



Alleviation of Poverty Through the Provision of Local Energy Services APPLES

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**Deliverable No. 8:
Links to Other Donor Initiatives**

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**Dean Cooper
Managing Director, Parallax**

Abstract

The report on Links to Other Donor Initiatives is deliverable no. 8 of the COOPENER project ‘ Alleviation of Poverty through the Provision of local Energy Services(APPLES)’. The APPLES project commenced on 1 June 2005 and the report period runs from June 2005 to May 2007. The project is implemented by ECN, The Netherlands, University of Oxford, UK, Risoe National Laboratory, Denmark, Parallax South Africa and the Energy Research Centre of the University of Cape Town.

The main objectives of APPLES are to understand the energy needs and energy priorities within the target communities, to determine and demonstrate the best practices for energy service provision to meet the needs of these communities, and to strengthen the embryonic networks of existing energy centres in South Africa.

The APPLES project is supported by the Intelligent Energy Europe programme of the European Commission.

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APPLES – Alleviation of Poverty through the Provision of Local Energy Services

*Work Package 2 – Links to Other Donor Initiatives,
October 2006*

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1. Background & APPLES Funders

The APPLES project officially commenced on 1 June 2005 and is scheduled to run until 1 February 2008, though an extension may be agreed with the European Commission. Links to other related donor initiatives were originally made in 2005, prior to the project delays caused by internal restructuring within the Department of Science and Technology (DST), which provides most of the local financing for the project. Further contact and continued interaction have been necessary to ensure that sufficient awareness and co-operation of other donor activity is maintained. Such co-ordination should be ongoing through the duration of the APPLES project.

It is important to note that a wide range of national, bi-lateral and multi-lateral donors have extensive co-operation programmes with South Africa. However, in general, these programmes are directed by a multi-annual plan which specifies the priority areas of activity. It is on the basis of these priorities, as well as personal interaction with relevant donor representatives, that the potential for links with APPLES has been assessed. The donors included in this report are those that have been identified as being significant for the APPLES project. It is suggested that ongoing co-ordination with be required with these donors.

There is however some flexibility in the interpretation of donor programmes and indeed in the context of potential energy sector activity. Programmes often incorporate a general budget line that can respond to particular requests for support that are outside of the main donor priorities. It should also be noted that activities included within a programme that does not specify the energy sector, may in fact have an energy component (e.g. use of solar power for water pumping in a rural farmland irrigation project under the priority area of land-use reform).

Before considering the programmes of other donors, a first priority for APPLES co-ordination is with related activities of the existing donors. APPLES has financial contributions from the European Union, the Danish and Dutch Governments, the South African Government Departments of Minerals & Energy (DME) and Science & Technology (DST)¹, and the Small Grants Programme of the United Nations. Each of these organisations has a range of other activities, some of which have direct relevance to APPLES. Awareness of these initiatives is essential to avoid conflicting activity or unnecessary overlap.

Particular attention will be devoted to these activities of APPLES funders to ensure close co-ordination with the APPLES project.

¹ Funding of R1.5m (currently approx €155k or 19% of the total project budget) has been promised by DST on the basis of verbal agreements dating from March 2005. Due to internal restructuring at DST, the department responsible for this co-financing has changed. Consequently, no formal contract is yet in place with DST to guarantee this funding.

1.1 EU Local Economic Development (LED)

The significance of European Union activity in South Africa that is aimed towards Local Economic Development (LED) was highlighted by the local EU Delegation representative during the APPLES inception meeting at DME in July 2005. European Commission involvement in LED has historically included a rather disparate collection of interventions broadly relating to the mandate of local government. These interventions include infrastructure provision linked to capacity-building (including “Micro-projects in the Eastern Cape”), and support to community income generating projects (e.g. the “Community Project Fund”). These projects are due to end by April 2007.

More recent programmes have increasingly focused on economic development at the local level. LED refers to the ability of local areas to achieve both economic growth, while pro-poor growth philosophy aims to achieve redistribution of economic opportunities, ownership and job openings. LED focuses on creating an enabling environment for pro-poor investment and encouraging the development of the market to facilitate linkages between the established and the emerging sectors. The recently formulated €30m Urban Renewal Programme (supporting two Eastern Cape cities), has an increased economic development focus, and the next phase of the Micro-projects Programme (€12m) is expected to have an increased focus on income generation projects rather than infrastructure for purely poverty relief.

Since 2001 a new generation of provincial Local Economic Development support programmes have been designed for Limpopo (2001), KwaZulu Natal (2002) and Eastern Cape Provinces (2004) with a collective value of \$100m. The key results of the three LED Programmes are similar in respect of promoting and enabling environment, capacitating government to support enterprise growth, developing capacity in the support network that is drawn on by government and the private sector, supporting the liberalization of the business finance sector, supporting enterprise development and promoting partnerships. The activities carried out within the LED programmes in KZN and the Eastern Cape could therefore have relevance to the work of APPLES in rural areas, and so the need for co-ordination should be recognised.

To give a more specific idea of the LED activity, it is useful to consider the LED programme in KwaZulu Natal. This is a joint effort framework established by the EU and the provincial government, entitled “Gijima”. The “Gijima KZN LED Support Programme” has been specifically designed to support projects that could assist disadvantaged people to improve their lives through economic activity. It provides access to an ambitious European Union fund that has been specifically set up for this purpose. Part of the goal is also to create a better environment for economic growth, and this means developing the capacity and skills base of local municipalities so that a climate is created for local economic development.

Partnership Groups with good ideas for ways to improve their quality of life by increasing their economic activity can apply to the Gijima KZN programme for funding provided their proposals meet the set criteria for the scheme. Local and provincial governments will also benefit from Gijima KZN through training, access to improved performance and co-ordination between different departments. The programme aims to create a climate where government officials, the private sector, unions and community organizations all work together to deliver services.

The Gijima KZN programme has four different funds, each for a different purpose:

- Business Enabling Fund (BEF) - to assist and strengthen local and provincial government with skills development and capacity building in local economic development
- Local Competitiveness Fund (LCF) - intended to streamline existing small businesses through networking with other similar businesses
- Networking and Co-operation Fund (NCF) - used for creating awareness of the programme, developing institutional capacity and learning lessons for future implementation
- Technical Assistance Fund - aimed at providing technical expert advice to applicants to assist them in formulating applications and create partnerships between government and the private sector

Although launched in 2003, the Gijima KZN has only been fully operational for just over a year and will continue to operate until 2009. During 2004 four calls for proposals were made for the Business Enabling Fund (BEF) and for LCF implementation. Applications have been assessed and evaluated, and projects approved. Two calls for proposals are currently open for LCF implementation and a further call for proposals for the BEF will be made during 2006. Though the likely impact of approved projects is not yet clear, there is a good chance of some relation to the APPLES activities.

Besides the rural focus for LED activity, the European Programme for the Reconstruction and Development of South Africa (EPRD) also supports the South African Government's Urban Development Framework by contributing to urban development initiatives that promote the integration of cities, improve housing and infrastructure, and strengthen institutions for municipal service delivery. This may have relevance to APPLES activity in peri-urban areas. Following positive results of its initial programme, the Commission has extended its support to the Department of Housing to assist social housing institutions across the country via the Support Programme for Social Housing. This year the programme has been further extended until June 2007.

2005 also saw the start of the EU's "Support to Urban Renewal in the Eastern Cape Programme". The Commission is supporting the South African Government's Urban Renewal Programme (URP) by providing funding through budget support to the URP units of both Nelson Mandela Metro and Buffalo City Municipality. This was initially linked with the co-funding for APPLES that was being considered by DST.²

1.2 South African Department of Science and Technology (DST)

During the 2004/5 financial year (only the second year of the new stand-alone Ministry for Science and Technology), DST established a framework for accomplishing social objectives that focus on health, water, energy, incidence of poverty and food security. In the energy sector, the department works closely with the Department of Minerals and Energy (DME) in the search for long-term sustainable solutions to energy needs in South Africa, minimising pollution and decreasing reliance on non-renewable fossil fuels. High-tech solutions are being researched through the Pebble-Bed Modular Reactor project, and the hydrogen fuel cell regime. The Buffalo City Dry Sanitation and Energy project is intended to demonstrate healthy sanitation and safe energy for all.

² Following the internal restructuring, co-funding is now expected from a different department in DST and will not be linked to the programme at Buffalo City

The rural economy is one of DST's developmental priorities and the Department supports a number of income-generating projects in the area of agro-processing, such as the cultivation and processing of essential oils. These are labour-intensive community projects that offer high returns on investment created by the high global demand for the products.

