



GEF SECRETARIAT REVIEW FOR FULL/MEDIUM-SIZED PROJECTS* THE GEF/LDCF/SCCF/NPIF TRUST FUNDS

GEF ID:	5563		
Country/Region:	Algeria		
Project Title:	Algeria Energy Efficiency Project		
GEF Agency:	World Bank	GEF Agency Project ID:	145298 (World Bank)
Type of Trust Fund:	GEF Trust Fund	GEF Focal Area (s):	Climate Change
GEF-5 Focal Area/ LDCF/SCCF Objective (s):	CCM-2;		
Anticipated Financing PPG:	\$0	Project Grant:	\$3,620,000
Co-financing:	\$7,260,000	Total Project Cost:	\$10,880,000
PIF Approval:		Council Approval/Expected:	May 01, 2014
CEO Endorsement/Approval		Expected Project Start Date:	
Program Manager:	David Elrie Rodgers	Agency Contact Person:	

Review Criteria	Questions	Secretariat Comment at PIF (PFD)/Work Program Inclusion ¹	Secretariat Comment At CEO Endorsement(FSP)/Approval (MSP)
Eligibility	1. Is the participating country eligible ?	DER, August 26, 2013. Yes.	
	2. Has the operational focal point endorsed the project?	DER, August 26, 2013. Yes.	
Resource Availability	3. Is the proposed Grant (including the Agency fee) within the resources available from (mark all that apply):		
	• the STAR allocation?	DER, August 26, 2013. Yes.	
	• the focal area allocation?	DER, August 26, 2013. Yes.	
	• the LDCF under the principle of equitable access	NA	
	• the SCCF (Adaptation or Technology Transfer)?	NA	

*Some questions here are to be answered only at PIF or CEO endorsement. No need to provide response in gray cells.

¹ Work Program Inclusion (WPI) applies to FSPs only. Submission of FSP PIFs will simultaneously be considered for WPI.

FSP/MSP review template: updated January 2013

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	<ul style="list-style-type: none"> the Nagoya Protocol Investment Fund 	NA	
	<ul style="list-style-type: none"> focal area set-aside? 	NA	
Strategic Alignment	<p>4. Is the project aligned with the focal area/multifocal areas/ LDCF/SCCF/NPIF results framework and strategic objectives?</p> <p><i>For BD projects: Has the project explicitly articulated which Aichi Target(s) the project will help achieve and are SMART indicators identified, that will be used to track progress toward achieving the Aichi target(s).</i></p>	<p>DER, August 26, 2013. This project is being reviewed under the harmonized GEF-WB process which includes GEFSEC attending the PCN meeting. GEF comments were emailed to the World Bank in advance of the PCN meeting. GEF comments are copied into box 7 of this review sheet for reference.</p> <p>DER, March 14, 2013. All comments are addressed in box 7.</p>	
	<p>5. Is the project consistent with the recipient country's national strategies and plans or reports and assessments under relevant conventions, including NPFE, NAPA, NCSA, NBSAP or NAP?</p>	DER, August 26, 2013. Yes.	
Project Design	<p>6. Is (are) the baseline project(s), including problem(s) that the baseline project(s) seek/s to address, sufficiently described and based on sound data and assumptions?</p>	See box 7.	
	<p>7. Are the components, outcomes and outputs in the project framework (Table B) clear, sound and appropriately detailed?</p>	<p>Maghreb Energy Efficiency Program SOP 1 (Phase 1): Algeria Energy Efficiency Project (P145298)</p> <p>Comments from GEFSEC August 21, 2013</p> <p>Summary</p> <p>1. This project has merit, especially when taken in the context of a broad Set</p>	

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		<p>of Programs (SOP) for the Maghreb region.</p> <p>2. However, the PCN is lacking in description of the baseline situation, incremental reasoning, technical description, GHG benefits estimates, and justification for sustainability.</p> <p>3. Due to the lack of analysis to date, the project rationale is argued primarily out of "need" rather than from a proposed innovative solution or proven case study. From that perspective, the project proponents are asking the GEFSEC to take most of the project justification on "faith." We cannot guarantee the CEO will agree to include this project in the November work program and we are very concerned that the GEF Council will not approve the project in its current form.</p> <p>4. The GEFSEC strongly encourages the Task Team Leader and the team to consider delaying a request for GEF funding until more technical information can be collected and provided.</p> <p>5. A letter of endorsement from the Algerian operational focal point dated 14 August 2013 in the amount of \$4,000,000 inclusive has been received. All bank expenses, PPG, and agency fees must come from within that amount.</p> <p>6. GEF annexes are required before the GEFSEC can proceed with any further processing.</p> <p>Comments on the PCN</p>	

