

# Promoting Low Carbon Urban Development in Bangladesh

**Review CEO Endorsement and Make a recommendation**

## **Basic project information**

**GEF ID**

9368

**Countries**

Bangladesh

**Project Name**

Promoting Low Carbon Urban Development in Bangladesh

**Agencies**

UNDP

**Date received by PM**

5/29/2019

**Review completed by PM**

5/1/2020

**Program Manager**

Ming Yang

**Focal Area**

Climate Change

**Project Type**

FSP

**PIF**

**CEO Endorsement**

**Project Design and Financing**

**1. If there are any changes from that presented in the PIF, have justifications been provided?**

**Secretariat comment at CEO Endorsement Request**

9/3/2019 MY:

There is not any significant change from the PIF to CE ER.

## **Response to Secretariat comments**

### **2. Is the project structure/ design appropriate to achieve the expected outcomes and outputs?**

#### **Secretariat comment at CEO Endorsement Request**

9/3/2019 MY:

Not completed at this time.

In project design, it is not clear how to use \$65 million loan investment in RE and EE. Please provide details on it.

10/31/2019 MY:

Not completed at this time. Please put targeted numbers of RE and EE projects, targeted capacity installations of RE in MW, and targeted energy savings in MWh or tonnes of oil equivalent in "Component 2.2 Implemented low-carbon investments in public and private buildings and built environment", and split the \$65 million loan investment to match each of the investment projects and their outputs.

11/14/2019 MY:

Not at this time.

In Table B (PROJECT DESCRIPTION SUMMARY) in the GEF Portal and in the attached CEO ER document, please put targeted numbers of RE and EE projects, targeted capacity installations of RE in MW, and targeted energy savings in MWh or tonnes of oil equivalent.

4/27/2020 MY:

Yes, comments were addressed, and the CEO ER document was revised.

## **Response to Secretariat comments**

Response to 11/14/2019 MY:

Thanks for this Guidance. Table B in the CEO ER is revised to include the information requested.

UNDP response 13 Nov 2019

Box 8 (see below) has been expanded to include further details including (i) targeted capacity for RE/target energy savings for EE and (ii) an indicative debt financing component from the IDCOL facility.

SUMMARY TABLE DEMO/INVESTMENT PROJECTS											
Type	Average investment per project (USD)	Number of RE and EE projects	Production and savings	GHG emission reduction		Total Investment (USD)	GEF indicative support			indicative IDCOL Debt Finance (USD)	
				Annual tCO <sub>2</sub> -eq/yr	Cumulative tCO <sub>2</sub> -eq		INV (USD)	TA (USD)	Total (USD)		
Waste to energy	3,534,335	2	Avoided methane emissions (tCO <sub>2</sub> -eq/yr)	77,341		7,028,670	667,017	175,717	842,734	3,514,335	
			Electricity production (MWh/yr)	5,802	5,025						1,356,616
			Avoided diesel (m <sup>3</sup> /yr)	3269	9,432						
			Composting (ton/yr)	31310	43,863						
Rooftop PV - public	634,801	3	Electricity production (kWh/yr)	2,778,329	1,861	22,338	1,904,404	257,264	47,610	304,874	1,342,643
Rooftop PV - private	1,081,496	10	Electricity production (kWh/yr)	15,919,102	10,666	127,990	10,814,963		270,374	270,374	7,570,474
EE in public buildings	154,930	6	Energy savings (kWh/yr)	2,363,668	1,584	19,004	929,582	99,982	23,240	123,222	557,749
EE in private buildings	134,751	24	Energy savings (kWh/yr)	5,845,990	3,917	47,002	2,754,029		68,851	68,851	1,927,820
<b>Total</b>				<b>153,689</b>	<b>1,572,949</b>	<b>23,431,649</b>	<b>1,024,263</b>	<b>585,791</b>	<b>1,610,054</b>	<b>14,713,022</b>	

Oct. 29, 2019 - MH

The project's Component 2 has two core outputs:

- First, a set of TA activities to provide support to public and private sector developers to advance the funding requests for their RE, EE and WTE investments. This will take the form of a call for proposals, providing energy audit, business/financial plan support.
- Second, a set of INV activities, with a viability gap mechanism to provide financial support to investments which are not financially viable with baseline financial terms and structuring.