A new structure was put in place in DST in 2005 and has led to some considerable disruption to operations, not least the arrangements for APPLES co-funding. In simple terms, the old structure consisted of five key programmes:

- Programme 1: Administration
- Programme 2: Technology for Development
- Programme 3: International Cooperation and Resources
- Programme 4: Government Science and Technology System
- Programme 5: Science and Technology for Competitiveness

These areas were defined broadly as follows:

- ***Technology for Development*** - aims to improve quality of life through access to technology, by creating capacity and skills for innovation, and the use of indigenous knowledge.
- ***International Cooperation and Resources*** - responsible for the development of bilateral and multilateral cooperation in science and technology to strengthen the National System of
- ***Government Science & Technology System*** - providing strategic direction, funding and support for the development and growth of the state's science and technology institutions.
- ***Science & Technology for Competitiveness*** - developing technology missions, human capital programmes and national science activities to support the National System of Innovation.

The new framework classifies the technology related activities supported by government into three basic types:

- Early stage or highly cross-sectoral generic technology or knowledge platforms and core human capital, for which DST would take responsibility
- Focused, sectoral and relatively mature technology domains, which would primarily be the responsibility of line departments, with DST assistance where required;
- Standard technology-based services, for which the line departments would take responsibility.

In terms of programmes, the new structure (effective in principle from April 2005) has the following breakdown of programmes:

- Programme 1: Corporate Services & Governance
- Programme 2: Science & Technology Expert Services
- Programme 3: International Cooperation & Resources
- Programme 4: Frontier Science & Technology
- Programme 5: Government Sector Programmes and Co-ordination

For APPLES, this meant a switch from the original programme 2 to the current programme 3. Unfortunately, this involved a new source budget and different officials with responsibility for budget allocation, one of whom was recently reassigned to a position in Brussels, leaving another gap in the department. Funding for DST must still be formally approved by the new officer.

Despite the delays and confusion at DST, it is clear that support will be provided for a range of energy sector projects that could have direct implication for APPLES. DST is currently implementing a large housing project in Scenery Park, Buffalo City Municipality, and has previously requested APPLES to consider this area as one of its four focus locations for energy centres. Though this is no longer a requirement of DST, since the new department responsible for APPLES co-financing is not directly involved with Buffalo City, this does highlight the energy sector interests of the Department. Indeed, a close relationship has been established between DME and DST since they have common areas of activity in the energy sector and DST has access to a much larger budget for funding appropriate projects.

1.3 South African Department of Minerals and Energy (DME)

The Directorate: Energy Planning and Development has a role that will require careful co-ordination with the APPLES project. The Department has several aims that are directly relevant to APPLES, including the provision of energy services and information, a contribution towards job creation and the alleviation of poverty through the establishment of Integrated Energy Centres (IeCs) in South Africa. The purpose of the Energy and Development sub-directorate is to manage the establishment of IeCs. Its functions are to:

- Promote the accessibility to affordable energy sources and services
- Identify and co-ordinate the establishment of sustainable integrated energy centres
- Facilitate and co-ordinate the development of energy-related small, medium and micro enterprises (SMMEs)
- Energise rural and urban areas and co-ordinate energy projects
- Ensure the development of educational programmes to disseminate energy information to the communities

The IeC initiative of DME clearly provides a direct link to the APPLES project. Close attention is therefore required by APPLES to the development of the IeC programme. This is considered in some detail in the second report for work package 2, which covers the contribution of APPLES to national IeC strategy. However, other areas of DME activity also need consideration to ensure that relevant links are established.

The DME's Energy Policy is based on the following key objectives:

- Attaining universal access to energy by 2014
- Accessible, affordable and reliable energy, especially for the poor
- Diversifying primary energy sources and reducing dependency on coal
- Good governance, which must also facilitate and encourage private-sector investments
- Environmentally responsible energy provision

Estimates have suggested that R107-billion will be needed between 2005 and 2009 to meet South Africa's growing energy needs. Eskom will invest R84-billion during this period. The balance of R23-billion is reserved for alternative suppliers of energy, including independent power producers (IPPs). APPLES has the potential to provide a model that will contribute to the provision of appropriate and cost-effective energy supplies for poor communities, and thereby address the DME's key objectives. However, other projects are also likely, with similar aims, and therefore careful co-ordination is required.

Following Cabinet approval of the White Paper, the DME proceeded with the development of its renewable energy strategy. The implementation plan of the various technologies was identified in a macroeconomic study undertaken in 2003. The study highlighted the technologies to be implemented first, based on the level of commercialisation of the technology and natural resource availability. These technologies include:

- Sugar-cane bagasse for cogeneration
- Landfill gas extraction
- Mini-hydroelectric schemes
- Commercial and domestic solar water heaters

These technologies are being deployed in the first phase of the target period, from 2005 to 2007. The Department has introduced nominal, once-off capital subsidies to assist project developers in implementing economically sound projects that are readily financed by financial institutions. These technologies will not have a direct consequence for the APPLES project, though DME's focus for the second phase should be monitored.

The vision of DME is to make adequate and affordable energy available to developing communities through a mix of providing alternative energy resources at a reasonable cost. The aim is to satisfy the basic needs of the developing sector and at the same time promote the effective utilisation of South Africa's vast alternative energy sources. The majority of the population in South Africa live in rural areas. To supply energy to these areas, the DME has embarked on several programmes, namely: biofuels systems; hybrid systems; hydro systems; solar energy systems; and wind energy systems. Results from these efforts may have more impact on APPLES activity.

DME has also established the Renewable Energy Finance and Subsidy Office (REFSO), which may be useful to co-ordinate with the APPLES project, depending on the role developed for energy centres. Submitting an expression of interest form to REFSO, the first step in applying for a subsidy, can be done at any time. Decisions regarding the award of subsidies are then made by the departmental Renewable Energy Subsidy Governance Committee (SGC), which meets three times a year. At the SGC meeting held at the beginning of 2006, the SGC approved and issued 12 letters of registration (a total of 29 letters of registration have been issued to date) to projects that have now been registered with REFSO as potential beneficiaries of the renewable energy subsidy scheme.

Besides renewable energy sources, DME is also focussing attention towards energy efficiency. The mission of the Energy Efficiency Directorate is to develop measures to promote energy saving, reduce the negative impact of energy use on the environment, reduce energy costs to the economy and contribute towards sustainable development. Some of the related objectives also have direct implications for APPLES. These include:

- Facilitate information awareness, and capacity building campaigns on energy efficiency and environmental issues
- Promote energy for sustainable development
- Mitigate negative impact of energy utilisation on environment
- Promote energy efficiency technologies, clean energy technologies including environmentally sound energy technologies

With particular focus on the Energy Planning and Development, Renewable Energy and Energy Efficiency Directorates, it is clear that APPLES will need to maintain close co-ordination with DME activities throughout the duration of the project.

1.4 Small Grants Programme of the United Nations (SGP)

Launched in 1992, SGP supports activities of non-governmental and community-based organizations in developing countries towards climate change abatement, conservation of biodiversity, protection of international waters, reduction of the impact of persistent organic pollutants and prevention of land degradation while generating sustainable livelihoods. Funded by the Global Environment Facility as a corporate programme, SGP is implemented by the United Nations Development Programme, and is executed by the United Nations Office for Project Services.

The overall SGP project portfolio comprises 60% biodiversity, 20% climate change, 6% international waters, and 14% multi-focal issues. Of these, projects relating to climate change may be directly related to the issues involved with APPLES. The maximum grant amount per project is US\$50,000, but averages around US\$20,000, with the grants channelled directly to CBOs and NGOs – projects are therefore relatively small but being bottom up, are often useful to address practical issues on the ground.

Two of the principle objectives of the Small Grants Programme are to:

- Develop community-level strategies and implement technologies that could reduce threats to the global environment if they are replicated over time
- Ensure that conservation and sustainable development strategies and projects that protect the global environment are understood and practised by communities and other key stakeholders

On this basis, other SGP activities may be closely linked to the aims of APPLES. Another objective of the SGP involves gathering lessons from community-level experience and sharing successful community-level strategies. Co-ordination with SGP is therefore useful to learn from other related experiences and ultimately as a promotional channel for APPLES results.

