



**FIRST QUARTERY REPORT FOR THE INCREASING ACCESS TO CLEAN AND
AFFORDABLE DECENTRALISED ENERGY SERVICES FOR SELECTED
VULNERABLE AREAS IN MALAWI PROJECT FOR THE PERIOD BETWEEN JAN -
MARCH 2016**

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QUARTERLY REPORT FOR INCREASING ACCESS TO CLEAN AND AFFORDABLE DECENTRALISED ENERGY SERVICES PROJECT FOR THE PERIOD JAN - MARCH 2016

1.0 INTRODUCTION

The Ministry of Natural Resources, Energy and Mines (MNREM), with financial support from GEF Trust through United Nations Development Program (UNDP), is implementing an Increasing Access to Clean and Affordable Decentralised Energy Services in selected vulnerable areas in Malawi (IACADES) Project. The program became effective in August 2015 through an Inception Meeting of Parties where the Letters of Agreement and the project document was duly signed by the Ministry of Natural Resources, Energy and Mining (MNREM) and UNDP.

The Increasing Access to Clean and Affordable Decentralised Energy Services in Selected Vulnerable Areas of Malawi project aims to establish mini-grids as a priority option in Malawi's rural electrification efforts. The project is aimed at 'increasing access to energy in selected remote, rural areas in Malawi by promoting innovative, community-based mini-grid applications in cooperation with the private sector and civil society'. The project has three Components as follows:

Component 1 - Expansion of the Mulanje Electricity Generation Agency (MEGA) Micro Hydro Power Plant (MHPP) and mini-grid scheme: This Component will directly support the implementation of a second 80 kWp micro-hydro powered mini-grid operated by MEGA at Namainja (the Lujeri Micro-hydro power plant - MHPP) and provide institutional support for the development of several other MEGA MHPPs bring the installed capacity of their power production up to 216 kWp by end of project. This Component will also support the institutional capacity of MEGA to help establish it as a self-sustaining entity;

Component 2 - Replication of MEGA model via piloting of new mini-grid schemes in other areas of Malawi: This Component will initiate an open competitive-based mechanism (Request for Proposals – RfP) to select and support the establishment of Public-Private-Partnership (PPP) service delivery platforms for clean energy mini-grids with an emphasis on business models such as Build-Own-Operate (BOO). It is envisaged that Clean Energy Mini-grids with an installed capacity of at least 84 kWp will be supported.

Component 3 - Institutional strengthening and capacity building for promotion of decentralized mini-grid applications across the country: This Component will carry out training and capacity building at sub-national and national levels on Clean Energy Mini-grids and establish a national information clearing house to facilitate mini-grid based rural electrification. The Component will also make the policy and regulatory changes to mainstream Clean Energy Mini-grids into rural electrification activities and will also synthesise and show-case the lessons from the

clean energy mini-grid based rural electrification experience in Malawi to develop a Toolkit for policy makers.

The project will be implemented over the period 2015-18 and is being implemented by the Department of Energy Affairs under a National Implementation Mechanism. The project is expected to establish the foundations for replication of several clean energy mini-grids in Malawi, thereby accelerating efforts to provide universal electricity access to Malawi's rural population.

2.0 PROJECT OUT PUTS AND MILESTONES

2.1 OUTPUTS

The Program has outputs in each of the three core implementation Components and two supporting components:

2.1.1 Component 1: Expansion of the Mulanje Electricity Generation Agency Micro Hydro Power Plant

- a) Commissioning of a new 80KWp Clean Energy Mini-grid
- b) Operation of MEGA Clean Energy Mini Grid
- c) Provide Institutional support to MEGA
- d) Development of Strategies to improve Business Model Viability

2.1.2 Component 2: Replication of MEGA model via Piloting of New Mini-Grid Schemes in other areas of Malawi

- a) Implement Pilot BOO Clean Energy Mini Grids
- b) Operation and Energy Generation from the Mini-Grid
- c) Institutional Support to Mini-Grid Operators
- d) Establishment of an Independent Review Mechanism

2.1.3 Component 3: Institutional Strengthening and Capacity Building for Promotion of Decentralised Mini Grid Applications

- a) Establishment of an Information Clearing House for Mini-grids
- b) Training and Capacity Building
- c) Policy and Regulatory Changes

d) Knowledge Management and Case Studies / Toolkit Development and Promotion

2.1.4 Component 4: Monitoring, Learning, Adaptive feedback and Evaluation

2.1.5 Component 5: Project Management

2.2 MILESTONES

- ◆1- Information Clearing House Completed expected to be achieved after 12 months
- ◆2- MEGA Hydro-mini-grid operational and training and capacity building completed (within 24 months);
- ◆3 – The BOO clean energy mini-grid(s) implemented (within 30 months);
- ◆4–Institutional support outputs, policy and regulatory changes and toolkit completed (within 48 months);
- ◆5– Establishment of Independent mechanism that will review and endorse the selection of recipient institutions (BOO operators) and assess the performance of these institutions in managing the INV grants. (must be set up within 6 months and prior to selection and disbursement of any micro-capital grants);

3.0 PLANNED ACTIVITIES DURING THE PERIOD UNDER REVIEW

Planned activities from this quarter under review were as follows:-

3.1 Outputs under Component 1:

- (a) Commissioning of a new 84KWp Clean Energy Mini Grid for MEGA
 - i. Baseline Surveys
 - ii. Feasibility Studies
 - iii. Technical Designs of Transmission and Distribution
- (b) Operation and Management Support of MEGA Clean Energy Mini Grid
- (c) Institutional Support to MEGA
 - i. MEGA to hire Engineering and Project Management Skills
 - ii. MEGA to hire Business Finance and Management Skills

