



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

GEF ID:	4345		
Country/Region:	Nepal		
Project Title:	Renewable Energy for Rural Livelihood (RERL)		
GEF Agency:	UNDP	GEF Agency Project ID:	4522 (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-3; Project Mana;		
Anticipated Financing PPG:	\$0	Project Grant:	\$3,000,000
Co-financing:	\$14,586,000	Total Project Cost:	\$17,586,000
PIF Approval:	March 21, 2012	Council Approval/Expected:	June 01, 2012
CEO Endorsement/Approval		Expected Project Start Date:	
Program Manager:	Dimitrios Zevgolis	Agency Contact Person:	Thiyagarajan Velumail

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?	Yes.	
	2. Has the operational focal point endorsed the project?	<p>Yes. Bhuban Karki, on behalf of GEF OFP, US\$3,399,000 incl. Agency Fee and PPG, 26 August 2010.</p> <p>DZ, Feb 22, 2011: OFP's signature is missing in the endorsement letter. The proposal will be reviewed after its resubmission with an endorsement letter signed by the OFP.</p> <p>DZ, Sep 19, 2011: A proper endorsement letter has been received.</p>	

*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

Review Criteria	Questions	Secretariat Comment at PIF (PFD)/Work Program Inclusion ¹	Secretariat Comment At CEO Endorsement(FSP)/Approval (MSP)
Agency's Comparative Advantage	3. Is the Agency's comparative advantage for this project clearly described and supported?	Yes.	
	4. If there is a non-grant instrument in the project, is the GEF Agency capable of managing it?	n/a	
	5. Does the project fit into the Agency's program and staff capacity in the country?	Yes.	
Resource Availability	6. Is the proposed Grant (including the Agency fee) within the resources available from (mark all that apply):		
	• the STAR allocation?	Yes.	
	• the focal area allocation?	Yes.	
	• the LDCF under the principle of equitable access	n/a	
	• the SCCF (Adaptation or Technology Transfer)?	n/a	
	• Nagoya Protocol Investment Fund		
Project Consistency	7. Is the project aligned with the focal /multifocal areas/ LDCF/SCCF/NPIF results framework?	Yes.	
	8. Are the relevant GEF 5 focal/multifocal areas/LDCF/SCCF/NPIF objectives identified?	Yes. The listing of outcomes is appropriate. If no specific reasons for a specific budget on GHG emission reductions can be given, please allocate all the related budget to outcome 3.1 (policy framework) or 3.2 (investments). DZ, Sep 19, 2011: Comment cleared.	
	9. Is the project consistent with the recipient country's national strategies and plans or reports and	Yes. The project is in line with the national goal of the Government of Nepal regarding the development and	

Review Criteria	Questions	Secretariat Comment at PIF (PFD)/Work Program Inclusion ¹	Secretariat Comment At CEO Endorsement(FSP)/Approval (MSP)
	<p>assessments under relevant conventions, including NPFE, NAPA, NCSA, or NAP?</p>	<p>utilization of the country's renewable energy resources.</p> <p>Please provide information on the budget allocation by the Government of Nepal for executing the 3 years plan on electrification and utilization of renewable energy.</p> <p>DZ, Sep 19, 2011: According to the response to the GEFSEC comments, GoN will provide 19% of the \$98m required for alternative energy (below 1MW) for the three-year plan. However, according to the submitted PIF, the GoN will allocate \$500,000 for the baseline project activities during the period 2011-2013. Given this difference, please clarify how the project is fully aligned with the priorities of the GoN.</p> <p>DZ, Dec 20, 2011: Clarifications are provided. Comment cleared.</p>	
	<p>10. Does the proposal clearly articulate how the capacities developed, if any, will contribute to the sustainability of project outcomes?</p>	<p>Yes. Please consider to merge the various technical trainings to local entrepreneurs/private sector/companies/developers/installers into a well defined training component.</p> <p>DZ, Sep 19, 2011: The above recommendation though it was adopted in an earlier version of the PIF, in the Sep 9 version is not.</p> <p>DZ, Dec 20, 2011: Revised accordingly.</p>	