Box 8 in the UNDP project document (page 45), sets out a preliminary analysis which has identified 45 indicative RR, EE and WTE investments, totaling USD 23.4 million, for which the project could provide support under component 2. This box is re-pasted below, for ease of reference.

Box 8: Indicative public and private sector low-carbon investments associated with the LCUD Project.

Type	Number of RE & EE projects	Investment (USD)	Investment per project (USD)	GEF support TA (USD)	GEF support INV (USD)
Waste to energy	2	7,028,670	3,514,335	5.0% 175,717	667,017
Rooftop PV - public	3	1,904,404	952,202	47,610	257,264
Rooftop PV - private	10	10,814,963	5,407,482	270,374	0
EE in public buildings	6	929,582	464,791	23,240	99,982
EE in private buildings	24	2,754,029	1,377,015	68,851	0
<b>Total</b>		<b>23,431,649</b>		<b>585,791</b>	<b>1,024,263</b>

In parallel to the above, IDCOL has a USD 65m loan facility for rooftop solar and EE investments. Consultations with IDCOL have identified that project developers are not presenting bankable investment opportunities for the loan facility. The relationship of this IDCOL facility to the project is that this IDCOL facility will be one possible source of financing for the project's indicative investments, represented in Box 8. However, the indicative investments in Box 8 will also seek to raise financing from other debt and equity providers. IDCOL can be considered parallel co-financing, which is associated and well-aligned with the project, and for which there will be close coordination with project.

**3. Is the financing adequate and does the project demonstrate a cost-effective approach to meet the project objective?**

#### **Secretariat comment at CEO Endorsement Request**

9/3/2019 MY:

Not completed at this time.

It is difficult to judge the cost-effectiveness of the project, since there is not detailed information on the \$65 million of loan investment. Per the co-financing letter from the loan provider (IDCOL), the following tasks will be undertaken:

1. Design workshops with private sector
2. Technical assistance in developing similar projects
3. Developing design guidelines and tools for the design of energy-efficient residential buildings
4. Production and dissemination of knowledge products
5. Plan of financing projects in the similar scopes.

These tasks are all in TAs, they do not need a \$65 million loan. Please provide more information on how to use the loan.

11/14/2019 MY:

Not completed. The information provided by the Agency on financing as shown in Box 8 (Box 8: Indicative public and private sector low-carbon investments associated with the LCUD Project.) is not sufficient for the PM to judge the cost-effectiveness of the project. Please add more information such as the MW of RE to be installed, the MWh of energy to be saved, and the source of financing to Box 8.

4/27/2020 MY:

Yes, comments were addressed, and the CEO ER document was revised.

### **Response to Secretariat comments**

Response to 11/14/2019 MY:

Thanks for this guidance. We've now updated Box 8 in the UNDP project document with more specific information, including MW of RE installed, MWh energy savings, and sources of financing. For ease of reference, we've pasted Box 8 below.