3.1 Outputs under Component 2:

- a) Implement Pilot BOO Clean Energy Mini Grids
 - i. Development of mini grid operator Competition Criteria
 - ii. Present Criteria for approval at TAC and PSC
- b) Operation and Energy Generation from the Mini-Grid
 - i. Not planned for in this quarter
- c) Institutional Support to Mini-Grid Operators
 - i. Not planned during this quarter
- d) Establishment of an Independent Review Mechanism
 - i. Development of ToRs for Technical Advisory Committee (TAC)
 - ii. Nomination of members into TAC
 - iii. Support meetings for TAC

3.2. Outputs under Component 3:

- a) Establishment of an Information Clearing House for Mini-grids
 - iv. Procurement of GPS Units
 - v. Training in ArcGIS to Energy Officers & Other Stakeholders
 - vi. Update on potential mini grid sites
 - vii. Support stakeholders to maintain / update RE websites to include mini grid developments
- b) Training and Capacity Building
 - Not planned in this quarter
- c) Policy and Regulatory Changes
 - Financial support to Policy Validation Workshop

d) Knowledge Management and Case Studies / Toolkit Development and Promotion

- Not planned in this quarter

4.0 PROGRESS

The Ministry received an advance of **MWK 60,963,638.21** for the 2016 first quarter on 2nd March, 2016 but only accessed the funds from 28th March, 2016. As such, the implementation of most of the 1st Quarter planned activities had to run from April to June, 2016. Overall only **22%** of the advanced amount was expended during the first period under review. The main activities were setting up the Project Management Office and assisting MEGA in reporting requirements.

The break down according to the major activities is as follows in Table 1:

TABLE 1: EXPENDITURE PROGRESS TRACKING

REF	Activity Description from AWP (<i>Atlas Activities</i>)	Authorised Requested Amount <u>January to March 2016</u> A	Actual Project Expenditure <u>Mar-16</u> B	Balance D = A - C	PROGRESS TODATE	REMARKS
1	Expansion of Mulanje MEGA					
1.2	Supporting MEGA on Technical Capacity	23,179,481.41	12,332,704.66	10,846,776.75	53%	Achievement to-date has been completion of Baseline Survey; MEGA awarded Power Distribution Licence and commenced selling of electricity.
3	Promote Decentralized MiniGrid					
3.1	Preparation of Training Materials	3,544,480.00	0.00	3,544,480.00	0%	Postponed to next Quarter
3.2	Development of compendium of potential district mini grid trading centres	1,772,240.00	0.00	1,772,240.00	0%	Postponed to next Quarter
3.3	Procurement of GPS units	5,671,168.00	0.00	5,671,168.00	0%	Postponed to next Quarter
3.4	Conduct Training in GIS to Energy Officers and Mini Grid Stakeholders	7,088,960.00	0.00	7,088,960.00	0%	Postponed to next Quarter
3.5	Support to Stakeholders in maintaining/updating RE websites on Mini Grid developments	5,671,168.00	0.00	5,671,168.00	0%	Postponed to next Quarter
3.6	Monitoring of progress on Mini Grids under development	3,544,480.00	0.00	3,544,480.00	0%	Postponed to next Quarter
3.7	Support finalisation of revision of Energy Policy	921,564.80	0.00	921,564.80	0%	Postponed to next Quarter

3.8	Develop policy and regulatory changes to existing rural electrification policies and regulations	4,253,376.00	0.00	4,253,376.00	0%	Postponed to next Quarter
4	Monitoring, learning and adaptive feedback and evaluation					
4.1	Monitoring visits to MEGA	708,896.00	0.00	708,896.00	0%	Postponed to next Quarter
5	Project Management					
5.1	Travel for project Manager, Coordinator and other members for monitoring visits	3,044,480.00	264,000.00	2,780,480.00	9%	1 visit undertaken attending Joint Progress Meeting with Scottish Government
5.2	Stationery and other office supplies	425,337.60	392,549.00	32,788.60	92%	
5.3	Procurement for office equipment computers, furniture & supplies	638,006.40		638,006.40	0%	
5.4	Communication	450,000.00	450,800.00	-800.00	100%	
5.5	Bank Charges	24,569.97	24,130.80	439.17	98%	
	Total	60,938,208.18	13,464,184.46	47,474,023.72	22%	

4.2. Management Monitoring

The Ministry convened a SEM and GEF projects Steering Committee meeting on the 4th February , 2016 at Capital Hill in Lilongwe. The meeting discussed, evaluated and approved the 2016 Project Annual Work Plans and Budgets.

5.0 Future Plans

In the next quarter beginning from April to June, 2016, the Ministry intends to finalise implementation of all activities planned for Quarter 1 but postponed due to funding disbursement delays as remarked in Table 1.

6.0 Conclusion

The Project is noted to be on track to implement all the activities that have been planned in the 2016 Annual Work Plan even though it will require acceleration of some activities to catch up on the lost time in the first quarter. The granting of a Power distribution Licence to MEGA in the period under review has given the Project hope of enabling Mini Grid Operators charge for the services for sustainability of their operations.