Review Criteria	Questions	Secretariat Comment at PIF (PFD)/Work Program Inclusion ¹	Secretariat Comment At CEO Endorsement(FSP)/Approval (MSP)
		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>No. The document does not identify a baseline project. Please identify a proper business as usual scenario and elaborate on the plans and budgets of the national government on the Rural Energy Policy and similar activities and projects to advance from this business as usual scenario.</p> <p>DZ, Sep 19, 2011: The description of the baseline project is improved. Please address the cofinancing issue raised in comment 9.</p> <p>DZ, Dec 20, 2011: Comment cleared.</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?	<p>No. Since the baseline project has not been described in an appropriate form the additionality of the proposed activities cannot be judged.</p> <p>DZ, Sep 19, 2011: No. The proposal does not provide detailed information about the capacity or regulatory issues that have not been addressed with other interventions (such as the REDP) or cannot be addressed by the baseline project activities. Obviously the</p>	

Review Criteria	Questions	Secretariat Comment at PIF (PFD)/Work Program Inclusion ¹	Secretariat Comment At CEO Endorsement(FSP)/Approval (MSP)
		<p>availability of funding for investments is the most crucial issue, so the use of GEF grants for leveraging investments seems more appropriate. However, the component 3 that concerns project financing enhancement is not clearly focused to investment financing. The GEF funding and cofinancing for this component is limited, most of the outputs concern TA activities, and a set of studies for different financial mechanisms is proposed. Please consider the lessons learned and the financial mechanisms developed by the existing initiatives in order to justify the need for the development of new financial mechanisms. Also, please separate the TA activities (studies) from the actual investment activities. Also, please clarify why the support of the investments under component 2 is separated from the financial support that the outputs of component 3 are expected to provide.</p> <p>DZ, Dec 20, 2011: Revised accordingly. Comment cleared.</p>	
	<p>14. Is the project framework sound and sufficiently clear?</p>	<p>No. Studies, trainings, legal and financial framework activities are all across the framework. Technical assistance and investment components are not clearly distinguished and separately budgeted. Please reorganize the structure and activities of the project to be in a more</p>	

Review Criteria	Questions	Secretariat Comment at PIF (PFD)/Work Program Inclusion ¹	Secretariat Comment At CEO Endorsement(FSP)/Approval (MSP)
		<p>logical flow.</p> <p>The emphasis of the policy development and financial innovation is for small-scale renewable energy. With pre-planning, the policy, regulatory, and financial design process could also enable and support growth in small-scale energy efficiency upgrades, solar-thermal water heating, and other low-carbon technologies. Consider including stakeholders representing these other low-carbon technologies in the project activities.</p> <p>Innovative finance mechanisms will need to acknowledge potential failure of consumers to pay back loans or mortgages, adding risk to financial investments. Explain if and how the GEF funding will be used to mitigate risk in the innovative financial structures. Who will be financing the capital fund in one of the financing institutions? Who will contribute to the guarantee fund/seed capital provision?</p> <p>The number and kind of direct investments in renewable energy systems for demonstration purpose is sufficiently clear and appropriate.</p> <p>It is not clear how the additional capacity of 3 MW micro hydro and 1 MW!! solar power systems per year will be implemented and financed through the project.</p>	

Review Criteria	Questions	Secretariat Comment at PIF (PFD)/Work Program Inclusion ¹	Secretariat Comment At CEO Endorsement(FSP)/Approval (MSP)
		<p>In the text the targeted legal framework outputs are too soft. It is all about preparation and drafting but no implementation, execution and enforcement is mentioned.</p> <p>DZ, Sep 19, 2011: The comment is not fully addressed. Please address the comment 13.</p> <p>DZ, Dec 20, 2011: Comment cleared.</p>	
	<p>15. Are the applied methodology and assumptions for the description of the incremental/additional benefits sound and appropriate?</p>	<p>Please describe the methodology for calculating the carbon benefits of replacing fuel wood and fossil fuels as described in the project.</p> <p>Please note that the input data used in the current calculation is questionable: according to IEA the average emission factor of the Nepal grid is 04 and not 0.8 tCO₂/MWh.</p> <p>DZ, Sep 19, 2011: The same capacity factor has been used for both technologies (solar PV and hydro). Please refine the calculations by using the appropriate capacity factor for PV systems.</p> <p>DZ, Dec 20, 2011: Calculations refined. Comment cleared.</p>	
	<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/</p>	<p>n/a</p>	

Review Criteria	Questions	Secretariat Comment at PIF (PFD)/Work Program Inclusion ¹	Secretariat Comment At CEO Endorsement(FSP)/Approval (MSP)
	additional benefits?		
	17. Is public participation, including CSOs and indigeneous people, taken into consideration, their role identified and addressed properly?	Yes.	
	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)	Yes. Please address the risk that investment projects have and most likely will be used as political bargaining tools and developments will be blocked. DZ, Sep 19, 2011: Comment cleared.	
	19. Is the project consistent and properly coordinated with other related initiatives in the country or in the region?	Yes.	
	20. Is the project implementation/ execution arrangement adequate?	Yes. AEPC as the executing agency is presented as a well established and experienced institution.	
	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?	No. Please provide an equal share of cofinancing for the management cost. DZ, Sep 19, 2011: Comment cleared.	