SUMMARY TABLE ONQ/INVESTMENT PROJECTS											
Type	Average investment per project (USD)	Number of EE and EC projects	Targeted Capacity and savings	GHG emission reduction		Total Investment (USD)	GTF Indication support			100% and other finance (USD)	
				Annual tCO <sub>2</sub> e/yr	Cumulative tCO <sub>2</sub> e-c		BNV (USD)	TA (USD)	Total (USD)		
Renewable energy	3514,335	2	Provided renewable resources (tCO <sub>2</sub> e/yr)	773.41		7,028,630	667,017	175,717	842,734	5,514,335	
			Installed Capacity (MW)	0.0	1,355.63						
			Energy savings (MWh)	1,116,371	0.42						
Renewable PV - public	634,001	3	Composting (t/yr)	31,910	43,863	1,904,404	257,264	47,630	304,894	1,142,646	
			Installed Capacity (MW)	2	1,981						
			Energy savings (MWh/yr)	10,666	127,594						
Renewable PV - private	1,081,496	10	Installed Capacity (MW)	10	10,666	10,666	10,666	10,666	10,666	10,666	
EE in public buildings	154,950	6	Energy savings (MWh/yr)	2363,666	1,584	19,004	920,582	99,662	23,240	123,222	557,749
EE in private buildings	114,751	24	Energy savings (MWh/yr)	5,845,990	3,917	47,003	2,754,029	68,851	68,851	68,851	1,927,630
<b>Total</b>				<b>151,689</b>	<b>1,972,946</b>	<b>25,433,649</b>	<b>1,034,263</b>	<b>586,391</b>	<b>1,630,654</b>	<b>34,733,022</b>	

29 Oct, 2019 - MH

The above tasks are in the scope of TA that are emphasized by IDCOL for facilitating accelerated investments in the sector through the de-risking approaches and enabling framework proposed by the project in component 2. They correspond to the barriers noted through consensus in the stakeholder meetings conducted as a part of the PPG implementation.

Please also see the response to #1 above. The project's component 2 will provide the TA support to a range of public and private sector project developers, some of which may access the IDCOL facility, and some of which may access other sources of debt and equity.

**4. Does the project take into account potential major risks, including the consequences of climate change, and describes sufficient risk response measures? (e.g., measures to enhance climate resilience)**

### Secretariat comment at CEO Endorsement Request

9/3/2019 MY:

Not completed. Please take into account potential risk due to climate change.

10/31/2019 MY:

Yes, comments were addressed and issues were cleared.

### Response to Secretariat comments

29 Oct. 2019 - MH

Yes. The project considers prioritizing climate resilience projects for cities with rapid population growth and coastal location as integral to the “LCUD” concept. It has been specially included in Section 4.3 (Box 9). It may be noted that the Outputs 1.2, 1.3 and 2.1 with MLGRDC and the ongoing UNDP National Urban Poverty Reduction Programme (NUPRP), implemented by MLGRDC would include pro-poor climate-resilient urban planning.

**5. Is co-financing confirmed and evidence provided?**

**Secretariat comment at CEO Endorsement Request**

9/3/2019 MY:

Not completed at this time.

Please see the comments in Box 3 above. The co-financing letter from the IDCOL does not show how the \$65 million will be invested. Please provide a concrete investment plan, such as MW of RE power to be invested in a particular place, etc.

10/31/2019 MY:

Not completed at this time.

Please see comments in Box 2.

11/14/2019 MY:

Not at this time.

This project now is in the stage of CEO ER. The Agency should provide information on secured co-financing, rather than "indicative co-financing". With the following response from the Agency on the issue of \$65 million co-financing, the PM finds it difficult to recommend this project to the CEO for endorsement:

"In parallel to the above, IDCOL has a USD 65m loan facility for rooftop solar and EE investments. Consultations with IDCOL have identified that project developers are not presenting bankable investment opportunities for the loan facility. The relationship of this IDCOL facility to the project is that this IDCOL facility will be one possible source of financing for the project's indicative investments, represented in Box 8. However, the indicative investments in Box 8 will also seek to raise financing from other debt and equity providers. IDCOL can be considered parallel co-financing, which is associated and well-aligned with the project, and for which there will be close coordination with project."



4/27/2020 MY:

Not completed at this time.

Please provide the email of the IDCOL email dated 24 November 2019, which confirms the loan co-financing of \$65 million for the project. The PM cannot find the letter in the GEF Portal.

Also, the UNDP should also change the co-financing of \$57,000 from in-kind to grant for this project. A revised co-financing letter to show the change from the UNDP is needed.

