



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

GEF ID:	5742		
Country/Region:	Lesotho		
Project Title:	Development of Cornerstone Public Policies and Institutional Capacities to Accelerate Sustainable Energy for All (SE4A) Progress		
GEF Agency:	UNDP	GEF Agency Project ID:	5367 (UNDP)
Type of Trust Fund:	GEF Trust Fund	GEF Focal Area (s):	Climate Change
GEF-5 Focal Area/ LDCF/SCCF Objective (s):	CCM-3;		
Anticipated Financing PPG:	\$0	Project Grant:	\$3,500,000
Co-financing:	\$19,267,837	Total Project Cost:	\$22,767,837
PIF Approval:	April 01, 2014	Council Approval/Expected:	May 27, 2014
CEO Endorsement/Approval		Expected Project Start Date:	
Program Manager:	David Elrie Rodgers	Agency Contact Person:	Faris Khader

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, Mar 14, 2014. Yes.	DER, February 12, 2016. Yes.
	2. Has the operational focal point endorsed the project?	DER, Mar 18, 2014. Yes. A letter dated February 18, 2014 in the amount of \$3,942,000, inclusive of project preparation and fees is attached.	DER, February 12, 2016. 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, Mar 14, 2014. Yes.	DER, February 12, 2016. Yes.
	• the focal area allocation?	DER, Mar 18, 2014. Yes. The remaining CCM allocation is \$3,965,051 after accounting for other pending projects,	DER, February 12, 2016. Yes.

*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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		leaving sufficient funds to cover this project.	
	<ul style="list-style-type: none"> • the LDCF under the principle of equitable access 	NA	NA
	<ul style="list-style-type: none"> • the SCCF (Adaptation or Technology Transfer)? 	NA	NA
	<ul style="list-style-type: none"> • the Nagoya Protocol Investment Fund 	NA	NA
	<ul style="list-style-type: none"> • focal area set-aside? 	NA	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>	DER, Mar 18, 2014. Yes. The project is aligned with CCM3, Promote Investment in Renewable Energy Technologies.	DER, February 12, 2016. Yes. The project is aligned with CCM3, Promote Investment in Renewable Energy Technologies.
	<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, Mar 14, 2014. Yes.	DER, February 12, 2016. Yes. The project is aligned with the national communications and national energy policies.
	<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>DER, Mar 18, 2014:</p> <p>The baseline project description is quite strong; indeed, it appears that most of the project activities are going to happen without the GEF project. However, we cannot tell the specific objectives of the baseline programs relative to the GEF project. That is, we cannot tell the contribution of the baseline projects to</p>	<p>DER, February 12, 2016. The baseline problem of lack of energy access is described. However, the proposed solution, mini-grids, is not sufficiently described as how it will help meet the problems and barriers to energy access.</p> <p>DER, April 18, 2016. The response describes how mini-grids will be used to help expand energy access to entire</p>

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Project Design		<p>the problems the baseline projects seek to address. Please clarify.</p> <p>DER, Mar 28, 2014. The PIF was revised to clarify and distinguish between the baseline project and the incremental GEF funding. Comment cleared.</p>	<p>villages. Comment cleared.</p>
	<p>7. Are the components, outcomes and outputs in the project framework (Table B) clear, sound and appropriately detailed?</p>	<p>DER, Mar 18, 2014: Please address the following comments:</p> <p>a) The alternative scenario does not clearly describe what will happen in the baseline versus what will happen with the GEF component. The baseline is very strong. Please clarify the alternative scenario.</p> <p>b) The project activities seem better suited to a medium sized project in scope. The amount of GEF funding allocated for each component appears to be very large compared to the expected outputs.</p> <p>c) Component 1. The amount of funding for the database collection and modeling is not justified. Please clarify.</p> <p>d) Component 1.4 clearinghouse for mini-grids might better be organized with the component that is promoting mini-grids. A clearinghouse is not justified – please clarify why this will lead to sustainable replication.</p> <p>e) Component 2. This appears to combine TA and INV. Please separate</p> <p>f) Component 2. The amount requested for the TA is not justified. The activities are extensive, but should not be so expensive.</p> <p>g) Component 2.4. This sub-component</p>	<p>DER, February 12, 2016. Some of the project components have been re-arranged and prioritized during the project design phase. Changes were clearly described. Please address the following comments:</p> <p>1) The new component on outreach requests funding that is over 5% of the total GEF amount. Therefore, the agency will need to document this as a major amendment and the project will be submitted to Council prior to CEO endorsement. Please prepare the major amendment letter.</p> <p>2) component 3 proposes to help conduct per-feasibility studies for 20 mini-grids leading to investment in 10 mini-grid projects. This is more than a 5x reduction in results, even though the reported co-financing has increased significantly. Please justify why the lower target is valid and include that justification in the major amendment letter.</p> <p>3) The estimated GHG benefits have been reduced significantly from the PIF stage. Please justify and include that justification in the major amendment letter.</p> <p>4) Given the significantly reduced</p>

