuals apply as project developers for FSS?

No, the FSS targets specific type of organizations such as: private company, non-governmental organisation or research institute with registration in Lesotho.

14) Do foreign investors also qualify for FSS?

Yes, as long as their companies meet the eligibility criteria and show proof of registration in Lesotho.

15) Does a Joint-Venture partnership consisting of a non Lesotho registered company and a Lesotho registered company qualify for this call?

A Joint-Venture partnership consisting of a non Lesotho registered company and a Lesotho registered company qualifies for the call so long as the Lesotho registered company is the lead applicant.

16) Do project startups (greenfield) qualify for FSS Services?

No, startups will not be considered. The FSS is targeting institutions with a track record and requisite skills in delivering energy services in rural communities through isolated renewable energy-based mini-grids or Village Energy Centres and other energy access schemes.

17) Where can I find the application form?

Download submission forms at [http://procurement-
notices.undp.org/view_notice.cfm?notice_id=55547](http://procurement-
notices.undp.org/view_notice.cfm?notice_id=55547) or the UNCDF website at:
<http://uncdf.link/se4all>

18) Where can I find the pre-feasibility studies for each of the location?

Information on pre-feasibility can be found on the UNCDF website at: <http://uncdf.link/se4all>. You can also find other related materials, such as the pre-submission workshop presentation on the same webpage.

19) Can a developer submit more than one proposal?

Yes, an applicant may submit proposals for more than one site under this call for proposals and may be awarded more than one site.

20) In what language should the application be completed?

The application should be completed in English. Proposals submitted in other languages will not be considered.

21) Is it possible to get feedback if my project is rejected?

The FSS management team will endeavour to inform successful and unsuccessful applicants for the longlisting and shortlisting after the deadlines indicated in the call for proposals.