5/1/2020 MY:

Yes, the email was uploaded and the \$57,000 co-financing from the UNDP has been changed from in-kind into grant.

### **Response to Secretariat comments**

Response to 4/27/2020 MY:

Referred email from IDCOL and an updated co-financing letter indicating the contribution of \$57,000 in grant by UNDP are attached.

Response to 11/14/2019 MY:

Thanks for this question and we provide the following clarification:

- The USD 65m IDCOL co-financing is fully secured, as per the original co-financing letter dated 6 December 2018. IDCOL have now further reconfirmed this co-financing in a new email dated 24 November 2019, which we are attaching to this submission.
- The term 'indicative' was introduced in the UNDP project document while responding to the earlier comments with a view to emphasize that these investments will follow standard practice for project financing - via due process under IDCOL's, and other equity investor's, investment committees and will need to be approved in due course.

29 Oct. 2019 - MH

Please also see the response to #1 above.

In terms of a breakdown of the project's investments, please see Box 8 in the project document (page 45), which sets out a preliminary analysis performed during the PPG stage of 45 indicative investments, totaling USD 23.4m, in RE, EE and WTE.

The IDCOL co-financing letter does not breakdown specific investment as the IDCOL \$65m loan facility is limited to parallel co-financing, which is well-aligned with the project objective and for which there will be close coordination. The project's investments may seek financing from the IDCOL facility, but these investments may also seek debt and equity financing from other sources.

**6. Are relevant tracking tools completed?**

**Secretariat comment at CEO Endorsement Request**

9/3/2019 MY:

Yes.

**Response to Secretariat comments**

**7. Only for Non-Grant Instrument: Has a reflow calendar been presented?**

**Secretariat comment at CEO Endorsement Request**

9/3/2019 MY:

N/A

**Response to Secretariat comments**

**8. Is the project coordinated with other related initiatives and national/regional plans in the country or in the region?**

**Secretariat comment at CEO Endorsement Request**

9/3/2019 MY:

Yes. it is stated on pages 12-15.

### **Response to Secretariat comments**

**9. Does the project include a budgeted M&E Plan that monitors and measures results with indicators and targets?**

### **Secretariat comment at CEO Endorsement Request**

9/3/2019 MY:

Yes. it is stated on pages 12-15.

### **Response to Secretariat comments**

**10. Does the project have descriptions of a knowledge management plan?**

### **Secretariat comment at CEO Endorsement Request**

9/3/2019 MY:

Yes. it is stated on pages 17.

### **Response to Secretariat comments**

**Agency Responses**

**11. Has the Agency adequately responded to comments at the PIF stage from:**

**GEFSEC**

**Secretariat comment at CEO Endorsement Request**

9/3/2019 MY:

No additional comments were carried over from the GEF at the PIF stage to the CEO ER stage.

**Response to Secretariat comments**

**STAP**

**Secretariat comment at CEO Endorsement Request**

9/3/2019 MY:

Yes. The comments were addressed and shown on pages 24-26.

**Response to Secretariat comments**

**GEF Council**

**Secretariat comment at CEO Endorsement Request**

9/3/2019 MY:

Yes. The comments were addressed and shown on pages 24.

**Response to Secretariat comments**

## **Convention Secretariat**

### **Secretariat comment at CEO Endorsement Request**

9/3/2019 MY:

N/A

### **Response to Secretariat comments**

#### **Recommendation**

#### **12. Is CEO endorsement recommended?**

### **Secretariat comment at CEO Endorsement Request**

9/3/2019 MY:

Not at this time.

Please address comments in Boxes 2, 3, 4 and 5.

For major issues, please elaborate how the \$65 million loan will be invested and put more detailed information in outputs of Component 2.2. For example, the number EE buildings and about MW of RE to be installed in specific locations, etc. The co-financing letters from the loan provider may also need to elaborate these tangible investments. Other minor issues include identifying the risk of climate change for this project.

