UNDP-GEF TE Management Response

# Management response to the Terminal Evaluation of the project “*Promotion and up-scaling of climate-resilient, resource efficient technologies in a Tropical Island Context”*

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| Project Title: | **Promotion and up-scaling of climate-resilient, resource efficient technologies in a Tropical Island Context (RE)** |
| UNDP Project ID (PIMS): | **4913** |
| GEF Project ID (PMIS): | **5316** |
| Terminal Evaluation Mission Completion Date: | **June 2019** |
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Prepared by: GOS-UNDP-GEF Resource Efficiency project & Seychelles Energy Commission

Contributors: GOS-UNDP-GEF Programme Coordination Unit, RE Project Steering Committee, UNDP Country Office Seychelles

Cleared by: UNDP Country Office Seychelles, Project Steering Committee, UNDP-GEF RTA

**Context, Background and Findings**

Seychelles is highly dependent on imported oil to meet its energy needs (90% of the primary energy supply comes from imported fuel, with imports of fuel for electricity generation alone accounting for 12% of the total government budget). This heavy reliance on imported fossil fuels places heavy pressure on the country’s foreign exchange reserves, exacerbates state budget deficits, and poses major energy security concerns, both in terms of access to supplies and pricing. A market for energy efficient appliances has begun to develop in the Seychelles, based in large part on the rapidly rising cost of electricity for most consumers. However, this market has been constrained in many ways, including: a lack of consumer awareness about EE appliances, extremely limited purchase options for EE appliances (apart from energy saving lights), the inability of consumers to get bank loans or store financing for the purchase of high-value EE appliances (such as air conditioning units, refrigerators/freezers, and washing machines), and the absence of any standards or labelling schemes or requirements for EE appliances in the country.

In response, this project is providing technical assistance for regulatory framework, setting up of minimum standards, educational awareness, data collection and training needs to help set the stage for the growth of the energy efficient appliances market in the country. In addition, the project provides critical catalytic support to several programs designed to provide concessionary financing for energy efficient appliances and water saving devices, including the Seychelles Energy Efficiency and Renewable Energy Program (SEEREP), a financing scheme for the residential sector to purchase EE appliances, which is now linked to a credit facility of the Development Bank of Seychelles (DBS) to provide concessionary finance for the adoption of EE technologies in the Small and Medium Enterprises (SMEs) sector. The project has played a critical facilitating role for these financing programs, developing the necessary policy frameworks, providing capacity building for financial institutions, banks and other participants to enable their participation in the programs, and increasing public awareness about the programs and the opportunities and options for end users to purchase resource efficient technologies with concessionary financing. Uptake of the financial schemes has been unfortunately low, and this is a further issue that the project has attempted to address.

**FINDINGS**

* **PROJECT DESIGN:**

The project in itself was strategic and would have greatly contributed to the overall ambitions of Seychelles in Climate Change mitigation. Overall, the project design and formulation for this project was unsatisfactory.

The failure to properly take into account the situation in the Seychelles and lessons from other economies, the inclusion of too many components for a Medium-Sized Project and the lack of outcome-oriented indicators or targets leave no other option than this lowest possible rating. The poor quality of the project design, and in particular the lack of SMART targets, also presents problems for the rest of the evaluation, which must compare results with targets. This terminal evaluation therefore first assesses which SMART targets and indicators could have been set for the various components of the project, had the design been based on a full assessment of the situation in the Seychelles in its international context, with an appropriate number of outcomes for a Medium-Sized project (in a small island setting) and aiming to maximise impacts in a country that had not yet implemented its first resource efficiency project

The following weaknesses and limitations were identified in these areas:

* + - **Project Logframe**: The Project results framework / Logical framework was weak and inconsistent. The project lacks indicators for results at outcome-level (also because the logical framework lacks properly defined outcomes), and its overall goal is based on the impact of a single output.
		- **Assumptions and Risks:** Overall assumptions were flawed and failed to take into account the cost-effectiveness of the project. The risks identified at design stage were not relevant and risks to overall project implementation and outcomes was not identified.
		- **Lessons Learnt from Other UNDP-GEF projects in the region:**  At design stage the project seems not to have incorporated lessons learned from other regional projects in the complexity of adopting standards and labels.
		- **Planned stakeholder participation:** Project design failed to explicitly include stakeholder participation in project strategy and implementation.
		- **Replication approach:** There is no feasibility for scaling up or replication of this project.
		- **UNDP comparative advantage:** Project design did not benefit from UNDPs comparative advantage and international exchange.
		- **Linkages between project and other interventions within the sector:** The project failed to make direct linkages with other initiatives such as the NEPTUNE project.
		- **Management arrangements:** There is a discrepancy in the management arrangements with the Prodoc listing the Ministry of Environment Energy and Climate Change as the executing agency, but the CER lists the Seychelles Energy Commission (although the latter falls under the purview of the Ministry)- The clarity of oversight and day to day execution is missing from project design. The Project Manager too was situated within the Project Coordination Unit and not with SEC and reporting was to the NPD. The reporting channels added a layer of complexity to effective execution of the project.
* **PROJECT IMPLEMENTATION:**

Overall Project implementation was rated as Unsatisfactory. The implementation of this project was characterised by an understaffed project team and substantial delays in the implementation of key regulations, against the background of a too complex and overly ambitious project design. As a result, the project team focused on a subset of planned activities, however, without much formal planning about which parts of the project to prioritise. Thus, at the end of the project, there are many activities that have been started but not fully finished, demonstrated, for example, by the large number of reports and other deliverables still in draft or near-final stage.

* **PROJECT RESULTS:**

The overall appreciation of project results is Unsatisfactory (U). These ratings reflect that the project started a wide range of activities, finished only a few of those and is still far behind on the development of key regulatory instruments at the end of the project. Although the project, has implemented some good activities it failed to link these together into an overall strategy, and has achieved little sustainable progress towards its overall goal.

**The Terminal Review has found that the GOS-UNDP-GEF Resource Efficiency project has delivered a number of key outputs, including:**

* The project has been actively pursuing the **communications strategy** and implemented the various elements of it. Extensive press coverage of many public awareness events, often including leading government representatives (Minister or Principal secretary level) to raise the profile of events. In addition, a series of workshops was organised to brief and train professionals (retailers, installers, etc) about energy efficiency issues, and the response to those workshops seems to be have been good. In addition to public awareness activities with a national focus (through press coverage), several community-focused events were organised, mainly around schools. This can be an excellent way to create deeper engagement of communities around energy issues, even if continuity can be a challenge (generally, feedback about these community-focused events was good, though there were some concerns about their continuation if local organisers would leave; the latter is a generic concern for any community-based approach and, although important to be aware of, not of specific concern for this project).
* **Consumer education** is in many countries a necessary first step before regulatory instruments can be introduced, and the project (rightly) included a component to introduce and implement such a strategy. **Financial instruments** (e.g. VAT exemptions) are a useful tool to lead a market to more energy efficient products while being less intrusive, and easier to verify, than MEPS. Those elements of the project design seem to be well-placed and appropriately targeted in the project’s design.
* With insufficient staff capacity, the RE-EE unit focused on a limited set of tasks focused on the **VAT exemption mechanism** and has yet to build expertise with developing and implementing regulations. Although the work done by the unit is useful and a good contribution to an important part of the project, it falls far short of the intended implementation in which a complete unit would be created which would, through involvement in a large number of project activities, build the necessary expertise to initiate, develop, implement and communicate about regulations and be able to independently take energy efficiency forward in the Seychelles. Given the low number of staff and their lack of involvement in important parts of the project, it is doubtful that the Seychelles Energy Commission has yet built the capacity to continue and build on the work initiated by the project.
* **Informal collaboration** with stakeholders seems to have been effective, however, in particular with retailers, a key stakeholder in any market transformation strategy. There appears to have been some informal consultations with stakeholders as well as through the project steering committee, in which stakeholders were involved. This is a good and effective alternative to a more formalised collaboration; possibly even more effective as commercial and government parties do not always speak the same language and do not always operate at the same pace.
* Establishment of **energy and water resource use baselines**. Market research for the monitoring of prices & standards;
* Extension of the **VAT tax exemption scheme for additional energy efficiency appliances**, including air-conditioners, refrigerators, freezers, and washing machines. (The VAT exemption includes implementation of a system for differentiation of appliances that comply with energy efficiency requirements and qualify for VAT tax exemption and SEEREP financing. SEC has implemented an interim process that is essential for the proper functioning of the existing financial incentives put in place by the GoS (VAT exemption and SEEREP). This interim process includes technical validation of qualified energy efficient products - electrical appliances, solar water heaters, and PV systems. In the future, this may be extended to water saving devices or systems.
* Review and re-launching of the SEEREP scheme of local banks which offers preferential loans for households, linked to a SMEs scheme operated through DBS. However, there has so far been very low demand.