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		<p>might better be organized as a separate component, along with component 1.4. Please clarify how much GEF funding is for this component. Please clarify if the 60 villages will be operational during the project period, or after the project period due to the leverage funding from Table C. If the 60 villages will be after the project period, then a different performance indicator must be supplied. We cannot credit the project with 60 villages if the funding is leveraged. Consider a different project design where the funding can be confirmed co-financing.</p> <p>h) The project design is not focused. It appears to be a "kitchen-sink" approach to sustainable energy policy, doing a little bit of everything. The project design would be better served to focus on specific activities in an alternative scenario and justify how the activities are contributing to benefits. For example, the entire project could be focused on the mini-grids, spending at least \$3m on project pipeline development, feasibility studies, low-interest loans, supply chain development, and private sector engagement. Or the project could focus on achieving clear regulatory reform for the mini-grid sector, and provide financial incentives for private sector to build the mini-grids.</p> <p>DER, Mar 28, 2014 a) Comment cleared b-h) The PIF has been completely redesigned to respond to the comments.</p>	<p>results of the revised proposal and significantly reduced GHG benefits, please justify if the agency considered taking an alternative approach to achieve renewable energy scaling that would be more cost-effective than mini-grids.</p> <p>DER, April 18, 2016. 1) As described in the response, the renaming of component 4 does not change the amount of funding. Comment cleared. 2) As described in the response, the overall ambition of the project has not lowered. However, stakeholder consultations indicate that a significant majority of the mini-grids will only come post-project and are dependent on additional financing which will be supported by the financial facility established by this project. Comment cleared. 3) The lower GHG benefits match the post-project estimate for 50 mini-grids. Comment cleared. 4) The comparison with grid extension is not warranted. We strongly urge the project team to examine during the project implementation period the costs of mini-grids compared to home based solar powered systems and appliances. These may be more cost-effective for giving more people energy access in a short period of time. We urge on an annual basis to evaluate if the goal for mini-grids should be maintained or supplanted by more cost-effective means to achieve energy access. Please ensure</p>

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		<p>Comments cleared. Please address the following at CEO endorsement</p> <p>a) Component 1. Please further explicate the types of TA and INV for this component. There may be types of INV that GEF funding cannot support.</p> <p>b) Component 2. Please coordinate with other SE4All countries undertaking similar efforts</p> <p>c) Component 3. The emphasis on business model and supply chain is valuable. At CEO endorsement we look forward to more detail on the types of financial mechanisms. Consider coordinating with solar energy access schemes being developed under the BNEF FIRE initiative.</p> <p>d) Please indicate TA and INV on separate rows in Table B with appropriate co-financing indicated.</p> <p>e) As the providers will be selected competitively, it will be possible to estimate the amount of co-financing that will be provided by each successful bidder. If the amount is a requirement for the RFP and competitive process, these estimated amounts can be counted as confirmed co-financing at CEO endorsement stage.</p>	<p>the proposed energy centres can support this cost-effective approach.</p> <p>DER, May 4, 2016. The agency response is helpful and offers to conduct annual evaluations of the cost-effectiveness of the approach. Comment 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>DER, Mar 18, 2014: No.</p> <p>a) The writeup on pages 22 and 23 provides a lot of information, but it is not clear on which emission reductions are due to the GEF alternative scenario. For example, what does the number of \$285,400 in bold mean for the GEF</p>	<p>DER, February 12, 2016. The description of the GHG benefits is included on page 8 of the CEO endorsement request and aligned with the tracking tool. However, the cost-effectiveness calculations on page 11 appears to be calculated including indirect benefits. Please re-calculate</p>

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		<p>project? Please clarify.</p> <p>b) The project activities are not linked with the emissions benefits. Please clarify which project activities contribute to the benefits. From the activity description, a logical interpretation is that the project would have no direct emissions benefits, only indirect. Please clarify.</p> <p>c) The claim for 60 villages cannot be made using the leveraged funding as currently described. Either 60 villages are paid for with co-financing, or the project has to justify a lower target that can be paid for with co-financing.</p> <p>DER, Mar 28, 2014.</p> <p>a) Corrected.</p> <p>b) The response has justified the benefits through incremental reasoning. Comment cleared.</p> <p>c) The revised direct emissions benefit is approximately 90,000 tons CO₂e annually.</p> <p>At CEO endorsement, please revise and update the emissions benefits based on the lifetime of the investments and add estimated indirect benefits.</p>	<p>based on direct benefits and justify the very high cost for such few emissions benefits.</p> <p>DER, April 18, 2016. Comment cleared.</p>
	<p>9. Is there a clear description of:</p> <p>a) the socio-economic benefits, including gender dimensions, to be delivered by the project, and</p> <p>b) how will the delivery of such benefits support the achievement of incremental/ additional benefits?</p>		<p>DER, February 12, 2016. Yes.</p>
	<p>10. Is the role of public participation, including CSOs, and indigenous peoples where relevant, identified</p>	<p>DER, Mar 18, 2014: Please provide more clarity on the role for CSOs.</p>	<p>DER, February 12, 2016. Yes.</p>