Other recent or ongoing SGP projects under the climate change focal area in South Africa that may relate to APPLES are:

- **Implementing a Community Energy Shop, based on community energy needs and requirements** (Welanga Consulting) - the project seeks to establish a Community Energy Shop in the Maphephetheni Tribal Authority, which will increase community access, and reduce financial and other barriers to sustainable energy sources

- **Ecological Building Design, Construction and Demonstration project** (Rural Educational Development Corporation) - the project aims to expose local communities, officials and decision makers to ecological design and construction methods through practically demonstrating the components of a sustainable living environment.
- **Ecological Building Design and Construction Demonstration Project** (Rural Educational Development Corporation) - the project aims to demonstrate energy efficient building design particularly suited for low-cost housing in South Africa
- **Promoting the dissemination of sustainable energy use technologies** (Sustainable Energy Africa) - the project aims to increase awareness of appropriate and efficient fuels for cooking, space and water heating

The contribution from SGP to APPLES was agreed as the final project of the residing SGP officer, Ms Jacqueline Obando, in early 2005. Since the departure of Ms Obando, there has been no SGP replacement officer at the UN in South Africa. The programme has therefore effectively been on hold. This situation should be addressed imminently, though the vacancy has caused administrative difficulties for SGP. The delays experienced by APPLES have therefore, rather fortuitously, not been protested by any representative from SGP. This position will however change in the near future and direct interaction is now required (assuming that the co-funding situation with DST will soon be resolved).

1.5 Netherlands

The Climate, Energy, and Environmental Technology Division of The Ministry of Foreign Affairs administers Dutch development assistance in the field of energy. Assistance is guided by three principles: equity, environmental sustainability, and economic growth. Support for technical assistance and social development is provided through grant financing or subsidies.

The focus areas for DGIS energy support in its target countries, which include South Africa, are renewable energies, energy efficiency, and rural energy. Emphasis is placed on an end-use approach, capacity building, environmental sustainability, and market development. A wide array of policy instruments have been used to implement sustainable energy policies: bilateral programmes, regional co-operation, international initiatives, and the clean development mechanism (CDM). Support from the Dutch Government for APPLES therefore clearly meets DGIS objectives, and suggests that other actions will have similar aims and therefore require co-ordination efforts.

DGIS programmes in Africa have implemented renewable energy (wind, solar, biomass, biogas, and mini-hydro), demand side management (DSM), energy efficiency, and rural development projects. Renewable energy activities have incorporated capacity building, institutional development, rural development, and market development aspects, including support for on-lending schemes.

At the early stages of APPLES implementation, Robert van den Dool from the Dutch embassy in South Africa was contacted to ensure co-ordination was achieved. At that time, he stated that the focus of the embassy is on basic education and HIV Aids and he did not feel that any particular co-ordination efforts would be required from APPLES. However, given the DGIS focus, it will be useful to check any recent developments to ensure that the output from APPLES does not effect other Dutch-funded activities.

1.6 Denmark

After many years of Danish support for the struggle against apartheid, a Danish cooperation programme with the new South Africa was set up in 1994. Up to the end of 2001, approximately R1 billion was transferred to various governmental and NGO-partners for both infrastructural and knowledge transfer based activities. In 2002 an annual allocation of approximately R130 million was made available for direct bilateral cooperation within four key sectors, namely good governance, education and training, private sector development and environment. The geographic focus for co-operation is in the provinces of the Eastern Cape, Kwazulu Natal and Limpopo.

In May 2003, a Memorandum of Understanding was agreed between the Danish and South African governments. A strategy for cooperation was prepared in 2003 which provides the framework for cooperation with specified areas of support for the five-year period 2002-2006. The priority areas identified include environment, education, governance, HIV/AIDS, private sector development, water & sanitation and urban development. From a total budget of R159m for 2006, R69m (43%) is allocated for environmental activities. This provides a direct link to APPLES and suggests that some co-ordination efforts will be required.

The environmental focus of DANIDA has also been strengthened over the past few years with increased support for climate change activities. This has included funding for the operation of the Designated National Authority (DNA) for the Clean Development Mechanism (CDM), which is hosted in the DME. The Embassy has also embarked on a series of initiatives in preparation for the launching of CDM-projects to the mutual benefit of South Africa and Denmark. This provides direct link to any initiatives that involve renewable energy or energy efficiency, and therefore indicates an association to the APPLES project.

2. South African Donors

Before considering international donor activity, it is important for APPLES to be aware of ongoing initiatives that are supported by other high-profile donors in South Africa.

2.1 Development Bank of Southern Africa (DBSA)

The DBSA's vision is for an empowered and integrated southern African region free of poverty, inequity and dependency. Towards this end, the DBSA seeks to be a leading change agent for socio-economic development and economic integration in southern Africa, and a strategic development partner to the wider African region south of the Sahara.

Established in 1983, the DBSA is one of five existing development finance institutions in South Africa and has a mandate to accelerate sustainable socio-economic development in the region by funding physical, social and economic infrastructure. In doing so, the DBSA endorses and promotes human resource development and institutional capacity-building.

The DBSA finances and sponsors programmes and projects formulated to address the social, economic and environmental needs of the people of southern Africa in improving their quality of life. The Bank adheres to the principles of sustainable development.

A recent transformation at the Bank saw the institution moving away from being solely focused on development finance and becoming a key national development institution having a threefold role as financier, advisor and partner. This triple role involves mobilising finance and expertise for development projects. Most of these projects provide communities with access to affordable basic services such as water and sanitation, transport, electricity and communication. Although it prioritises infrastructure backlogs, the Bank also funds projects that support social, institutional and economic infrastructure development.

The DBSA's financing role entails the provision of a range of financial products to private and public sector organisations. Where the DBSA's financial products are not necessary to finance the project efficiently, the bank will not consider a financing role. The bank's financing role will be determined primarily by the need to play a catalytic role in leveraging private sector investment for infrastructure. The precise terms for providing these products are specified for each unique project. This approach maximises the bank's flexibility in response to the needs of clients.

In terms of the bank's scope and pricing of technical assistance, a flexible approach is also applied, based on the specific requirements of each project. The primary aim of technical assistance is to unblock institutional constraints to future development funding at programme level in areas of policy capacity and environmental sustainability. Some of the projects recently supported that may have some relevance to APPLES include:

Description	The marketing of the South African bio energy programme at the World Summit on Sustainable Development
Recipient	Africa Eco Foundation
Grant	R70,000

Description	Support for the implementation of a zero waste plan at the World Summit on Sustainable Development
Recipient	Earthlife Africa
Grant	R300,000

Description	Support for the appointment of contractors to recommission the existing Weltevreden methane gas pilot plant
Recipient	Ekurhuleni Metropolitan Municipality
Grant	R60,000

Description	Support for the Greenhouse urban renewal project
Recipient	The Greenhouse People's Environmental Centre
Grant	R166 000

Description	Technical assistance in conducting a feasibility study of the Jozini mini hydroelectric power station
Recipient	KwaZulu-Natal Agriculture Development Trust
Grant	R245 000

Description	Support for a rural telecommunications feasibility study aimed at assisting SMMEs to bid for licences
Recipient	AVP Corporate Advisory (Pty) Ltd
Grant	R550 800

Description	Support for the validation of the Eskom Regional Electricity Distribution Model
Recipient	PricewaterhouseCoopers
Grant	R250 000

Government, the private sector and civil society recognise that capacity constraints represent the biggest obstacle to service delivery by municipalities. This will be a key issue faced by APPLES when dealing with local authorities. DBSA has responded to this challenge by establishing the Development Fund, a section 21 company that was incorporated in December 2001 to address sustainable capacity building at municipal level.

The core business of the Development Fund is to maximise the impact of development finance by mobilising and providing grant funding to address constraints on rural and urban

development, thereby promoting efficient and effective service delivery and local economic development. This is done through a mix of products and services, including:

- Funds: capacity building funding through grants, development credits and other financial instruments
- Expertise: consulting and advisory services for capacity building to ensure that basic services are delivered to disadvantaged communities
- Development facilitation: ongoing technical support and sharing of knowledge

The projects supported by the development fund are likely to address some of the factors with which APPLES will be involved. Maintaining awareness of development fund projects will allow any necessary co-ordination.

Outside the Development Fund, DBSA has also committed resources to potential climate change investments (through the Clean Development Mechanism), with increasing recognition of the role that could be played by energy efficiency and renewable energy. For example, DBSA has recently funded an independent power producer (IPP) project in the Free State that will lead to the construction of two hydro power stations using water from the As river in Bethlehem, with combined output of about 4 MWs and virtually no emissions of carbon dioxide.

Another example of the DBSA's growing interest in alternative energy is its involvement in the "Renewable Energy Market Transformation" project. DME has contracted the DBSA to be the implementing agent for this initiative, for which lending support is provided by the World Bank. The project's aim is to remove the barriers to, and reduce the implementation costs of, renewable energy technologies to help mitigate greenhouse gas emissions. The project will provide technical assistance and capacity building for renewables-based power generation in South Africa and commercial solar water heating. Again, this increased activity in a field that will be relevant to APPLES will need to be monitored during the project to ensure appropriate co-ordination.

