



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

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|--|---|------------------------------|-------------------|
| GEF ID: | 4788 | | |
| Country/Region: | India | | |
| Project Title: | Promoting Business Models for Increasing Penetration and Scaling up of Solar Energy | | |
| GEF Agency: | UNIDO | GEF Agency Project ID: | |
| Type of Trust Fund: | GEF Trust Fund | GEF Focal Area (s): | Climate Change |
| GEF-5 Focal Area/ LDCF/SCCF Objective (s): | CCM-1; Project Mana; | | |
| Anticipated Financing PPG: | \$0 | Project Grant: | \$4,365,174 |
| Co-financing: | \$21,825,870 | Total Project Cost: | \$26,191,044 |
| PIF Approval: | | Council Approval/Expected: | February 01, 2012 |
| CEO Endorsement/Approval | | Expected Project Start Date: | |
| Program Manager: | David Elrie Rodgers | Agency Contact Person: | Mr. Mark DRAECK |

| 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/DZ, December 21, 2011. Yes. | |
| | 2. Has the operational focal point endorsed the project? | DER/DZ, December 21, 2011. Yes. Mr. Hem Pande, OFP, endorsed the project on June 20, 2011, for a funding level of \$5 M. | |
| Agency's Comparative Advantage | 3. Is the Agency's comparative advantage for this project clearly described and supported? | DER/DZ, December 21, 2011. Yes. | |
| | 4. If there is a non-grant instrument in the project, is the GEF Agency capable of managing it? | DER/DZ, December 21, 2011. The project does not yet include a non-grant instrument. With ADB as a partner, the agencies are capable of managing non-grant instruments. Please revise the PIF to include a non-grant instrument for 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.

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

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| | | GEF investment portion. DER, January 5, 2012. PIF has been modified to include a non-grant instrument which will be explored during the project design phase. Comment cleared. | |
| | 5. Does the project fit into the Agency's program and staff capacity in the country? | DER/DZ, December 21, 2011. Yes. | |
| Resource Availability | 6. Is the proposed Grant (including the Agency fee) within the resources available from (mark all that apply): | | |
| | • the STAR allocation? | DER/DZ, December 21, 2011. Yes. | |
| | • the focal area allocation? | DER/DZ, December 21, 2011. Yes. | |
| | • the LDCF under the principle of equitable access | DER/DZ, December 21, 2011. NA | |
| | • the SCCF (Adaptation or Technology Transfer)? | DER/DZ, December 21, 2011. NA | |
| | • Nagoya Protocol Investment Fund | DER/DZ, December 21, 2011. NA | |
| | • focal area set-aside? | DER/DZ, December 21, 2011. NA | |
| Project Consistency | 7. Is the project aligned with the focal /multifocal areas/ LDCF/SCCF/NPIF results framework? | DER/DZ, December 21, 2011. Not yet. a) Table A references CCM-1 and CCM-3, however the outcomes and outputs appear to be mis-matched. Please revise and ensure that the grant amount and co-financing are properly aligned with each focal area objective. Please contrast this Table A to the related project 4790 PIF (Egypt), which has Table A properly filled out. b) For CCM-1, we would expect to see more justification for the innovative, low-carbon technologies. If the solar technologies being proposed are | |

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| | | <p>commercially available and already in use in India, then CCM-1 is not appropriate.</p> <p>c) Table D is not filled out. ADB seems to be a co-financing partner, but this project is presented as a single-agency project, so the inclusion of ADB in the GEF Agencies' list is misleading.</p> <p>DER, January 5, 2012.</p> <p>a) Table A has been updated. Comment cleared.</p> <p>b) CCM-1 has been removed. CCM-3 is the only focal area in the project remaining. Comment cleared.</p> <p>c) At the time of the PIF, ADB is not being listed as a co-implementing agency. During project design phase, stronger linkages will be explored. Comment cleared.</p> | |
| | 8. Are the relevant GEF 5 focal/multifocal areas/LDCF/SCCF/NPIF objectives identified? | DER/DZ, December 21, 2011. Yes. | |
| | 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? | DER/DZ, December 21, 2011. Yes. | |
| | 10. Does the proposal clearly articulate how the capacities developed, if any, will contribute to the sustainability of project outcomes? | <p>DER/DZ, December 21, 2011. Not sufficiently. Please clarify how the project will lead to replicable and sustainable financing options for solar energy in industry after the project is complete.</p> <p>DER, January 5, 2012. The revised PIF</p> | |