10/31/2019 MY:

Not completed at this time. Please address the comments above.

11/14/2019 MY:

Not at this time.

The project co-financing is not convincing. Please work on secured co-financing, not "indicative" co-financing for the implementation of the project.

4/27/2020 MY:

Not completed at this time.

Please provide the email of the IDCOL email dated 24 November 2019, which confirms the loan co-financing of \$65 million for the project.

The UNDP should also change the co-financing of \$57,000 from in-kind to grant. A co-financing letter to show the change is needed. Thanks.

5/1/2020 MY:

Not completed yet.

Project to be returned to the Agency due to:

- 1- The budget of the NIM audit is included in the M&E budget – please change the budget to the PMC.
- 2- The budget to pay the project manager and other staff are charged to different components - Please use the budget of the PMC (both portions of the GEF and the co-financing) to cover the budget. If this is not possible due to any reason, please justify why with sufficient arguments. In Annex C ‘TOR of Key project staff’, a position called Project Coordinator with mainly management tasks which do not have any specific links to project components. Please revise it or delete it. The TORs must reflect the contribution of the project’s staff to the correspondent project components.
- 3- Co-financing from IDCO should be “private”, not “others”. Also, there are not any co-financing letters for the in-kind contributions from government organizations of the SREDA and the DOE. Please provide the letters.

### C. Describe The Budgeted M & E Plan: 0

Details are given in Section 7 (M & E Plan) of the UNDP Project Document.

GEF M&E requirements	Primary responsibility	Indicative costs to be charged to the Project Budget (US\$)		Time frame
		GEF grant	Co-financing	
Inception Workshop (IW)	UNDP Country Office (CO)	7,500	7,500	Within two months of project document signature
Inception Report	Programme Coordinator (PM)	None	None	Within two weeks of Inception Workshop
Standard UNDP monitoring and reporting requirements as outlined in the UNDP POPP	UNDP CO	None	None	Quarterly, annually
Risk management	PM; UNDP CO	None	None	Quarterly, annually
GEF Project Implementation Report (PIR)	Programme Coordinator, UNDP CO, UNDP Hqs and UNDP RTA	None	None	Annually
<b>NIM Audit as per UNDP audit policies</b>	UNDP CO	<b>15,000</b>	15,000	Annually
Monitoring of environmental and social risks; Corresponding management, stakeholder engagement and gender plans and addressing grievances as relevant (ESMP M&E)	PM; UNDP CO	10,000	20,000	Continuous
Stakeholder Engagement Plan Gender Action Plan	PM; UNDP CO, UNDP-GEF team	None	None	On-going
PSC meetings	PSC, UNDP CO; PM	None	None	Twice a year
Supervision and Oversight missions UNDP-GEF; GEF Secretariat learning missions/site visits	UNDP CO UNDP GEF team	None, (covered by Agency Fee)	None	Troubleshooting as needed
Monitoring of indicators in project results	Project Manage	None	10,000	Before MTR and TE take

2	USD 141,660 for time spent by project staff (PM: 43 weeks; CBA: 66 weeks; M&E: 73 weeks; TA: 27 weeks) on technical issues of Component 1
9	USD 236,100 for time spent by project staff (PM: 42 weeks; M&E: 73 weeks; TA: 28 weeks) on technical issues of Component 2
15	USD 94,440 for time spent by project staff (PM: 42 weeks, CBA: 110 weeks, M&E: 73 weeks), on the organisation and delivery of training issues of Component 3

### C. Sources of Co-financing for the Project by name and by type

Sources of Co-financing	Name of Co-financier	Type of Co-financing	Amount(\$)	Evidence
Others	IDCOL	Loans	65,000,000	
Government	SREDA	In-kind	700,000	
Government	DOE	In-kind	43,000	
GEF Agency	UNDP	Grant	57,000	
<b>Total Co-Financing(\$)</b>			<b>65,800,000</b>	

7/13/2020 MY:

Yes, all comments were addressed. The project document was revised. The co-financing letters were obtained and saved in the GEF Portal. The PM recommends technical clearance for this project.