2.2 Central Energy Fund (CEF)

CEF is involved in the search for appropriate energy solutions to meet the future energy needs of South Africa, SADC and the sub-Saharan African region, including oil, gas, electrical power, and renewable energy sources. CEF also manages the operation and development of the oil and gas assets and operations of the South African government.

The Energy Development Corporation (EDC), established in January 2004 is a division of CEF (Pty) Ltd based in South Africa and focused on commercially viable investments, modern renewable energy and low smoke fuel industries. EDC activities cover a number of areas including solar energy, wind energy, hydro energy, biomass, biogas and low smoke fuels and supports energy development through commercial, developmental and social projects.

EDC's vision is to be the leading promoter, facilitator and developer of commercially viable and sustainable alternative energy solutions. To achieve this, EDC aims to encourage, promote and facilitate the development of cleaner alternative energy solutions through investment thereby implementing government energy policy of providing sustainable affordable energy.

EDC supports the development of an energy economy in which modern renewable energy provides affordable access to energy, thus contributing to sustainable development and environmental conservation. It targets market sectors where there is insufficient private sector activity as well as where government, for strategic reasons, believes state investment is required. EDC will also be involved in sectors where renewable energy and energy efficiency requires catalysing and developing. EDC is a leader in taking higher risk to develop these sectors. On this basis, there are likely to be close links between EDC supported activities and APPLES.

Some of the particular areas of interest for EDC include:

Biomass: Several opportunities have been identified by EDC to catalyse this existing sector with co-investment in commercial products that could also support job creation in rural areas.

Energy efficiency: EDC is in discussions with OSRAM, manufacturers of the energy saving fluorescent lamp, to place 5 million energy efficient globes into residential homes in South Africa. In April 2006, an energy-efficiency agency was established at CEF to work on behalf of DME. The agency will oversee demand-side management and energy-efficiency initiatives by Eskom and other industry stakeholders.

Gelfuel: the efficiencies and economics of gel fuel are currently under investigation by EDC

Hydro: signed a shareholders agreement with NuPlanet in which both parties are joined to establish one of the first Independent Power Producer (IPP) to generate electricity from a mini hydro scheme. By 2013, the project (Bethlehem Hydro) will have contributed about 2.3% towards the 10,000 GWh government renewable energy target.

Landfill gas: using the modern sanitary landfill operations in South Africa, EDC has a keen interest in the development of landfill gas. EDC has entered into Agreements with technology partners and potential purchasers of CO₂.

Low smoke fuel: EDC is introducing various projects in its attempt to reduce smoke pollution. Replacing coal with cheaper low-smoke fuel (LSF) briquettes is one of the options being pursued.

LPGas: EDC is in discussion with the DME and Eskom to do a pilot study on the supply of LPG. This aims to understand supply chain costs and to find distributing methods that will enable LPG to compete with other energy options.

Solar Energy: EDC, as part of catalysing the use of solar technologies, is currently implementing projects aimed at addressing the barriers that prevent the uptake and full commercialisation of selected solar technologies. The SWH 500 project aims to install and subsidise/incentivise 500 Solar Water Heaters in urban households, standardise quality and testing, expand distribution and maintenance infrastructure, offer low-interest financing options and raise awareness.

Wind power: EDC has positioned itself to be amongst the pioneers in the introduction of wind power generation. The Government has asked EDC to become a co-sponsor of the Darling National Demonstration Wind Farm Project.

2.3 Government Communication and Information Services (GCIS)

The aim of GCIS is to meet the communication and information needs of government and to ensure that the public is informed of government's implementation of its mandate. GCIS is located in The Presidency and is primarily responsible for communication between government and the people. A high premium is placed on development communication that emphasises direct dialogue, especially with people in disadvantaged areas. GCIS is involved in drafting communication strategies and programmes for the whole of government at national level, and integrating the communication operations of all government departments.

One of GCIS priorities is to make Government Information Centres (GICs) and Multi-purpose Community Centres (MPCCs) critical elements of government communication. MPCCs are intended to be one-stop centres where local, provincial and national government, as well as other service-providers, offer much needed services and information about government programmes to local communities. Communities living near the MPCC and surrounding areas identify services based on their needs. Each MPCC is unique and could either be located in a single building, or be part of a cluster of buildings.

Through MPCCs, communities will have access to technology through Information Technology Centres (ITC) or Tele-centres. Online information can also be brought to communities through Public Information Terminals (PIT) based in MPCCs. Technology adds value to services that are offered at an MPCC. Political neutrality and acceptance by communities of the centre, is important. The plan is to have one MPCC in each of the per District and Metropolitan Municipalities 1 across South Africa. This clearly has direct impact on the APPLES activity since one of the four anticipated energy centres is expected to be part of an MPCC.

The location of existing and planned MPCCs has been studied as part of Work Package 2 in order to match these to target areas for IeCs, and ultimately to demonstrate the creation of a "Municipal Energy Centre" within the structure offered by an appropriately-located MPCC. Although the GCIS is the lead government department for the MPCC programme, the details of MPCC operation are managed through the Department of Provincial and Local Government (DPLG), which will also require close co-ordination.

Consultation with the local GCIS representative in Highflats, KwaZulu Natal, has been ongoing for the past year to consider the establishment of an energy centre as part of the MPCC planned for this location. The inclusion of an energy centre has been agreed in principle, though a clear letter of intent and commitment of resources is required from APPLES.

2.4 City of Cape Town

The City of Cape Town (CCT) is committed to developing a world-class African city, and establishing it as a leader in sustainable energy initiatives . Since two of the current APPLES target locations are within the influence of CCT, co-ordination will be important. CCT's Environmental Management Department (EMD) assists with planning and implementing sustainable development, which improves local environments, protects and enhances the unique natural and cultural resources of the City for the benefit of current and future generations. The vision of EMD is *"to ensure that sustainable and equitable development is combined with sound environmental practice for a healthy environment, which sustains*

people and nature, provides protection for our unique resources and results in an enhanced quality of life for all".

EMD's key areas of activity are:

- Implementing sound planning and environmental management procedures for the natural, built, cultural and socio-economic environment
- Working in partnership with civil society and other spheres of government
- Developing appropriate policy, guidelines, implementation and monitoring systems
- Building awareness and understanding through special educational and communication projects

EMD recognises that environmental management touches on all aspects of local government. In response, the Department has developed an Integrated Metropolitan Environmental Policy, or IMEP. The IMEP Principles and Strategies guide all the activities of the Environmental Management Department.

In 2003, CCT developed a draft Energy Strategy, which profiled energy use and outlined a series of goals for improving efficiency and achieving emissions reductions. In addition, this work identified a number of pilot projects for the city to undertake that would provide opportunities for cost savings across a variety of sectors. In 2005, Cape Town's strategy was formalised and the new Energy and Climate Change Strategy calls for improved energy efficiency, reduced fossil fuel dependence and significant reductions in CO₂ emissions by 2050.

Of particular interest to APPLES is the fact that Cape Town Municipality is embarking on a project to understand the high levels of air pollution in areas like Khayelitsha, and to develop mitigation strategies. The proposed interventions may include efforts to achieve less polluting energy practices.

3. Bi-lateral Donors

Several bi-lateral donors have indicated activities that may be relevant to APPLES, including Denmark, France (through the Agence Francaise de Development), the Netherlands, Canada (CIDA), Norway (NORAD) and the UK (through the Global Opportunities Fund). The interests of DANIDA (Denmark) and DGIS (the Netherlands) have been covered in section 1. Other potentially significant bilateral donor activity is outlined below and should be monitored during APPLES to ensure that sufficient co-ordination is maintained.

3.1 France

South Africa and France have developed a strategic partnership to optimally promote South African-French cooperation within the context of the EU Framework Programmes. The respective National Contact Points are in regular contact to share experiences and collaborate on proposals of mutual interest. The French NCP for Sustainable Development, Global Change and Ecosystems, Dr Celine Phillips-Driwa of the French Agency for the Management of Environment and Energy, recently visited South Africa and participated in the first national South African FP6 Workshop on Sustainable Energy Systems. It is anticipated that there will

be significant South African-French cooperation in future Framework Programme energy calls for proposals, which may have some relation to APPLES.

The Agence Française de Développement (AFD) is a public sector institution with a general interest mission - the financing of development. The AFD Group has been operating in South Africa since 1994 through its Johannesburg regional office. It consists of AFD and PROPARCO, its subsidiary dedicated to private sector financing. AFD supports public authorities, the private sector and local associate networks, to implement a wide range of social and economic projects. The financial products used by AFD in RSA are mainly soft loans, without the guarantee of the State, either channelled through financial partners (public and commercial banks) or extended directly to borrowers like companies or municipalities.