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| | | emphasizes the investment components, use of non-grant instruments, and access to finance for promotion of replicability. Comment cleared. | |
| 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? | <p>DER/DZ, December 21, 2011. There is only one reference to policy gaps stating that subsidy schemes are accessible and sustainable but can be made more encouraging for industries. Please provide additional descriptions of the existing policies for promotion of solar and the gaps for application of solar in industry.</p> <p>DER, January 5, 2012. The revised PIF describes four related but different solar policy frameworks. The proposed project has been designed to address a gap in the area of medium and high temperature applications (for both heat and cooling) in industry. Comment cleared. At CEO endorsement, please provide extensive documentation on coordination of the project with policy frameworks to support solar and other related activities.</p> | |
| | 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? | | |
| | 13. Are the activities that will be financed using GEF/LDCF/SCCF funding based on incremental/additional reasoning? | DER/DZ, December 21, 2011. The investment components are not well defined. Since there is a strong partner in ADB, please revise the PIF to include consideration of non-grant instruments, | |

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| | | <p>such as revolving loan programs or risk guarantee programs, or other types of instruments, that will increase availability of financing for solar energy investments. Also, the cofinancing ratio for each component is the same (4:1); is this a result of incremental reasoning?</p> <p>DER, January 5, 2012. The use of non-grant instruments will be explored during the project design phase. Co-financing for each component has been adjusted, and co-financing overall ratio is raised to 5:1. Comment cleared.</p> | |
| | <p>14. Is the project framework sound and sufficiently clear?</p> | <p>DER/DZ, December 21, 2011. Not yet.</p> <p>a) Component 1, Strengthening of Policy and Institutional framework shows no evidence of commitment from the Government of India to adopt the policy guidelines. Strong indication of support through adoption is expected. Please clarify.</p> <p>b) Component 2, Technology investment and application, is shown as an Investment component. Please clarify if any of the funding, either GEF grant or co-financing is for TA. If TA is included, please delineate the TA and Investment portions of this component on two separate rows.</p> <p>c) Component 2. Please clarify how much investment per project is expected. Will the investment portion provide loans for pilot projects?</p> <p>d) Component 3. Please explain how the business model development will be related to the pilot projects in</p> | |

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| | | <p>component 2. Will suppliers of solar technology be eligible for loans? Please consider providing a non-grant instrument that makes it easier for suppliers to scale up business models.</p> <p>e) Component 4. Please clarify the relative size of component 3 to component 4. Both seem very expensive compared to the outcomes, and component 4 especially so. Please clarify.</p> <p>f) The relationship between component 2 (pilot projects) and component 3 (scale-up) is somewhat confusing. Will the investment component be used for the pilot projects? Or will a financing facility be established to provide sustainable funding for scale up? Is an integrated approach, combining the two investment components, ruled out, and if so, why? Please clarify.</p> <p>g) Should component 3 have an investment element to ensure sustainable financing for scale-up? The related project 4790 (Egypt) has an investment element as component 3. Please clarify.</p> <p>DER, January 5, 2012.</p> <p>a) Specific policy frameworks are mentioned. Letters of co-financing will be obtained. Government support appears to be strong. Comment cleared.</p> <p>b) The TA and INV elements have been delineated. Comment cleared.</p> <p>c) The investment funding and co-financing will be sufficient for up to 25</p> | |