## Response to Secretariat comments

Response to 5/1/2020 MY:

### Comment:

1- The budget of the NIM audit is included in the M&E budget – please change the budget to the PMC.

### Response:

Budget of NIM audit cost included in PMC and deleted from M& E budget. Refer to Table 11, Section 7 Monitoring and Evaluation (M&E) Plan and Budget Notes #28, Section 10 Total Budget and Work Plan of the Prodoc and Part II, Section C Budgeted M&E Plan of CEOER.

### Comment:

2- The budget to pay the project manager and other staff are charged to different components - Please use the budget of the PMC (both portions of the GEF and the co-financing) to cover the budget. If this is not possible due to any reason, please justify why with sufficient arguments. In Annex C 'TOR of Key project staff', a position called Project Coordinator with mainly management tasks which do not have any specific links to project components. Please revise it or delete it. The TORs must reflect the contribution of the project's staff to the correspondent project components.

### Response:

The budget has been amended to include the PM costs only in the PMC. The costs of specialized support to the PMU by Component is reflected separately. Budget Notes #2, 9,15 have been updated. (Page # 60-63).

The PMC will be supplemented by UNDP and partners as indicated in CEOER (USD 443,000).

Reference to Project Coordinator has been deleted.

### Comment:

3- Co-financing from IDCO should be "private", not "others". Also, there are not any co-financing letters for the in-kind contributions from government organizations of the SREDA and the DOE. Please provide the letters.

### Response:

Co-financing letters dated 28 May 2020 and 28 June 2020 (for in kind commitments) from SREDA and DOE (MOEFCC) are respectively provided.

IDCOL co-financing has been categorized as “private”

Response to 4/27/2020 MY:

Referred email from IDCOL and an updated co-financing letter attached.

Response to 11/14/2019 MY:

Thanks again for these comments. Please see our responses above regarding further clarity on co-financing.

Separately, in an effort to support the GEF review of this project, given ongoing discussions on this topic on other projects, UNDP would like to take this opportunity to pre-emptively re-confirm that this project has a clear delineation between implementation (UNDP) and execution (SREDA). The project will be executed by the national partner, Sustainable and Renewable Energy Development Authority (SREDA).

**Review Dates**

	<b>Secretariat comment at CEO Endorsement Request</b>	<b>Response to Secretariat comments</b>
<b>First Review</b>		
<b>Additional Review (as necessary)</b>		
<b>Additional Review (as necessary)</b>		
<b>Additional Review (as necessary)</b>		
<b>Additional Review (as necessary)</b>		

**CEO Recommendation**

**Brief Reasoning for CEO Recommendations**

This project will enable investments in renewable energy and waste-to-energy applications in Bangladesh cities through integrating urban investment with low-carbon development plans. The project is in line with GEF-6 Program 3 Focal Area Objective: Promote integrated low-emission urban systems. Key components include: 1) City level integration of energy-relevant low carbon urban development plans and programs; 2) Implementation of low carbon energy efficiency, renewable energy and waste to energy interventions in cities; 3) Sensitizing city dwellers and capacity strengthening for low-carbon urban initiatives. The project will accelerate the uptake of an innovative business model - integrated resource recovery center (IRRC), which promotes waste segregation at the source. Through selling sorted-out recyclable materials, communities can make a profit. The separated organic waste is composted to produce organic fertilizer or generate biogas. The IRRC business model has a great potential to be scaled up in many developing cities where waste management remains to be a major urban development hurdle. The co-financing of the project amounts to \$65,800,000 of which \$65,000,000 is a loan to be provided by the Infrastructure Development Bank Ltd. of Bangladesh. Global environmental benefits include 1,572,949 tCO<sub>2</sub> emission reductions.