PROPARCO offers, generally alongside private banks, to both French and South African companies, a large spectrum of financial services such as private equity investment, mezzanine finance, long term corporate and bank lendings and various types of risk-mitigating products. In South Africa, PROPARCO's focus is presently more on BEE transactions financing and mezzanine type of funding. In the region, the company has been involved in providing term funding to infrastructure & mining projects and to companies.

AFD's actions in favour of economic growth and preservation of the environment fall directly within the framework of the Millennium Development Goals (MDGs). In foreign countries, AFD's financial commitments reached 2.5 billion euros in 2005. Africa was the main beneficiary, receiving 54% of the financial aid

Over the past ten years, AFD has financed municipal infrastructures to improve the poor's access to basic services. This has included water connection and distribution, electricity, refuse collection and sanitation, clinics and schools, benefiting more than 2 million people. Over the next five years, France has decided to focus its attention on three priority sectors, which are in line with South African priorities:

- basic infrastructures and essential services by financing accessible community infrastructures
- manufacturing sector because job creation is also one of the South African authorities' main priorities
- The environment and controlling climate change, specifically projects to increase energy efficiency and investment in renewable energy and biomass use

To this effect, France and South Africa have signed a Framework Charter for Partnership. These priorities clearly have a direct link to APPLES intentions and therefore should be monitored to ensure co-ordinated activity.

3.2 Canada

The Canadian International Development Agency (CIDA) is Canada's lead agency for development assistance. It has a mandate to support sustainable development in developing countries in order to reduce poverty and to contribute to a more secure, equitable, and prosperous world.

Canada has provided development assistance to South Africa since 1979. More than \$200 million in Canadian support has been contributed since 1979 and annual spending has

averaged about \$14 million since 2000-2001. In 2002, the Canadian International Development Agency (CIDA) and South Africa's National Treasury began a joint review of the Agency's bilateral program. It marked the beginning of a yearlong process to develop a new programming framework. This country development programming framework for South Africa was launched in 2004 and is entitled "Ubuntu – Working Together for a Brighter Future".

The foundation for co-operation is built upon CIDA's assertion that South Africa requires technical assistance to build the capacity to implement its policies and provide access to basic services for its most disadvantaged residents. On this basis, the main aims of CIDA's bilateral programme are to:

- help stabilize and reduce the incidence and impact of HIV/AIDS
- improve access to social services through governance initiatives
- improve access to technical and organizational services for small-scale farmers
- support South African initiatives that contribute to regional stability and cooperation

Significantly for APPLES, these priority areas are qualified by the statement that "*gender equality, HIV/AIDS prevention, and environmental protection will be integrated into all initiatives because of the impact these concerns have on the success of the development programme*".

The support envisaged for small-scale farmers is based upon the broader need for increased rural development. CIDA notes that "The rapid rate of urbanization in the last ten years has exacerbated the erosion of economic opportunities in rural areas" and claims that "South Africa is interested in Canadian expertise and practices related to technical, organizational, and educational aspects of rural development". With this background, there may be some possibility for an association with APPLES.

Perhaps more significantly, CIDA has recently announced its future intention in South Africa to "continue to monitor the development programming to identify emerging issues, track programme performance, and ensure the ongoing relevance of the priorities..." Supporting action with links to APPLES could therefore be undertaken so ongoing links with CIDA to raise awareness of APPLES activity will be part of the co-ordination requirement.

3.3 Norway

Norway is a leading country in the world in the field of energy, and is providing assistance to South Africa in the electricity sector and associated environmental management. Norway has had energy sector bilateral collaboration with South Africa since 1998. For the period until 2005, the Norwegian contribution was approximately R45m. In the latter years, renewable energy has also been included as part of the collaboration.

An agreement between Norway and South Africa concerning the Promotion of the Reconstruction and Development Programme was signed in 1997. For the period 2001-2003, a grant of NOK12m was provided to finance the implementation of the Electricity Capacity Building Programme. The main purpose of the programme was to strengthen the DME and the National Electricity Regulator (NER). The goal of the programme was to contribute to the managed liberalisation of the electricity supply sector in South Africa to establish a

competitive market in electricity supply over time for the benefit of electricity consumers generally, and to ensure that a satisfactory regulatory framework is in place to properly regulate the electricity supply industry both during the transition stage and end state.

The extensive environmental cooperation programme launched between South Africa and Norway in 1996 entered its second phase in 2000. A business plan was signed for the extension of environmental cooperation for the period 2000-2004, with the South African Department of Environmental Affairs and Tourism (DEAT) as the implementing institution. The programme had a budget of NOK 60 mil, and supported projects under the following themes:

- 1) Climate Change and Energy
- 2) Environmental Coordination Management
- 3) Cultural Heritage and Tourism
- 4) Giving Effect to Environmental Rights and Justice
- 5) Biodiversity and Water
- 6) Pollution and Waste

The goal of the environmental co-operation programme was to contribute to the formulation of the national policy on energy and climate change. This focussed on building the much-needed capacity and competency in government. This theme includes energy issues in relation to climate change and environmental sustainability, based on the White Paper commitment to energy efficiency and the use of renewable energy resources.

In March 2006, South Africa and Norway signed a new Business Plan: the South African Energy Sector Policy Research and Capacity Development Programme. The programme runs until the end of 2008, and has a total budget of approximately R35 m. DME is responsible for the Programme on the South African side. The overall goal is to promote sustainable development by protecting and conserving natural resources, safeguarding the environment from pollution and enhancing the quality of the environment.

The anticipated role of the Programme is to assist in the development and implementation of strategic tools such as efficient regulators and sufficient capacity for the management of the energy sector. This should be in the best interest of the consumers and the long-term sustainability of economic growth and job creation, which in turn will contribute to reduce poverty. This could cover activities that will have a close link to APPLES. The programme has five sub-components, including electricity and renewables. The South African stakeholders for these areas are DME and EDC (CEF) respectively.

In June 2006, the Norwegian government launched the “Action Plan for Environment in Development Cooperation” aimed to show that Norway recognises the close link between poverty and the environment, and wishes to take a leading role in addressing environmental issues in development cooperation. The action plan advocates putting environmental issues higher on the international agenda, and concentrates Norway’s efforts on four thematic priority areas:

- sustainable management of biological diversity and natural resources
- management of water resources, water supply and sanitation
- climate change and access to clean energy
- hazardous substances

Norway will use this towards realising the UN Millennium Goals and improve the standard of living and health of the poor. The focus will be on competence-building and improved environmental management, and will be executed in close cooperation with the UN and non-governmental organisations. Though the specific implications for South Africa are not yet clear, increased activity of relevance to APPLES seems likely throughout the duration of the APPLES project.

3.4 United Kingdom

Two of the UK's ten International Strategic Priorities provide the basis for activity in the energy sector that is relevant for APPLES. These are:

- Achieving climate change security by promoting faster transition to a sustainable, low carbon global economy
- Promoting sustainable development and poverty reduction underpinned by human rights, democracy, good governance and protection of the environment

The UK's Foreign & Commonwealth Office (FCO) provides the first international link, aiming to work with governments of developing nations to improve the living standards of their people, and address regional and international issues. Formerly the aid wing of the FCO, but now a department in its own right, the Department for International Development (DfID) manages Britain's aid to around 150 developing countries.

The Department for International Development (DFID) is the UK Government department responsible for Britain's contribution towards international efforts to promote development and eliminate poverty. DFID Southern Africa is responsible for DfID's work in Botswana, Lesotho, Namibia, South Africa and Swaziland. DFID spends R600m per year on its work in these countries Britain also provides approximately R450m per year to the region through the European Union and other international development agencies

In February 2006, DFID launched its new Regional Plan for Southern Africa. The Regional Plan responds to the recommendations from the Commission for Africa and commitments made by G8 leaders in 2005 to give better and more aid towards Africa's development. The plan will support the priorities of the African Union, NEPAD and SADC in the Southern Africa region. In South Africa, DFID has provided support to help the Government achieve the priorities set out in its Programme of Action. Support has focused on three main themes:

- Promoting Growth, Jobs and Equity. Programmes to support South Africa in developing policies to increase growth, investment and employment, and address inequality
- Governance and Service Delivery: Programmes aimed at *helping local government deliver basic services* such as water and sanitation, education and health more effectively
- HIV/AIDS: Programmes to support government and its civil society partners in developing HIV/AIDS policy and prevention and care strategies.

The assistance for basic services provides a key link to APPLES, with potential UK-funded activities needing awareness of the APPLES activity to ensure co-ordination.

