



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

GEF ID:	5446		
Country/Region:	Honduras		
Project Title:	Energy Efficiency Improvement in the Honduran Hotel Industry		
GEF Agency:	UNDP	GEF Agency Project ID:	5061 (UNDP)
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:	\$50,000	Project Grant:	\$1,228,538
Co-financing:	\$8,345,000	Total Project Cost:	\$9,623,538
PIF Approval:		Council Approval/Expected:	
CEO Endorsement/Approval		Expected Project Start Date:	
Program Manager:	Ming Yang	Agency Contact Person:	Raul Alfaro-Pelico

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 ?	MY 6/19/2013: Yes	
	2. Has the operational focal point endorsed the project?	MY 6/19/2013: Yes. However, approval of this PIF would exceed the total budget of the STAR allocation remaining in the CCM area. MY 10/7/2013: The OFP revised the endorsement letter for this project. However, approval of this PIF will exceed the total remaining budget of the STAR allocation in the	

*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.

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		<p>CCM area.</p> <p>MY 10/28/2013:</p> <p>The CCM funding issue was resolved.</p> <p>As of October 24, 2013, per the PMIS, Honduras had a remainder of \$1,400,000 in CCM, which was sufficient to cover this project.</p>	
Resource Availability	<p>3. Is the proposed Grant (including the Agency fee) within the resources available from (mark all that apply):</p>		
	<ul style="list-style-type: none"> the STAR allocation? 	<p>MY 6/19/2013</p> <p>As of June 19, 2013, Honduras had a total of remainder of \$1.6 million STAR resources including \$1.3 million in BD and \$300,000 in CCM.</p> <p>MY 10/7/2013:</p> <p>As of October 7, 2013, Honduras had a total remainder of \$1 million STAR resource, which was not sufficient to cover this project.</p> <p>MY 10/28/2013:</p> <p>As of October 24, 2013, the funding issues were resolved. See comments in Box 2.</p>	
	<ul style="list-style-type: none"> the focal area allocation? 	<p>MY 6/19/2013</p> <p>As of June 19, 2013, Honduras had \$300,000 in CCM. The country is not flexible in using STAR resources since its total STAR allocation is over \$7 million. The maximum amount that can</p>	

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		<p>be used from one focal area to others is \$200,000. As such, there was not sufficient CCM resource to finance this current project.</p> <p>MY 10/7/2013:</p> <p>As of October 7, 2013, the balance sheet in the GEF PMIS for Honduras showed the following:</p> <ol style="list-style-type: none"> 1) The remaining resource in Climate Change focal area: \$1,400,000; 2) Biodiversity focal area over-utilized its resource by \$360,000; 3) Land Degradation focal area over-utilized its resource by \$40,000. <p>The \$400,000 over-used resources (\$360,000 +\$40,000) should be covered from the unused resource of the Climate Change focal area, which would reduce the available funds in Climate Change focal area. Consequently, the remaining funds for programming for this project were \$1,000,000.</p> <p>Please reduce the total budget of the project to no more than \$1,000,000 and revise the project activities accordingly.</p> <p>MY 10/28/2013: As of October 24, 2013, the funding issues were resolved. See comments in Box 2.</p>	
	<ul style="list-style-type: none"> • the LDCF under the principle of equitable access 	<p>MY 10/28/2013: Not applicable.</p>	
	<ul style="list-style-type: none"> • the SCCF (Adaptation or Technology Transfer)? 	<p>MY 10/28/2013: Not applicable.</p>	
	<ul style="list-style-type: none"> • the Nagoya Protocol Investment Fund 	<p>MY 10/28/2013: Not applicable.</p>	