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		<p>Baseline situation</p> <p>7. There is insufficient explanation on why the existing energy efficiency policies and regulations are lacking implementation. Additional information is needed to define specific barriers for efficiency and how the project would address those barriers. Component 1: Consumers Incentive Scheme</p> <p>8. The GEFSEC is concerned that too much emphasis is being placed on the use of limited types of financial incentives for the purchase of energy efficient air conditioners. The level of GEF grant funding for providing incentives is very small, leading to a highly risky test that may not be able to promote sufficient purchases to have a measurable result. Other incentive schemes should be carefully considered. For example</p> <p>a. Labeling programs that provide extra "Stars" or other valuable branding can be useful in enticing customers to purchase efficient and high quality equipment. Such a promotion effort could be tied in with poor quality for counterfeit or "knock-off" equipment.</p> <p>b. On-bill financing provided by the utility can be much more important than a coupon or rebate. This also allows for recovery of the loans to allow sustainable financing for future air conditioner purchases</p> <p>c. What types of additional co-</p>	

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		<p>financing are being considered, as noted on page 10?</p> <p>d. What does the following sentence mean on page 10: "(ii) design of an incentive compatible incentive mechanism under the first phase."</p> <p>9. An economic analysis of the potential electricity savings for consumers using high-quality efficient equipment is required, coupled with a price analysis of high performance air conditioners compared to "knock-offs." Otherwise the incentive scheme could fail before it is launched.</p> <p>Component 2: Setting-up of a Laboratory for Testing and Certifying Air Conditioners</p> <p>10. This is a very important component. We need to see an explanation for the sustainable funding by government agencies after the project is completed. For example, a user fee for each manufacturer or each model tested could provide sustainable funding.</p> <p>11. The increase in sales of air conditioners in Algeria has corresponded with lower prices based on cheap imported equipment, even "knock-offs". The project must do a much better job of describing how these counterfeit, "gray-market" or "knock-off" equipment would be kept out of the market. Labels can be duplicated. What enforcement mechanisms will be proposed and used?</p> <p>Component 3: Technical Assistance and</p>	

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		<p>Awareness Raising</p> <p>12. This can be a valuable component; however the costs of these types of awareness raising can be very high. Consider finding key partners, such as news agencies, TV stations, movies, magazines, and other media that will offer in-kind donation for energy efficiency education campaigns. In the U.S., for example, Disney donated the use of the movie character Ratatouille to help promote energy efficient lighting</p> <p>13. Consideration of additional policy action is part of this component. It will be important to evaluate the existing subsidy policies for electricity in the context of promoting energy efficient appliances. In some scenarios, no regulations or incentives can overcome highly subsidized electricity prices. This analysis could make the project a no-go and should be completed well before appraisal.</p> <p>Other comments</p> <p>14. Coordination with the utility is vital and should be highlighted. Opportunities for the utility to co-finance the incentive scheme could be critical to success.</p> <p>15. Consider revising the PDO. The proposed PDO: "The PDO of the Algeria Energy Efficiency project is to increase the average efficiency of air conditioners in Algeria" will be very difficult to measure and assess, as data collection will be needed on all air conditioners.</p>	

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		<p>Consider other measures, such as "increased market share of energy efficient new air conditioner purchases."</p> <p>16. The benefits of energy efficiency in terms of climate resiliency and water scarcity should be examined and this can affect the economic analysis. For example, as temperatures rise, the power plants ability to provide sufficient power will be degraded, therefore the economic value of an energy efficient air conditioner to the power plant operator should be calculated and potentially monetized to provide a sustainable funding for the incentive programs 9 (see comments on component 1).</p> <p>17. The types of refrigerants used in air conditioners in Algeria could be an important technical factor in the manufacturing costs and GHG emissions. The technologies in use and potential other technologies should be assessed, and implications for the project considered. See the Appendix 1 regarding a similar UNDP Project in Indonesia that provides important language and rationale.</p> <p>Comments on the Concept Stage Integrated Safeguards Data Sheet (ISDS)</p> <p>No comment</p> <p>Comments on the Concept Stage Project Information Document (PID)</p> <p>The PID is similar to the PCN and our comments on the PCN apply to the PID</p>	

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		<p>as well. Comments on the Operational Risk Analysis Framework</p> <p>18. The key risks and issues identified on page 10 of the PCN are not fully covered in the separately provided ORAF.</p> <p>19. The key risks in Table IV on page 11 of the PCN should be aligned with the text and the separately provided ORAF.</p> <p>20. The risks shown in Annex 1 of the PCN, called ORAF, seem to be different in substance and format than the separately provided ORAF.</p> <p>21. The rating for element 4.3 is not filled in and should be considered High. The description reads as follows: "This project stands alone as a demonstration of policy and financial instrument use to improve energy efficiency in one class of household consumer goods. It is not dependent on other projects or donor actions. Its sustainability as a long-term policy instrument would be dependent on the follow-on actions of government authorities." The GEFSEC is very concerned that the proposed project design will contribute very little to sustainability and does not establish the type of policies and regulatory programs that would contribute to follow-on actions of government authorities. This is a very high risk for the program will accomplish little after the grant funding is completed.</p>	