The Global Opportunities Fund (GOF) is the FCO's newest Programme Budget. The purpose of GOF is to promote action on global issues in areas of strategic importance to the UK. GOF

was created to fund projects around the world relating to the FCO's strategic international policy priorities. These projects are co-ordinated through the following six thematic programmes:

- Counter Terrorism
- Climate Change and Energy
- Engaging with the Islamic World
- Reuniting Europe
- Economic Governance
- Sustainable Development

Under GOF, the UK promotes sustainable, innovative and competitive economies that reduce poverty and deliver high levels of employment as well as supporting the development of just societies that respect human rights and democratic values. All of this should be delivered in a way that protects and enhances the environment and optimises use of resources and energy.

One of the key programme objectives is to promote sustainable management of natural resources through improved environmental governance and more effective implementation and enforcement of international and national agreements and legislation. This is closely related to APPLES activity, with projects funded by GOF within the climate change & energy, and sustainable development themes likely to have direct impact.

3.5 United States

Assistance from the United States for South Africa is channelled primarily through the US Agency for International Development (USAID), an independent federal government agency that receives overall foreign policy guidance from the Secretary of State. USAID aims to support sustainable and participatory development, emphasize partnerships, and use integrated approaches to promoting development.

USAID assists government and non-government institutions in South Africa to contribute to the political, social, and economic empowerment of the disadvantaged majority population, both men and women. Support is provided for projects with goals that are consistent with USAID's sustainable development objectives:

- broad based participation in political and economic life
- rising living standards, reduced poverty, and broadly available social benefits for current and future generations
- population growth which is within the economic and ecological capacity of the country and that permits maintenance of healthy and productive populations
- responsible stewardship of the natural resource base
- economic growth and equity

For South Africa, USAID has agreed six “development objectives”:

- Democracy consolidation advanced
- Increased access to quality education and training
- Increased use of HIV/AIDS and other primary health care services

- Improved capacity to formulate, evaluate and implement economic policies
- Increased market-driven employment opportunities
- Increased access to shelter and environmentally sound municipal services

Within this framework, USAID has supported a range of activities in recent years that may be related to APPLES, including:

- promotion of more eco-friendly homes that meet the country's housing needs as well as environmental challenges
- design, implementation, and evaluation of programmes linked to climate change
- pilot activities using renewable energy technologies
- promoting the installation of SWH systems by public housing authorities, thus reducing the cost of housing, power, and other municipal services while reducing health risks and improving the quality of life in South African townships
- working with Durban Metro Housing, local lenders, and SWH suppliers to institutionalise the delivery of township SWHs, attract environmentally oriented investment, and explore opportunities for replication in other parts of South Africa
- development of sustainable, energy-efficient, low-income housing, which has influenced the design of over 63,000 housing units
- numerous capacity-building activities aimed at reducing greenhouse gas emissions.
- demand-side management of electricity to the energy, industry, and urban sectors

On this basis, ongoing interaction is required with USAID to determine which actions may be relevant to APPLES and what level of co-ordination is required.

4. Multilateral Donors

In addition to bilateral activity, several multi-lateral donors also have programmes that involve energy efficiency and renewable energy activity, which could draw close links to APPLES. One result of the G8 meeting hosted by the UK in Scotland earlier this year was to give increased political priority to co-operation with Africa and to climate change mitigation activity. This has resulted in alternative and efficient energy use receiving more attention.

4.1 Global Environment Facility (GEF)

The Global Environment Facility (GEF), established in 1991, helps developing countries to fund projects and programmes that protect the global environment. GEF grants support projects related to biodiversity, climate change, international waters, land degradation, the ozone layer, and persistent organic pollutants. In August 2006 in Cape Town, at the 3rd GEF Assembly (which meets every four years), GEF received commitments from 32 governments who agreed to contribute US\$3.13 billion to finance environmental projects over the next four years. This confirms GEF as the world's largest environmental funding body.

GEF is an independent financial organization that provides grants to developing countries for projects that benefit the global environment and promote sustainable livelihoods in local

communities. GEF projects are managed by GEF implementing agencies, namely the United Nations Environment Programme (UNEP), the United Nations Development Programme (UNDP) and the World Bank. Since 1991, GEF has provided grants for more than 1,300 projects in 140 countries.

GEF supports project activities of different size and scale:

- Full-size projects: GEF's three implementing agencies work with recipient countries to develop projects that are consistent with national priorities and GEF's operational strategy
- Medium-Sized Projects: grants of less than US\$1 million are available through expedited procedures that speed processing and implementation
- Enabling Activities. Grants for enabling activities help countries to prepare national inventories, strategies, and action plans
- Project Preparation and Development Facility (PDF). Funding for project preparation at different stages is available upto US\$1m
- Small Grants Programme. UNDP administers this project, which offers grants of upto \$50,000 to eligible projects (including APPLES)
- Small and Medium Enterprise (SME) Programme. A partnership with the International Finance Corporation (IFC), a World Bank affiliate, the SME program finances projects that demonstrate a positive environmental impact and have basic financial viability

There are 15 operational programmes (OPs) through which the GEF provides grants. Four of these are related to climate change, which is the theme that includes activities relevant for APPLES:

- OP5 - Removal of Barriers to Energy Efficiency and Energy Conservation
- OP6 - Promoting the Adoption of Renewable Energy by Removing Barriers and Reducing Implementation Costs
- OP7 - Reducing the Long-Term Costs of Low Greenhouse Gas-Emitting Energy Technologies
- OP8 - Promoting Environmentally Sustainable Transport

The expected output of GEF supported projects under OP5 is the removal of a barrier to a particular type of energy conservation or efficiency measure in a given recipient country market. Such barriers may be specific to the country concerned or more generic (such as lack of information, lack of trained personnel, high costs, lack of access to credit, higher perceived risks of the more efficient technology). Activities are grouped into two main areas:

- large-scale application, implementation, and dissemination of least-economic cost energy-efficient technologies (whether commercially established or recently developed)
- promoting more efficient energy use

OP6 is based upon the assertion that widespread application of renewable energy technologies (RETs) offers some of the best prospects for achieving deep reductions in greenhouse gas

emissions at the global level over the next century, while satisfying some of the increased demand for commercial energy. The programmes objectives are to:

- (a) remove the barriers to the use of commercial or near-commercial RETs
- (b) reduce any additional implementation costs for RETs that result from a lack of practical experience, initial low volume markets, or from the dispersed nature of applications, such that economically profitable “win-win” transactions and activities increase the deployment of RETs.

Initially, the following seven market applications of RETs are targeted by GEFs OP6:

- (a) wind pumps for water pumping
- (b) low-temperature solar thermal heating
- (c) biomass and geothermal heat, including combined heat and power
- (d) wind, biomass, photovoltaics, small-scale hydro, for rural electricity supply
- (e) renewable energy for grid-connected electricity
- (f) storage systems (e.g., batteries)
- (g) biogas digesters for lighting and water pumping

The programme maintains, however, flexibility to consider new applications, as the commercial range will increase over time as technology costs fall further.

From these operating programmes, GEF clearly has the potential to support projects that will have direct impact on APPLES. Many of the RETs considered could form a basis for rural industries or entrepreneurs to be serviced by the energy centres envisaged by APPLES. Closer co-ordination is clearly required throughout the APPLES activities. One project of particular significance in South Africa is the “Renewable Energy Market Transformation” programme that is funded by GEF and the World Bank (see details under section 4.2 below).

4.2 The World Bank

The World Bank's work in South Africa is focused on helping to reduce the apartheid legacy of poverty and inequality. The Bank is also playing the role of “knowledge partner” by providing expertise and knowledge from international experts from the private sector, academia, public sector, and non-government organizations from all over the world, as well as from within the Bank.

The World Bank active operations in South Africa are in the following areas:

- Agriculture, fishing, and forestry
- Environment
- Urban Sector and Municipal Finance
- Industry and trade
- Law and justice administration

Current support is mainly in the form of technical assistance and sharing experiences and lessons learned in relevant areas. The Bank is financing one project (Municipal Financial Management Technical Assistance Project), and six GEF projects are under implementation.

The World Bank works closely with the South Africa Cities Network (nine city municipalities) in partnership with the South African Local Government Association (SALGA) to promote pro-poor city development strategies, which focus is on upgrading urban renewal and informal settlement, implementing the Extended Public Works Program, and developing urban indicators.

World Bank support for environment activity is provided primarily through grant resources. The main financing instrument is the Global Environment Facility (GEF), of which the Bank is both an implementing agency and the trustee. Over the last five years, GEF/Bank projects have resulted in commitments of approximately \$40 million of Bank/GEF resources to South Africa, with over \$95 million leveraged.