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	and explicit means for their engagement explained?	DER, Mar 28, 2014. CSOs will be actively consulted and are also eligible for the competitive selection. 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 resilience)	DER, Mar 14, 2014. Yes.	DER, February 12, 2016. Some risks are described, however, it is clear that mini-grids may be a "bridge to far" for this project. Please comment on whether the risks outweigh the benefits and the project should be redesigned. DER, April 18, 2016. The project design team should carefully examine mini-grid risk and chance for success during the project. See comment in box 8. Comment cleared.
	12. Is the project consistent and properly coordinated with other related initiatives in the country or in the region?	DER, Mar 18, 2014: a) The participation in the SE4All initiative is laudable. However, the project description does not indicate alignment with SE4All goals. For example, please clarify how the project will help Lesotho meet the goals to double renewable energy by 2020? DER, Mar 28, 2014. Aligned. Comment cleared.	DER, February 12, 2016. We would like to see more references to successful energy access activities in other parts of Africa that can be used as models. DER, April 18, 2016. 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 	DER, Mar 18, 2014: The project does not seem innovative, but instead, a collection of unaligned technical assistance without focus. Please rationalize and clarify which of the activities have the potential for sustainability and replication. DER, Mar 28, 2014.	DER, February 12, 2016. As currently written, the project has changed from the innovative approach identified in the PIF. The PPG phase may have produced data that shows the project needs to be re-focused away from expensive mini-grids. DER, April 18, 2016. Mini-grids are still the focus, but more realistic goals have

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	<p>based on GEF and Agency experience.</p> <ul style="list-style-type: none"> Assess the potential for scaling up the project's intervention. 	<p>The revised PIF states: Sustainability and scale-up are central to the design and rationale for this project. The huge potential for national scale-up of the rural energization schemes has already been mentioned. An enabling environment of coherent policy, accurate data, supportive legislation, investment frameworks and effective governance setting the 'rules of the game' is critical to achieving the objectives of the national energy targets and SE4ALL Action Agendas. Conditions for post-project sustainability will be closely considered as part of the design of all project outputs. The financing schemes supported under Component #3 will continue to operate post-project ensuring further replication and scale-up. Comment cleared.</p>	<p>been established. Comment cleared.</p>
	<p>14. Is the project structure/design sufficiently close to what was presented at PIF, with clear justifications for changes?</p>		<p>DER, February 12, 2016. No. The changes to the project constitute a major amendment; many of the changes in response to stakeholder input indicate that consideration of a whole-sale redesign may be warranted. If mini-grids are so expensive and difficult, it may be wiser to pursue a broader energy access agenda focused on lower-costs solar PV powered products, such as lights, chargers, and appliances. Alternatively, the project could be redesigned to focus only on cook-stoves. Both approaches would require a significant re-design but may prove more effective. Please compare other UNDP projects that worked on energy access to identify lessons learned that can be applied in</p>

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			<p>this project.</p> <p>DER, April 18, 2016. As noted in the comment, the pace of mini-grid development indicated in the PIF was over-ambitious. The addition of energy centres will help. Comment cleared.</p>
	<p>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?</p>		<p>DER, February 12, 2016. No. Please comments in boxes 7 and 8. The revised project has a very low cost-effectiveness that may dictate a refocusing of efforts on other renewable energy technologies.</p> <p>DER, April 18, 2016. Comment cleared.</p>
<p>Project Financing</p>	<p>16. Is the GEF funding and co-financing as indicated in Table B appropriate and adequate to achieve the expected outcomes and outputs?</p>	<p>DER, Mar 18, 2014. No. The GEF funding seems very high compared to the proposed outcomes. Please justify.</p> <p>DER, Mar 28, 2014. The revised PIF justifies the incremental funding. Comment cleared.</p>	<p>DER, February 12, 2016. The co-financing appears to be very high, yet the results appear to be very small. Please explain how more than \$30 million in co-financing can result in only 10 mini-grid installations.</p> <p>DER, April 18, 2016. The co-financing figure is not fully justified.</p> <p>a) The proposed co-financing of \$30 million from the EU is supported by a letter dated 4 May 2015. This is almost one year ago. Please confirm that status of the proposed EU funding for the 11th EDF and also confirm how much of the proposed \$30 million will be available for Lesotho.</p> <p>b) As noted in the re-designed project, the EU funding may be used for the post-project financing under the facility. As such, it should not count as co-financing for the project. Please adjust the EU co-financing amount to an estimated amount that will contribute</p>

