



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

GEF ID:	<b>4626</b>		
Country/Region:	<b>Djibouti</b>		
Project Title:	<b>Geothermal Power Generation Program</b>		
GEF Agency:	<b>World Bank</b>	GEF Agency Project ID:	<b>127143 (World Bank)</b>
Type of Trust Fund:	<b>GEF Trust Fund</b>	GEF Focal Area (s):	<b>Climate Change</b>
GEF-5 Focal Area/ LDCF/SCCF Objective (s):	<b>CCM-3; Project Mana;</b>		
Anticipated Financing PPG:	<b>\$0</b>	Project Grant:	<b>\$6,036,364</b>
Co-financing:	<b>\$22,502,443</b>	Total Project Cost:	<b>\$28,538,807</b>
PIF Approval:		Council Approval/Expected:	
CEO Endorsement/Approval		Expected Project Start Date:	
Program Manager:	<b>David Elrie Rodgers</b>	Agency Contact Person:	<b>Song Li</b>

Review Criteria	Questions	Secretariat Comment at PIF (PFD)/Work Program Inclusion <sup>1</sup>	Secretariat Comment At CEO Endorsement(FSP)/Approval (MSP)
Eligibility	1. Is the participating country eligible?	DZ, Sep 19, 2011: Yes. DER, August 24, 2012. Yes.	
	2. Has the operational focal point endorsed the project?	DZ, Sep 19, 2011: Yes, by letter dated Aug 20, 2011.	
Agency's Comparative Advantage	3. Is the Agency's comparative advantage for this project clearly described and supported?	DZ, Sep 19, 2011: Yes. DER, August 24, 2012. Yes.	
	4. If there is a non-grant instrument in the project, is the GEF Agency capable of managing it?	DZ, Sep 19, 2011: This is a grant. DER, August 24, 2012. The grant is to the agency, but there is a non-grant instrument that will be implemented as part of the project. The agency is capable of managing it.	

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

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

FSP/MSP review template: updated 11-22-2010

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	5. Does the project fit into the Agency's program and staff capacity in the country?	DZ, Sep 19, 2011: Yes. DER, August 24, 2012. Yes.	
Resource Availability	6. Is the proposed Grant (including the Agency fee) within the resources available from (mark all that apply):		
	<ul style="list-style-type: none"> <li>• the STAR allocation?</li> </ul>	DZ, Sep 19, 2011: Yes. This is a flexible country and GEF funding refers to the entire STAR allocation. DER, August 24, 2012. The full STAR allocation of \$6,640,000 will be utilized, including CC \$2M, BD \$1.5M, and LD \$3.14M	
	<ul style="list-style-type: none"> <li>• the focal area allocation?</li> </ul>	DZ, Sep 19, 2011: CC, BD, and LD resources are requested. DER, August 24, 2012. Yes. The full STAR allocation of \$6,640,000 will be utilized, including CC \$2M, BD \$1.5M, and LD \$3.14M  a) However, there are discrepancies in the PIF between Table A, B, and D, over the amount of the GEF grant and the agency fee amounts. Please clarify.  DER, September 14, 2012. The corrections have been made. Comment cleared.	
	<ul style="list-style-type: none"> <li>• the LDCF under the principle of equitable access</li> </ul>	N/A	
	<ul style="list-style-type: none"> <li>• the SCCF (Adaptation or Technology Transfer)?</li> </ul>	N/A	
<ul style="list-style-type: none"> <li>• Nagoya Protocol Investment Fund</li> </ul>	N/A		
<ul style="list-style-type: none"> <li>• focal area set-aside?</li> </ul>	N/A		

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Project Consistency	7. Is the project aligned with the focal /multifocal areas/ LDCF/SCCF/NPIF results framework?	DZ, Sep 19, 2011: Yes. DER, August 24, 2012. Yes.	
	8. Are the relevant GEF 5 focal/ multifocal areas/LDCF/SCCF/NPIF objectives identified?	DZ, Sep 19, 2011: Yes, CCM-3. DER, August 24, 2012. Yes. CCM-3, Renewable Energy	
	9. Is the project consistent with the recipient country's national strategies and plans or reports and assessments under relevant conventions, including NPFE, NAPA, NCSA, or NAP?	DZ, Sep 19, 2011: Yes. DER, August 24, 2012. Yes.	
	10. Does the proposal clearly articulate how the capacities developed, if any, will contribute to the sustainability of project outcomes?	DZ, Sep 19, 2011: The project doesn't refer to capacity building activities.  DER, August 24, 2012. Yes. The project activities, which include training, combined with the use of a non-grant instrument designed to provide reflows back to the National Government, will provide opportunities to replicate and continue renewable energy exploration and production activities even after the project is completed.	
Project Design	11. 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?	DZ, Sep 19, 2011: The project refers to the exploratory drilling of the geothermal field of Lake Assal. Cost assumptions seem sound and sufficiently described.  DER, August 24, 2012. Yes.	
	12. Has the cost-effectiveness been sufficiently demonstrated, including the cost-effectiveness of the project design approach as compared to alternative approaches to achieve similar benefits?		