Most significantly for APPLES, the World Bank has recently indicated interest in energy efficiency and renewable energy activities on the basis of climate change mitigation. Under its environment theme, climate change is a growing focus and the links to alternative energy sources has been recognised. On this basis, there may be large-scale future projects that will have an impact on APPLES activity.

With regard to current activity, the Renewable Energy Market Transformation (REMT) project is an ongoing World Bank/GEF supported initiative that needs early consideration here by APPLES. REMT is based on two principal requirements in South Africa:

- (i) increased utilisation of renewable energy resources
- (ii) stimulating productive uses of electricity in the rural areas

The project does not involve any Bank lending; it provides only GEF funds, which are used for technical assistance. The project has two components, namely “renewable energy” and “productive uses of rural grid electricity”. Under renewable energy, the project will provide technical assistance and capacity building in the areas of renewables-based power generation and solar water heating. For productive uses, the World Bank will offer advice in the design and implementation of the programme, with funding provided by Government and private sector sources.

In addition to assistance to the productive use programme, the two main outcomes expected from the project are:

- (i) the frameworks and capacity required for meeting and going beyond the Government’s renewable energy target
- (ii) an established commercial solar water heating industry

The main barriers that the project seeks to address in these two focus areas are:

- a) Renewables-based power generation in South Africa:
 - lack of policy and institutional framework for sale of power into the main grid
 - absence of readily-available reliable basic information about renewable energy resources

- potential developers' lack of familiarity with the details of the Government's approach for promoting renewable energy and the nature and extent of support available for it
- lack of adequate capacity and knowledge in official agencies, as well as private sector financial institutions that would finance renewable energy investments

b) Solar water heating:

- lack of recognized industry best practices
- standards and codes
- potential customers' lack of familiarity with the technology
- potential customers' unease at doing business with suppliers and vendors, who are often viewed as lacking adequate stature and backing, given their small-scale and recently-established status

Though the direct impact on APPLES from this project may be limited, it will be important to raise awareness of APPLES with the World Bank/GEF implementing agents and ensure that relevant results are shared. The capacity built by APPLES may be appropriate to address some of the issues contained within the REMT. In particular, the aim to establish entrepreneurial businesses around the energy centres in APPLES may have some connection with REMT efforts to establish a productive use programme. Ongoing co-ordination will therefore be necessary.

4.3 The Renewable Energy and Energy Efficiency Programme

The Renewable Energy and Energy Efficiency Partnership (REEEP) is an active, global public-private partnership that structures policy and regulatory initiatives for clean energy, and facilitates financing for energy projects. With more than 200 partners, including national governments, businesses, development banks and NGOs, REEEP is uniquely placed to contribute to international, national and regional policy dialogues. The main aim is to accelerate the integration of renewables into the energy mix and to advocate energy efficiency as a path to improved energy security and reduced carbon emissions, ensuring socio-economic benefits.

REEEP is run from a head office in Geneva and receives multi-donor support for activities that will also have some impact on the approach intended for the APPLES energy centres. The partnership's goals are to:

- Reduce greenhouse gas emissions
- Deliver social improvements to developing countries and countries in transition, by improving the access to reliable clean energy services, and by making renewable energy more affordable
- Bring economic benefits to nations that use energy in a more efficient way and increase the share of indigenous renewable resources within their energy mix

The two main priority areas for the REEEP programme in 2006-7 are financing (targeted finance instruments, networking and market-based innovative sources of finance) and policy & regulation (promotion of good practice, support for legal, fiscal and regulatory frameworks, and support for RE/EE policy implementation). In principle, REEEP activity should have a

direct impact on APPLES. However, the definition of priority areas seems to limit the practical intervention of REEEP so the need for general co-ordination is more limited.

For the 2005/6 programme, a total of 69 full proposals were submitted globally to REEEP for final selection. Of the 49 short-listed proposals considered, the following addressed issues that may influence the APPLES project directly or involve activity with potential indirect links. Though less than 20 of the 49 short-listed projects were funded, others could still be included in the future REEEP programme and therefore APPLES should be aware of them.

Code	Project Title	Lead Organisation(s)
10307019	Support for Cape Town's Renewable Energy Target: 10% Renewable Energy by the year 2020	SEA
10307020	Promoting Renewable Energy and Energy Efficiency through City Energy Strategies in South Africa.	SEA
10307022	Energy Sector Restructuring in Southern Africa - Impact on Energy Efficiency and Adoption of Renewable Energy	Southern Centre
10307023	Developing a financial model for renewable energy upgrade interventions in urban low income housing, South Africa	SouthSouthNorth
10304040	Innovative financing to accelerate solar water heating	Green Markets International
1030152	Renewable Energy Services for Developing Countries	IT Power and IEA
1030157	Local Government RE and EE Toolkit	IT Power and Ministry of Science and Education
1030172	Financing Municipal Energy Efficiency	Alliance to Save Energy
10302042	A support toolkit for replication of climate actions towards local authorities	Ecofys BV
10304043	Local Renewables Model Communities Network	ICLEI
10307002	Creating Energy Efficiency Financial Models for the South African Urban Water Sector	Alliance to Save Energy
10307008	Identifying and mitigating potential international trade law barriers to the CDM with a specific focus on the GATT, the GATS and Africa-specific multilateral agreements	African Environmental Law Unit, University of Pretoria
10308020	S3idf pro-poor and EE finance	The Small-Scale Sustainable Infrastructure Development Fund, Inc.

Though the extent of general co-ordination necessary with APPLES may be limited, links with individual projects should still be considered to ensure appropriate co-ordination. Most REEEP activities are limited to assessments and report preparation, though some of these conclusions may help to rationalise any APPLES investigative work required before practical implementation.

4.4 EU Country Strategy & EU Energy Initiative

In general terms, EU co-operation in South Africa takes place in a number of key areas: political, economic and trade, development, cultural and other areas of co-operation. Development co-operation is thus just one element, but an important one for APPLES related activity, of the key areas of co-operation between the EU and South Africa. Its objective is to foster sustainable development designed to eradicate poverty in partner countries and to integrate them into the world economy.

From 1986-1994, the European Commission (EC) committed over €450 million to South Africa for about 700 projects aimed at offsetting the inequalities of the apartheid regime. In

1995, this programme became the European Programme for Reconstruction and Development in South Africa (EPRD). Its aim is to alleviate poverty, stimulate the economy, generate employment and promote growth. From 1994-2003 the EPRD committed €1.1 billion to development activities in South Africa.

The EPRD is governed by a Country Strategy Paper (CSP), established by the EC and based on South Africa's development agenda. The current CSP for South Africa (2003-6) focuses on four main objectives: equitable access to and sustainable provision of social services, equitable and sustainable economic growth, deepening democracy and regional integration and co-operation. The emphasis on improving the delivery of services is accompanied by a systematic effort to strengthen the capacity of the population to participate in development processes. A renewed effort is made in this CSP on job creation and integration of excluded populations in productive activities. Service provision and productive activities are both key areas for APPLES and therefore some monitoring of the EU activity will be required to ensure the necessary co-ordination.

At the World Summit for Sustainable Development in 2002, the EU launched the "EU Energy Initiative for Poverty Eradication and Sustainable Energy (EUEI)". The key elements of the initiative are to contribute to the increased access of adequate, affordable, sustainable energy services to the poor in economically and socially disadvantaged areas. The Initiative aims to raise political awareness among high level decision makers, encourage the coherence and synergy of energy-related activities and attract new resources (capital, technology, human resources) from the private sector, financial institutions, civil society and end-users.

At first sight, it seems that the EU Energy Initiative has potential for direct impact on the APPLES project. For example, EUEI objectives include raising political awareness among high level decision makers of the important role energy can play in poverty reduction and clarifying the need for energy services for poverty reduction and sustainable development. However, after more detailed consideration, it is clear that any co-ordination will be limited to the learning of lessons from related activity implemented in other African countries.

The EUEI is currently a framework for two principal activities: the EU-Partnership Dialogue Facility (PDF) and the ACP-EU Energy Facility. The overall objective of the PDF is to promote dialogue on access to energy within and between partner countries, their regional organisations, EU member states and the European Commission. PDF is devoted to facilitating the development of energy policies and strategies through dialogue between all stakeholders.

In June 2005, €220 million was finally endorsed for the ACP-EC Energy Facility by the Council of Ministers. This is the most important single allocation ever granted by the EU for energy projects. It is intended to show the EU's commitment to the poorest communities, providing a substantial contribution to services that are essential to improved livelihoods, such as cooking, lighting, cooling, heating, pumping, motive power and telecommunication.

