



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

GEF ID:	5501		
Country/Region:	Ethiopia		
Project Title:	Promoting Sustainable Rural Energy Technologies (RETs) for Household and Productive Uses		
GEF Agency:	UNDP	GEF Agency Project ID:	5200 (UNDP)
Type of Trust Fund:	GEF Trust Fund	GEF Focal Area (s):	Climate Change
GEF-5 Focal Area/ LDCF/SCCF Objective (s):	CCM-3; CCM-2;		
Anticipated Financing PPG:	\$100,000	Project Grant:	\$4,091,781
Co-financing:	\$38,000,000	Total Project Cost:	\$42,191,781
PIF Approval:		Council Approval/Expected:	November 01, 2013
CEO Endorsement/Approval		Expected Project Start Date:	
Program Manager:	Alex Njuguna Waithera	Agency Contact Person:	John O'Brien,

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 ?	ANW, August 5, 2013: Yes.	
	2. Has the operational focal point endorsed the project?	ANW, August 5, 2013: Yes, by letter signed by the current OFP, Dr. Tewelde Berhan GEBRE EGZIABHER on 3/4/2013.	
Resource Availability	3. Is the proposed Grant (including the Agency fee) within the resources available from (mark all that apply):		
	<ul style="list-style-type: none"> • the STAR allocation? 	ANW, August 5, 2013: Yes, the CC Allocation remaining for Ethiopia is US\$4.59 million which is within the funding requested by the proposed project. The US\$4.59 million requested includes project preparation cost, project	

*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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		cost and agency fees.	
	<ul style="list-style-type: none"> • the focal area allocation? 	N/A	
	<ul style="list-style-type: none"> • the LDCF under the principle of equitable access 	N/A	
	<ul style="list-style-type: none"> • the SCCF (Adaptation or Technology Transfer)? 	N/A	
	<ul style="list-style-type: none"> • the Nagoya Protocol Investment Fund 	N/A	
	<ul style="list-style-type: none"> • focal area set-aside? 	N/A	
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>ANW, August 5, 2013: The project is aligned with CCM-3 and CCM-2 Strategic objectives, however the distribution of funding between CCM-3 and CCM-2 does not appear to match the project components. The only eligible project activity under CCM-2 is cookstoves. Yet the amount of \$2 million for CCM-2 is much higher amount than is indicated would be available for the cookstove activities. Please align the CCM-2 allocation and co-financing in Table A to correspond to the amount of activities eligible for CCM-2 in the PIF.</p> <p>ANW, August 30, 2013: The CCM-2 figures have been revised to \$1,471,000 of proposed GEF funding and \$15,850,000 for co-financing. Comment cleared.</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>	<p>ANW, August 5, 2013: Please address the consistency of the project with Ethiopia's National Portfolio Formulation Exercise (NPFE) and Technology Needs Assessment (TNA).</p> <p>ANW, August 30, 2013: This project is consistent with NPFE for Ethiopia which recognizes the importance of clean energy development. With regards to</p>	

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		consistency with the TNA, please refer to the 2007 TNA of Ethiopia. At CEO endorsement, please address the consistency of the project with the 2007 TNA.	
Project Design	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>ANW, August 5, 2013:</p> <p>a) Please clarify on the incrementality of the activities of the proposed GEF project, especially considering that there are several donor initiatives in Ethiopia promoting off-grid renewable energy solutions for rural communities.</p> <p>b) Please clarify the lessons learned from the lack of performance of the existing Renewable Energy fund mentioned on page 9 of the PIF.</p> <p>ANW, August 30, 2013:</p> <p>a) This project will use a market based approach to promote rural renewable energy solutions. Other donors active in promoting rural renewable energy solutions are not proposing such market based solutions, but rather grants for a few pilot projects. Comment cleared.</p> <p>b) The fund has not allocated resources efficiently because of a shortage of a pipeline of bankable projects that would meet the risk and return criteria of the fund. Also there is a need to put in place the right mix of policy instruments and demand for the private sector. Comment cleared.</p>	
	7. Are the components, outcomes and outputs in the project framework (Table B) clear, sound and appropriately detailed?	<p>ANW, August 5, 2013:</p> <p>a) In the project framework presented in Table B, all requested GEF funding are labeled as technical assistance. However, under component 3 and 4 there seem to be investment aspects. Please revise the</p>	

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		<p>project framework to capture this investment component.</p> <p>Under Component 1:</p> <p>b) Please clarify on the existence of quality technical standards for small scale renewable energy systems and how this project will help to enforce these standards to ensure only quality systems enters the market to avoid failure of installed systems.</p> <p>c) Please provide details on the specific amendments to legislation and the new regulations as well as policies that are considered under output 1.1 to promote small scale renewable energy technologies.</p> <p>d) Please clarify why GEF funded technical assistance is required to ban clear cutting of forest. Also, please provide details on the current trends, practices as well as drivers of forest cutting in Ethiopia. Please then clarify whether a ban on forest cutting will be sufficient and how it would be enforced.</p> <p>Under Component 2:</p> <p>e) Please clarify how the proposed project will raise awareness in rural areas of Ethiopia considering that rural communities have limited access to relevant media that can be used to communicate the benefits of small scale renewable energy systems.</p> <p>f) Please clarify how this project will involve entrepreneurs of renewable energy technologies (from component 4) in the activities of component 2. What role will the private sector have in</p>	