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	<ul style="list-style-type: none"> • focal area set-aside? 	<p>MY 10/28/2013: Not applicable.</p>	
Strategic Alignment	<p>4. Is the project aligned with the focal area/multifocal areas/ LDCE/SCCF/NPIF results framework and strategic objectives? <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>MY 10/28/2013: Yes. The project is aligned with CCM-2: "Promote market transformation for energy efficiency in industrial and building sectors".</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>MY 10/28/2013: Yes. The project is consistent with the Second National Communication of the country.</p>	
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>	<p>MY 10/28/2013: Not at this time. The PIF indicates that it will help develop a "Green Scheme" providing grant for energy efficiency (EE) improvement in hotels. But Table C on page 3 shows that \$3.4 million of co-financing is in soft loan. This does not seem to be consistent. Since most of the hotels targeted by the project already operate at full debt capacity, how can the hotels access and repay the soft loan co-financing? Again, the PIF would need to explain how the hotels will attract commercial lending as stated on page 6.</p>	

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		<p>Please clarify the following:</p> <ol style="list-style-type: none"> 1. How will the financial sustainability of the green scheme be ensured beyond project completion? How would the scheme be continually funded? 2. Who would manage the scheme? What experience do they have? 3. Would the scheme keep a 50% subsidy level or would the subsidy level decrease over time? 4. Would the scheme try to develop guarantees to help hotels access loans? <p>The PIF should identify the key sources of energy consumption in the hotel sector, such as air conditioning, lighting, cooking, or others. The project should include estimated reference and benchmarks on energy consumption before and after the project. Please also consider adding activities towards energy consumption auditing and evaluation for hotels in the project. These services are often used to identify key EE improvements.</p> <p>The project includes capacity building activities for hoteliers. If the project intends to have any chance of replicating and scaling up its results, it would need to ensure that the associated training can be sustained beyond the project completion. Please explain how this would be ensured.</p> <p>The ratio of GEF investment per tonne of carbon dioxide reduction is more than</p>	

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		<p>GEF\$42 per tonne of CO2. Therefore, the project does not look cost-effective for an EE project in the GEF. Activities to enable increasing the scale of impact of the project would be needed to reach a higher efficiency.</p> <p>It seems that the project is not designed on a sustainable foundation. More comments in project design that are related to suitability and scaling up are presented in Box 13.</p> <p>In the CEO Endorsement Request, please provide more details on the baseline projects, such as components, targets, and implementation status and on the complementarity and potential risks of overlapping with the proposed project.</p> <p>MY 12/5/2013:</p> <p>Not at this time. The issues were not addressed satisfactorily in the revised PIF. Please consider the following in PIF revisions.</p> <ol style="list-style-type: none"> 1. In Table C, for the \$3.4 million co-financing, please separate "Grant" from "Soft loan" using two rows; 2. Paragraph 7 Part II, Section A.1, does not address well the concerns regarding the "green scheme" in the PIF. Please specify which scheme(s) will be selected with a priority order that is preferred by the project stakeholders. A simple 	

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		<p>justification on the priority is needed.</p> <p>3. Paragraph 14 Section A.2 does not show which commercial bank(s) will manage the "green scheme" (BCIE is a development bank). Please clarify which commercial bank(s) are considered and justify why the considered commercial bank(s) can do the work (based on their experience in the type of scheme considered).</p> <p>4. In the PIF, please write clearly that the 50% subsidy level will decrease over time (It was written in the Agency responses to the GEF SEC comments, but not in the PIF).</p> <p>5. Paragraph 8 is mainly addressing Component 3 of the project. It does not provide information on the key sources of energy consumption as indicated in the Agency responses to the GEF comments. Please revise it.</p> <p>6. Paragraph 6 Part II, Section A.1 does not include activities on benchmarks development as indicated in the Agency responses to the GEF comments. Please revise the PIF to address the previous comment.</p> <p>7. Please consider a more comprehensive way to calculate all GHG emissions reduction for the project. For example, if the investment is related to replacing HCFC-22 based air-conditioning equipment in the baseline scenario with hydrocarbon</p>	