The TE rated overall progress towards results as Unsatisfactory with impact of results minimal towards environmental change and negligible towards progress of outcomes.

In conclusion UNDP considers the Terminal Evaluator’s comments and recommendations acceptable but is not in agreement with all of the findings as some issues were and are beyond the scope of the project to address.

 **RECOMMENDATIONS AND MANAGEMENT RESPONSE**

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| **Terminal Evaluation recommendation 1.** The Government of the Seychelles is recommended to continue, the development of framework legislation for energy efficiency and once a strategy has been agreed and a collaboration with an experienced partner established, to move speedily to develop and implement appliance MEPS and labels. The VAT exemption mechanism, now used independently, can then be used to smoothen the introduction of MEPS. **Recommendation to:** MEECC & SEC.  |
| **Management response:** Management concurs with the recommendation. A consultancy for development of legislation for EE is currently on-going and final report to be submitted to SEC by latter half of 2019. SEC will then proceed with the necessary procedures for enactment. Subsidiary legislation such regulation for MEPS and labels will be developed in due course- but that will fall outside the scope and timeline of the project. It is hoped that the project created the necessary platform for Seychelles to realize its intended ambitions for a renewable energy future. |
| **Key action(s)** | **Time frame** | **Responsible unit(s)** | **Tracking** |
| **Comments** | **Status** |
| 1.1 Consultant to finalized Energy Legislation report  | September 2019  | SEC |  |  |
| 1.2 SEC to submit to Attorney General Office  | December 2019  | SEC |  |  |
| 1.3 Attorney General Office develop the White paper/ Green paper legislation  | April 2020 | Attorney General Office  |  |  |

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| **Terminal Evaluation recommendation 2.** Project designs need better reviews, including checks on internal consistency and whether baseline information is complete and has been adequately addressed in the project’s strategy. This should also include a check on the project’s strategy and whether this is aligned with the experience and capacity of a country’s government and market parties. **Recommendation to:** UNDP, MEECC and others  |
| **Management response:** Management does not fully concur with this recommendation. While UNDP can support with the reviewing project design and ensuring it passes the robustness checks, the overall scope of project design and logframe are often suited to reflect the requirements of national stakeholders within the scope of the donor’s requirements. Government is also encouraged to ensure that sufficient institutional capacity exists or will be built during project life cycle. This recommendation also needs to be brought to the attention of GEF, to ensure that project designs are fit-for-purpose within national contexts. |
| **Key action(s)** | **Time frame** | **Responsible unit(s)** | **Tracking** |
| **Comments** | **Status** |
| 2.1 Flag inconsistencies in CC project design to GEF and limitations of Seychelles as a SIDS | Apr 2020 | UNDP |  |  |
| 2.2 Ensure UNDPs new CPD cycle has a robust M&E framework to review progress of project outcomes | Dec 2020 | UNDP |  |  |

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| **Terminal Evaluation recommendation 3.**  For the Seychelles, the policy approach would need to include a response to its situation as a small island nation, with limited government capacity, a small, relatively unorganised market and complicated trade relationships. Support of international expert groups might be needed to develop a suitable approach for such situations.**Recommendation to:** MEECC & SEC.  |
| **Management response**: Management is aware of the limitations of Seychelles capacity and is already working with international organisations such as IRENA/ SADC/ IOC /CCI with ongoing bilateral cooperation with other countries. More emphasis, will be placed on getting support for Energy Efficiency and Climate Change Mitigation related programmes in future discussions to continue the work started under the RE project.  |
| **Key action(s)** | **Time frame** | **Responsible unit(s)** | **Tracking** |
| **Comments** | **Status** |
| 3.1 Review existing partnerships and agreements with International Partners. | Q3 2019 | SEC, MEECC | This will depend on the capacity and political will of the agency to move forward with a holistic approach |  |
| 3.2 Engage with the department of Foreign Affairs to ensure that EE remains part of bilateral discussions with select countries | Q4 2019 | SEC & MEECC, DFA | SEC needs to engage with the DFA either through MEECC or directly to ensure that EE and CCM are tabled in bilateral discussions to assist Seychelles achieve its INDCs |  |