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		<p>awareness raising? Please consider mobilizing private sector marketing in place of awareness campaigns funded by public money. Please also clarify how technologies to be presented to rural people will be selected?</p> <p>g) Please clarify how awareness raising activities can be sustained beyond project implementation.</p> <p>Under Component 3:</p> <p>h) Please include basic economics element to clarify the cost difference between renewable energy technologies (RETs) and existing alternatives and clarify the level of the financial barrier faced by rural people. Please clarify on what basis the RETs are/will be selected. Please also clarify how the level of support needed to help rural communities adopt RETs has been assessed.</p> <p>i) The tools to support RET development such as the financial mechanisms to be applied are not presented in the current PIF. The PIF mentions that the details of the financial mechanisms will be developed at the PPG stage. However, basic information on the type of mechanism, the way it will be managed, its sustainability is required at the PIF stage to assess the viability of the proposed project. Please clarify.</p> <p>j) Please clarify how the financial instruments to be identified during the PPG phase will be implemented and result in large scale dissemination of small-scale renewable energy systems as well as project replication in rural</p>	

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		<p>communities of Ethiopia.</p> <p>k) Please clarify on the institutional frameworks for the financial instruments to ensure sustainability of the project even after project closure.</p> <p>l) Please clarify on the role of local financial institutions such as Micro-finance institutions (MFIs) and their engagement in this project to ensure that low income households in rural areas have access to affordable finance which may lead to increased adoption of small scale renewable energy systems.</p> <p>m) Component 3 and 4 will involve an important investment level, which appear to be mainly covered by co-financing (\$31.7 million). However, most of the co-financing of Table C is labeled as "in-kind". This is not consistent with the expected required investment. There is also a mismatch between the CCM-2 claimed co-financing in Table A and what is reasonable to expect in component 3. Please rectify. See similar point in box 4 and box 17.</p> <p>Under Component 4:</p> <p>n) Please clarify how the GEF funds will be utilized under Component 4.</p> <p>o) Please clarify on the financial sustainability of the Business Incubation Unit (BIU) even after the end of the GEF project. In other words how will the activities be supported after project closure?</p> <p>p) Please clarify the gaps to be addressed by this particular project which are not addressed by the IFC "Clean Energy</p>	

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		<p>SMEs Capacity Building and Investment Facility program".</p> <p>q) Please clarify the relationship between component 4.3 and 4.5 Will the proposals to be requested under Component 4.3 be selected for venture capital funding? How much of the GEF funding will be used for this activity? How much co-financing? Please clarify.</p> <p>r) Lack of low cost financing for businesses to invest in the renewable energy sector is one of the major issues in developing countries. Please clarify how this project will help to overcome this barrier and create an environment where small scale businesses have access to low-cost financing to invest in industries that promote small scale off-grid renewable energy solutions.</p> <p>s) The goal of the project is to support 100 entrepreneurs. The level of funding, GEF and co-financing, seems inadequate to support so many entrepreneurs, unless they each receive much less than \$100,000 each. Please explain.</p> <p>t) Please identify which co-financing is assigned to component 4 and will be available to be awarded as venture capital in cash form.</p> <p>ANW, August 30, 2013:</p> <p>a) PIF revised to distinguish TA and INV components. Comment cleared.</p> <p>b) There are no up to date quality technical standards. The project will develop these standards and help to enforce them. Comment cleared.</p> <p>c) At CEO endorsement, please provide</p>	

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		<p>details of the specific amendments to legislation and the new regulations to be developed by the proposed project. Comment cleared.</p> <p>d) The activity to ban clear cutting of forests under component 1 has been removed following discussions between the GEFSEC and UNDP. Comment cleared.</p> <p>e) Clarification provided. Comment cleared.</p> <p>f) Private sector will be engaged to promote awareness of off-grid renewable energy technologies. Comment cleared.</p> <p>g) Clarification provided. Comment cleared.</p> <p>h) Basic economic elements for the technologies selected have been included. Comment cleared.</p> <p>i) The project will work with an existing financial mechanism, the UNCDF-UNDP Clean Start Programme which focuses on micro-loans to increase the chances of the project successfully overcoming the affordability barrier. Comment cleared.</p> <p>j) Clarifications on how the financial mechanism will work has been provided in the PIF. Comment cleared.</p> <p>k) Clarifications provided. Comment cleared.</p> <p>l) At CEO endorsement, please provide details on how the Clean Start Programme will interact with specific micro-finance institutions and entrepreneurs.</p> <p>m) Approximately 80% of the project co-financing is in cash form, including co-financing for components 3 and 4. CCM-</p>	