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| | | <p>investment projects, with the amount per investment varying based on technology and application. A variety of financial instruments will be used, including non-grant instruments, that will be developed during the project design phase. Comment cleared.</p> <p>d) The revised PIF describes several options for the business models. Under some conditions, to be determined during the project design phase, technology suppliers may be eligible for financing. Please provide details at CEO endorsement. Comment cleared.</p> <p>e),f), and g). Component 4 has been reduced. The financing facility is being integrated to provide support both for "customers" and for "suppliers." This approach helps provide financial support for both the pilots and the scale-up. Comments cleared.</p> | |
| | <p>15. Are the applied methodology and assumptions for the description of the incremental/additional benefits sound and appropriate?</p> | <p>DER/DZ, December 21, 2011. The estimate of the global environmental benefits is missing in Section B.2. Please supply.</p> <p>DER, January 5, 2012. The investments as part of technology demonstration will yield an estimated reduction of 98,000 tCO₂eq (direct GEBs) over a 20 year lifecycle duration of the technologies. Indirect emissions will increase this by a factor of 3-5. Please provide detailed benefits analysis at CEO endorsement. Comment cleared.</p> | |

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| | 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? | DER/DZ, December 21, 2011. Incomplete. Please provide a short description of the gender dimensions for industry sectors. DER, January 5, 2012. Provided. Comment cleared. | |
| | 17. Is public participation, including CSOs and indigeneous people, taken into consideration, their role identified and addressed properly? | DER/DZ, December 21, 2011. Yes. At CEO endorsement, we expect to see specific CSOs and industry associations identified as partners. DER, January 5, 2012. Comment cleared. | |
| | 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) | DER/DZ, December 21, 2011. The list of risks is quite long, however, there is no mention of the risk that sustainable funding mechanisms are not established. Please clarify. DER, January 5, 2012. The revised PIF has more extensive description of the proposed financial mechanisms to be included, justifying the risk as low. These will be explored during the project design phase. Comment cleared. | |
| | 19. Is the project consistent and properly coordinated with other related initiatives in the country or in the region? | DER/DZ, December 21, 2011. Please present a table showing the types of solar technologies and industry sectors being supported by the GEF-4 UNIDO Project on MSMEs, and the GEF-4 UNDP project on Promotion of Solar Concentrators based process heat applications. The table should clearly illustrate what is unique about the proposed project. | |

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| | | DER, January 5, 2012. A detailed table was provided illustrating the unique applications for medium and high temperature heat from this project. Comment cleared. | |
| | 20. Is the project implementation/ execution arrangement adequate? | DER/DZ, December 21, 2011. Not specified. Please supply. DER, January 5, 2012. Comment cleared. | |
| | 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? | | |
| Project Financing | 23. Is funding level for project management cost appropriate? | DER/DZ, December 21, 2011. Yes, the project management cost is 5% of the requested GEF funding amount. | |
| | 24. Is the funding and co-financing per objective appropriate and adequate to achieve the expected outcomes and outputs? | DER/DZ, December 21, 2011. No. a) While co-financing for component 2 appears to be adequate, please clarify how much funding for each of the 10 pilots will be expected. b) Co-financing for scale-up is too low. This component should have investment elements. DER, January 5, 2012. a) The revised PIF explains that the amounts for the pilots will vary by the type of technology chosen. The extra data increases confidence in the amount of co-financing. comment cleared. | |

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| | | <p>b) The financing facilities for both the pilots and the business models/scale up will be integrated to create further opportunities to steer financing to where it can be most effective. Comment cleared.</p> | |
| | <p>25. At PIF: comment on the indicated cofinancing; At CEO endorsement: indicate if confirmed co-financing is provided.</p> | <p>DER/DZ, December 21, 2011. No.</p> <p>a) Please clarify the role of ADB co-financing and the role for private sector co-financing. How is the co-financing divided between the pilots and the scale-up?</p> <p>b) The amount of co-financing is quite low for this type of project, especially with the strong partners. Please increase the level of co-financing.</p> <p>c) The PIF could be enhanced with additional private sector and local financing through the use of catalytic non-grant instruments. Please clarify.</p> <p>DER, January 5, 2012.</p> <p>a) ADB is not a co-implementing agency, though discussions will be held during the project design phase to inquire if they wish to be so. The project counts as co-financing the contribution from IREDA that will be through a credit-line available from ADB. Some of the funding could go for pilots or scale-up, or both, depending on the design of the integrated financing facility. Comment cleared.</p> <p>b) Co-financing has been increased to 5:1. Please explore additional co-financing during the project design phase. Comment cleared.</p> | |