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	<p>13. Are the activities that will be financed using GEF/LDCF/SCCF funding based on incremental/additional reasoning?</p>	<p>DZ, Sep 19, 2011: No. GEF funding is requested for all the project activities, without any justification for the size of the requested funding. Also, the requested GEF funding is in the form of a grant, while other similar GEF projects involve non-grant instruments (risk guarantees).</p> <p>DZ, Apr 4, 2012: The comment remains; GEF funding size is not based on the application of the incremental cost principle, but rather on the availability of other donor funding for the implementation of the drilling program.</p> <p>DER, August 24, 2012. The redesigned project articulates how the GEF funding will be used to accelerate the production drilling to enable geothermal power production. Comment cleared.</p>	
	<p>14. Is the project framework sound and sufficiently clear?</p>	<p>DZ, Sep 19, 2011: The project framework is clear. The project refers to the exploratory drilling of the geothermal field of Lake Assal. The same operation is the subject of the first phase of the approved (since 2009) ARGEO regional project (not mentioned in the PIF).</p> <p>GEF is asked to subsidize 1/3 of the costs of exploratory drilling and almost the half of the associated TA/PM costs. In this case GEF is asked to provide a grant subsidy, instead of providing a non-grant instrument (a risk guarantee) as in the case of ARGEO.</p>	

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		<p>DZ, Apr 4, 2012:            During the bilateral discussion between the GEFSEC and the WB, the GEFSEC requested that the following two conditions to be fulfilled in order to reconsider the project proposal:</p> <ol style="list-style-type: none"> <li>1. If exploration proves successful, the GEF grant should be reimbursed and used for other RE investments or geothermal exploration in the country.</li> <li>2. A component for the actual investment in electricity generation, after the completion of the exploration, should be budgeted and included in the project framework.</li> </ol> <p>The second condition is not met, while the first condition is only partially addressed by the following statement:            "if this project proves to be successful, Govt of Djibouti might want to ask the IPP who will be developing the project to reimburse the GEF Trust Fund to set up a geothermal exploration fund. The latter could be used to leverage private funds, thereby fostering further exploration in the country."</p> <p>DER, August 24, 2012. After a series of meetings with the World Bank, the project design has been revised to address the earlier comments. A non-grant instrument is designed into the project, allowing the National Government to recycle unused funds</p>	

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		into future geothermal drilling activities. With the focus on drilling of production wells and associated training, the linkage with establishment of the actual power generation facilities is quite strong. Comments cleared.	
	15. Are the applied methodology and assumptions for the description of the incremental/additional benefits sound and appropriate?	<p>DZ, Sep 19, 2011: The project doesn't have direct benefits. The global environment benefits of the project are linked with the investment that will take place after the exploratory drilling in case it produces positive results.</p> <p>DER, August 24, 2012. The project design has shifted to focus on support for drilling of production wells. There is strong justification in the project design for linkage of the production wells and the construction of power generation facilities by the Independent Power Producer. The project is estimated to help avoid GHG emission of 600,000 tCO<sub>2</sub>e per year. Comment cleared.</p> <p>At the time of CEO endorsement we expect to see more detail regarding the GHG reductions estimate.</p>	
	16. 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?	DZ, Sep 19, 2011: The project will contribute to the development of an investment plan which have some socioeconomic benefits due to increased energy production.	
	17. Is public participation, including CSOs and indigeneous people, taken into consideration, their role identified and addressed properly?	DZ, Sep 19, 2011: Public participation solely concerns the involvement of the public utility, EDD.	

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		DER, August 24, 2012. At CEO endorsement we would like to see more documentation on how the project will involve all relevant stakeholders, including CSO.	
	18. Does the project take into account potential major risks, including the consequences of climate change and provides sufficient risk mitigation measures? (i.e., climate resilience)	DZ, Sep 19, 2011: Potential risks are identified.	
	19. Is the project consistent and properly coordinated with other related initiatives in the country or in the region?	<p>DZ, Sep 19, 2011: The project refers to the exploratory drilling of the geothermal field of Lake Assal. The same operation is the subject of the first phase of the approved (since 2009) ARGEO regional project (not mentioned in the PIF).</p> <p>DER, August 24, 2012. Djibouti has withdrawn from the ARGEO project, which has been redesigned without World Bank participation. The lessons-learned from the ARGEO project design have been incorporated into this project. Comment cleared.</p>	
	20. Is the project implementation/ execution arrangement adequate?	DZ, Sep 19, 2011: Yes.	
	21. Is the project structure sufficiently close to what was presented at PIF, with clear justifications for changes?		
	22. If there is a non-grant instrument in the project, is there a reasonable calendar of reflows included?		
	23. Is funding level for project management cost appropriate?	DZ, Sep 19, 2011: GEF funding for PM is 3.76% of the total GEF grant. It is equal to the cofinancing for PM, though	