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		2 co-financing is now reduced. Comment cleared. n) Clarification provided. Comment cleared. 0) Clarification provided. Comment cleared. p) Clarification provided. Comment cleared. q) Clarification provided. Comment cleared. r) Clarification provided. Comment cleared. s) Comment cleared. t) Comment cleared.	
	8. (a) Are global environmental/adaptation benefits identified? (b) Is the description of the incremental/additional reasoning sound and appropriate?	ANW, August 5, 2013: A confirmation and detailed analysis of GHG emission reduction figures is expected at the CEO endorsement stage.	
	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?	ANW, August 5, 2013: Please clarify the role of CSOs, the public and indigenous peoples in this project. ANW, August 30, 2013: Comment cleared.	
	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	ANW, August 5, 2013: Please clarify on the climate change risks for this project and how these risks will be mitigated. ANW, August 30, 2013: Comment cleared.	

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	resilience)		
	12. Is the project consistent and properly coordinated with other related initiatives in the country or in the region?	ANW, August 5, 2013: There appear to be a number of initiatives promoting off-grid renewable energy solutions in rural areas of Ethiopia, in particular those listed in pages 9-10 of the PIF. The PIF does not explain its added value compared to these initiatives. Please clarify the added value of the proposed GEF project. ANW, August 30, 2013: Comment cleared.	
	13. Comment on the project's innovative aspects, sustainability, and potential for scaling up. <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 of the project's intervention. 	ANW, August 5, 2013: The innovative aspects, sustainability and potential for scaling up of the project will be assessed after the above comments have been addressed. ANW, August 30, 2013: Innovativeness: The project is innovative because it follows a market oriented business approach and addresses the fundamental barriers (legislative, awareness, financing and entrepreneurial) that are preventing the widespread deployment of off-grid renewable energy technologies in Ethiopia. Sustainability and Scaling up: By addressing the underlying financial and affordability barriers preventing successful dissemination of off-grid renewable energy technologies, the project will help to introduce profitable business models for promoting off-grid renewable energy technologies which will help to ensure sustainability and scaling up.	

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		Comment cleared.	
	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?	ANW, August 5, 2013: Yes.	
	17. <u>At PIF</u> : Is the indicated amount and composition of co-financing as indicated in Table C adequate? 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?	ANW, August 5, 2013: The co-financing levels appear adequate in total, yet the combination of so many different types of co-financing makes it impossible to tell how the co-financing will be applied. Specifically, please identify which co-financing in cash will be available to support components 3.2 and 4.5. In-kind co-financing for these sub-components will not be acceptable. Therefore, the lack of cash co-financing makes it unlikely that the SFM and venture capital fund can both be supported adequately. Furthermore, the co-financing cannot be matched from Table B back to the CCM-2 co-financing in Table A. Please clarify. ANW, August 30, 2013: The in-kind co-financing was incorrectly defined in the original PIF. The revised PIF now has \$30 million of cash co-financing and \$8	

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		million of in-kind co-financing. Comment cleared.	
	18. Is the funding level for project management cost appropriate?	ANW,August 5, 2013: The project management cost is 5.13% of the GEF sub-total funding which is above the 5% threshold for projects greater than \$ 2million GEF funding. Please revise accordingly. ANW,August 30, 2013:The project management cost has been revised to 4.86% of the sub-total grant which is below the 5% threshold for projects greater than \$2 million GEF funding. Comment cleared.	
	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?	ANW,August 5, 2013: Yes, a PPG of \$100,000 is requested.	
	20. If there is a non-grant instrument in the project, is there a reasonable calendar of reflows included?	ANW,August 5, 2013: This is a grant.	
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:		

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	<ul style="list-style-type: none"> • STAP? • Convention Secretariat? • The Council? • Other GEF Agencies? 		
Secretariat Recommendation			
Recommendation at PIF Stage	24. Is PIF clearance/approval being recommended?	<p>ANW, August 5, 2013: Not at this time. Most of key proposed activities are not defined and left for PPG phase (e.g. what financial mechanisms are needed, what RETs will be targeted, what awareness raising means will be used). More details are needed to justify the viability of the proposed project. Please address these comments and the above comments. Please contact the GEF secretariat as soon as possible to discuss these elements.</p> <p>ANW, August 30, 2013: The PIF has been technically cleared and may be included in an upcoming Work Program.</p>	
	25. Items to consider at CEO endorsement/approval.	<p>a) A confirmation and detailed analysis of GHG emission reduction figures is expected at the CEO endorsement stage.</p> <p>b) Details on how the Clean Start Programme will interact with specific micro-finance institutions and entrepreneurs as well as its sustainability.</p> <p>c) Details of the specific amendments to legislation and the new regulations to be developed by the proposed project.</p>	
Recommendation at CEO Endorsement/ Approval	26. Is CEO endorsement/approval being recommended?		
	First review*	August 05, 2013	
Review Date (s)	Additional review (as necessary)	August 30, 2013	
	Additional review (as necessary)		

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*** 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.**