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			<p>during the project period, and only for the amount available in Lesotho.</p> <p>DER, May 4, 2016. The co-financing has been confirmed at a reduced level with recent correspondence with the EU. Comment cleared.</p>
	<p>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?</p>	<p>DER, Mar 18, 2014. As mentioned earlier, we do not understand the leveraged co-financing as it relates to the 60 village target. This has to be clarified.</p> <p>DER, Mar 28, 2014. The reference to leveraged funding is dropped and the co-financing is justified. Comment cleared.</p>	<p>DER, February 12, 2016. See box 16.</p> <p>DEr, April 18, 2016. See box 16.</p> <p>DER, May 4, 2016. The co-financing has been confirmed at a reduced level with recent correspondence with the EU. Comment cleared.</p>
	<p>18. Is the funding level for project management cost appropriate?</p>	<p>DER, Mar 18, 2014. Yes. GEF Project Management Cost (PMC) is about 5% of the GEF grant without PMC.</p>	<p>DER, February 12, 2016. Yes.</p>
	<p>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?</p>	<p>DER, Mar 18, 2014. Yes, the amount requested is in the norm.</p>	<p>DER, February 12, 2016. Yes.</p>
	<p>20. If there is a non-grant instrument in the project, is there a reasonable calendar of reflows included?</p>	<p>DER, Mar 18, 2014. There is no non-grant instrument.</p>	<p>DER, February 12, 2016. NA</p>
<p>Project Monitoring and Evaluation</p>	<p>21. Have the appropriate Tracking Tools been included with information for all relevant indicators, as applicable?</p>		<p>DER, February 12, 2016. Yes.</p>

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	22. Does the proposal include a budgeted M&E Plan that monitors and measures results with indicators and targets?		DER, February 12, 2016. Yes.
Agency Responses	23. Has the Agency adequately responded to comments from:		
	• STAP?		DER, February 12, 2016. Yes.
	• Convention Secretariat?		DER, February 12, 2016. NA
	• The Council?		DER, February 12, 2016. The agency responded directly to Germany's three comments and the US two comments directly. However, due to the major amendments, the comments will need to be revisited after circulation of a CEO endorsement package to Council. DER, April 18, 2016. The revised package indicates good responses to the GEFSEC comments and indicates no need for a major amendment.
	• Other GEF Agencies?		DER, February 12, 2016. NA
Secretariat Recommendation			
Recommendation at PIF Stage	24. Is PIF clearance/approval being recommended?	DER, Mar 18, 2014. Not at this stage. Please address the comments in boxes 6,7,8,10,12,13,16,17. DER, Mar 28, 2014. All comments cleared. This project is technically cleared and can be included in a future work program.	
	25. Items to consider at CEO endorsement/approval.	Please address the following at CEO endorsement a) Component 1. Please further explicate the types of TA and INV for this component. There may be types of INV that GEF funding cannot support. b) Component 2. Please coordinate with	

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		<p>other SE4All countries undertaking similar efforts</p> <p>c) Component 3. The emphasis on business model and supply chain is valuable. At CEO endorsement we look forward to more detail on the types of financial mechanisms. Consider coordinating with solar energy access schemes being developed under the BNEF FIRE initiative.</p> <p>d) Please indicate TA and INV on separate rows in Table B with appropriate co-financing indicated.</p> <p>e) As the providers will be selected competitively, it will be possible to estimate the amount of co-financing that will be provided by each successful bidder. If the amount is a requirement for the RFP and competitive process, these estimated amounts can be counted as confirmed co-financing at CEO endorsement stage.</p> <p>f) Please revise and update the emissions benefits based on the lifetime of the investments and add estimated indirect benefits.</p>	
<p>Recommendation at CEO Endorsement/ Approval</p>	<p>26. Is CEO endorsement/approval being recommended?</p>		<p>DER, February 12, 2016. No. Due to the major revisions to the project, it no longer appears cost-effective. We encourage a thoughtful consideration of whole-sale redesign. Please see comments in boxes: 6,7,8,11,12,13,14,15,16,17. Also, we do not see responses to GEFSEC comments in box 25 of the PIF review.</p> <p>DER, April 18, 2016. Most comments cleared, with the exception of boxes 7,</p>

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			16 and 17. DER, May 4, 2016. All comments cleared. The program manager recommends CEO endorsement.
	First review*	March 18, 2014	February 12, 2016
	Additional review (as necessary)	March 28, 2014	April 18, 2016
Review Date (s)	Additional review (as necessary)		May 04, 2016

* **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.**