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Project Financing		<p>total cofinancing is double the GEF grant. Also, the project component 1 also involves PM activities.</p> <p>DZ, Apr 4, 2012: GEF funding for PM is 2.7% of the total GEF grant, excluding PM funding.</p> <p>DER, August 24, 2012. Yes.</p>	
	24. Is the funding and co-financing per objective appropriate and adequate to achieve the expected outcomes and outputs?	<p>DZ, Sep 19, 2011: Yes.</p> <p>DER, August 24, 2012.</p> <p>a) Please address the inconsistencies between Tables A, B, and D as noted in box 6.</p> <p>b) Please clarify the differences between proposed amounts in table B for each component and the different amounts listed for component 1 and 2 on page 33 in the Table title "geothermal power generation program - four well drilling program". Please clarify if these tables are supposed to match and if not, why not.</p> <p>DER, September 14, 2012</p> <p>a) The inconsistencies have been corrected. Comment cleared.</p> <p>b) The explanation describes how the two tables are synchronized. Comment cleared. Comment cleared.</p>	
	25. At PIF: comment on the indicated cofinancing; At CEO endorsement: indicate if confirmed co-financing is provided.	<p>DZ, Sep 19, 2011: Cofinancing is adequate for the size of activities foreseen. However, the GEF funding to cofinancing ratio is almost 1:2; this low cofinancing ratio is not justified.</p> <p>DZ, Apr 4, 2012: GEF funding to</p>	

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		<p>cofinancing ratio has changed to 1:4. The exploratory drilling cost has been raised in comparison to the first submission without any justification.</p> <p>DER, August 24, 2012. Given the project redesign and focus on production wells, several agencies and partners are providing substantial co-financing which appears reasonable. Comment cleared.</p> <p>At CEO endorsement, we hope to see the project team address potential private sector co-financing partners that can be identified and included if possible.</p>	
	26. Is the co-financing amount that the Agency is bringing to the project in line with its role?	<p>DZ, Sep 19, 2011: Yes, WB will provide IDA funding for this project.</p> <p>DER, August 24, 2012. Yes. In addition to the IDA funding, ESMAP will provide \$100,000.</p>	
Project Monitoring and Evaluation	27. Have the appropriate Tracking Tools been included with information for all relevant indicators, as applicable?		
	28. Does the proposal include a budgeted M&E Plan that monitors and measures results with indicators and targets?		
Agency Responses	29. Has the Agency responded adequately to comments from:		
	• STAP?		
	• Convention Secretariat?		
	• Council comments?		
Secretariat Recommendation			

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Recommendation at PIF Stage	<p><b>30. Is PIF clearance/approval being recommended?</b></p>	<p>DZ, Sep 19, 2011: No. The proposal is rejected since (a) it overlaps with an existing GEF project, and (b) conflicts with the GEF approach to the mitigation of geothermal exploration risks, since instead of a non-grant instrument (risk guarantees) it requests for a grant.</p> <p>DZ, Apr 4, 2012: No. The proposal does not fully meet the two conditions set by the GEFSEC for its consideration.</p> <p>DER, August 24, 2012. Not at this time. The project design has been significantly modified, focusing the GEF resources on production drilling wells which are linked directly with power production potential. However, a few technical corrections are needed.  a) Please address the remaining comments in boxes 6 and 24.  b) Furthermore, in the next revision please provide a signed agency certification in PART III of the CEO endorsement request.</p> <p>DER, September 14, 2012. All comments cleared. The PIF has been technically cleared and may be included in an upcoming Work Program.</p>	
	<p>31. Items to consider at CEO endorsement/approval.</p>	<p>DER, August 24, 2012.  a) At the time of CEO endorsement we expect to see more detail regarding the GHG reductions estimate.  b) At CEO endorsement, we hope to see the project team address potential private sector co-financing partners that can be identified and included if</p>	

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		possible. c) At CEO endorsement we would like to see more documentation on how the project will involve all relevant stakeholders, including CSO.	
Recommendation at CEO Endorsement/ Approval	32. At endorsement/approval, did Agency include the progress of PPG with clear information of commitment status of the PPG?		
	<b>33. Is CEO endorsement/approval being recommended?</b>		
Review Date (s)	First review*	September 19, 2011	
	Additional review (as necessary)	April 04, 2012	
	Additional review (as necessary)	August 24, 2012	
	Additional review (as necessary)	September 14, 2012	
	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.**

#### REQUEST FOR PPG APPROVAL

Review Criteria	Decision Points	Program Manager Comments
PPG Budget	1. Are the proposed activities for project preparation appropriate?	
	2. Is itemized budget justified?	
Secretariat Recommendation	<b>3. Is PPG approval being recommended?</b>	
	4. Other comments	
Review Date (s)	First review*	
	Additional review (as necessary)	

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