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		<p>based [not hydrofluorocarbons (HFCs), based] air-conditioning equipment in the GEF financing scenario, GHG emission reductions by phasing-out HCFC-22 can be counted in the project.</p> <p>MY 3/26/2013: Yes. All comments were addressed and issues were cleared.</p>	
	<p>7. Are the components, outcomes and outputs in the project framework (Table B) clear, sound and appropriately detailed?</p>	<p>MY 10/28/2013: Not at this time.</p> <p>It seems that project component 2 involves capital investment (INV) for the 9 pilot hotels (page 6) but component 2 is labeled as technical assistance (TA) only. If there are any funds for INV, please indicate them in Table B by separating funding and outcomes in two rows: one for TA and one for INV.</p> <p>MY 12/5/2013: Not at this time.</p> <p>Table B on page 2 has two different rows for "Investment (INV)" "Technical Assistance (TA)" but the associated outcomes, outputs (and financing) are not listed in the appropriate rows (e.g. institutional development and capacity building do not qualify as INV). In the row of INV under the column of "Expected Outputs", please indicate the targeted number of new and energy efficient equipment in units or in MW that will be installed in the 9 pilot projects.</p>	

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		<p>MY 3/26/2013: Yes. All comments were addressed and issues were cleared.</p>	
	<p>8. (a) Are global environmental/ adaptation benefits identified? (b) Is the description of the incremental/additional reasoning sound and appropriate?</p>	<p>MY 10/28/2013: Yes. However, in the CEO endorsement stage, more detailed analyses, including methodology, assumptions and detailed calculation, are expected to justify the GHG emission reduction numbers.</p>	
	<p>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?</p>		
	<p>10. Is the role of public participation, including CSOs, and indigenous peoples where relevant, identified and explicit means for their engagement explained?</p>	<p>MY 10/28/2013: Not completed at this time. Please indicate if this project is relevant to indigenous peoples. If so, please articulate how. In addition, the PIF stressed in several places that this project will greatly benefit women in hotel business in the country. However, in Section of A.2 on page 7, there is no information on how this project will do so. Please add a couple of sentences to illustrate the benefits to women. MY 12/5/2013: Issues addressed.</p>	

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	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)	MY 10/28/2013: Yes, on pages 7-8.	
	12. Is the project consistent and properly coordinated with other related initiatives in the country or in the region?	MY 10/28/2013: Yes, on page 8.	
	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 the project's intervention. 	MY 10/28/2013: Not completed at this time. Justification of innovation, sustainability and scaling-up is weak. The issues of sustainability and scaling-up are not clear, for example as presented in the following statement: "This broader sustainable development approach, not focusing only on the hotels with large capital access, will help financiers understand and scale-up financing for the implementation of energy efficiency investments. As many of these hotels are women-owned or run, additional access to capital will help them be more competitive vis-a -vis their peers." Please address innovation, sustainability, and scaling-up in three different sub-sections. When addressing sustainability, please indicate how hotel stakeholders will	

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		<p>further invest in energy efficiency after the project implementation is over. Will further investments be guaranteed by government new policy and regulations in the hotel sector, or incentivized by profit from energy efficiency investments?</p> <p>When addressing scaling-up, please justify how the "Green Incentives" will continue its operations without any further GEF grant, and how other small and medium hotels will invest in energy efficiency without such grants.</p> <p>MY 12/5/2013: Not at this time.</p> <p>Sustainability: The agency did not address the issues raised in the previous comments of the GEFSEC.</p> <p>Please indicate how hotel stakeholders will further invest in energy efficiency after the project implementation is over. Will further investments be guaranteed by government new policy and regulations in the hotel sector, or incentivized by profits from energy efficiency investments?</p> <p>Scaling-up: Paragraph 13 in the new PIF looks good now. But the rest of the PIF should also be revised accordingly to avoid inconsistency. For example, Para. 13 states: "In this regard, GEF resources</p>	

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		<p>may be used as guarantee funds to reduce risk and hence reduce interest of loans for hotel owners when they borrow capital from local banks. Alternatively, the "Green Scheme" may be designed to pay part of interest for loans which local banks lend to the hotel owners, so that funding will not only benefit the selected 6 hotels but also all small and medium hotels in Honduras (the hotel industry in Honduras is made up by 949 hotels)". The rest of the PIF does not support the "guarantee funds" or "Green Scheme".</p> <p>MY 3/26/2013: Yes. All comments were addressed and issues were cleared.</p>	
	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?	MY 10/28/2013: 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	MY 10/28/2013: Yes.	