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		<p>DER, March 13, 2014</p> <ul style="list-style-type: none"> - The revised World Bank documents were submitted on March 7, 2014. - The GEF data sheet is attached and is fully complete. Comment cleared. - The revised document carefully and appropriately addresses the issue of refrigerants, stating that "This project is designed to comply with the Montreal Protocol. To this end, it will be aligned with Algeria's hydrochlorofluorocarbon (HCFC) Phase Out Management Plan that targets manufacturing and servicing and was approved by the Multilateral Fund of the Montreal Protocol in April 2012. While the proposed project will not directly address refrigerants, in promoting more energy efficient equipment the project will also promote the use of the lowest GWP refrigerant commercially available and technically appropriate, including zero-GWP options where feasible. The market study will determine the best way of doing this in the Algerian context." - The rewritten documents clearly articulate the innovative pilot nature of the project design and the need to address leakage of illegally imported products not meeting efficiency requirements. - The World Bank team has done well in the intervening months since the first submission to answer the questions and collect market information. - The nature of the baseline situation has been described, identifying the barriers the project is designed to address - The incentive scheme has been 	

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		<p>described more generically, allowing the team to research multiple options during program design phase</p> <ul style="list-style-type: none"> - The revised documents have incorporated GEFSEC comments on technical design - The GHG benefits estimates have been provided <p>All comments cleared.</p>	
	8. (a) Are global environmental/ adaptation benefits identified? (b) Is the description of the incremental/additional reasoning sound and appropriate?	See box 7.	
	9. Is there a clear description of: a) the socio-economic benefits , including gender dimensions, to be delivered by the project, and b) how will the delivery of such benefits support the achievement of incremental/ additional benefits?		
	10. Is the role of public participation, including CSOs, and indigenous peoples where relevant, identified and explicit means for their engagement explained?	See box 7.	
	11. Does the project take into account potential major risks, including the consequences of climate change, and describes sufficient risk mitigation measures? (e.g., measures to enhance climate resilience)	See box 7.	
	12. Is the project consistent and properly coordinated with other related initiatives in the country	See box 7.	

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	or in the region?		
	<p>13. Comment on the project's innovative aspects, sustainability, and potential for scaling up.</p> <ul style="list-style-type: none"> • Assess whether the project is innovative and if so, how, and if not, why not. • Assess the project's strategy for sustainability, and the likelihood of achieving this based on GEF and Agency experience. • Assess the potential for scaling up the project's intervention. 	See box 7.	
	14. Is the project structure/design sufficiently close to what was presented at PIF, with clear justifications for changes?		
	15. Has the cost-effectiveness of the project been sufficiently demonstrated, including the cost-effectiveness of the project design as compared to alternative approaches to achieve similar benefits?		
	Project Financing	16. Is the GEF funding and co-financing as indicated in Table B appropriate and adequate to achieve the expected outcomes and outputs?	See box 7.
17. <u>At PIF</u> : Is the indicated amount and composition of co-financing as indicated in Table C adequate?		See box 7.	

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	Is the amount that the Agency bringing to the project in line with its role? <u>At CEO endorsement:</u> Has co-financing been confirmed?		
	18. Is the funding level for project management cost appropriate?	See box 7.	
	19. <u>At PIF</u> , is PPG requested? If the requested amount deviates from the norm, has the Agency provided adequate justification that the level requested is in line with project design needs? <u>At CEO endorsement/ approval</u> , if PPG is completed, did Agency report on the activities using the PPG fund?	See box 7.	
	20. If there is a non-grant instrument in the project, is there a reasonable calendar of reflows included?	See box 7.	
Project Monitoring and Evaluation	21. Have the appropriate Tracking Tools been included with information for all relevant indicators, as applicable?		
	22. Does the proposal include a budgeted M&E Plan that monitors and measures results with indicators and targets?		
Agency Responses	23. Has the Agency adequately responded to comments from:		
	• STAP?		
	• Convention Secretariat?		
	• The Council? • Other GEF Agencies?		
Secretariat Recommendation			

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Recommendation at PIF Stage	24. Is PIF clearance/approval being recommended?	DER, August 26, 2013. The GEF annex/data sheets require some clarifications. The agency fee is not correctly calculated. An email was sent to the World Bank with a request to revise and re-submit, along with any revisions to the PID and the PCN Meeting minutes. DER, March 13, 2014. The revised documents were submitted. The datasheet is in order. The GEFSEC comments, noted in box 7, have all been addressed. This project is technically cleared and can be considered for a future work program.	
	25. Items to consider at CEO endorsement/approval.		
Recommendation at CEO Endorsement/ Approval	26. Is CEO endorsement/approval being recommended?		
	First review*	August 26, 2013	
Review Date (s)	Additional review (as necessary)	March 13, 2014	
	Additional review (as necessary)		

* **This is the first time the Program Manager provides full comments for the project. Subsequent follow-up reviews should be recorded. For specific comments for each section, please insert a date after comments. Greyed areas in each section do not need comments.**