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| **Terminal Evaluation recommendation 4.** It might be useful to explore whether the Seychelles can develop a collaboration with an established standards and labels programme in a country it has trade relations with. That might make it easier to continue its approach without having to build up the extensive technical knowledge needed to do so independently.**Recommendation to:** MEECC & SEC.  |
| **Management response**: Management will look into the feasibility of this recommendation in line with recommendation 3,and whilst reviewing international partnerships and agreements. |
| **Key action(s)** | **Time frame** | **Responsible unit(s)** | **Tracking** |
| **Comments** | **Status** |
| 4.1 Same as key action 3.1 | Ongoing  | SEC |  |  |

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| **Terminal Evaluation recommendation 5:** Results of the project in communication and through its VAT mechanism need to be measured, through household surveys or similar means and through completion of the VAT exemption database. **Recommendation to:** MEECC & SEC. |
| **Management response**: While management concurs with the recommendation, no further communications with regards to the project will be ongoing. However the product registry database (NOT VAT EXEMPTION DATABASE) is operational and is being managed by the staff of the SEC. An IT consultant will be supporting the work until end of 2019 supported by project funds.  |
| **Key action(s)** | **Time frame** | **Responsible unit(s)** | **Tracking** |
| **Comments** | **Status** |
| 5.1 IT consultant hired to maintain database  | Ongoing until November 2019 | SEC  |  |  |
| 5.2 Reporting of key results from the database  | As required  | SEC, MEECC | This depends on the political will of the agencies to track and provide key results that may help in monitoring effectiveness of policies |  |

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| **Terminal Evaluation recommendation 6.** It would be useful to explore extending the “Switch to LED” exchange campaign, to more lamps and/or to other appliances also. Such approaches are beneficial in particular to low-income households, can offer specific national benefits when electricity tariffs are subsidised and may have a role in tariff restructuring. **Recommendation to:** MEECC, SEC and others. |
| **Management response**: Management concurs with this recommendation and SEC with project partners to explore ways to further improve on the “Switch to LED” exchange programme and consider other similar campaigns, depending on available funding |
| **Key action(s)** | **Time frame** | **Responsible unit(s)** | **Tracking** |
| **Comments** | **Status** |
| 6.1 Report on the uptake of the “Switch to LED” | 2019 | PUC |  |  |
| 6.2. Identify ways to improve on the “Switch to LED” exchange programme | 2019 | SEC |  |  |
| 6.3 Evaluate innovative financing opportunities to promote EE for low income households | 2020 | SEC |  |  |

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| **Terminal Evaluation recommendation 7**. Future policy or regulatory projects for resource efficiency are not recommended at this point, given that several more years may be needed to reach the objectives of this project and the experience gained with that would be needed for new projects**.****Recommendation to:** MEECC, SEC and others. |
| **Management response**: Management does not wholly concur with the recommendation particularly the SEC disagrees with the recommendation from the Terminal evaluator. SEC feels it is imperative to build upon the lessons learned from the UNDP-GEF RE project. The Government will address new opportunities to help ensure the sustainability of Energy Efficiency in the future. This may be in collaboration with other funding partners such as GCF.  |
| **Key action(s)** | **Time frame** | **Responsible unit(s)** | **Tracking** |
| **Comments** | **Status** |
| 7.1. SEC to identify next steps in addressing gaps and challenges  |  |  |  |  |
| 7.2 SEC to continue collaborating with partners for support |  |  |  |  |

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| **Terminal Evaluation recommendation 8:** Staff levels at the Renewable energy and energy management unit of the Seychelles Energy Commission urgently need to be brought up to planned levels, so that there is capacity to carry out the regulatory, communication and training activities planned, but not completed, under this project.**Recommendation to:** SEC  |
| **Management response**: Management agrees that the SEC needs additional staff to build institutional capacity and to execute planned activities relating to EE- but this remains outside the scope of the project. This would need further discussions between MEECC, SEC, the Ministry of Finance, Department of Public Administration and Public Utilities Corporation as the roles of SEC and PUC need to be re-defined and job descriptions clarified. |
| **Key action(s)** | **Time frame** | **Responsible unit(s)** | **Tracking** |
| **Comments** | **Status** |
| 8.1 SEC to initiate discussions to increase its staffing capacity with relevant authorities. |  |  |  |  |