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	with its role? <u>At CEO endorsement</u> : Has co-financing been confirmed?		
	18. Is the funding level for project management cost appropriate?	MY 10/28/2013: Yes.	
	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?	MY 10/28/2013: Yes.	
	20. If there is a non-grant instrument in the project, is there a reasonable calendar of reflows included?	MY 10/28/2013: There is not any non-grant instrument in the project.	
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:		
	<ul style="list-style-type: none"> • STAP? 		
	<ul style="list-style-type: none"> • Convention Secretariat? 		
	<ul style="list-style-type: none"> • The Council? • Other GEF Agencies? 		
Secretariat Recommendation			
Recommendation at	24. Is PIF clearance/approval being recommended?	MY 6/19/2013	

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PIF Stage		<p>No, due to non-availability of CCM resources to finance this project. Please see comments in Box 3.</p> <p>MY 10/7/2013</p> <p>No, due to insufficient CCM resources to finance this project. Please see comments in Box 3.</p> <p>MY 6/19/2013</p> <p>No, due to non-availability of CCM resources to finance this project. Please see comments in Box 3.</p> <p>MY 10/7/2013</p> <p>No, due to insufficient CCM resources to finance this project. Please see comments in Box 3.</p> <p>MY 10/28/2013:</p> <p>No, please see comments in Boxes 6, 7, 10, and 13.</p> <p>Please consider the following suggestion of re-design the project "Green Scheme", while revising the PIF:</p> <p>The use of GEF funding as one-time grants to the pilot hotels is recommended. Rather, please consider using the GEF</p>	

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		<p>resources as guarantee funds to reduce risk and hence reduce interest of loans for hotel owners when they borrow capital from local banks. Alternatively, the "Green Scheme" can be designed to pay part of interest for loans which local banks lend to the hotel owners. In this way, this funding will not only benefit the selected 6 hotels but also all small and medium hotels in Honduras.</p> <p>Please also use the following sentence to replace "CCM-2" in Table A on page 1: "CCM-2: Promote market transformation for energy efficiency in industrial and building sectors".</p> <p>In the second paragraph of "Section A. Project Overview" on page 4, some data dates from 2007. Please update the data to year 2012 or 2011, or 2010. In the same paragraph, please double-check the figures. It seems that the figure "US\$1.6 million" should be "US\$1.6 billion per year" or "US\$1.6 million per day".</p> <p>Please check and edit the whole document. Some typos, such as "increasecompetitivenessin" on page 5, are found in the document.</p> <p>MY 12/5/2013: Not at this time.</p> <p>Please address comments in Boxes 6, 7, and 13.</p>	

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		<p>Please note that addressing these comments is likely to require important revisions for the whole PIF. Please contact the GEF secretariat prior to re-submission.</p> <p>MY 3/26/2013: Yes. All comments were addressed and issues were cleared.</p>	
	25. Items to consider at CEO endorsement/approval.	<p>MY 10/28/2013:</p> <p>Please provide more details on the baseline projects, such as components, targets, and implementation status and on the complementarity and potential risks of overlapping with the proposed project.</p> <p>At the CEO endorsement stage, more detailed analyses including methodology, assumptions and detailed calculation, are expected to justify the estimation of GHG emission reductions.</p> <p>Please also undertake analysis of GHG emission reduction benefits due to replacing HCFC-22 with low global warming potential gases.</p>	
Recommendation at CEO Endorsement/ Approval	26. Is CEO endorsement/approval being recommended?		
	First review*	June 19, 2013	
Review Date (s)	Additional review (as necessary)	October 07, 2013	
	Additional review (as necessary)	October 28, 2013	
	Additional review	March 27,2014	

* **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.**