Review Criteria	Questions	Secretariat Comment at PIF (PFD)/Work Program Inclusion ¹	Secretariat Comment At CEO Endorsement(FSP)/Approval (MSP)
Project Financing	24. Is the funding and co-financing per objective appropriate and adequate to achieve the expected outcomes and outputs?	No. Since no baseline project has been described, the incrementality of the GEF funding can not be judged. DZ, Sep 19, 2011: Please address the comment 13. DZ, Dec 20, 2011: Comment cleared.	
	25. At PIF: comment on the indicated cofinancing; At CEO endorsement: indicate if confirmed co-financing is provided.	DZ, Sep 19, 2011: Please address the comment 9. DZ, Dec 20, 2011: Comment cleared.	
	26. Is the co-financing amount that the Agency is bringing to the project in line with its role?	UNDP brings in a US\$3million grant.	
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?		
	• Other GEF Agencies?		
Secretariat Recommendation			
Recommendation at PIF Stage	30. Is PIF clearance/approval being recommended?	No. Please address comments above. DZ, Feb 22, 2011: OFP's signature is missing in the endorsement letter. The proposal will be reviewed after its resubmission with an endorsement letter signed by the OFP.	

Review Criteria	Questions	Secretariat Comment at PIF (PFD)/Work Program Inclusion ¹	Secretariat Comment At CEO Endorsement(FSP)/Approval (MSP)
		<p>DZ, Sep 19, 2011: No. Please address the above comments. Before resubmission, please discuss the revisions with the GEFSEC.</p> <p>DZ, Dec 20, 2011: PIF clearance is recommended.</p>	
	<p>31. Items to consider at CEO endorsement/approval.</p>	<p>Sound technical and regulatory guidelines for grid or micro-grid inter-connection of small-scale renewable power is a critical success factor. Please describe the timeline for development and implementation of these guidelines. Please describe plans for implementing and enforcing the guidelines at the district and village level.</p> <p>Increased use of RE systems to displace use of fuel wood and fossil fuels presumes availability of cost-effective electrically powered lighting, appliances and equipment. Please describe what types of electrical equipment are in demand and available at the district and village level.</p> <p>Also, the form (grant vs. non-grant) and the amount of GEF funding for investment support should be analytically justified according to the incremental cost principle based on the lessons learned by the existing projects in the country and the relevant market data regarding the cost of the specific technologies.</p>	

Review Criteria	Questions	Secretariat Comment at PIF (PFD)/Work Program Inclusion ¹	Secretariat Comment At CEO Endorsement(FSP)/Approval (MSP)
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*	September 09, 2010	
	Additional review (as necessary)	February 22, 2011	
	Additional review (as necessary)	September 19, 2011	
	Additional review (as necessary)	December 20, 2011	
	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?	DZ, Dec 20, 2011: The project preparation activities seem appropriate but they are very generic. Please provide further detail, and adapt them in order to provide the items listed under Box 31. DZ, Apr 4, 2012: Comment cleared.
	2. Is itemized budget justified?	DZ, Dec 20, 2011: The requested PPG is lower than the provided cofinancing for project preparation. Please consider decreasing the PPG amount and upscaling the relevant cofinancing. DZ, Apr 4, 2012: According to the Agency's response, the in-kind contribution of project stakeholders has not been included in the co-financing figure for the PPG. Please explain whether there is a particular reason not to include this cofinancing, and if not please consider including it. Also, there is no justification why the requested PPG amount is necessary for the successful completion of the proposed project preparation activities; please take into account that the PPG requested amounts of other submitted and cleared UNDP projects have been lower, despite of referring to projects with higher budgets (and GEF funding).

Secretariat Recommendation	3.Is PPG approval being recommended?	DZ, Dec 20, 2011: No.
	4. Other comments	DZ, Apr 4, 2012: Please address the comment regarding the PPG budget.
Review Date (s)	First review*	December 20, 2011
	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.