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| | | c) The revised PIF reports that non-grant instrument(s) such as a revolving fund or a loan guarantee will be designed and implemented as part of this project. Comment cleared. | |
| | 26. Is the co-financing amount that the Agency is bringing to the project in line with its role? | DER/DZ, December 21, 2011. Yes. | |
| 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? | DER/DZ, December 21, 2011. NA | |
| | • Convention Secretariat? | DER/DZ, December 21, 2011. NA | |
| | • Other GEF Agencies? | DER/DZ, December 21, 2011. NA | |
| Secretariat Recommendation | | | |
| Recommendation at PIF Stage | 30. Is PIF clearance/approval being recommended? | DER/DZ, December 21, 2011. Not at this time. Please respond to comments in boxes: 4, 7, 10, 11, 13, 14, 15, 16, 17, 18, 19, 20, 24, and 25. Also please pay attention to box 31 for items requested at CEO endorsement. Please coordinate PIF re-submission and responses with the related project 4790 (Egypt). DER, January 5, 2012. Yes. All comments have been answered. | |
| | 31. Items to consider at CEO endorsement/approval. | DER/DZ, January 5, 2012 a) Confirmed letters of co-financing | |

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| | | <p>from private sector partners are expected.</p> <p>b) The use of non-grant instruments that could help enhance and attract more local private sector financing will be explored during the project design phase.</p> <p>c) At CEO endorsement stage, more description is expected on the baseline project, specifically existing policies for promotion of solar and the gaps for application of solar in industry. More information on the ADB program is also needed.</p> <p>d) Specific CSOs and industry associations need to be identified as partners.</p> <p>e) At CEO endorsement, please provide extensive documentation on coordination of the project with policy frameworks to support solar and other related activities.</p> <p>f) Please provide clear descriptions of the how the investment elements and various financial options will be made available to the "customers" and the "suppliers" of the solar technologies.</p> <p>g) Please provide detailed analysis of the direct and indirect global environmental benefits.</p> | |
| 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? | | |
| | 33. Is CEO endorsement/approval being recommended? | | |
| Review Date (s) | First review* | December 21, 2011 | |

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| | Additional review (as necessary) | January 05, 2012 | |
| | Additional review (as necessary) | | |
| | Additional review (as necessary) | | |
| | 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? | <p>DER/DZ, December 21, 2011. Yes, the proposed activities are in line with the PIF. Please provide the following clarifications.</p> <p>a) Investigation during the PPG is recommended on the full-range of investment options for the sustainable financing facility, including non-grant instruments. Please show that as one of the activities.</p> <p>b) The meaning of the line "Support to International Expert" under Output in the first component is not clear.</p> <p>DER, January 5, 2012.</p> <p>a) The revised PPG includes the analysis and development of non-grant instruments for the integrated financing facility. Comment cleared.</p> <p>b) A very small level of administrative support is included. Comment cleared.</p> |
| | 2. Is itemized budget justified? | DER/DZ, December 21, 2011. Yes. |
| Secretariat Recommendation | 3. Is PPG approval being recommended? | <p>DER/DZ, December 21, 2011. Not at this time.</p> <p>a) Please address comments in Box 1</p> <p>b) The PPG form is not signed.</p> <p>c) The proposed time scale for the PPG, from March 2012 to August 2013, is 18 months. The CEO endorsement must be submitted and approved within 18 months under GEF-5, and therefore the project design phase must be shorter to accommodate sufficient time for submission, review, and endorsement. Please rectify.</p> <p>d) Please coordinate project preparation with the related project 4790 (Egypt).</p> <p>DER, January 5, 2012.</p> |

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| | | a) Comments cleared. b) New form with signature is being supplied. c) The time-scale has been designed to ensure that PPG is completed in sufficient time to allow CEO endorsement within the allowed time consistent with GEF requirements. Comment cleared. |
| | 4. Other comments | |
| Review Date (s) | First review* | December 21, 2011 |
| | Additional review (as necessary) | January 05, 2012 |

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