The directions of the ACP-EC Energy Facility are focused on:

- encouraging proposals from national and local governments, municipalities, development agencies, civil society, and decentralised cooperation organisations
- supporting communities in greatest need, based on a demand-driven approach
- providing grants by innovating: blending donations and loans within the framework of public-private partnerships or with new sources of co-financing

- fostering long-term improved and integrated management of energy resources

Although some of the activities envisaged by the ACP-EU Energy Facility are related to those of APPLES, a key factor is the geographic coverage. Since only ACP countries are involved, South Africa is not addressed by the EUEI. South African (and Cuban) companies may be funded by the Energy Facility, but only for work in other ACP countries. For this reason, the need for co-ordination with APPLES is limited, though awareness of the lessons from activity in other countries may be useful to incorporate.

In October 2005, the European Commission adopted a proposal for a new EU Strategy for Africa. The strategy focuses on key requirements for sustainable development such as peace/security, trade, good/effective governance, interconnectivity, social cohesion and environmental sustainability. The environmental actions envisaged may have some impact on APPLES, though again the distinction between “African” activity and the co-operation with South Africa, which is generally targeted through the EPRD, must be acknowledged. For this reason, it is rather the priorities outlined in the Country Strategy Paper for EPRD in South Africa that will govern future areas of co-operation. As indicated above, this will require monitoring to ensure co-ordination with APPLES, though it currently seems unlikely to include a significant energy sector focus.

4.5 United Nations Development Programme (UNDP)

The UNDP in South Africa aims to promote coordination and harmonization among all development stakeholders, contributing to a transformed South African society based on social justice and democratic principles. This involves facilitating the Government's transformation agenda ensuring social and economic equity through enhanced service. The key areas of focus for activity involve the mainstreaming of Human Rights, Gender, HIV/AIDS, Capacity Building, Environment, Research and Monitoring & Evaluation.

The UNDP intends to ensure that its activities are driven by the South African Government, and recognises that the Government's top priority is the delivery of services especially to people in the 'second economy'. The second country cooperation framework (CCF) (2002-2006) for the Republic of South Africa provides the basis for programming and discussion with partners. The focus for work in South Africa is guided by the Millennium Declaration of halving world poverty by 2015. The CCF thus focuses on achieving upstream results through advocacy, policy dialogue, capacity enhancement at all levels, and the development of systems, guidelines and best practices.

Four main programme areas are specified in the CCF, namely:

- Programme area 1: Transformation for human development
- Programme area 2: Integrated sustainable rural development
- Programme area 3: Holistic response to HIV/AIDS and poverty
- Programme area 4: Environment and development

Of these, programme area 4 appears to have a direct relation to APPLES and so the projects funded by UNDP in this area will require careful co-ordination. Community-based resource management initiatives for sustainable livelihoods are supported in areas such as biodiversity protection, air pollution, water protection and the urban environment. Amongst the expected results is significant reduction in biodiversity losses and greenhouse-gases emission rates. On this basis, increasing attention is being devoted by UNDP to climate change mitigation,

including the association with renewable energy and energy efficiency activities. On this basis, some monitoring of UNDP activity will be required during the APPLES project.

UNDP activity seems to have been rather restricted during the past year. Major challenges in the uptake of available resources and internal capacity constraints within the unit in Pretoria, resulted in low delivery for 2005. UNDP is now committed to developing closer relations with funds such as the Global Environment Facility (GEF) in order to meet both the financial supply and demand needs. In addition, UNDP has recognised that delivery and monitoring & evaluation on the use of GEF resources requires special attention in keeping with the fiduciary responsibility of UNDP as an implementing agency of the GEF. This internal debate has limited the number of recent UNDP projects that may be relevant to APPLES, though future plans may be more productive.

4.6 Global Village Energy Partnership

The Global Village Energy Partnership was launched as a Type 2 Initiative at the World Summit on Sustainable Development (WSSD) in Johannesburg in 2002. GVEP is based on a 10 year implementation-based programme to increase modern energy access. This programme was initiated under a “Village Power” framework in December 2000, but renamed at WSSD in recognition that *modern energy services are more than electricity, and include heating, cooling, and very importantly, cooking.*

GVEP is one approach to accelerate the pace and scope of energy activities in a more coordinated fashion to reach the target of improving access to energy services for people living in rural areas. GVEP aims to do this by developing the analysis, advocacy tools, means of knowledge networking, and partnership strategies needed to support country and regional cooperation on new approaches to deliver energy services designed to meet the needs of the poor and, therefore, to support sustainable development.

The main objectives of the 10-year GVEP work plan are to catalyse country commitments to village energy programs and guide policies and investment in this area. This involves:

- Bridging the gap between investors, entrepreneurs and energy users in the design, installation and operation of replicable energy projects that lead to poverty alleviation
- Facilitating policy and market regulatory frameworks to scale up the availability of energy services
- Serving as marketplace for information and best practices on the effective development and implementation of energy projects that lead to poverty alleviation
- Creating and maintain an effective coordination mechanism for addressing energy as a means for poverty alleviation

The original objective of the GVEP project in South Africa was to initiate the full-scale implementation of the Partnership at the country level and mobilise further partnerships and buy-in from national and international stakeholders. The project focused on the existing network of Integrated Energy Centres (IeCs), which were located in poverty nodal areas and represented a rural energisation approach by the South African Government.

Since the South African GVEP project was implemented by the DME, and close links have already been established by APPLES to DME, closer co-ordination between APPLES and

GVEP is already in place. The GVEP work in South Africa has been focused on the IeCs, which will be closely linked and co-ordinated with all APPLES activity. However, it may also be useful for APPLES to consider GVEP projects in the partnership's five other target African countries in order to consider any lessons that may have relevance in South Africa.

5. Need for Ongoing Co-ordination

This report has presented brief details of current donor activity that seems to be directly relevant for the APPLES project. It does not however present a fully comprehensive picture since donor activities are changing constantly. The programmes of donors mentioned in the report are adjusted regularly, whilst donors that have not been mentioned here may develop programme lines that will relate to APPLES. Consequently, it will be important to monitor other donor activity for the duration of the APPLES project, and promote APPLES as widely as possible to limit the likelihood of new conflicting donor activity.

The need for donor co-ordination at all levels has long been recognised, with a wide variety of mechanisms established by different organisations at different times to address this concern. For the APPLES project in South Africa, the co-ordination efforts led by DME and by the UK Foreign & Commonwealth Office (UKFCO) seem currently to have the greatest significance.

5.1 DME Donor Conference

DME has little budget, though a significant contribution has been made to the APPLES project. In recognition of the range of donor activity, and the need for co-ordination to support national energy policy objectives such as the IeCs, a workshop was held on 19 October in Pretoria, at which the contribution of the APPLES project to the IeC strategy was considered (see presentation at Annex 1). This helped to raise awareness of the APPLES contribution to the IeC programme, and to ensure that any new donor activity can be well-co-ordinated with the APPLES project.

5.2 UK Donor Co-ordination

The need for closer co-ordination has also been recognised by the UK, which has started to hold donor meetings to consider different issues. Parallax was invited to a meeting of this Climate Change and Energy Co-ordination Group on 19 September, which allowed direct interaction with the most proactive energy sector donors. Representatives from France, the British High Commission, UNDP, UKTI, UKDFID, Canadian High Commission and DANIDA all presented their latest activities in this sector.

Maintaining links to the CCECG meetings would be a useful step for APPLES to maintain a significant level of awareness regarding ongoing activity. Presenting the APPLES project to invited donors at the CCECG seems appropriate, once all funding arrangements (from DST) have been agreed.

5.3 SADC Co-ordination

A further need for APPLES is to maintain awareness of regional activities that include South African energy development projects. The Southern African Development Community is a regular target for international donors who are interested in regional integration. Though energy or environment sector activity is not the highest priority, this area does have a SADC an energy sector programme. New and Renewable Sources of Energy (NRSE) are a particular target and support for the “formulation and implementation” of NRSE (focusing on solar, wind, biomass and mini/micro hydro) is part of the identified areas of potential collaboration.

Though there are only a small number of SADC initiatives in South Africa that may be relevant to APPLES (e.g. the Programme for Biomass Energy Conservation, or the Southern African Renewable Energy Information Network), it will be important to maintain awareness and co-ordination with potential programming (this can be achieved through the SADC contact point at DME).

The overall message from this investigation is that donor activities are constantly changing. Given the great advantage of a longer-term project that has been provided by COOPENER and associated APPLES donors, great care should be taken to maintain donor co-ordination and hence avoid any unnecessary duplication of effort or waste of resources. This will require not only the initial assessment provided by this report, but ongoing donor consultation and feedback throughout the duration of the APPLES project.